PETERLABS
HOLDINGS
BERHAD
(909720-W)

PETERLABS ALWAYS S.H.A.R.E

Annual Report 2017

VISION

CUSTOMERS ARE MAIN PRIORITY

QUALITY CONTROL AT ITS BEST

SAFE AND ENVIRONMENTAL FRIENDLY PRODUCTS

MISSION

Always strive to improve our products

Always provide exceptionally good services to our customers by maintaining a personal relationship and dealing directly with the customers

Always provide nutrition and veterinary pharmaceutical products to the satisfaction of our customers

V A L U E

"PETERLABS always S.H.A.R.E..."

Sustainability
We recognize that sustainability has broad environmental, economic and social impacts, thus we are focusing our efforts on the long-term viability in building a business for today and tomorrow; working to minimize our impact on the environment; and securing a positive future for our Company, our people and the communities in which we live.

Honesty
Our Company is committed to being honest and fair, and doing what is right for our associates and customers.

Our Company conducts our business with adherence to the law. Our employees hold themselves to the highest standards of honesty, both internally and externally, when dealing with colleagues, clients or vendors.

Accountability
The services provided by our Company are "customer-driven" and aim at providing convenience and various choices to our customers. We hope to improve the quality of our service at all time.

Responsibility
We believe that our responsibility is to those who use our products and services. Everything we do is of high quality and benefits our customers.

Efficiency
Our Company focuses on maximizing efficiency and producing the best solutions for our customers.

CONTENTS

CORPORATE PROFILE

PeterLabs Holdings Berhad was incorporated under the Companies Act, 1965 (“Act”) on 28 July 2010 as a private limited company under the name of PeterLabs Holdings Sdn Bhd. The Company subsequently converted into a public limited company and assumed our present name on 29 October 2010 to facilitate our listing on the ACE Market and the Company was successfully listed on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 26 July 2011.

Our Group is one of the leading specialists in manufacturing, distribution and trading of animal health and nutrition products. Our Group products include animal feed additives, environment maintenance products, veterinary pharmaceuticals, biologicals, anthelmintic, antimicrobial, disinfectant, injectable products, mold inhibitor and toxin binder, multi-nutrient and supplement, complete feed premix, pre-probiotic / enzyme / acidifier, topical dressings and cleansing agents.

The Group’s manufacturing plant in Nilai, Negeri Sembilan has been commercialized in July 2011. The premises boast of 3 acres land area, which houses the corporate office, production facilities, warehouse facilities, quality control facilities, physio-chemical and microbiology laboratory. The plant in Nilai is Good Manufacturing Practice (“GMP”) compliant by National Pharmaceutical Regulatory Agency (“NPRA”) for our premises and manufacturing facilities. The Group will be able to provide assurance to customers that our products are manufactured in a hygienic manner and accordance to best practices in manufacturing.

In line with the expansion of our Group’s manufacturing capacity, the Group has ventured into mass production and toll manufacturing. In year 2015, the Group had expanded and set up another Fat Granular Spray Plant in Klang with an approximate build up area of 28,320 sq. ft. The manufacturing plant is targeted as a manufacturing and storage for our in-house brand “OsmoFAT”. The plant’s operation has been commercialized in July 2016 and currently is working towards ISO22000/HACCP Food Safety Management System and GMP+ B2. In quarter four year 2017, our Group’s subsidiary, Osmosis Nutrition Sdn Bhd had obtained Asia Halal Brand Awards 2017 – Regional Brands – Best Animal Nutrition Feed Product. Subsequently in early year of 2018, Financial Times and Statista awarded our Group FT 1000 High-Growth Companies Asia-Pacific 2018.

Our Group has years of experience to ensure the quality of product ingredients as well as packaging components. Products are produced in manufacturing processes governed by meticulous rules and industry standards. With the Company’s production facilities, our Group is able to produce variance of animal health products to cater livestock industry needs.

CORPORATE STRUCTURE

PeterLabs Holdings Berhad
(909720-W)
Investment Holding

100%
PLON Synergy Group Sdn Bhd
(598746-V)
Investment Holding

100%
PeterLabs Sdn Bhd
(594810-K)
Trading of animal health and nutrition products

100%
Osmosis Nutrition Sdn Bhd
(594876-A)
Manufacturing, distribution and export of animal health and nutrition products.

100%
OMS Resources Sdn Bhd
(611524-W)
Trading of animal health and nutrition products.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Hon Choon Kim / Independent Non-Executive Chairman

Datuk Wira Dr. Goy Hong Boon / Executive Director cum Deputy Chairman

Prof. Dr. Paul Cheng Chai Liou / Senior Independent Non-Executive Director

Lim Tong Seng / Managing Director

Teo Chin Heng / Executive Director

Yap Siaw Peng / Executive Director

Lau Yeng Khuan / Executive Director

Lau Kin Wai / Executive Director

Dr. Vijaya Raghavan a/l M P Nair / Independent Non-Executive Director

Azman bin Abdul Jalil / Independent Non-Executive Director

AUDIT COMMITTEE

Prof. Dr. Paul
Cheng Chai Liou
(Chairman)

Dato' Hon Choon Kim

Encik Azman bin
Abdul Jalil

NOMINATION COMMITTEE

Encik Azman
bin Abdul Jalil
(Chairman)

Dr. Vijaya Raghavan
a/l M P Nair

Dato' Hon Choon Kim

REMUNERATION COMMITTEE

Dr. Vijaya Raghavan
a/l M P Nair
(Chairman)

Mr. Teo Chin Heng

Dato' Hon Choon Kim

COMPANY SECRETARY

Wong Yuet Chyn
(MAICSA 7047163)

REGISTERED OFFICE

No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 6201 1120
Fax : (603) 6201 3121/5959

HEAD/MANAGEMENT OFFICE

Lot 16014 (PT No. 24341)
Jalan Nilam 3
Bandar Nilai Utama, 71800 Nilai
Negeri Sembilan Darul Khusus
Tel : (606) 7999 090
Fax : (606) 7997 070
Email : info@peterlabs.com.my

STOCK EXCHANGE LISTING

ACE Market of
Bursa Malaysia Securities Berhad
Stock Name : PLABS
Stock Code : 0171

(Listed on 26 July 2011)

CORPORATE WEBSITE

www.peterlabs.com.my

SHARE REGISTRAR

ShareWorks Sdn Bhd
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 6201 1120
Fax : (603) 6201 3121

AUDITORS

Grant Thornton Malaysia
(AF 0737)
Level 11, Sheraton
Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 2692 4022
Fax : (603) 2732 5119

PRINCIPAL BANKERS

Hong Leong Bank Berhad

Alliance Bank Malaysia Berhad

Affin Bank Berhad

Al-Rajhi Banking and Investment
Corporation (Malaysia) Berhad

MILESTONES AND ACHIEVEMENTS

2004-2009

Recognition Award from Zeus Biotech Limited, India (continuously from 2004 to 2009)

- In recognition of PeterLabs' successful marketing of probiotics and enzymes feed additives in the Malaysian market and achieving good sales performance.

2005

Special Recognition Award from CAB Cakaran Corporation Bhd ("CAB Cakaran"), a company listed on the Main Market of Bursa Securities.

- In recognition of PeterLabs' continuous technical support and supply of quality animal health and nutrition products to CAB Cakaran. CAB Cakaran is a leading integrated poultry producer with operations throughout Malaysia. PeterLabs has established a good business relationship with CAB Cakaran since 2002. We had conducted farmer forum and technical services for CAB Cakaran's contracted farmers in the past.

2007

PeterLabs collaborated with Novus International Inc, USA and introduced a series of eco-friendly animal feed additives, such as Activate DA and Mintrex. These 'green products' have been incorporated in our animal feed additive premix to enhance the Group's product performance namely feed intake, growth rate and feed conversion ratio ("FCR").

2009

PeterLabs collaborated with Hangzhou KingTechina Feed Co Ltd, China to launch and market a series of Microencapsulate feed additives. The process of microencapsulation will increase the product stability, palatability and bioavailability. The microencapsulated product has been incorporated into our animal feed additives to increase the therapeutic index. It has been proven to have a positive and synergistic effect with PeterLabs's product.

Recognition Award from Novus International (M) Sdn Bhd ("Novus Malaysia")

- In recognition of PeterLabs successfully introducing and creating a market in Malaysia for non-antibiotic animal feed additives under the brand name of Novus such as Activate DA and Mintrex.

Recognition Award from In Vivo NSA S.A, France

- In recognition of PeterLabs' successful marketing of animal feed additive products under the brand name of Neovia in the local market.

2010

PeterLabs collaborated with Novus Malaysia to conduct the 1st PigLIVE workshop: "Sustainable Sow Management Programme" at Genting Highlands in August 2010. The workshop was attended by approximately 140 participants from East and West Malaysia, mainly pig farm owners and technical support staff.

MILESTONES AND ACHIEVEMENTS (CONT'D)

2011

Awards and achievements in year 2011

- On 27 January 2011, the Company had received a letter from National Pharmaceutical Regulatory Agency ("NPRA") of the Ministry of Health, Malaysia, which stated our plant is Good Manufacturing Practice ("GMP") compliant.
- Malaysian Livestock Industry Awards 2011 – Outstanding Animal Health Provider.
- Best @ Show Awards – Most Popular Booth at Livestock Asia Expo & Forum 2011 Kuala Lumpur.
- Named to the International Business Times List of 2011 Top 1000 World's Fastest Growing Companies.
- SME 100 Malaysia's Fast Moving Companies 2011.

2013

Recognition Award for outstanding contribution made to the Livestock industry

- Outstanding Product Innovation: Animal Health Product.

2017

Asia Halal Brand Awards 2017 – Regional Brands

- Best Animal Nutrition Feed Product – Osmosis Nutrition Sdn Bhd.

2018

Recognition Award from Financial Times and Statista

- FT1000 High-Growth Companies Asia-Pacific 2018

DIRECTORS' PROFILE

DATO' HON CHOON KIM

Position
Independent Non-Executive Chairman

Nationality
Malaysian

Gender/Age
Male/70

Dato' Hon was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. He was redesignated as Independent Non-Executive Chairman on 2 January 2012. He is a member of our Audit Committee, Nomination Committee and Remuneration Committee. He graduated with a Bachelor of Social Sciences (Econ) in 1976 from University Sciences Malaysia (USM). In 1977, he started his career in the government's statistical department. In 1986, he was elected as state assemblyman and was appointed as a state executive councilor of Negeri Sembilan. He was then elected to be a member of the Parliament in 1995 and was appointed as the Deputy Minister of Education in 1999, a position that he holds till 2008. He is also the Vice President of NSCMH Medical Centre, a non-profit making organisation in Seremban. He was also appointed as Independent Director in Matrix Concepts Holdings Berhad on 23 July 2015.

He has attended all five (5) Board Meetings held during the financial year.

DATUK WIRA DR. GOY HONG BOON

Position
Executive Director cum Deputy Chairman

Nationality
Malaysian

Gender/Age
Male/46

Dr. Goy was appointed as an Executive Director cum Deputy Chairman on 7 November 2017. He is a corporate consultant with extensive experience in local and international capital markets, likewise in the field of information communication technology. In 1995, he started his career as Corporate Finance Manager with an International Investment Bank, his last held position was Head of Corporate Finance and Advisory, where he assisted several large corporations and GLC on raising capital via international financial market. Later, he joined a leading local financial firm as Vice President for Business Development and Corporate Advisory. Subsequently, he ventured into numerous ICT businesses before setting up his own consulting business specializing in Merger & Acquisition, corporate restructuring and project funding for SME company besides advising corporation on Pre-Initial Public Offerings.

He graduated with a BBA degree, in 1992 from American Intercontinental University of London (presently known as University Regent's University London). He also holds an MBA from Oklahoma City University graduated in 1994. He also possesses a Doctorate degree (DBA) in Strategic Management. He was awarded a Master of Financial Management (MFP) certification from American Academy of Financial Management. He is member of Chartered Audit Committee Director from The Institute of Internal Auditors Malaysia.

He has been granted the title "Datuk Wira" by the state of Melaka, prior to that he was bestowed with Darjah Indera Mahkota Pahang, and Darjah Johan Negeri (DJN) by the state of Penang.

He was appointed as Independent Non-Executive Director in SCC Holdings Berhad on 1 April 2010.

Since his appointment he has attended one (1) Board Meeting held during the financial year.

PROF. DR. PAUL CHENG CHAI LIOU

Position
Senior Independent Non-Executive Director

Nationality
Malaysian

Gender/Age
Male/71

Prof. Dr. Paul Cheng was appointed to the Board of PeterLabs Holdings Berhad on 1 November 2010. Currently he serves as a Senior Independent Non-Executive Director and as the Chairman of the Audit Committee.

Prof. Dr. Paul Cheng distinguished himself in practice as an auditor and a tax consultant. He is the founder and currently the senior partner of Cheng & Co, a Chartered Accountants Firm established in 1993. He is also an Adjunct Professor in the University Tun Abdul Razak since February 2011. In addition, he lectures on Mandatory Accreditation Program (MAP) for directors of public listed companies in Malaysia.

Prof. Dr. Paul Cheng holds a Bachelor of Business degree (1990) from the University of Southern Queensland, Australia. He also possesses a Master of Business Administration degree (1991) and a Doctor of Commercial Sciences degree (1996) both from the Oklahoma City University, USA. In addition, he holds a Doctor of Business Administration degree (2007) from the University of Newcastle, Australia.

He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA), a member of the Malaysian Institute of Certified Public Accountants (MICPA), a member of the Malaysian Institute of Management (MIM), and a member of the Malaysian National Computer Confederation (MNCC). He is a fellow member of CPA Australia and The Chartered Tax Institute of Malaysia (CTIM), a Chartered Management Accountant (CIMA, UK), a Chartered Tax Practitioner with the Chartered Tax Institute of Malaysia, and a Chartered Member of the Institute of Internal Auditors (IIA Malaysia).

He has attended all five (5) Board Meeting held during the financial year.

DIRECTORS' PROFILE (CONT'D)

LIM TONG SENG

Position
Managing Director

Nationality
Malaysian

Gender/Age
Male/59

Lim Tong Seng was appointed to the Board on 28 July 2010 as a Director and subsequently redesignated as the Managing Director of our Group on 1 September 2010. He completed his secondary school education in 1977 and has since accumulated over 33 years of experience in the livestock industry, mainly in the animal health and nutrition sector. He is also a committee member of the Malaysian Animal Health and Nutrition Industries Association.

Mr Lim's career in the livestock industry began when he joined the feedmill division of Industrial Farm Pte Ltd, a Singapore commercial pig farm in 1978 as a Feedmill Executive. In 1984, he assumed the position of Production Executive at Agrinuser (M) Sdn Bhd, a feed additive premix manufacturing company. In 1989, he founded Benuser and spearheaded the company's operations in manufacturing various feed additives and premixes for the livestock industry.

In 2002, Mr Lim left Benuser and co-founded PeterLabs, Osmosis Nutrition and PLON Synergy together with two (2) directors from Chern Tek, namely Teo Chin Heng and Dr. Teo Kooi Cheng. Mr Lim was appointed as the Executive Director of PeterLabs in 2002 and subsequently was promoted to Managing Director in 2008.

He has attended all five (5) Board Meeting held during the financial year.

TEO CHIN HENG

Position
Executive Director

Nationality
Malaysian

Gender/Age
Male/65

Teo Chin Heng was appointed to the Board on 1 September 2010 as an Executive Director and is currently heading the Supply Chain Department. He is also a member of Remuneration Committee. He graduated from National Chengchi University in Taiwan with a Bachelor of Economics in 1978 and has since accumulated over 30 years of experience in the animal health and nutrition industry.

Mr Teo began his career in his family's porcelain manufacturing business in 1979 and subsequently joined Wellchem (M) Sdn Bhd in 1981 as a Sales Executive in the veterinary division. In 1986, he co-founded Chern Tek, a company involved in trading of animal health and nutrition products, where he assumed the position of Executive Director and was responsible for the company's sales and marketing activities.

In 2002, Mr Teo left Chern Tek and co-founded PeterLabs, Osmosis Nutrition and PLON Synergy. Mr Teo was appointed as the Executive Director of PeterLabs and Sales and Marketing Director of Osmosis Nutrition in 2002.

He has attended all five (5) Board Meeting held during the financial year.

YAP SIAW PENG

Position
Executive Director

Nationality
Malaysian

Gender/Age
Female/45

Yap Siaw Peng was appointed as an Executive Director on 1 March 2016. She obtained her Bachelor Degree of Accounting with Honours and internship practices from The University of Hull in United Kingdom in 1998.

She began her career with few multinational companies in various industry. In 1998, she joined Digi Telecommunication Sdn Bhd as an Accounts Officer. From year 2000 to 2003, she served as a Senior Accounts Executive and Credit Controller in RS Components Sdn Bhd. Prior to joining PeterLabs Sdn Bhd, she worked for 7 years with an American Fortune 500 Company, Avery Dennison Materials Sdn Bhd as a Finance Manager to responsible on the day-to-day operations, she also participated in the South East Asia financial project and to oversee the operational activities at the distribution center in Johor Bahru.

She joined PeterLabs Sdn Bhd in 2010 as a Financial Controller to assist the Group in the Initial Public Offering exercise and was promoted to General Manager in 2012. She is currently responsible for the Group's corporate services function inter-alia, treasury, accounting, corporate planning, finance, human resources, information technology and day-to-day operations of the Group.

She has attended all five (5) Board Meeting held during the financial year.

DIRECTORS' PROFILE (CONT'D)

LAU YENG KHUAN

Position
Executive Director

Nationality
Malaysian

Gender/Age
Male/58

Lau Yeng Khuan is one of our Group's Sales and Marketing Director and was appointed as an Executive Director on 1 September 2010. He completed his high school education in 1977 and has since accumulated over 30 years of sales and business development experience in the livestock industry.

Mr Lau started his career with N.A.M Trading (Ipoh) Sdn Bhd as a Sales Executive in 1978 and subsequently joined Chern Tek in 1997 as a Sales Manager. He left the company to join our Group in 2002 as an Area Sales Manager. He is responsible for overseeing our Group's sales and business development activities in Perak where his roles include sales, co-ordinating and liaising with customers. He is also responsible for providing professional advice to our customers in the swine and poultry sector.

He has attended all five (5) Board Meeting held during the financial year.

LAU KIN WAI

Position
Executive Director

Nationality
Malaysian

Gender/Age
Male/41

Lau Kin Wai was appointed as an Executive Director on 9 January 2018. He is a well-recognised technology entrepreneur in Southeast Asia who founded his first technology company when he was 23 and has since taken six technology companies public. He began his career as the co-founder and Managing Director of Viztel Solutions Berhad ("Viztel"), a telecom and mobile Internet software startup. At the age of 26, Mr Lau led Viztel to IPO and was one of the youngest Managing Directors of a public company in Southeast Asia. Mr Lau is currently the Group CEO of ASX-listed Fatfish Internet Group, a publicly traded tech venture investment firm. Mr Lau is also Chairman of ASX-listed iCandy Interactive Ltd and a Non-Executive Director of Sedania Innovator Berhad.

Mr Lau graduated first class honors in Engineering from the University of Manchester and holds a MBA degree from the University of Oxford. Mr Lau frequently supports entrepreneurial campaigns in colleges and universities and is a regular judge at innovation and startup competitions in Singapore.

As he was appointed as Director on 9 January 2018, he has not attended any Board Meeting held during the financial year.

DR. VIJAYA RAGHAVAN A/L M P NAIR

Position
Independent Non-Executive Director

Nationality
Malaysian

Gender/Age
Male/79

Dr. Vijaya was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. He is the Chairman of the Remuneration Committee and member of Nomination Committee. He is a veterinarian with a Degree of Doctor of Veterinary Medicine from East Pakistan Agricultural University (currently known as Bangladesh Agriculture University). He graduated with a first class degree in 1970. In 1974, he obtained a PhD in Animal Nutrition from the Royal School of Veterinary Medicine in Hannover, Germany.

After his return from Germany, Dr. Vijaya started his career as a Research officer at the Institut Haiwan, Kluang, Johor for two years. He then joined the feed milling industry as a nutritionist and worked for two (2) related companies, namely Sin Heng Chan (M) Sdn Bhd and Federal Flour Mills Bhd for 35 years before becoming a freelance consultant for a few multinational companies in the field of poultry production, nutrition and staff training.

As a nutritionist, he has pioneered various research projects that are published in various international journals. Dr.Vijaya is also the Chairman of the Technical Committee of Animal Feeds of Standards and Industrial Research Institute of Malaysia ("SIRIM"). In SIRIM, he spearheaded the development of various types of animal feed for the livestock industry. Dr. Vijaya was awarded the Livestock Asia 2013 Award by the Ministry of Agriculture on his outstanding contribution to Malaysian Feed Milling Industry. This is the third award which he has received from the Ministry of Agriculture ever since the Livestock show started in 2001. He was also honoured by the Malaysian Society of Animal Production for his contribution to the feed industry in 1996 and by our Ministry of Science and Technology for his contribution in the development of various standards for feeding livestock in 1997.

Dr. Vijaya's other achievements include the Livestock Industry Achievement Award and Lifetime Achievement Award, both awarded by the Ministry of Agriculture in 2002 and 2007 respectively. In 2006, he was appointed as the speaker of the Bureau of World Poultry Science Association, in which he delivered lectures and conducted research papers in various international meetings. In 2008, he was made a fellow by the World Poultry Science Association for the Malaysian Branch. He is also a member of various professional bodies both locally and internationally.

Aside from being a freelance consultant, Dr. Vijaya currently lectures in several local and foreign universities.

He has attended all five (5) Board Meeting held during the financial year.

DIRECTORS' PROFILE (CONT'D)

AZMAN BIN ABDUL JALIL

Position
Independent Non-Executive Director

Nationality
Malaysian

Gender/Age
Male/58

Encik Azman was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. He is the Chairman of the Nomination Committee and member of Audit Committee. He obtained his Bachelors of Pharmacy (Honours) from University of El-Mansourah, Egypt, in 1983. He is a registered pharmacist with the Malaysian Pharmacy Board since 1984. Upon graduation, he joined the Ministry of Health of Malaysia as a Pharmacy Enforcement Officer.

In 1992, he left the Ministry of Health of Malaysia and joined Xepa Soul Pattinson (M) Sdn Bhd as a pharmacist. In 1995, he joined Kotra Pharma (M) Sdn Bhd, a pharmaceutical manufacturer and distributor, as a Quality Assurance Manager and was later promoted to Plant Manager in 2001. He left the company in 2003, and thereafter he joined Applied Chemie (M) Sdn Bhd as a Technical and Training Director.

In 2006, Encik Azman started his own consultancy firm, A1 Consultancy & Integrated Services Sdn Bhd, specializing in providing pharmaceutical consultancy services as well as training and registration of medicinal drugs, traditional (herbal) medicines, health supplements, cosmetics, and veterinary medicinal products.

Encik Azman is a life member and vice-chairman of Malaysian Pharmaceutical Society, Melaka branch, and member of Parenteral Drug Association. He is also a member of the International Society of Pharmaceutical Engineering (ISPE) of the Malaysian Affiliate.

He has attended all five (5) Board Meeting held during the financial year.

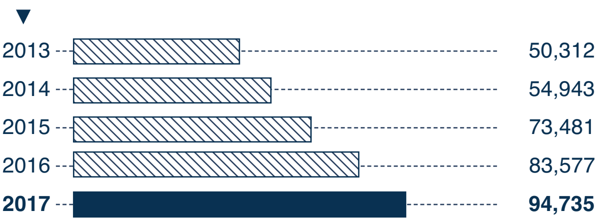
Other information:-
(a) Conflict of interest: None of the Directors have any conflict of interest with the Company.
(b) Family relationship: None of the Directors have any family relationship with any Director and/or major shareholder of the Company.
(c) Conviction for offences: None of the Directors have been convicted for any offences with the past five (5) years other than traffic offences.

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2013	2014	2015	2016	**2017**
Revenue (RM'000)	50,312	54,943	73,481	83,577	**94,735**
Profit Before Taxation (RM'000)	3,158	4,122	5,160	5,212	**5,737**
Profit After Taxation (RM'000)	2,008	2,982	3,478	3,335	**4,007**
Shareholders' Equity (RM'000)	30,368	32,786	38,991	39,431	**45,741**
Total Assets (RM'000)	39,895	43,856	50,502	61,748	**68,922**
Earnings Per Share (Sen)	1.08	1.61	1.70	1.61	**1.89**
Net Assets Per Share (Sen)	16	17	20	19	**21**

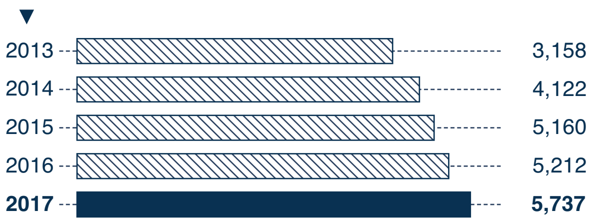
REVENUE

(RM'000)



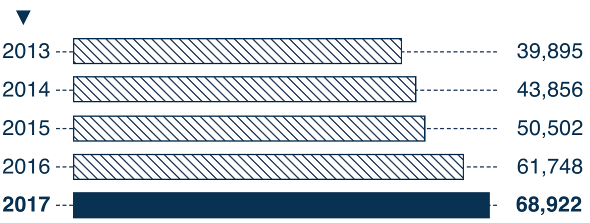
PROFIT BEFORE TAXATION

(RM'000)



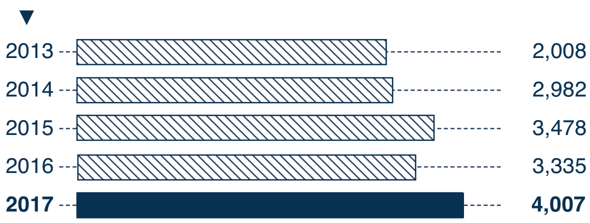
TOTAL ASSETS

(RM'000)



PROFIT AFTER TAXATION

(RM'000)



BUSINESS OPERATION

Our Group is one of the leading specialists in manufacturing, distribution and trading of animal health and nutrition products. Our Group products include animal feed additives, environment maintenance products, veterinary pharmaceuticals, biologicals, anthelmintic, antimicrobial, disinfectant, injectable products, mold inhibitor and toxin binder, multi-nutrient and supplement, complete feed premix, pre-probiotic / enzyme / acidifier, topical dressings and cleansing agents.

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In line with the expansion of our Group's manufacturing capacity, the Group has ventured into mass production and toll manufacturing. In year 2015, the Group had expanded and set up another Fat Granular Spray Plant in Klang with an approximate build up area of 28,320 sq.ft. The manufacturing plant is targeted as a manufacturing and storage for our in-house brand "OsmoFAT". The plant's operation has been commercialised in July 2016 and currently is working towards to achieve ISO22000/HACCP Food Safety Management System and GMP+ B2. In quarter four of year 2017, our Group's subsidiary, Osmosis Nutrition Sdn Bhd had obtained Asia Halal Brand Awards 2017 – Regional Brands – Best Animal Nutrition Feed Product. Subsequently in early year of 2018, Financial Times and Statista awarded our Group FT1000 High-Growth Companies Asia-Pacific 2018.

BUSINESS OBJECTIVE

The Group provide end to end solutions to our customers, namely, supply of products (consist of animal feed additives and nutrition and medication premixes), farm management, technical advisory services, raw material analysis and feed formulation. Its animal feed additives are used in the livestock industry such as in the poultry, ruminant and swine farming segments its products are used to help increase farm yield by lowering mortality rates and ensuring that animals stay healthy and grow to marketable size.

The Group has a team of dynamic and energetic professionals who complement each other's work towards the common goal of manufacturing varieties of animal health products, animal nutritional feed additive and veterinary pharmaceutical to serve the livestock industry.

The Group has also established a technical support team comprises of veterinarians, nutritionists, and chemists to serve our customers better.

The Group has also provide technical information exchange with customer's supervisors, technicians and in-house veterinarians, livestock information sharing, post-mortem on diseased animals, blood sampling of diseased animals for testing and individualize latest technologies in the manufacture of feed additives which help to meet the challenges in the feed and farming industry. We carry out researches to improve our products and to cater for our customers' needs. We also send out our technical team to visit our customers frequently.

The Group research and development team collaborates with universities and government bodies to carry out on-going research and development programs to enhance livestock farms' zootechnical and economic competitive edge in terms of quality, safety, profitability and animal well-being. We also run field trials at livestock farms to verify the efficiency of our products.

Seminars are organized frequently for our staffs and customers. The seminars include in-house technical seminars on topics relevant to customers, general technical seminars, updates on livestock industry around the world and whenever the Group launch new products from our company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULT

This year, the Group marks our 7th year anniversary listed in Bursa Malaysia and there is indeed cause for celebration. Our Group financial year ended 31 December 2017 represented another record, where once again we achieved historical high in full year Revenue and Profit Before Tax ("PBT").

The table below highlights the Group's key financial performance for financial year ended 31 December 2017:

	Financial Year Ended 31 December		
	2017 RM'000	2016 RM'000	Variance %
Revenue	94,735	83,577	13.35
Cost of Sales	77,646	66,633	16.53
Gross Profit	17,089	16,944	0.86
Profit Before Tax	5,737	5,212	10.07
Profit After Tax	4,007	3,335	20.15
Gross Profit Margin	18.04%	20.27%	(11.02)

Group Revenue for financial year ended 31 December 2017 increased by RM11.16 million or 13.35% compared with financial year ended 31 December 2016 were mainly due stronger export sales which grew 75.28% to RM18.89 million, as well as local sales which marginally increased by 4.18% to RM75.84 million. The stronger export sales were mainly due to our continuing effort penetrating our export market for our own manufactured products especially OsmoFAT 300. On the other hand, local sales continue to grow especially the Group managed to ink a distributor agreement with Zoetis Malaysia Sdn Bhd ("Zoetis") for the sale and distribution of 16 products produced by Zoetis.

The table below highlights the Group's Local Sales and Export Sales for financial year ended 31 December 2017 and financial year ended 31 December 2016:

Group Revenue by Location

	Financial Year Ended 31 December					
	2017		2016		Variance	
	RM'000	%	RM'000	%	RM'000	%
Local Sales	75,838	80.05	72,804	87.11	3,034	4.18
Export Sales	18,897	19.95	10,773	12.89	8,124	75.28
Total Sales	**94,735**	**100.00**	**83,577**	**100.00**	**11,158**	**13.35**

Gross profit margin for financial year ended 31 December 2017 reduced 2.23% as compared to financial year ended 31 December 2016 was mainly due to weak currency of our RM against USD which 60% of our import was dominated in USD currency. To mitigate against the risk of fluctuations in foreign exchange rate for the Group's import, the Group has entered the spot or forward forex contracts to lock in the current exchange rate. In addition to that, the Group is not fully passing on the increase cost to customer due to stiff competition from our competitors. Other factors which affected our gross profit margin were higher maintenance cost of plant and machinery in Nilai factory whereas higher direct operating cost from Klang factory which was caused by its utilization rate 43% only for financial year ended 31 December 2017.

Other Income

	Financial Year Ended 31 December		
	2017 RM'000	2016 RM'000	Variance %
Other Income	1,005	1,203	(16.46)

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Other Income (cont'd)

The group total other income decreased by 16.46% mainly due to lower reversal of inventory written down of RM152,000 for the year as a result of slower recovery of written off stock as compared with financial year ended 31 December 2016.

In addition to that, lower gain on disposal of property, plant and equipment of RM88,000 as compared to financial year ended 31 December 2016 was recorded mainly due to lesser asset sold during the year.

Other Operating Expenses

	Financial Year Ended 31 December		
	2017 RM'000	**2016 RM'000**	**Variance %**
Selling and Distribution Expenses	3,918	3,394	15.44
Administrative Expenses	7,663	8,064	(4.97)
Other Expenses	264	1,062	(75,14)
Total	**11,845**	**12,520**	**(5.39)**

Other operating expenses reduced by 5.39% to RM11.84 million in financial year ended 31 December 2017 compared to RM12.52 million in financial year ended 31 December 2016, which include administrative expenses decreased 4.97% was mainly due to lower provision for bonus for financial year ended 31 December 2017.

Significant reduction of other expenses mainly due to lower bad debt written off of RM206,000 in financial year ended 31 December 2017 couple with lower impairment loss on trade receivable of RM452,000 as compared with financial year ended 31 December 2016.

However, selling and distribution expenses continued to grow in tandem of achieving higher revenue both from local and export markets.

Profit After Tax

The Group recorded a profit after taxation ("PAT") of RM4.01 million for financial year ended 31 December 2017 compared to PAT of RM3.34 million recorded in financial year ended 31 December 2016, representing an increase of RM0.67 million or approximately 20.15%. Higher PAT in this financial year arising from higher revenue as well as prudent and effective management of the Group's net operating expenses. However, the effective tax rate of the Group for financial year ended 31 December 2017 is lower than the effective tax rate in financial year ended 31 December 2016 mainly due to lower provision of deferred tax of RM0.08 million as compared with financial year ended 31 December 2016.

Trade Receivables

Trade receivables increased by RM1.57 million primarily due to higher revenue achieved for the financial year ended 31 December 2017and the net debtor turnover day has been further reduced from 97 days in financial year ended 31 December 2016 to 90 days in financial year ended 31 December 2017. The better collection achieved in financial year ended 31 December 2017 was mainly due to good credit control policy has been practised with continuous monitoring collection before approval for delivering goods to problematic customers.

Moreover, lower provision of doubtful debt during the year under review which show a decrease of RM0.45 million as compared to financial year ended 31 December 2016. We will continue to monitor collection in order to further reduce the provision for doubtful debt as per our credit control policy.

Cash and Bank Balances

The Group's bank balances increased 26.21% to RM7.03 million from RM5.57 million was mainly due to better collection achieved despite revenue increased 13.35% in financial year ended 31 December 2017 as compared with financial year ended 31 December 2016.

Besides that, the Group has made advance payment of RM1.98 million to local and overseas suppliers for goods that will be shipped in next financial year ended 31 December 2018 as per payment term set by suppliers.

Dividends

Honouring its commitment to enhance shareholders value, the Board of Directors has proposed an interim dividend of 0.6 sen per share for financial year ended 31 December 2017 which showed a payout of totalled approximately RM1.29 million and a dividend payout ratio of 32.14%. The interim dividend has been disbursed on 9 February 2018 to the shareholders respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Financial Condition

Strong Financial Condition With Healthy Cash Flows

	Financial Year Ended 31 December		
	2017 RM'000	2016 RM'000	Variance %
Total Assets	68,922	61,748	11.62
Total Liabilities	23,181	22,317	3.87
Total Equity	45,741	39,431	16.00
Total Borrowing	12,723	11,940	6.55
Cash and Bank Balances	7,033	5,568	26.31
Issue and Fully Paid Capital	27,459	20,680	32.78
Net Asset Per Share (sen)	21.30	19.07	11.69
Basic Earnings Per Share (sen)	1.89	1.61	17.39

At year end, the Group has cash and bank balances of RM7.03 million, total current assets of RM50.21 million and total current liabilities of RM17.28 million. This resulted a quick ratio of 3.31 which means that the Group's ability to meet its short-term obligations with its most liquid assets.

Total borrowing stood at RM12.72 million, of which RM7.43 million of the loans was utilized mainly for financing payment to local and foreign suppliers.

Review Of Operating Activities

	Trading		Manufacturing		Grand Total	
	Financial Year Ended 31 December					
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net Revenue	82,387	76,800	12,348	6,777	94,735	83,577
Profit Before Tax	4,112	3,867	1,625	1,345	5,737	5,212
Profit After Tax	2,872	2,335	1,135	1,000	4,007	3,335
% of Contribution (Net Revenue)	86.97	91.89	13.03	8.11	-	-
% of Contribution (PAT)	71.67	70.02	28.33	29.98	-	-

TRADING SEGMENT

Trading segment remains the core business of the Group and continues to be the key driver in both revenue and segmental operating profit for the Group. For the current financial year ended 31 December 2017, trading segment contributed 86.97% of the Group's revenue and 71.67% of its profit after tax.

The Group is also expanding into a wider range of products, including vaccines in order to support the growth of the segment. The Group will actively participate in local and overseas seminars, forums and exhibitions to gain market recognition and market share.

The Group has managed to ink a distributor agreement with Zoetis Malaysia Sdn Bhd for the sale and distribution of 16 products produced by Zoetis. This will further improved the trading segment in term of revenue and profit.

MANUFACTURING SEGMENT

Currently the Nilai Plant is running at 70% capacity on a 10-hour shift or approximately 195 tonnes a month. The plant manufactures various types of animal health additives, except for OsmoFAT products.

MANUFACTURING SEGMENT (CONT'D)

The Group has invested a fat granular spray plant in Klang which is manufacturing animal feed additives under the company's in house OsmoFAT brand. This new plant will bolster growth for the Group which will to cater for local demand and future market such as China and Europe apart from current export market of Bangladesh, Thailand, Nepal and South Korea. The current output per month for the plant is 400 tonnes and able to expand to 1,000 tonnes a month if the Company able to penetrate the China and others market which is still in the pipeline.

ANTICIPATED OR KNOWN RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

(1) Epidemics

The threat of epidemics has always been one of the major problems faced by the livestock industry. As the demand for animal health and nutrition products are wholly dependent on the growth of the livestock industry, any widespread of animal diseases would have a severe impact on the demand of animal health and nutrition products, both domestically and internationally. As such, the recurrence of these or other new epidemics could have similar effects on livestock demand and supply as well as the demand for animal health and nutrition products.

To minimize the risk of epidemics, the Group has diversified our customer base to foreign countries such as Bangladesh, Indonesia, Brunei, Thailand, Nepal, Pakistan, Korea, Singapore, Taiwan, & Philippines. This way, we could reduce the risk of our product sales in the event of an epidemic in any particular location. However, there can be no assurance that the outbreak of epidemics can be contained or eliminated entirely and have no material effect on our business performance.

(2) Competitive rivalry

The local animal health and nutrition market is highly competitive and comprises more than 50 market players which include domestic product manufacturers, distributors and subsidiaries of international product manufacturers. Due to the relatively mature nature of the local livestock industry, particularly the poultry and swine sub-industries, market players have to have good products, strong branding, critical supply quantity, economies of scale and competitive prices in order to stay one step ahead of their competitors.

Our Group's core competency lies in the ability to develop and manufacture our own animal health and nutrition products. Our resilience lies in our product development initiatives which is one of our competitive strengths.

(3) Supply of raw materials and products

An uninterrupted and continuous supply of raw materials and products to our business cycle is crucial to our Group's success. Any disruption to the supply chain will adversely affect our business operations due to our involvement in manufacturing and trading activities particularly as opposed to a business which provides advisory services which depends on human capital.

To mitigate this risk, our Group has sourced our supplies from a variety of suppliers. Further, we are of the view that holding several distributorships mitigates our dependence on any single distributor. In the event that any of these distributorships are terminated by either party, we do not foresee any difficulties in sourcing similar products from any of our existing distributors, or other suppliers in the market.

(4) Fluctuation in prices of raw materials and products

One of the key issues encountered in the manufacturing industry is the fluctuation in raw material prices. As raw material cost contributes to a significant amount of our expenses, a slight hike in raw material prices would significantly increase our cost of production.

Other price increases could also be as a result of foreign exchange fluctuations which we have endeavoured to negate by entering into foreign exchange spot contracts to lock in the current exchange rate for our foreign purchases to be settled within three (3) market days.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

ANTICIPATED OR KNOWN RISKS RELATING TO OUR BUSINESS AND INDUSTRIES (CONT'D)

(5) Absence of long term contracts

We do not have any long term contracts with our customers as it is not a normal practice in the industry. As such, absence of long term contracts can be an inherent risk to our business's operations.

Hence, we are dependent on our major customers and could, to a certain extent, be impacted by any loss in sales to our major customers. Although there can be no assurance that our major customers will continue to purchase from us, our Group seeks to mitigate this risk by establishing good business relationships with them. Further, we have been able to keep in touch with our customers regularly through the provision of after-sales services as well as through various farmers' seminars and forums that we organize and attend from time to time. Our Group's commitment in providing continuous supply of quality products and services has been a vital factor towards customer satisfaction as well as a major reason for repeat purchases.

(6) Threat of Substitutes

Each product in the animal health and nutrition market has its own characteristics and functions. As different products are tailored to different farm animals and different farm environments, they are not easily replaced or substituted due to their distinctive features and functions. However, within the animal health and nutrition market, antibiotic related animal feed additives are most vulnerable to substitutes due to the increasing awareness of health and environmental hazards as well as the impending regulations related to antibiotic products. There is an increasing trend that farmers are switching to non-antibiotic animal feed additives on the basis of greater environmental sustainability and long-run profitability. Our Group currently manufactures and trades in both antibiotic and non-antibiotic animal feed additives. This reflects the current preferences and demand of livestock farmers in Malaysia. As livestock farmers gradually shift towards greater non-antibiotic feed additives usage, we are easily able to shift production and trading patterns to favour non-antibiotic feed additives. The Group will continue dealing with both types in proportion with market demand. In this regard, our Group's exposure to threat of substitutes are minimised in the event of a major change in consumer preference. Nevertheless, there can be no assurance that the Group's performance will not be affected in the event there is a new product innovation.

(7) Dependency on our executive directors, key management and key technical personnel

Human capital is one of the key factors in the success of the Group. Over the years, we have built up a strong operations team comprising our directors, managers and technical personnel who have a vast experience in the livestock industry and have over the year's accumulated vast and valuable knowledge of our Group's operations and the industry. As such, any loss of our key personnel may have an adverse impact on our Group as well as to our day-to-day operations. To retain our key management and key technical personnel, we offer a competitive remuneration package for their contribution towards our Group's success. Good working relationships have also been fostered amongst our employees as we provide a healthy working environment, practises good workplace culture and uphold good work ethics to create a sense of belonging amongst our employees. Although most of our key employees have good working relationships with us since our inception, there can be no assurance that they would not leave the Group.

FORWARD-LOOKING STATEMENT

In anticipation of the year 2018 which we expect a challenging business environment that will be influenced by factors such as weak consumer sentiment in the regional market and fluctuating currency, we will continue to uphold our healthy business practices to strive for our business sustainability and add value to our shareholders.

Our Group will continue to explore and penetrate the China and others market as the demand for products like OsmoFAT has been strong in China and others. Besides, our Group sub-subsidiaries, PeterLabs Sdn Bhd entered into a distributor agreement with Zoetis for the sale and distribution of 16 products produced by Zoetis.

Barring any unforeseen circumstances, the Board believes that the Group's prospects in next financial year ending 31 December 2018 remains positive with challenges ahead and target to achieve a better result than this financial year ended 31 December 2017.

CORPORATE SOCIAL RESPONSIBILITY

The Group believes that as an industry player, it is our role to provide continuous support to the society to maintain best business practices, contributing in genuine ways for the good of society while being accountable and responsible to the stakeholders.

At the heights of our expansion plan, our 2 manufacturing plants to deliver across the globe, the company creates a connection of people and retaining a skilled, motivated and safety-concious workforce. We ensure strict compliance with the environmental laws governing plant operations and maintenance in areas relating to environmental standards, emission standards, noise level management and treatment of plant effluents and wastewater.

As part of our Corporate Social Responsibility agenda, we have measures in place to minimise the adverse impact of pollution on the environment and to achieve continuous improvement of our plants' environmental performance, and we send other controlled waste substances (such as waste water plant sludge, contaminated drums, electrical waste, used filters and contaminated rags) to government licensed waste disposal units or specialist contractors.

As our Group being a great company which has shown our responsible, accountability and sustainability, we believe in human element to support our diverse workforce and to create opportunities. As the animal livestock industry need more personnel equipped with animal husbandary and veterinary medicine knowledge, the Group has sponsored an academic award by the name of Hadiah Peterlabs Holdings Berhad for Produksi Dan Kesihatan Haiwan Ternakan for student who excel in his/ her education. This award was given on his/her Convocation Day's between 4th to 7th November 2017 at the Faculty Veterinary Of Medicine, Universiti Putra Malaysia.

The Group has made a humble contribution to various farmers associations, primary schools' education fund and charity fairs which include to Kiwanis Club Of Manjung for organizing charity dinner for Children's Welfare. We hope to enhance the lives of the local community with our contribution.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of PeterLabs Holdings Berhad ("PLABS") recognises the importance of good corporate governance and is committed to practice high standards of corporate governance throughout the Group. Such commitment is based on the belief that a strong culture of good corporate governance practices is fundamental towards enhancing long-term shareholders' value, increasing investors' confidence and protecting stakeholders' interests.

Following the introduction of the Malaysian Code on Corporate Government 2017 (MCCG 2017) by Securities Commission Malaysia on 26 April 2017, the Board is cognisant of the increasing governance expectations and will take further steps to strengthen the corporate governance and internal controls of the Group to ensure that a higher standard of corporate governance is adopted throughout the Group.

The Board is pleased to report below the key focus areas are further described under each Corporate Governance principle.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

i. Board Responsibilities

The Group recognizes the important role played by the Board in the stewardship of the Group's direction and operations, and ultimately, the enhancement of long-term shareholders' value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board has set the approved authority limit for Directors and Management on annual basis, which clearly delineates relevant matters and applicable limits, including those reserved for the Board's approval, and those which the Board may delegate to the Managing Director and Management. The last reviewed approved authority limit was on 01 June 2017.

The Board members whether as full Board or in their individual capacity, have full and unrestricted access to all information within the Group and direct access to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with. At each meeting of the Board, the Company Secretary appraises the Board on the Group's compliance obligations and highlights non-compliances with legal, regulatory and statutory rules and guidelines, if any, in addition to the administrative matters.

The Board are also regularly updated and advised on new regulations, guidelines or directive issued by Bursa Securities, Securities Commission of Malaysia and other relevant regulatory authorities.

The Board also avails itself of independent professional advice as and when necessary in furtherance of their duties, at the Company's expense. Additionally, the Board invites the senior management to brief the Board from time to time on matters being deliberated as they are able to help bring insight into these matters.

The agenda for Board meeting and the relevant reports and information for the Board's review and approval are forwarded to all members minimum one (1) week prior to the Board meetings.

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its functions. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Company. The Company Secretary also keeps abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training.

The Board Charter would act as a source reference and primary induction literature, provide insights to prospective Board members as well as assist the Board in the assessment of its own performance and that of its individual Directors.

The Board Charter will be reviewed periodically and updated in accordance with the needs of the Group and any new regulations.

The Board Charter is accessible through the Company's website at http://www.peterlabs.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

ii. Board Composition

Board composition influences the ability of the board to fulfill its oversight responsibilities. An effective board should include the right group of people, with an appropriate mix of skills, knowledge, experience and independent elements that fit the Company's objectives and strategic goals. The right board composition will ensure sufficient diversity and independence to avert 'groupthink' or 'blind spots' in the decision-making process. It also enables the board to be better equipped to respond to challenges that may arise and deliver value.

The Board believes in a right composition of Board members with balance of qualifications, skills, experiences and diversity among its Board members.

As defined as one of the function of the Nomination Committee ("NC"), NC is periodically reviewing and making recommendation to the Board on Board composition matters and recommendations, which includes identification and selection of high caliber candidates who will be able to meet the present and future needs of the company.

The Board through its Nomination Committee ("NC") conducts an annual review of its size and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals. The Board has in place a 9-year policy which limits the tenure of the Independent Non Executive Director of the Company to nine (9) years, with the view to enable the Board's continuous refreshment, to maintain its effectiveness.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

For the year under review, the Board is satisfied with its current mix of qualification, skills, experiences, expertise and strength, in discharging its duties effectively.

During the year, the Board size had increased from eight (8) members on 1 January 2017 to nine (9) members on 31 December 2017.

The term of reference for NC was adopted on 29 November 2016 and is accessible through the Company's website at http://www.peterlabs.com.my.

The Board acknowledges the importance of boardroom diversity and workforce gender diversity policy. The Board currently has one female director who has been appointed on 01 March 2016.

The Board will continue to formalize the Diversity Policy , which will be priority for corporate governance activity in year 2018.

The Group is an equal opportunity employer and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organization.

iii. Remuneration

Directors' remuneration, which is well structured, clearly linked to the strategic objectives of a company, and which rewards contribution to the long-term success of the company is important in promoting business stability and growth. However, pay policies which do not appropriately link directors' remuneration to company strategy and performance can diminish shareholders' returns, weaken corporate governance and reduce public confidence in business.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

iii. Remuneration (cont'd)

The Board has established a Remuneration Committee, consisting of two (2) Independent Non-Executive Directors and one (1) Executive Director as follows:

Name	Designation	Directorship
Dr. Vijaya Raghavan A/L M P Nair	Chairman	Independent Non-Executive Director
Dato' Hon Choon Kim	Member	Independent Non-Executive Chairman
Mr. Teo Chin Heng	Member	Executive Director

The remuneration of the Executive Directors is structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibility undertaken by the particular Non-Executive Director concerned. The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

i. Audit Committee

An effective Audit Committee ("AC") can bring transparency, focus and independent judgment needed to oversee the financial reporting process. However, the ultimate responsibility for a company's financial reporting process rests with the full board.

The AC plays a key role in a company's governance structure. An independent AC is better positioned to rigorously challenge and ask probing questions on the company's financial reporting process, internal controls, risk management and governance.

The appropriate level of knowledge, skills, experience and commitment of its members is critical to the AC's ability to discharge its responsibilities effectively. A strong understanding of financial reporting process complemented with a wide range of diverse perspectives can significantly strengthen the quality of AC deliberations.

The AC of the Company comprises three (3) Independent Non-Executive Directors, is chaired by an Independent Non-Executive Director, Prof. Dr. Paul Cheng Chai Liou. Such practice was formalised and incorporated in the Terms of Reference of AC since October 2016.

Annually, the composition of AC is reviewed by the NC and recommended to the Board for its approval. With the view to maintain an independent and effective AC, the NC ensures that only an Independent Non-Executive Director who is financially literate, possess the appropriate level of expertise and experience, and has the strong understanding of the Company's business would be considered for membership on AC.

The Board has established a transparent relationship with the external auditors through the AC, which has been accorded the authority to communicate directly with the external auditors. The external auditors in turn are able to highlight matters requiring the attention of the Board effectively to the AC in terms of compliance with the accounting standards and other related regulatory requirements.

The Board has defined its policy on suitability and independence of external auditors during the financial year. In accordance to this policy the AC will review the qualification, audit performance and execution, provision of non-audit service and tenure of service of the External Auditors. Annually, the AC also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the Annual General Meeting ("AGM").

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

ii. Risk Management and Internal Control Framework

The Board has the overall responsibility for maintaining a system of internal controls, which provides reasonable assessments of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as internal procedures and guidelines.

Details of the Company's statement on risk management and internal control are set out on page 30 and 31 of this Annual Report.

Internal Audit Function

Details of the Company's internal audit function are set out in the statement on risk management and internal control on page 30 and 31 of this Annual Report.

The Company's Internal Auditor has adopted the Committee of Sponsoring Organisations of the Treadway Commission (COSO) control framework throughout their audit implementation as a basis for assessing the adequacy and effectiveness of the Company's risk and control processes. The approach is in compliance with the Bursa Malaysia's Listing Requirement para 15.27 (b) on the issuance of Statement of Risk Management & Internal Control.

The COSO framework included:

a. Organisational Control Environment - provides an atmosphere in which people conduct their activities and carry out their control responsibilities. It serves as the foundation for the other components.
b. Risk Assessment - within this environment, management assesses risks to the achievement of specific objectives.
c. Control Activities - are implemented to help ensure that management directives to address the risks are carried out.
d. Information & Communication - meanwhile, relevant information is captured and communicated throughout the organisation.
e. Monitoring - the entire process is monitored and modified as conditions warrant.

The AC has discharged its function and carried out its duties as set out in the Terms of Reference (TOR).

The term of reference for AC was adopted on 29 November 2016 and is accessible through the Company's website at http://www.peterlabs.com.my.

The Group has outsourced its internal audit function to a professional service team i.e. the internal auditor.

The internal auditor reports directly to the AC on a quarterly basis by presenting its Internal Audit Reports during the AC meetings, whereby relevant issues identified in the Internal Audit Reports will be discussed with the Management in the meeting. Rectification work, if necessary will be performed and follow-up will be carried out by internal auditor for the purpose of reporting at the subsequent Audit Committee meeting.

During the financial year ended 31 December 2017, the internal auditor reviewed the adequacy and integrity of the Group's system of internal control covering both financial as well as non-financial controls. The audits focused on key controls to manage risks, safeguard assets, secure the accuracy and reliability of records, comply with policies, procedures, laws and regulations and promote efficiency of operations. For year 2017, the cost incurred for internal audit function was RM26,400.

PRINCIPLE C : INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

i. Communication with Stakeholders

Ongoing engagement and communication with stakeholders builds trust and understanding between the company and its stakeholders. It provides stakeholders a better appreciation of the company's objectives and the quality of its management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C : INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

i. Communication with Stakeholders (cont'd)

This in turn will assist stakeholders in evaluating the company and facilitate shareholders to determine how their votes should be exercised. From the company's perspective, it provides an avenue for invaluable feedback that can be used to understand stakeholders' expectations and develop business strategies.

The Board strives to comply with corporate disclosure requirements set by Bursa Securities and adopted the following forms of information disclosure:

a. Continuous disclosure – the core disclosure obligation and primary method of informing the market and shareholders.
b. Periodical disclosure – quarterly reporting of financial results, annual audited accounts and annual report.
c. Specific information disclosure – as and when required, of administrative and corporate developments, usually in the form of Bursa releases.

All information made available to Bursa Securities is immediately available to shareholders, stakeholders and the public on the Company's Investor Relations section of the website: www.peterlabs.com.my.

Leverage on Information Technology

The Board continues to leverage the use of information technology to disseminate information to shareholders. The Group's website was developed and maintained by IT professional to ensure the website is up to date and secured. The website has a dedicated section to provide information such as the Board Charter, share price announcements made to Bursa Securities and copies of the annual report.

ii. Conduct of General Meetings

General meetings are important platforms for directors and senior management to engage shareholders to facilitate greater understanding of the company's business, governance and performance. This supports shareholders in exercising their ownership rights and expressing their views to the board and senior management on any areas of concerns.

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's annual report twenty eight (28) days before the meeting. All shareholders are encouraged to participate in discussions with the Board on matters relating to the Group's operations and performance at the Company's AGM.

There were no substantive resolutions put forth for shareholders' approval at the previous AGM held on 30 May 2017. As such, all resolutions tabled for shareholders' approval were voted by way of poll.

The Group recognises the importance of keeping shareholders informed of the Group's business and corporate developments. Such information is disseminated via the Group's annual reports, quarterly financial results and announcements made from time to time. The Company's announcements made to Bursa Securities and other relevant information is also available at the Group's website at www.peterlabs.com.my.

COMPLIANCE WITH THE CODE

The Board considers that the Group has substantially complied with the best practices as stipulated in the Principles and Recommendations of the MCCG 2017 throughout the financial year ended 31 December 2017.

This statement was approved by the Board on 26 March 2018.

AUDIT COMMITTEE REPORT

MEMBERS OF AUDIT COMMITTEE

The Audit Committee ("AC") of PeterLabs Holdings Berhad ("PeterLabs" and "the Company") is comprised wholly of Non-Executive Directors as follows:

Prof. Dr. Paul Cheng Chai Liou
Chairman, Senior Independent Non-Executive Director

Dato' Hon Choon Kim
Member, Independent Non-Executive Chairman

Encik Azman bin Abdul Jalil
Member, Independent Non-Executive Director

Prof. Dr. Paul Cheng Chai Liou meets the requirement of Rule 15.09 (1)(c)(i) of ACE Market Listing Requirements ("AMLR") in that he is a Chartered Accountant and a member of the Malaysian Institute of Accountants.

SECRETARY

The secretary to the AC is the Company Secretary of the Company.

TERMS OF REFERENCE

The AC has discharged its function and carried out its duties as set out in the Terms of Reference ("TOR").

The detailed TOR of the AC outlining the composition, duties and functions, authority and procedures of the AC are published and available on the Company's website at http://www.peterlabs.com.my.

MEETINGS AND MINUTES

Attendance at Meetings

The record of attendance of the members of the AC for meetings held during the financial year ended 31 December 2017 ("FYE 2017") are as follows:

NAME	NO.OF AUDIT COMMITTEE MEETINGS HELD DURING MEMBER'S TENURE IN OFFICE	NO.OF AUDIT COMMITTEE MEETINGS ATTENDED BY MEMBER
Prof. Dr. Paul Cheng Chai Liou	5	5/5
Dato' Hon Choon Kim	5	5/5
Azman bin Abdul Jalil	5	5/5

The quorum of the meeting is two (2) who shall be Independent Non-Executive Directors.

Meetings

The AC will meet at least four (4) times a year although additional meetings may be called at any time at the discretion of the Committee. The record of attendance of the members of the AC is shown above.

AUDIT COMMITTEE REPORT
(CONT'D)

Meetings (cont'd)

The meetings are pre-scheduled and are timed just before the Company's Board of Directors' ("Board") meetings. The Agenda carries matters that need to be deliberated, reviewed or decided on and reported to the Board. Notices and AC papers are circulated to all members prior to the meeting with sufficient time allocated for them to prepare themselves for deliberation on the matters being raised.

If the need arises, the Chairman has the discretion to call for the attendance of Management, internal auditors and external auditors during such meetings.

During its scheduled quarterly meetings, the AC shall review the risk management and internal control processes, the Interim and Year-end Financial Report, the Internal and External Audit Plans and Reports, Related Party Transactions ("RPT")/Recurrent Related Party Transactions ("RRPT"), and all other areas within the scope of responsibilities of the AC under its TOR.

Minutes

The Company Secretary shall be the Secretary of the AC which shall provide the necessary administrative and secretarial services for the effective functioning of the Committee. The minutes of the meetings are circulated to the Committee and to all members of the Board.

OBJECTIVES AND AUTHORITY

Objectives

The objectives of the AC are:

i. To relieve the full Board from detailed involvement in the review of the results of internal and external audit activities and to ensure that audit findings are brought up to the highest level for consideration;

ii. To comply with the ACE Market Listing Requirement ("AMLR") and other specified financial standards, required disclosure policies, regulations, rules, directives or guidelines developed and administered by Bursa Securities; and

iii. To provide forum for dialogue or meetings as a direct line of communication between the Board and the external auditors, internal auditors and Management.

Authority of AC

The AC is authorised by the Board:

i. To have explicit authority to investigate any matters within its terms of reference;

ii. To have the resources which are required to perform its duties;

iii. To have full, free and unrestricted access to the chief executive officer and chief financial officer and to any information, records, properties from both internal and external auditors and any employee(s) of the Group;

iv. To have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity, if any;

v. To have the rights to obtain external legal or other independent professional advice whenever necessary in furtherance of their duties; and

vi. To be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed company, whenever deemed necessary.

AUDIT COMMITTEE REPORT (CONT'D)

OBJECTIVES AND AUTHORITY (CONT'D)

Duties of the AC

The duties of the AC shall be:

i. To recommend the nomination of person or persons as external auditors;

ii. To consider the external auditors for appointment, audit fees and review any letter of resignation or dismissal and proposal for re-appointment of external auditors or whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment;

iii. To review the nature and scope of the audit with the internal and external auditors before the audit commences and ensure co-ordination where more than one audit firm is involved;

iv. To review the evaluation of the system of internal controls with the auditors;

v. To review the assistance given by the Group's Management to the external auditors;

vi. To review any appraisal or assessment of the performance of the internal auditors;

vii. To review the quarterly results and annual financial statements, prior to the approval by the Board, focusing particularly on:

- any changes in accounting policies and practices;
- significant adjustments arising from the audit;
- any other significant and unusual events;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

viii. To review the external auditor's management letter and management's response;

ix. To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

x. To review the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;

xi. To review and recommend to the Board the Corporate Governance ("CG") Overview Statement and Risk Management and Internal Control Statement in relation to internal control and the management of risk included in the annual report;

xii. To consider the report, major findings and management's response on any internal investigations carried out by the internal auditors;

xiii. To review the adequacy and effectiveness of risk management, internal control and governance systems;

xiv. To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and

xv. To carry out such other responsibilities, functions or assignments as may be defined jointly by the AC and the Board from time to time.

No member of the AC shall have a relationship which in the opinion of the Board will interfere with the exercise of independent judgement in carrying out the functions of the AC.

AUDIT COMMITTEE REPORT
(CONT'D)

OBJECTIVES AND AUTHORITY (CONT'D)

SUMMARY OF ACTIVITIES

In respect of the FYE 2017, the AC in discharging its duties and functions carried out activities which are summarised broadly as follows:

a) Internal Audit

The AC is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the systems of internal control.

The Company engaged Messrs. OAC Consulting Sdn Bhd ("OAC") as outsources Internal Auditors to carry out the internal audit function of the Group for the FYE 2017.

The internal auditor reports directly to the AC on a quarterly basis by presenting its Internal Audit Reports during the AC meetings, whereby relevant issues identified in the Internal Audit Reports will be discussed with the Management in the meeting. Rectification work, if necessary will be performed and follow-up will be carried out by internal auditor for the purpose of reporting at the subsequent AC meeting.

On 30 May 2017, OAC tabled the report for the AC's review covering the Sales and Marketing Department. The report focused on assessed the effectiveness of internal control and performed testing to ensure the internal controls have been complied with by the Sales and Marketing Department.

On 22 August 2017, OAC tabled a second report for AC's review covering the areas of Financial Management & Accounting and Asset Management. The report focused on understanding and formalizing the standard operating procedures for Finance Department and processes for purchase of assets.

On 28 November 2017, OAC tabled a third report for AC's review covering the Production Department for Osmosis Nutrition Sdn Bhd. The report focused on assessed the effectiveness of internal control and performed testing to ensure the internal controls have been complied with by the Production Department.

On 26 February 2018, OAC tabled a fourth report for AC's review covering the audit follow-up for year 2016 to 2017. The report focused on the audit follow-up for Warehouse/Logistic/Customer Service, Technical, Sales & Marketing, Financial Management & Accounting and Asset Management.

The reports outlined the audit objective, scope of work, source of information, restriction, conduct of internal audit, list of observation, risk status of findings together with the Internal Auditors' recommendations and the Management's response.

For year 2017, the cost incurred for internal audit function was RM26,400.

b) Financial Reporting

In overseeing and discharging its responsibilities in respect of financial reporting, the AC:

i. Reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The 1st, 2nd, 3rd and 4th Quarter Interim Financial Reports were tabled at the AC meetings held on 30 May 2017, 22 August 2017, 28 November 2017 and 26 February 2018.

ii. Ensured the quarterly reports and Audited Financial Statements ("AFS") were prepared in compliance with the Malaysian Financial Reporting Standard ("MFRS"), International Financial Reporting Standards, and the Requirements of the Companies Act 2016 Malaysia while the quarterly reports took into consideration Rule 9.22 including Appendix 9B of the Listing Requirements;

iii. Reviewed the various Board's Policies and Procedures, Board Charter, procedures for RRPT;

AUDIT COMMITTEE REPORT
(CONT'D)

OBJECTIVES AND AUTHORITY (CONT'D)

SUMMARY OF ACTIVITIES (CONT'D)

b) Financial Reporting (cont'd)

iv. Reviewed the External Auditors' Audit Planning Memorandum ("APM") for the FYE 2017 which covered the engagement and reporting requirements, audit approach, areas of audit emphasis, significant events during the financial year, communication with the management, engagement team, the reporting and deliverables as well as the proposed audit fees;

v. Reviewed the External Auditors' audit findings and recommendations and the AFS for the FYE 2017 on 26 March 2018;

vi. Reviewed RPT/RRPT entered into by the Company and its subsidiaries during its AC meetings on 30 May 2017, 22 August 2017, 28 November 2017 and 26 February 2018;

vii. Considered the performance of External Auditors, reviewed the independence of External Auditors and recommended to the Board for re-appointment;

viii. To ensure the integrity of the financial information, received assurance from the Executive Directors and Executive Director in charge of Finance, that:-

- Appropriate accounting policies had been adopted and applied consistently;
- The going concern basis applied in the Annual Consolidated Financial Statements was appropriate;
- Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
- Adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under MFRSs and Listing Requirements; and
- The consolidated AFS and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.

ix. Reviewed the AC Report, CG Overview Statement, CG Report and Statement on Risk Management and Internal Control for publication in the 2017 Annual Report; and

x. Reviewed the Statement of Risk Management and Internal Control together with the Internal Auditors and External Auditors and received assurance from the Executive Directors and Executive Director in charge of Finance that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommending the Statement to the Board.

c) External Audit

Messrs Grant Thornton Malaysia ("GT") is the External Auditors for the Group and all its subsidiaries. GT led by their engagement partner presented their External APM for the Reviewed the External Auditors' APM for the FYE 2017 on 28 November 2017 and had declared and confirmed that they were independent and would be independent through their audit engagement.

There were no areas of major concern raised by GT that warranted escalation to the Board. The External Auditors were also informed by the AC that should there be any significant incidents or matters detected in the course of their audits or reviews which warrant their knowledge or intervention, it shall be reported to the AC accordingly.

The non-audit fees paid to the External Auditors amounting to RM19,800 for the FYE 2017. The non-audit fees were in respect of services rendered in respect of tax compliance, review of the Statement on Risk Management and Internal Control.

AUDIT COMMITTEE REPORT (CONT'D)

OBJECTIVES AND AUTHORITY (CONT'D)

SUMMARY OF ACTIVITIES (CONT'D)

c) External Audit (cont'd)

The AC carried out an assessment of the performance and suitability of GT based on the quality of services and relationship with Management, AC, Internal Auditors and Board. The AC has been generally satisfied with the independence, performance and suitability of GT based on the assessment and are recommending to the Board and shareholders for approval for the re-appointment of GT as External Auditors for the Financial Year Ending 31 December 2018.

CG PRACTICES

Apart from discharging its duties with respect to the internal audit, financial reporting and external audit, the AC also reviewed the disclosures made in respect of the financial results and Annual Report of the Company in line with the principles and spirit set out in the Malaysian Code on CG, other applicable laws, rules, directives and guidelines.

The AC discussed and reviewed the CG Overview Statement and CG Report for the FYE 2017.

The statement was approved by the Board on 26 March 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Board Responsibility

The Board of Directors are responsible for determining the nature and extent of the significant risks that the Group is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. With the support of the Audit Committee, it carries out a review of the effectiveness of the Group's risk management and internal control systems and reports to the Board of Directors on quarterly basis that it has done so. Such review covers all materials controls including financial, operations, management information systems and compliance controls and risk management systems.

The Group maintains its systems of risk management and internal control with a view to safeguard assets of the Group and shareholders' interest, to identify and manage risks affecting the Group, to ensure compliance with regulatory requirements and to ensure operational results are closely monitored and substantial variances are promptly explained.

The Board of Directors is aware of the limitations that are inherent in any systems of internal control and risk management, as such systems being designed to manage, rather than eliminate, the risk that may impede the achievement of the Group's business objectives. Accordingly, it can only provide a reasonable combination of preventive, detective and corrective measures but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

The Group's risk management and internal control framework is an ongoing process, and has been in place for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group.

Risk Management Framework

The Group has an embedded process for the identification, evaluating, reporting, treatment, monitoring and reviewing of the major strategic, business and operation risks within the Group, covering both wholly and partially owned subsidiaries. Risk registers, based on a standardised methodology, are used at the Group to identify, assess and monitor the key risks faced by the Group. Information based on prevailing trends, for example whether a risk is considered to be increasing or decreasing over time, is provided in relation to each risk and all identified risks are assessed at four levels (significant/high/moderate/low) by reference to their impact and likelihood. Mitigation plans are required to be in place to manage the risks identified. The mitigation plans are reviewed on a regular basis.

Internal Audit Structure

The Group has outsourced its internal audit function to a professional service team. The internal audit function reports directly to the Audit Committee. Four (4) reports on the internal audit findings were issued to the Audit Committee during the year. The internal audit function reviews critical business processes and identifies internal controls gaps, assesses the effectiveness and adequacy of the existing state of internal control and recommends possible improvements to the internal control process.

The internal audit plays a critical role in the objective assessment of the Group's business processes by providing the Audit Committee with reasonable independent assurance on the effectiveness and integrity of the Group's system of risk management and internal control.

Organisation Structure

Key responsibilities and lines of accountability within the Group are defined, with clear reporting lines up to the Management of the Group and to the Board of Director. The Group's delegation of authority sets out the decisions that need to be taken and the appropriate authority levels of Management including matters that require the Board approval.

Financial Reporting Controls

The Group has defined policies, practices and controls to ensure the reporting of complete and accurate financial information. These procedures and controls include obtaining authority for transactions and ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and tagging.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Operational Monitoring and Controls

The monitoring and control procedures, which are incorporated into day to day operational procedures, are regularly reviewed by the Executive Directors responsible for reporting to the Board. These are supplemented by comprehensive and independent reviews undertaken by the internal audit function on the controls in operation in each individual business and independently report to the Audit Committee of the outcome and findings.

Performance Measurement Controls

The Group has in place a proper control environment which emphasizes on quality and performance of the Group's employees through the development and implementation of human resource policies and programmes designed to enhance the effectiveness and efficiency of the individual and the organisation.

Annual training and appraisal systems are also implemented for the employees at all levels within the Group to ensure continuous assessment on the employees' performance is carried out.

Conclusion

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control for the financial year under review. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

The Board has received assurance from the Executive Directors that the Company's risk management and internal control system is in place and operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group. The Board is satisfied that the system of risk management and internal control is in accordance with the MCCG 2017.

As required by paragraph 15.23 of AMLR. The external auditor has reviewed this Statement on Risk Management and Internal Control.

This Statement was approved by the Board on 26 March 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

This statements is prepared as required by Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required by the Companies Act 2016 ("the Act") to prepare the financial statements for each financial year which have been made out in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia and to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flow of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:

(a) selected suitable accounting policies and applied them consistently;
(b) ensured that all applicable accounting standards have been followed;
(c) made judgements and estimates that are reasonable and prudent; and
(d) prepared financial statements on a going concern basis as the Directors have a reasonable expectation, having made the necessary enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility in ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements is in compliance with the Act, the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the AMLR.

The Directors have the overall responsibilities for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

The following additional compliance information is provided in accordance with Rule 9.25 of the AMLR:

1. **Material Contracts**

   There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests still subsisting at the end of the financial year or entered into since the end of the previous financial year.

2. **Audit and Non-audit Fees**

   There were audit fees of RM71,000 and non-audit fees of RM19,800 paid to the external auditors by the Group in providing their taxation services and reviewing of the Statement on Risk Management and Internal Control for the financial year ended 31 December 2017.

3. **Utilisation of Proceeds Raised From Corporate Proposal**

   The Company has raise funds through Special Bumiputera issue of 7,939,900 shares at an issue price of RM0.29 per share. The proceed raised from Special Bumiputera issue was RM2,302,571 and was then utilised for payment to creditors for purchase of raw materials and other day-to-day operating expenses.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities. The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements.

There were no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	4,007,496	2,327,929
Attributable to:-		
Owners of the Company	4,007,496	2,327,929

DIVIDENDS

The amount of dividends declared and paid since the end of the last financial year were as follows:-

	RM
In respect of the financial year ended 31 December 2017 and declared on 19 January 2018 and paid on 9 February 2018:-	
An interim single tier dividend of 0.6 sen per ordinary share	1,288,439

The Directors do not recommend any final dividend payment for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT
(CONT'D)

DIRECTORS

The Directors who hold office during the financial year and up to the date of this report are as follow:-

Dato' Hon Choon Kim (Independent Non-Executive Chairman)
Datuk Wira Dr. Goy Hong Boon (Executive Director cum Deputy Chairman) (Appointed on 7.11.2017)
Prof. Dr. Paul Cheng Chai Liou (Senior Independent Non-Executive Director)
Lim Tong Seng (Managing Director)*
Teo Chin Heng (Executive Director)*
Lau Yeng Khuan (Executive Director)
Yap Siaw Peng (Executive Director)
Lau Kin Wai (Executive Director) (Appointed on 9.1.2018)
Dr. Vijaya Raghavan A/L M P Nair (Independent Non-Executive Director)
Azman Bin Abdul Jalil (Independent Non-Executive Director)

* Director of the Company and of all the subsidiaries

The Directors of subsidiaries who held office at the end of financial year and up to the date of this report are as follows:-

Dr. Teo Kooi Cheng
Lim Swee Hwa
Chan Bee Chuan
Kho Siaw Sua
Lau Yeng Khuan

In accordance with Article 90 of the Company's Articles of Association, Dato' Hon Choon Kim, Prof. Dr. Paul Cheng Chai Liou and Ms. Yap Siaw Peng will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 205(5) of the Companies Act, 2016, Datuk Wira Dr. Goy Hong Boon and Mr. Lau Kin Wai will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

DIRECTORS' FEES AND BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the Notes to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those disclosed in the Note to the financial statements.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 25 to the financial statements.

DIRECTORS' REPORT
(CONT'D)

DIRECTORS' INTERESTS IN SHARE AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under section 59 of the Companies Act, 2016, the interests and deemed interests in the ordinary shares of the Company and its related corporations of those who were Directors as at year end (including their spouses or children) are as follows:

Directors of the Company

	Ordinary shares			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Interest in the Company				
Direct interest				
Lim Tong Seng	19,943,238	-	(8,000,000)	11,943,238
Teo Chin Heng	25,565,245	-	(8,000,000)	17,565,245
Lau Yeng Khuan	8,900,645	-	(2,000,000)	6,900,645
Azman Bin Abdul Jalil	30,000	-	-	30,000
Indirect interest				
Dato' Hon Choon Kim (Deemed interest by virtue of the shares held by his spouse)	50,000	-	-	50,000
Yap Siaw Peng (Deemed interest by virtue of the shares held by her spouse)	350,058	-	-	350,058
Datuk Wira Dr. Goy Hong Boon (Deemed interest by virtue of the shares held by his spouse)	-	3,466,800	-	3,466,800

Directors of the subsidiaries of Company

	Ordinary shares			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Interest in the Company				
Direct interest				
Dr. Teo Kooi Cheng	9,306,000	160,000	(2,050,000)	7,416,000
Lim Swee Hwa	3,978,300	70,000	(200,000)	3,848,300
Chan Bee Chuan	7,100,000	-	(2,550,000)	4,550,000
Kho Siaw Sua	8,400,000	-	(2,000,000)	6,400,000
Lau Yeng Khuan	8,900,645	-	(2,000,000)	6,900,645

Other than the above, no other Directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' REPORT
(CONT'D)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:-

(a) 7,939,900 new ordinary shares at an issue price of RM0.29 per ordinary share of a total cash consideration of RM2,302,571 for the purpose of working capital pursuant to the Special Bumiputra Issue.

(b) RM4,476,914 share premium account had transferred and become part of the Company's share capital account pursuant to Section 618(2) of the Companies Act, 2016.

The new ordinary shares issued during the financial year rank par pass in all respects with the existing ordinary shares of the Company.

There were no issuance of debentures during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and there were no bad debt to be written off; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render it necessary to written off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT
(CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors:-

(a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

The amount of indemnity coverage and insurance premium paid for Directors and Officers of the Group and of the Company during the financial year are disclosed in Note 25 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company and of its subsidiaries for the financial year ended 31 December 2017 amounted to RM15,900 and RM55,100 respectively.

There was no indemnity given to or insurance effected for the Auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

....	)	
LIM TONG SENG	)	
	)	
	)	
	)	DIRECTORS
	)	
	)	
....	)	
TEO CHIN HENG	)	

Kuala Lumpur

26 March 2018

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 45 to 96 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

……...	....
LIM TONG SENG	TEO CHIN HENG

Kuala Lumpur

26 March 2018

STATUTORY DECLARATION

I, Thong Swee Hean, being the officer primarily responsible for the financial management of PeterLabs Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 45 to 96 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed at Kuala Lumpur in	)	
the Federal Territory this day of	)	
26 March 2018	)	....
		THONG SWEE HEAN

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PeterLabs Holdings Berhad, which comprise the statements of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 96.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventories valuation

The risk

Refer to Note 6 to the financial statements. The Group holds significant amount of inventories that amounted to RM17,238,577 which are subject to a risk that the inventories become slow-moving or obsolete and rendering them not saleable or can only be sold for selling prices that are less than their carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventories obsolescence provision and in making an assessment of their adequacy due to risk of inventories not stated at the lower of costs or market values.

Our response

For inventories, we tested the methodology for calculating the provisions, challenged the appropriateness and consistency of judgements and assumptions made. In doing so, we obtained the ageing profile of inventories and obtained understanding on the process for identifying specific problem inventories and historic loss rates.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Allowance for doubtful debts

The risk

Refer to Note 7 to the financial statements. We focused on this area because the Group has material amount of trade receivables that are past due but not impaired amounted to RM5,880,310. The key associated risk was the recoverability of billed trade receivables as management judgement is required in determining the completeness of the trade receivables provision and in assessing its adequacy through considering the expected recoverability of the year-end trade receivables.

Our response

We have challenged management's assumptions in calculating the allowance for doubtful debts. This includes reviewing the ageing of receivables in comparison to previous years, testing the integrity of ageing by calculating the due date for a sample of invoices and reviewing the level of bad debts written off in the current year against the prior years. We also checked the recoverability of outstanding receivables through examination of subsequent year end cash receipts and tested the operating effectiveness of the relevant control procedures that management has in place.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprise the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided to the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

OOI POH LIM
(NO: 3087/10/19(J))
CHARTERED ACCOUNTANT

Kuala Lumpur

26 March 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	18,710,891	18,743,906	-	-
Investment in subsidiaries	5	-	-	17,299,900	17,299,900
Total non-current assets		18,710,891	18,743,906	17,299,900	17,299,900
Current assets					
Inventories	6	17,238,577	11,583,547	-	-
Trade receivables	7	23,458,431	21,889,301	-	-
Other receivables	8	2,443,580	3,962,934	13,250	1,000
Amount due from subsidiaries	5	-	-	10,118,153	8,618,153
Tax recoverable		37,579	-	1,573	-
Cash and bank balances	9	7,032,806	5,568,188	2,827,724	1,145,463
Total current assets		50,210,973	43,003,970	12,960,700	9,764,616
TOTAL ASSETS		68,921,864	61,747,876	30,260,600	27,064,516
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	10	27,459,485	20,680,000	27,459,485	20,680,000
Share premium	11	-	4,476,914	-	4,476,914
Unappropriated profits	12	18,281,351	14,273,855	2,645,015	317,086
Total equity		45,740,836	39,430,769	30,104,500	25,474,000
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	13	811,287	760,764	-	-
Borrowings	14	4,380,333	5,295,019	-	-
Deferred tax liabilities	15	711,000	359,000	-	-
Total non-current liabilities		5,902,620	6,414,783	-	-

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (CONT'D)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
EQUITY AND LIABILITIES (CONT'D)					
LIABILITIES (CONT'D)					
Current liabilities					
Trade payables	16	4,260,915	3,775,852	-	-
Other payables	17	4,225,087	5,130,546	156,100	1,590,400
Finance lease liabilities	13	287,843	288,141	-	-
Borrowings	14	8,342,349	6,645,057	-	-
Tax payable		162,214	62,728	-	116
Total current liabilities		17,278,408	15,902,324	156,100	1,590,516
TOTAL LIABILITIES		23,181,028	22,317,107	156,100	1,590,516
TOTAL EQUITY AND LIABILITIES		68,921,864	61,747,876	30,260,600	27,064,516

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	18	94,734,722	83,577,292	2,650,000	1,850,000
Cost of sales		(77,645,984)	(66,633,630)	-	-
Gross profit		17,088,738	16,943,662	2,650,000	1,850,000
Other income	19	1,004,957	1,203,094	4,955	20,465
Selling and distribution expenses		(3,917,573)	(3,393,821)	-	-
Administrative expenses		(7,663,408)	(8,063,908)	(325,894)	(368,847)
Other expenses	20	(264,064)	(1,062,450)	-	-
Operating profit		6,248,650	5,626,577	2,329,061	1,501,618
Finance costs	21	(511,293)	(414,076)	-	-
Profit before tax	22	5,737,357	5,212,501	2,329,061	1,501,618
Tax expense	23	(1,729,861)	(1,877,713)	(1,132)	(6,008)
Profit for the financial year		4,007,496	3,334,788	2,327,929	1,495,610
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the financial year		4,007,496	3,334,788	2,327,929	1,495,610
Total profit and total comprehensive income for the financial year		4,007,496	3,334,788	2,327,929	1,495,610
Earnings per share attributable to owners of the Company	24				
- basic (sen)		1.89	1.61		
- diluted (sen)		NA	NA		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	← Attributable to owners of the Company →			
	← Non-distributable →		Distributable	
	Share capital RM	Share premium RM	Unappropriated profits RM	Total equity RM
Group				
Balance at 1 January 2016	20,680,000	4,476,914	13,834,267	38,991,181
Profit for the financial year	-	-	3,334,788	3,334,788
Total comprehensive income for the financial year	-	-	3,334,788	3,334,788
Transactions with owners:-				
In respect of the financial year ended 31 December 2015: - Dividend of 0.7 sen per share, paid on 30 March 2016	-	-	(1,447,600)	(1,447,600)
In respect of the financial year ended 31 December 2016: - Dividend of 0.7 sen per share, paid on 24 January 2017	-	-	(1,447,600)	(1,447,600)
Total transactions with owners	-	-	(2,895,200)	(2,895,200)
Balance at 31 December 2016	20,680,000	4,476,914	14,273,855	39,430,769
Profit for the financial year	-	-	4,007,496	4,007,496
Total comprehensive income for the financial year	-	-	4,007,496	4,007,496
Transactions with owners:-				
- Issuance of shares	2,302,571	-	-	2,302,571
- Transition to no-par value regime^	4,476,914	(4,476,914)	-	-
Total transactions with owners	6,779,485	(4,476,914)	-	2,302,571
Balance at 31 December 2017	27,459,485	-	18,281,351	45,740,836

^ The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set put in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM4,476,914 for purposes as set out in Sections 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Attributable to owners of the Company			
	Non-distributable		Distributable	
	Share capital RM	Share premium RM	Unappropriated profits RM	Total equity RM
Company				
Balance at 1 January 2016	20,680,000	4,476,914	1,716,676	26,873,590
Profit for the financial year	-	-	1,495,610	1,495,610
Total comprehensive income for the financial year	-	-	1,495,610	1,495,610
Transactions with owners:-				
In respect of the financial year ended 31 December 2015: - Dividend of 0.7 sen per share, paid on 30 March 2016	-	-	(1,447,600)	(1,447,600)
In respect of the financial year ended 31 December 2016: - Dividend of 0.7 sen per share, paid on 24 January 2017	-	-	(1,447,600)	(1,447,600)
Total transactions with owners	-	-	(2,895,200)	(2,895,200)
Balance at 31 December 2016	20,680,000	4,476,914	317,086	25,474,000
Profit for the financial year	-	-	2,327,929	2,327,929
Total comprehensive income for the financial year	-	-	2,327,929	2,327,929
Transactions with owners:-				
- Issuance of shares	2,302,571	-	-	2,302,571
- Transition to no-par value regime^	4,476,914	(4,476,914)	-	-
Total transactions with owners	6,779,485	(4,476,914)	-	2,302,571
Balance at 31 December 2017	27,459,485	-	2,645,015	30,104,500

^ The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set put in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM4,476,914 for purposes as set out in Sections 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
OPERATING ACTIVITIES					
Profit before tax		5,737,357	5,212,501	2,329,061	1,501,618
Adjustments for:-					
Bad debts written off		-	205,772	-	-
Depreciation		1,559,056	1,211,769	-	-
Dividend income		-	-	(2,650,000)	(1,850,000)
Gain on disposal of property, plant and equipment		(54,434)	(142,752)	-	-
Impairment loss on trade receivables		-	452,342	-	-
Impairment loss on trade receivables no longer required		(243,783)	(205,772)	-	-
Interest expenses		511,293	414,076	-	-
Interest income		(113,474)	(114,529)	(4,955)	(19,850)
Inventories written down		68,815	28,080	-	-
Reversal of inventories written down		(112,307)	(264,692)	-	-
Unrealised gain on foreign exchange		(4,871)	(10,974)	-	-
Operating profit/(loss) before working capital changes		7,347,652	6,785,821	(325,894)	(368,232)
Changes in working capital:-					
Inventories		(5,611,538)	(526,913)	-	-
Receivables		188,972	(2,645,893)	(12,250)	-
Payables		(410,490)	3,344,990	(1,434,300)	1,440,759
Bills payables		1,671,611	3,141,238	-	-
Cash generated from/(used in) operations		3,186,207	10,099,243	(1,772,444)	1,072,527
Tax paid		(1,466,147)	(1,707,192)	(2,821)	(5,118)
Tax refund		150,193	-	-	-
Interest paid		(160,793)	(197,282)	-	-
Interest received		113,474	114,529	4,955	19,850
Net cash from/(used in) operating activities		1,822,934	8,309,298	(1,770,310)	1,087,259
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(1,160,073)	(6,942,100)	-	-
Proceeds from disposal of property, plant and equipment		54,434	246,358	-	-
Dividend received		-	-	2,650,000	1,850,000
Net cash (used in)/from investing activities		(1,105,639)	(6,695,742)	2,650,000	1,850,000

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
FINANCING ACTIVITIES					
Advances to subsidiaries		-	-	(1,500,000)	(1,100,000)
Dividend paid		-	(2,895,200)	-	(2,895,200)
Drawdown of term loans		-	4,200,000	-	-
Interest paid		(350,500)	(216,794)	-	-
Proceeds from issuance of shares		2,302,571	-	2,302,571	-
Repayment of term loans		(889,005)	(506,030)	-	-
Repayment of finance lease liabilities		(315,743)	(228,802)	-	-
Net cash from/(used in) financing activities		747,323	353,174	802,571	(3,995,200)
CASH AND CASH EQUIVALENTS					
Net changes		1,464,618	1,966,730	1,682,261	(1,057,941)
Effect of exchange rate changes		-	(32,151)	-	-
Brought forward		5,568,188	3,633,609	1,145,463	2,203,404
Carried forward		7,032,806	5,568,188	2,827,724	1,145,463

NOTE TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Total purchases	1,526,041	7,762,000	-	-
Purchase through finance lease arrangement	(365,968)	(819,900)	-	-
Cash payment	1,160,073	6,942,100	-	-

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2017

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) and the principal place of business of the Company is located at Lot 16014 (PT No.24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan Darul Khusus.

The Company is principally engaged in investment holding activities.

The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 March 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia (“RM”) which is the Company’s functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 MFRSs

2.4.1 Adoption of Amendments/Improvements to MFRSs and IC Interpretations (“IC Int”)

The Group and the Company have consistently applied the accounting policies set out in Note 3 to the Financial Statements to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted amendments/improvements to MFRSs and IC Interpretations which are mandatory for the financial periods beginning on or after 1 January 2017.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements of the Group and of the Company except for:

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.1 Adoption of Amendments/Improvements to MFRSs and IC Interpretations ("IC Int") (cont'd)

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative

The Group and the Company have applied these amendments for the first time in the current year. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The information are provided in Note 32 to the financial statements. Consistent with the transition provisions of the amendments, the Group and the Company have not disclosed comparative information for the prior period.

2.4.2 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, Malaysia Accounting Standard Board ("MASB") has approved certain new standards, amendments and interpretations to existing standards which are not yet effective, and have not been early adopted by the Group and the Company.

The management anticipates that all of the relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. The initial application of the new standards, amendments and interpretations are not expected to have any material impact to the financial statements of the Group and of the Company except as mentioned below:-

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group's and the Company's investment in unquoted shares will be measured at fair value through other comprehensive income.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company expert no significant financial impact on it statements of financial position.

MFRS 15 Revenue from contracts with customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with current practices.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company expect no significant financial impact on its statement of financial position.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards Issued But Not Yet Effective (cont'd)

MFRS 16 Leases

MFRS 16 replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

This standard will come into effect on or after 1 January 2019 with early adoption permitted. The adoption of MFRS 16 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 16.

2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

<u>Key Sources of Estimation Uncertainty</u>

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

Key Sources of Estimation Uncertainty (cont'd)

Useful Lives of Depreciable Assets

The management estimates the useful lives of the property, plant and equipment to be within 5 to 50 years and reviews the useful lives of depreciable assets at each reporting period. The management assesses that the useful lives represent the expected utility of the assets to the Group.

The carrying amount is analysed in Note 4 to the financial statements. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in an adjustment to the Group's assets.

Impairment of Property, Plant and Equipment

The Group carried out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit to which the property, plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from cash-generated unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly and the Group's profit to change.

The carrying amount of the Group's inventories at the reporting date is disclosed in Note 6 to the financial statements.

Impairment of Loans and Receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Income Tax/Deferred Liabilities

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Significant Management Judgement

The following are significant management judgements in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

Significant Management Judgement (cont'd)

Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed tax losses, unabsorbed capital allowances, unutilised reinvestment allowances and unabsorbed tax credits to the extent that it is probable that future taxable profits will be available against which all deductible temporary differences, unabsorbed tax losses, unabsorbed capital allowances and unutilised reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies.

Leases

In applying the classification of leases in MFRS 117, management considers some of its leases of motor vehicles as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group or the Company. Control exists when the Group or the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group or the Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exists, the carrying amount of the subsidiaries is assessed and written down immediately to their recoverable amount.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

3.1.2 Basic of Consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basic of Consolidation (cont'd)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.15 of the financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.1.3 Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the fair value at acquisition date of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, if any, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. For instances where the latter amount exceeds exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of the equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.2 Property, Plant and Equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Buildings	2%
Motor vehicles	20%
Plant and machinery	10%
Office equipment	10%
Computer equipment	20%
Furniture and fittings	10%
Air-conditioners	10%
Renovation	5%
Laboratory	10%

Capital work-in-progress consists of plant and machinery under construction/installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use. Assets under construction are not depreciated until it is completed and ready for their intended use.

The residual values, useful life and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, Plant and Equipment (cont'd)

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is dereognised.

3.3 Inventories

Inventories, comprising raw materials, trading goods and finished goods are stated at the lower of cost and net realisable value ("NRV") after adequate specific write down has been made by the Directors for deteriorated, obsolete and slow-moving inventories.

Cost of raw material is determined by using the weighted average method. The cost of raw materials and consumables comprise costs of purchase plus the cost of bringing the inventories to their present condition and location.

Cost of finished goods is determined by using first-in-first out method. Costs of finished goods comprises direct materials, direct labour, other direct costs and appropriate proportions of production overheads based on normal operating capacity.

Cost of trading goods are determined using first-in-first-out method. Cost includes the original purchase price plus direct cost of bringing these inventories to their present condition and location.

Net realisable value represents estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

When inventories are sold and revenue is recognised, the carrying amount of those inventories is recognised as cost-of-goods-sold. Write-down to NRV and inventory losses are recognised as expenses when it occurred and any reversal is recognised in the profit or loss in the period in which the reversal occurs.

3.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

<u>Finance Leases</u>

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (cont'd)

Operating Leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and the lease assets are not recognised on the statements of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3.5 Financial Instruments

3.5.1 Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

3.5.2 Financial Assets – Categorisation and Subsequent Measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

a) financial assets at fair value through profit or loss;
b) loans and receivables;
c) held-to-maturity investments; and
d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each end of the reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

At the reporting date, the Group and the Company have not designated any financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The Group and the Company carry only loans and receivables on their statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial Instruments (cont'd)

3.5.2 Financial Assets – Categorisation and Subsequent Measurement (cont'd)

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognitions, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, amount due from subsidiaries, trade and most of other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current assets.

3.5.3 Financial Liabilities – Categorisation and Subsequent Measurement

After the initial recognition, financial liability is classified as financial liability at fair value through profit or loss, other financial liabilities measured at amortised cost using the effective interest method or financial guarantee contracts.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss and financial guarantee contracts. The Group and the Company carry only other financial liabilities measured at amortised cost on their statements of financial position.

Other Financial Liabilities Measured at Amortised Cost

The Group's and the Company's other financial liabilities include borrowings, finance lease liabilities, trade and most of the other payables.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

Financial Guarantee Contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.5.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment of Assets

3.6.1 Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable date indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent financial year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the provision account. If a write-off is later recovered, the recovery is recognised in the profit or loss.

3.6.2 Non-financial Assets

The Group and the Company assess at each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's (CGU) fair value less costs to see and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds it recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment of Assets (cont'd)

3.6.2 Non-financial Assets (cont'd)

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's and the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss has been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

3.7 Foreign Currency Translation

The Group's consolidated financial statements are presented in RM, which is also the Company's functional currency.

Transactions in foreign currencies are recorded in the respective functional currency of the Company and its subsidiaries at exchange rates approximating those ruling at the date of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at reporting date. Non-monetary items that are measured at historical cost are translated at the dates of the initial transactions and those items measured at fair value in foreign currency are translated at the date when the fair value was determined.

Gains and losses resulting from settlement of such transactions and conversion of short term assets and liabilities, whether realised or unrealised, are included in profit or loss as they arise.

3.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and bank balances which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Equity, Reserves and Distribution to Owners

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Unappropriated profits include all current and prior period unappropriated profits.

Interim dividends are simultaneously proposed and declared, because the Articles of Association of the Company grants the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Equity, Reserves and Distribution to Owners (cont'd)

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

All transactions with owners of the Company are recorded separately within equity.

Prior to Companies Act, 2016 which came into operation on 31 January 2017, incremental external cost directly attributable to the issuance of new shares are deducted, incremental external cost directly attributable to the issuance of new shares are deducted against equity.

3.10 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.11 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.12 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Employee Benefits

3.13.1 Short Term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year, in which associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees which increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

3.13.2 Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expenses in profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

3.14 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

3.14.1 Sale of Goods

Revenue from sale of goods is recognised upon delivery of goods sold and customer acceptance, net of returns and trade discounts. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated cost or the possible return of goods.

3.14.2 Dividend Income

Dividend income is recognised at the time the right to receive payment is established.

3.14.3 Interest Income

Interest income is recognised as it accrues on a time basis using effective interest method.

3.15 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3.15.1 Current Tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Tax Expense (cont'd)

3.15.1 Current Tax (cont'd)

Current tax for current and prior periods is recognised as a liability (or an asset) to the extent that it is unpaid (or refundable).

3.15.2 Deferred Tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowances and investment tax allowances, being tax incentives that are not tax bases of an asset, are recognised as deferred tax assets to the extent that there are probable that the future taxable profits will be available to offset against the unutilised tax incentive credit.

3.16 Goods and Services Tax

Goods and Services Tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Group paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Operating Segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are show in Note 34 to the financial statements.

3.18 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

(i) Has control or joint control over the Group;
(ii) Has significant influence over the Group; or
(iii) Is a member of the key management personnel of the corporate shareholders of the Group, or the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

(i) The entity and the Group are members of the same group.
(ii) One entity is an associate or joint venture of the other entity.
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the same third entity.
(v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
(vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the corporate shareholders of the Group or the entity.
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

3.19 Earnings per Ordinary Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares during the period.

4. PROPERTY, PLANT AND EQUIPMENT

Group

Cost	Freehold land RM	Buildings RM	Motor vehicles RM	Plant and machinery RM	Office equipment RM	Computer equipment RM	Capital work-in-progress RM	Furniture and fittings RM	Air-conditioners RM	Renovation RM	Laboratory RM	Total RM
At 1 January 2016	1,467,419	5,902,346	1,437,804	4,862,959	174,896	60,507	1,118,824	115,200	94,403	37,032	542,317	15,813,707
Additions	-	4,815,642	650,627	2,182,500	25,390	17,317	-	-	-	59,124	11,400	7,762,000
Reclassification	-	-	-	1,028,500	-	-	(1,118,824)	-	-	90,324	-	-
Disposals	-	-	(604,069)	(23,400)	-	-	-	-	-	-	-	(627,469)
At 31 December 2016	1,467,419	10,717,988	1,484,362	8,050,559	200,286	77,824	-	115,200	94,403	186,480	553,717	22,948,238
Additions	-	-	383,441	84,150	-	-	1,027,500	-	-	30,950	-	1,526,041
Reclassification	-	-	-	867,500	-	-	(867,500)	-	-	-	-	-
Disposals	-	-	(276,143)	-	-	-	-	-	-	-	-	(276,143)
At 31 December 2017	1,467,419	10,717,988	1,591,660	9,002,209	200,286	77,824	160,000	115,200	94,403	217,430	553,717	24,198,136
Accumulated depreciation												
At 1 January 2016	-	584,581	316,624	2,157,426	80,840	38,776	-	32,584	47,569	4,154	253,872	3,516,426
Charge for the financial year	-	126,073	304,729	656,561	20,686	11,721	-	11,520	9,394	16,663	54,422	1,211,769
Disposals	-	-	(500,658)	(23,205)	-	-	-	-	-	-	-	(523,863)
At 31 December 2016	-	710,654	120,695	2,790,782	101,526	50,497	-	44,104	56,963	20,817	308,294	4,204,332
Charge for the financial year	-	214,360	374,881	845,570	18,828	10,323	-	11,520	9,394	30,598	43,582	1,559,056
Disposals	-	-	(276,143)	-	-	-	-	-	-	-	-	(276,143)
At 31 December 2017	-	925,014	219,433	3,636,352	120,354	60,820	-	55,624	66,357	51,415	351,876	5,487,245
Net carrying amount												
At 31 December 2017	1,467,419	9,792,974	1,372,227	5,365,857	79,932	17,004	160,000	59,576	28,046	166,015	201,841	18,710,891
At 31 December 2016	1,467,419	10,007,334	1,363,667	5,259,777	98,760	27,327	-	71,096	37,440	165,663	245,423	18,743,906

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as securities to financial institutions

Net carrying amount of assets pledged as securities for bank borrowings are:-

	Group 2017 RM	Group 2016 RM
Freehold land	1,467,419	1,467,419
Buildings	9,792,974	10,007,334
	11,260,393	11,474,753

Assets held under finance leases

The details of assets under finance lease are:-

	Group 2017 RM	Group 2016 RM
Motor vehicles:-		
Additions during the financial year	383,441	819,900
Net carrying amount	1,225,810	1,131,693

Leased assets are pledged as securities for the related finance lease liabilities.

5. SUBSIDIARIES

Investment in subsidiaries	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost	17,299,900	17,299,900

5. SUBSIDIARIES (CONT'D)

(a) Details of the subsidiaries are as follows:-

Name of companies	Effective ownership interest and voting interest (%) 2017	(%) 2016	Principal activities	Principal place of business/ country of incorporation
Plon Synergy Group Sdn. Bhd.	100	100	Investment holding company	Malaysia
Subsidiaries of Plon Synergy Group Sdn. Bhd.				
1. PeterLabs Sdn. Bhd.	100	100	Trading of animal health and nutrition products	Malaysia
2. Osmosis Nutrition Sdn. Bhd.	100	100	Manufacturing and distribution of animal health and nutrition products	Malaysia
3. OMS Resources Sdn. Bhd.	100	100	Trading of animal health and nutrition products	Malaysia

All the above subsidiaries are audited by Grant Thornton Malaysia.

(b) **Amount due from subsidiaries**

Amount due from subsidiaries is non-trade related, unsecured, bears no interest and repayable on demand.

6. INVENTORIES

	Group	
	2017 RM	2016 RM
Raw materials	4,030,394	3,137,394
Finished goods	5,615,390	1,980,755
Trading goods	7,592,793	6,465,398
	17,238,577	11,583,547
Recognised in profit or loss:-		
Inventories recognised in cost of sales	67,595,264	61,282,935
Inventories written down	68,815	28,080
Reversal of inventories written down	(112,307)	(264,692)

The inventories written down is made when the related inventories were obsolete.

The reversal of inventories written down is made when the related inventories were sold above their carrying amount.

7. TRADE RECEIVABLES

	Group	
	2017 RM	2016 RM
Trade receivables	23,592,087	22,266,740
Less: Allowance for impairment losses	(133,656)	(377,439)
	23,458,431	21,889,301

(a) The trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition. The normal credit terms granted to the customers ranged from 30 to 90 days (2016: 30 to 120 days). Other credit terms are assessed and approved by the management on case-by-case basis.

(b) The foreign currency exposure profile of trade receivables is as follows:-

	Group	
	2017 RM	2016 RM
US Dollar ("USD")	66,000	90,700

7. TRADE RECEIVABLES (CONT'D)

(c) The ageing analysis of trade receivables of the Group are as follows:-

	Group	
	2017 RM	2016 RM
Neither past due nor impaired	17,578,121	13,467,909
Past due, not impaired		
Past due 1-30 days	2,961,075	4,033,925
Past due 31-60 days	1,217,878	2,589,141
Past due 61-90 days	1,068,369	1,215,755
Past due more than 90 days	632,988	582,571
	5,880,310	8,421,392
Past due and impaired	133,656	377,439
Gross trade receivables	23,592,087	22,266,740

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are due from creditworthy customers with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The Group has trade receivables amounting to RM5,880,310 (2016: RM8,421,392) that are past due at the reporting date but not impaired. The Directors are of the opinion that the receivables are collectible in view of long term business relationships with the customers and these relate to a number of independent customers for whom there is no recent history of default. These receivables are unsecured.

Receivables that are impaired

The Group's trade receivables that are past due and impaired at the end of reporting date are as follows:-

	Group	
	2017 RM	2016 RM
Trade receivables, gross	133,656	377,439
Less : Allowance for impairment		
- Individually impaired	(133,656)	(377,439)
	-	-

7. TRADE RECEIVABLES (CONT'D)

(d) The reconciliation of movement in allowance for impairment losses of trade receivables:-

	Group 2017 RM	Group 2016 RM
Brought forward	377,439	130,869
Charge for the financial year	-	452,342
Impairment loss no longer required	(243,783)	(205,772)
Carried forward	133,656	377,439

Trade receivables that are individually determined to be impaired at the reporting date relate to customers that have significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(e) Information on financial risk of trade receivables is disclosed in Note 29 to the financial statements.

8. OTHER RECEIVABLES

	Group 2017 RM	Group 2016 RM
Advances to suppliers	1,983,848	3,367,435
Deposits	92,764	92,414
GST receivable	174,893	286,845
Non-trade receivables	1,046	91,654
Prepayments	191,029	124,586
	2,443,580	3,962,934

	Company 2017 RM	Company 2016 RM
Deposits	1,000	1,000
Prepayments	12,250	-
	13,250	1,000

8. OTHER RECEIVABLES (CONT'D)

The foreign currency exposure profile of other receivables is as follows:-

	Group	
	2017 RM	**2016 RM**
China Renminbi ("RMB")	-	261,911
Thai Baht ("THB")	15,437	-
EURO Dollar("EUR")	22,791	486,869
USD	506,279	1,092,705

9. CASH AND BANK BALANCES

The foreign currency exposure profile of cash and bank balances is as follows:-

	Group	
	2017 RM	**2016 RM**
USD	176,826	118,494

10. SHARE CAPITAL

	Group and Company			
	2017 Unit	**2016 Unit**	**2017 RM**	**2016 RM**
Issued and fully paid:-				
At beginning of financial year	206,800,000	206,800,000	20,680,000	20,680,000
Transfer from share premium (Note 11)	-	-	4,476,914	-
Issuance of shares	7,939,900	-	2,302,571	-
At end of financial year	214,739,900	206,800,000	27,459,485	20,680,000

During the financial year, the Company issued 7,939,900 new ordinary share at an issue price of RM0.29 per ordinary share for a total cash consideration of RM2,302,571 for the purpose of working capital pursuant to the Special Bumiputera Issue.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

11. SHARE PREMIUM

The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM4,476,914 for purposes as set in to Section 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

12. UNAPPROPRIATED PROFITS

As at the end of the reporting date, the Company is under single tier tax system. Accordingly, the entire unappropriated profits as at 31 December 2017 of the Company is available for distribution as dividend under the single tier tax system.

13. FINANCE LEASE LIABILITIES

	Group	
	2017 RM	2016 RM
Minimum lease payments		
- not later than 1 year	337,680	336,015
- later than 1 year but not later than 5 years	870,041	827,194
	1,207,721	1,163,209
Less: Future finance charges on finance lease	(108,591)	(114,304)
Present value of finance lease liabilities	1,099,130	1,048,905
Present value of finance lease liabilities		
- not later than 1 year	287,843	288,141
- later than 1 year but not later than 5 years	811,287	760,764
	1,099,130	1,048,905

The effective interest rates of finance lease facilities are ranged from 4.55% to 7.24% (2016: 4.84% to 7.24%) per annum.

14. BORROWINGS

	Group 2017 RM	Group 2016 RM
Non-current		
Secured:-		
Term loan	4,380,333	5,295,019
Current		
Secured:-		
Term loan	912,500	886,819
Bankers' acceptance	-	2,081,000
Unsecured:-		
Bankers' acceptance	-	1,453,939
Trade commodity murabaha financing	-	116,461
Structured commodity financing	7,429,849	2,106,838
	8,342,349	6,645,057
Total	12,722,682	11,940,076

The above secured borrowings were obtained by means of the following:-

i) a legal charge over the Group's freehold land and buildings; and
ii) corporate guarantee from the Company.

Unsecured borrowings were obtained by way of a letter of negative pledge and corporate guarantee from the Company.

The term loan bears interest at rates ranging from 5.19% to 5.29% (2016: 4.75% to 5.45%) per annum and is repayable by 335 (2016:335) equal monthly installments commencing after the full release of the loan.

The bankers' acceptance bears interest at rates ranging from Nil to Nil (2016: 4.47% to 4.79%) per annum.

The trade commodity murabaha financing and structured commodity financing bear interest rate of Nil (2016:4.60%) and 4.30% to 4.64% (2016:4.34%) respectively.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONT'D)

15. DEFERRED TAX LIABILITIES/(ASSETS)

Group	2017 RM	2016 RM
At 1 January	359,000	(69,000)
Recognised in profit or loss	352,000	428,000
At 31 December	711,000	359,000

The deferred tax liabilities/(assets) balances are made up of temporary differences arising from:-

	2017 RM	2016 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	1,213,000	1,178,000
Unutilised reinvestment allowances	(502,000)	(819,000)
	711,000	359,000

16. TRADE PAYABLES

The trade payables are non-interest bearing and the normal credit terms granted by the trade payables ranged from cash term to 30 to 90 days (2016: 30 to 90 days).

The foreign currency exposure profile of trade payables is as follows:-

	Group	
	2017 RM	2016 RM
USD	775,857	959,039
Singapore Dollar ("SGD")	82,406	85,049
THB	6,529	14,468

17. OTHER PAYABLES

	Group	
	2017 RM	2016 RM
Accruals of expenses	2,414,945	2,093,002
Commission payable	1,118,699	937,847
GST payable	180,826	60,744
Non-trade payables	510,617	2,038,953
	4,225,087	5,130,546

	Company	
	2017 RM	2016 RM
Accruals of expenses	156,100	142,800
Dividend payable	-	1,447,600
	156,100	1,590,400

The foreign currency exposure profile of other payables is as follows:-

	Group	
	2017 RM	2016 RM
SGD	1,996	230
THB	-	11,791

18. REVENUE

Group

Revenue represents invoiced value of goods sold, net of discounts and allowances.

Company

Revenue represents dividend income.

19. OTHER INCOME

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Bad debt recovered	2,800	2,800	-	-
Dividend income from unquoted shares in Malaysia				
- subsidiaries	-	-	2,650,000	1,850,000
Gain on disposal of property, plant and equipment	54,434	142,752	-	-
Impairment loss on trade receivables no longer required	243,783	205,772	-	-
Interest income	113,474	114,529	4,955	19,850
Reversal of inventories written down	112,307	264,692	-	-
Unrealised gain on foreign exchange	4,871	10,974	-	-

20. OTHER EXPENSES

	Group 2017 RM	Group 2016 RM
Bad debts written off	-	205,772
Impairment loss on trade receivables	-	452,342
Inventories written down	68,815	28,080
Realised loss on foreign exchange	122,824	237,943

21. FINANCE COSTS

	Group 2017 RM	Group 2016 RM
Bankers' acceptance interest	14,975	113,907
Structured commodity financing interest	145,818	83,375
Finance lease interest	54,299	45,976
Term loan interest	296,201	170,818

22. PROFIT BEFORE TAX

Profit before tax has been determined after charging, the following:-

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Directors' remuneration				
- fee	120,000	114,000	120,000	114,000
- other emoluments	1,736,607	1,362,585	-	-
Rental expenses	174,000	322,383	-	-

23. TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Malaysian income tax:-				
Current tax				
- current year	1,346,423	1,518,481	1,115	4,309
- under/(over) provision in prior year	31,438	(68,768)	17	1,699
Total current tax recognised in profit or loss	1,377,861	1,449,713	1,132	6,008
Deferred tax				
- origination and reversed at temporary differences	302,000	421,000	-	-
- under provision in prior year	50,000	7,000	-	-
Total deferred tax recognised in profit or loss	352,000	428,000	-	-
Total income tax expense	1,729,861	1,877,713	1,132	6,008

Reconciliation of tax expense at statutory tax rate and effective tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	5,737,357	5,212,501	2,329,061	1,501,618
Tax at Malaysian statutory tax rate of 24%	1,376,966	1,251,000	558,975	360,388
Tax effects in respect of:-				
Expenses not deductible for tax	691,006	978,937	78,140	87,921
Deferred tax under recognised in prior year	50,000	7,000	-	-
Income not subject to tax	(419,549)	(290,456)	(636,000)	(444,000)
Under/(over) provision of tax expense in prior year	31,438	(68,768)	17	1,699
Total tax expense	1,729,861	1,877,713	1,132	6,008

The Group's unutilised reinvestment allowances which can be carried forward to offset against future taxable profit amounted to approximately RM2,092,000 (2016: RM3,412,000).

24. EARNINGS PER SHARE

Group

Basic earnings per ordinary share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company and a weighted average number of ordinary shares issued calculated as follows:-

	Group	
	2017	**2016**
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	4,007,496	3,334,788
Weighted average number of ordinary shares at 1 January	206,800,000	206,800,000
Effect of ordinary shares issued during the financial year	4,829,199	-
Weighted average number of ordinary shares at 31 December	211,629,199	206,800,000
Basic earnings per share (sen)	1.89	1.61

Diluted earnings per ordinary share

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the reporting date.

25. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Salaries, wages and other emoluments	6,538,539	7,061,927	120,000	114,000
Social security contributions	44,733	36,739	-	-
Defined contribution plan	641,671	549,870	-	-
	7,224,943	7,648,536	120,000	114,000

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2017 (CONT'D)

25. EMPLOYEE BENEFITS EXPENSE (CONT'D)

The remuneration received and receivable by the Directors are categorised as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors:-				
Existing Directors of the Company				
Salaries and other emoluments	1,074,776	931,487	-	-
Bonus	503,671	293,981	-	-
Defined contribution plans	158,160	137,117	-	-
Total Executive Directors' remuneration	1,736,607	1,362,585	-	-

The remuneration received and receivable by the Directors are categorised as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors:-				
Existing Directors of the subsidiaries				
Salaries and other emoluments	290,895	259,400	-	-
Bonus	88,524	47,993	-	-
Defined contribution plans	33,828	32,058	-	-
Total Executive Directors' remuneration	413,247	339,391	-	-
Non-Executive Directors:-				
Non-Existing Directors of the Company				
Fees	120,000	114,000	120,000	114,000
Other addition disclosure				
Insurance premium paid for indemnity coverage and insurance effected for Directors	5,250	-	5,250	-

26. CAPITAL COMMITMENT

	Group	
	2017 RM	2016 RM
Authorised and contracted for:		
- Plant and machinery	64,000	-

27. CONTINGENT LIABILITY

The Directors are of the opinion that provisions are not required in respect of these matters as it is not probable that a future sacrifice of economic benefits will be required.

	Company 2017 RM	Company 2016 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries		
- Utilised	12,722,682	11,940,076
- Limit	33,450,000	33,450,000

28. RELATED PARTY DISCLOSURES

The Group has related party relationship with its shareholders, subsidiaries, Directors and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are as follows:-

Transaction with subsidiaries

	Company 2017 RM	Company 2016 RM
Dividend income received	2,650,000	1,850,000

Transaction with certain Directors

	Group and Company 2017 RM	Group and Company 2016 RM
Professional fee charged by a company in which a Director has interest	64,747	8,795

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Note 5 to the financial statements.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

Key management includes all the Directors of the Company, its subsidiaries and certain members of senior management of the Group.

The Group and the Company have no other members of key management personnel other than the Board of Directors. Remuneration of key management personnel is disclosed as Directors' remuneration in Notes 22 and 25 to the financial statements.

29. FINANCIAL INSTRUMENTS

Risk management objectives and policies

The Group is exposed to financial risks arising from their operations and the use of financial instruments. It has established policies and procedures to ensure effective management of credit risk, liquidity risk, interest rate risk and foreign currency risk.

The following sections explain key risks faced by the Group and its management. Financial assets and liabilities of the Group are summarised in Note 3.5 to the financial statements.

(a) Credit risk

Credit risk refers to the risk that a counter party will default in its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing with customers of appropriate standing to mitigate credit risk and customers who wish to trade on credit terms are subject to credit evaluation. Receivables are monitored on an ongoing basis to mitigate risk of bad debts. For other financial assets, the Group adopts the policy of dealing with reputable institutions.

Exposure to credit risk

Maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of financial assets recognised at reporting date as summarised below:-

	Group	
	2017 RM	**2016 RM**
Classes of financial assets:-		
Cash and bank balances	7,032,806	5,568,188
Trade receivables	23,458,431	21,889,301
Other receivables	2,077,658	3,551,503
Carrying amount	32,568,895	31,008,992

	Company	
	2017 RM	**2016 RM**
Classes of financial assets:-		
Cash and bank balances	2,827,724	1,145,463
Other receivables	1,000	1,000
Amount due from subsidiaries	10,118,153	8,618,153
Carrying amount	12,946,877	9,764,616

The credit risk for bank balances is considered negligible, since the counterparties are reputable licensed financial institutions with high quality external credit ratings.

The Group continuously monitors credit standing of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

29. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements and none of the carrying amount of financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

Credit risk concentration

The credit risk concentration profile by geographical on trade receivables of the Group as at the reporting date is as follows:-

	Group 2017 RM	Group 2016 RM
By country:-		
Malaysia	23,392,883	21,778,910
Bangladesh	-	401
Pakistan	-	90,300
Thailand	-	19,690
Indonesia	65,548	-
	23,458,431	21,889,301

In respect of trade and other receivables, the Group is not subjected to significant credit risk exposure to a single counterparty or a group of counterparties having similar characteristics, except below mentioned.

	Group 2017 RM	Group 2017 %	Group 2016 RM	Group 2016 %
Top 2 (2016:3) customers	6,536,947	28	6,530,054	30

Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are past due but not impaired to be good.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 7 to the financial statements. Deposits with bank that is neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and have no history or default.

Financial assets that are either pass due or impaired

Information regarding financial assets that are either pass due or impaired is disclosed in Note 7 to the financial statements.

29. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

<u>Financial assets that are impaired</u>

Information regarding financial assets that are impaired is disclosed in Note 7 to the financial statements.

<u>Financial guarantee/Corporate guarantee</u>

The maximum exposure to credit risk as disclosed in Note 27 to the financial statements representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

The corporate guarantee does not have a determinable effect on the term of the credit facilities due to the bank requiring parent's guarantees as a pre-condition for approving the banking facilities granted to subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" term and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiaries. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

<u>Intercompany loans and advances</u>

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Company provides unsecured loans and advances to subsidiaries and monitors the results of the subsidiaries regularly.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

(b) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting its obligations as and when they fall due. The Group's and the Company's exposure to liquidity risk arises particularly from payables, loans and borrowings and it maintains a level of cash and cash equivalents and bank credit facilities deemed adequate by management to ensure it has sufficient liquidity to meet its obligations as and when they fall due.

29. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The following financial liabilities of the Group and of the Company are subjected to liquidity risk:-

		Contractual cash flows			
			Current	Non-current	
2017	**Carrying amount**	**Total**	**On demand/ Within 1 year**	**2 to 5 years**	**More than 5 years**
Group	**RM**	**RM**	**RM**	**RM**	**RM**
Non-derivative financial liabilities					
Borrowings	12,722,682	13,706,390	8,592,361	3,334,316	1,779,713
Finance lease liabilities	1,099,130	1,207,721	337,680	870,041	-
Trade payables	4,260,915	4,260,915	4,260,915	-	-
Other payables	4,044,261	4,044,261	4,044,261	-	-
Total undiscounted financial liabilities	22,126,988	23,219,287	17,235,217	4,204,357	1,779,713
Company					
Non-derivative financial liabilities					
Other payables	156,100	156,100	156,100	-	-
Total undiscounted financial liabilities	156,100	156,000	156,000	-	-
Corporate guarantee	-	12,722,682	12,722,682	-	-
2016					
Group					
Non-derivative financial liabilities					
Borrowings	11,940,076	15,561,987	9,285,440	3,982,297	2,294,250
Finance lease liabilities	1,048,905	1,163,209	336,015	827,194	-
Trade payables	3,775,852	3,775,852	3,775,852	-	-
Other payables	5,069,802	5,069,802	5,069,802	-	-
Total undiscounted financial liabilities	21,834,635	25,570,850	18,467,109	4,809,491	2,294,250
Company					
Non-derivative financial liabilities					
Other payables	1,590,400	1,590,400	1,590,400	-	-
Total undiscounted financial liabilities	1,590,400	1,590,400	1,590,400	-	-
Corporate guarantee	-	11,940,076	11,940,076	-	-

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the financial liabilities at the reporting date.

29. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(c) Interest rate risk

Interest rate risk is caused by changes in market interest rate resulting in fluctuation in fair value or future cash flow of financial instruments of the Group. The Group's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The Group's borrowings at variable interest rates are exposed to the risk of change in cash flow due to changes in interest rate. Short term receivables and payables are not significantly exposed to interest rate risk.

Interest rate sensitivity analysis

At 31 December 2017, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's short term placement is considered immaterial.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date is as follows:-

	Group	
	2017 RM	**2016 RM**
Fixed rate instruments		
Financial liabilities		
Bankers' acceptance	-	3,534,939
Trade commodity murabaha financing	-	116,461
Structure commodity financing	7,429,849	2,106,838
Finance lease liabilities	1,099,130	1,048,905
	8,528,979	6,807,143
Floating rate instruments		
Financial liability		
Term loan	5,292,833	6,181,838

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 25 (2016: +/- 50) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Group	
	2017 RM	**2016 RM**
Effect on profit for the year/Equity		
+ 25bp (2016: +50bp)	(13,232)	(30,909)
- 25bp (2016: -50bp)	13,232	30,909

29. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(d) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group's entities. The currencies giving rise to this risk are primarily USD, EUR, SGD,THB and RMB.

Carrying amounts of the Group's exposure to foreign currency risk are as follows:-

	USD RM	EUR RM	SGD RM	THB RM	RMB RM
2017					
Financial assets	749,105	22,791	-	15,437	-
Financial liabilities	(775,857)	-	(84,402)	(6,529)	-
Net exposure	(26,752)	22,791	(84,402)	8,908	-
2016					
Financial assets	1,301,899	486,869	-	-	261,911
Financial liabilities	(959,039)	-	(85,279)	(26,259)	-
Net exposure	342,860	486,869	(85,279)	(26,259)	261,911

<u>Foreign currency sensitivity analysis</u>

The following table illustrates the sensitivity of profit or loss with regards to the Group's financial assets and financial liabilities and the RM/USD exchange rate, RM/EUR exchange rate, RM/SGD exchange rate, RM/THB exchange rate, RM/RMB exchange rate and all other things being equal.

It assumes a +/- 1% (2016: 5%) change of the RM/USD, RM/EUR, RM/SGD, RM/THB and RM/RMB exchange rate for the financial year end. These percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the RM had strengthened against the USD, EUR, SGD, THB and RMB by 5% (2016: 5%) then this would have had the following impact:-

	Effect on profit for the year/Equity				
	USD RM	EUR RM	SGD RM	THB RM	RMB RM
31 December 2017	(268)	228	(844)	89	-
31 December 2016	17,143	24,343	(4,264)	(1,313)	13,096

If RM had weakened against the USD, EUR, SGD, THB and RMB by 1% (2016: 5%) then the impact to profit for the year/equity would be the opposite effect.

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximate their fair values due to their short-term nature, insignificant impact of discounting or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted prices in active market. In addition, it is impracticable to use valuation technique to estimate the fair value reliably as a result of significant variability in the inputs of the valuation technique. The Company does not intend to dispose off these investments in the near future.

The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases that market rate on interest is determined by reference to similar lease agreements. The interest rates used to discount estimated cash flows, when applicable are as follows:-

Group	**2017** **%**	**2016** **%**
Bankers' acceptance	4.30 – 4.64	4.47 – 4.79
Trade commodity murabaha financing	-	4.60
Structured commodity financing	4.30 – 4.55	4.34
Finance lease liabilities	4.55 – 7.24	4.84 – 7.24
Term loan	5.19 – 5.29	4.75 – 5.45

Fair value hierarchy

No fair value hierarchy had been disclosed for financial assets and financial liabilities as the Group and the Company do not have financial instruments measured at fair value.

31. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categories as follows:-

(a) Loans and receivables ("L&R"); and
(b) Other financial liabilities measured at amortised cost ("AC").

Group	**Carrying amount** **RM**	**L&R** **RM**	**AC** **RM**
2017			
Financial assets			
Trade receivables	23,458,431	23,458,431	-
Other receivables	2,077,658	2,077,658	-
Cash and bank balances	7,032,806	7,032,806	-
	32,568,895	32,568,895	-
Financial liabilities			
Trade payables	4,260,915	-	4,260,915
Other payables	4,044,261	-	4,044,261
Finance lease liabilities	1,099,130	-	1,099,130
Borrowings	12,722,682	-	12,722,682
	22,126,988	-	22,126,988

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2017 (CONT'D)

31. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

The table below provides an analysis of financial instruments categories as follows (cont'd):-

Group (cont'd)	Carrying amount RM	L&R RM	AC RM
2016			
Financial assets			
Trade receivables	21,889,301	21,889,301	-
Other receivables	3,551,503	3,551,503	-
Cash and bank balances	5,568,188	5,568,188	-
	31,008,992	31,008,992	-
Financial liabilities			
Trade payables	3,775,852	-	3,775,852
Other payables	5,069,802	-	5,069,802
Finance lease liabilities	1,048,905	-	1,048,905
Borrowings	11,940,076	-	11,940,076
	21,834,635	-	21,834,635
Company			
2017			
Financial assets			
Other receivables	1,000	1,000	-
Amount due from subsidiaries	10,118,153	10,118,153	-
Cash and bank balances	2,827,724	2,827,724	-
	12,946,877	12,946,877	-
Financial liability			
Other payables	156,100	-	156,100
2016			
Financial assets			
Other receivables	1,000	1,000	-
Amount due from subsidiaries	8,618,153	8,618,153	-
Cash and bank balances	1,145,463	1,145,463	-
	9,764,616	9,764,616	-
Financial liability			
Other payables	1,590,400	-	1,590,400

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2017 RM	Cash flow RM	Other RM	31 December 2017 RM
Group				
- Term loan	6,181,838	(889,005)	-	5,292,833
- Financing lease liability	1,048,905	(315,743)	365,968	1,099,130
	7,230,743	(1,204,748)	365,968	6,391,963
Company				
- Amount due from subsidiary	8,618,513	1,500,000	-	10,118,153

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and financially prudent capital ratios in order to support its current business as well as future expansion so as to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions including the interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders, issue new shares or adjust bank borrowings level. No changes were made in the objectives, policies or processes during the financial year.

The Group monitors capital using a gearing ratio, which are the total interest bearing borrowings over owners' equity. The Group's policy is to keep the Group gearing ratio below 0.75. The gearing is however allowed to move up when the Company incurs major capital expenditure and long-term borrowing is available to finance the capital investment. Under such circumstance, the cash flow to be generated from the capital expenditure will be used to repay the borrowing over a longer period of time, thus, justifying the higher gearing ratio.

The borrowings include finance lease liabilities, term loan and bankers' acceptance while owners' equity refers to the equity attributable to the owners of the Group.

	Group	
	2017 RM	2016 RM
Interest bearing borrowings		
- Finance lease liabilities	1,099,130	1,048,905
- Bankers' acceptance	-	3,534,939
- Trade commodity murabaha financing	-	116,461
- Structure commodity financing	7,429,849	2,106,838
- Term loan	5,292,833	6,181,838
Total interest bearing borrowings	13,821,812	12,988,981
Owners' equity	45,740,836	39,430,769
Gearing ratio	0.30	0.33

There were no changes in Group's approach to capital management during the financial year.

34. OPERATING SEGMENTS – GROUP

Management currently identifies the Group's manufacturing and trading as their operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The following summary describes the operations in each of the Group's reportable segments:-

Manufacturing	:	Manufacture of animal health and nutrition products
Trading	:	Trading and distribute of animal health and nutrition products

Other non-reportable segments comprise operations related to investment holding.

No operation segments have been aggregated to form the above reportable operating segments.

Performance is measured based on segment profit before tax, interest, depreciation, as included in the internal management reports. Segment profit is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operates within these industries.

Transfer prices between operating segments are on an arms' length basis in a similar manner to transactions with third parties.

	Note	Manufacturing RM	Trading RM	Others RM	Adjustments and eliminations RM	Total RM
2017						
Revenue						
External revenue		12,347,690	82,387,032	-	-	94,734,722
Inter-segment revenue	A	28,644,116	7,637,513	5,250,000	(41,531,629)	-
Total revenue		40,991,806	90,024,545	5,250,000	(41,531,629)	94,734,722
Results						
Interest income		19,423	89,096	4,955	-	113,474
Finance costs		(392,884)	(118,409)	-	-	(511,293)
Depreciation		(1,254,393)	(304,663)	-	-	(1,559,056)
Other non-cash income	B	11,303	335,277	-	-	346,580
Tax expense		(490,295)	(1,238,434)	(1,132)	-	(1,729,861)
Segment profit	C	1,507,970	3,276,327	4,872,692	(5,251,674)	4,405,315
Assets						
Additions to non-current assets other than financial instruments and deferred tax assets	D	1,128,850	397,191	-	-	1,526,041
Segment assets	E	27,031,399	37,457,910	4,407,979	(13,003)	68,884,285
Liabilities						
Segment liabilities	F	2,824,034	5,499,948	162,020	-	8,486,002

34. OPERATING SEGMENTS – GROUP (CONT'D)

	Note	Manufacturing RM	Trading RM	Others RM	Adjustments and eliminations RM	Total RM
2016						
Revenue						
External revenue		6,777,233	76,800,059	-	-	83,577,292
Inter-segment revenue	A	27,160,922	12,188,482	3,900,000	(43,249,404)	-
Total revenue		33,938,155	88,988,541	3,900,000	(43,249,404)	83,577,292
Results						
Interest income		32,643	81,886	-	-	114,529
Finance costs		(295,883)	(118,193)	-	-	(414,076)
Depreciation		(969,084)	(242,685)	-	-	(1,211,769)
Other non-cash income/(expenses)	B	237,240	(299,244)	-	-	(62,004)
Tax expense		(345,011)	(1,532,702)	-	-	(1,877,713)
Segment profit	C	1,263,133	2,102,584	4,070,827	(3,802,209)	3,634,335
Assets						
Additions to non-current assets other than financial instruments and deferred tax assets	D	7,110,056	651,944	-	-	7,762,000
Segment assets	E	24,060,352	34,884,695	2,814,158	(11,329)	61,747,876
Liabilities						
Segment liabilities	F	2,944,975	4,364,695	1,596,728	-	8,906,398

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

A. Intersegment revenues are eliminated on consolidation.

B. Other material non-cash income/(expenses) consist of the following items as presented in the respective notes to the financial statements:-

	2017 RM	2016 RM
Bad debts written off	-	(205,772)
Inventories written down	(68,815)	(28,080)
Impairment loss on trade receivables	-	(452,342)
Gain on disposal of property, plant and equipment	54,434	142,752
Impairment loss on trade receivables no longer required	243,783	205,772
Reversal of inventories written down	112,307	264,692
Unrealised gain on foreign exchange	4,871	10,974
	346,580	(62,004)

34. OPERATING SEGMENTS – GROUP (CONT'D)

C. The following items are added to/(deducted from) segment profit to arrive at "profit after tax" presented in the consolidated statement of profit or loss and other comprehensive income:-

	2017 RM	2016 RM
Segment profit	4,405,315	3,634,335
Interest income	113,474	114,529
Finance costs	(511,293)	(414,076)
Profit after tax	4,007,496	3,334,788

D. Additions to non-current assets other than financial instrument consist of:-

	2017 RM	2016 RM
Property, plant and equipment	1,526,041	7,762,000

E. The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position.

	2017 RM	2016 RM
Segment assets	68,884,285	61,747,876
Tax recoverable	37,579	-
Total assets	68,921,864	61,747,876

F. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

	2017 RM	2016 RM
Segment liabilities	8,486,002	8,906,398
Deferred tax liabilities	711,000	359,000
Finance lease liabilities	1,099,130	1,048,905
Borrowings	12,722,682	11,940,076
Tax payable	162,214	62,728
Total liabilities	23,181,028	22,317,107

34. OPERATING SEGMENTS – GROUP (CONT'D)

Geographical segment

Revenue and non-current assets information based on the geographical location of the customers and assets respectively are as follows:-

Group	**Revenue**	**Non-current assets**
2017	**RM**	**RM**
Bangladesh	11,175,190	-
Malaysia*	75,838,321	18,710,891
Others#	7,721,211	-
	94,734,722	18,710,891
2016		
Bangladesh	5,721,040	-
Malaysia*	72,803,889	18,743,906
Others#	5,052,363	-
	83,577,292	18,743,906

* Company's home country
# Less than 5% for each individual country

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:-

	2017 RM	**2016 RM**
Property, plant and equipment	18,710,891	18,743,906

Major customers

The following are major customers with revenue equal or more than 10 percent of the Group's revenue:-

	2017		**2016**	
	RM	%	RM	%
1 customer	-	-	9,167,866	11

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2018

SHARE CAPITAL

Issued and Fully Paid-up Capital	:	RM27,459,485 divided into 214,739,900 ordinary shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

SHAREHOLDING DISTRIBUTION SCHEDULE (AS PER THE RECORD OF DEPOSITORS)

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
16	Less than 100	715	*
107	100 to 1,000	73,600	0.03
333	1,001 to 10,000	2,240,400	1.04
655	10,001 to 100,000	26,500,131	12.34
177	100,001 to less than 5% of issued shares	121,509,571	56.58
4	5% and above of the issued shares	64,415,483	30.00
1,292	**TOTAL**	**214,739,900**	**100.00**

* Less than 0.01%

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

	Name of Shareholders	No. of Shares Held	Percentage (%)
1.	GL Equity Partners Limited	18,800,000	8.75
2.	Teo Chin Heng	17,565,245	8.18
3.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Fatfish Ventures Sdn Bhd*	16,107,000	7.50
4.	Lim Tong Seng	11,943,238	5.56
5.	Hoifutinhong Sdn Bhd	8,724,800	4.06
6.	Teo Kooi Cheng	6,551,000	3.05
7.	Kho Siaw Sua	6,400,000	2.98
8.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Siah Tian Yee (E-TJJ)*	6,260,500	2.92
9.	Lau Yeng Khuan	5,900,645	2.75
10.	Lau Kim Pou	5,632,238	2.62
11.	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Yee Foong*	4,782,000	2.23
12.	Chan Bee Chuan	4,550,000	2.12
13.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yap Kee Hor (E-TJJ)*	4,325,200	2.01
14.	CIMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Swee Hwa (T CONNAUGHT-CL)*	3,888,300	1.81
15.	Chong Pow Choo	3,466,800	1.61
16.	Chieng Yi San	2,800,000	1.30
17.	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chong Yoke Ching*	2,691,000	1.25
18.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yap Kee Hor (E-TSA/TPG)*	2,071,100	0.96
19.	Yap Yi Xuan	1,661,700	0.77
20.	Kong Hieng Hung	1,340,000	0.62
21.	Hii Lay Yieng	1,310,100	0.61
22.	Goh Sim Geh	1,256,100	0.58
23.	Chieng Yew Mang	1,119,000	0.52
24.	Chew Hong Choo	1,062,000	0.49

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2018 (CONT'D)

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS) (CONT'D)

	Name of Shareholders	No. of Shares Held	Percentage (%)
25.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Hii Lay Yieng (E-PLT)*	1,046,000	0.49
26.	Loh Sin Chin	1,030,000	0.48
27.	Lee Joo Hian	1,014,800	0.47
28.	Chan Kim Hoon	1,010,000	0.47
29.	Wong Wah Peng	1,000,000	0.47
30.	Lau Yeng Khuan	1,000,000	0.47
TOTAL		**146,308,766**	**68.13**

SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

		NO. OF SHARES HELD			
	NAME OF SHAREHOLDERS	DIRECT	%	INDIRECT	%
1.	GL Equity Partners Limited	18,800,000	8.75	-	-
2.	Teo Chin Heng	17,565,245	8.18	-	-
3.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Fatfish Ventures Sdn Bhd*	16,107,000	7.50	-	-
4.	Lim Tong Seng	11,943,238	5.56	-	-
5.	Lau Kin Wai			*16,107,000	7.50

DIRECTORS' SHAREHOLDINGS (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

		NO. OF SHARES HELD			
	NAME OF DIRECTORS	DIRECT	%	INDIRECT	%
1.	Dato' Hon Choon Kim	-	-	**50,000	0.02
2.	Datuk Wira Dr. Goy Hong Boon	-	-	**3,466,800	1.61
3.	Lim Tong Seng	11,943,238	5.56	-	-
4.	Teo Chin Heng	17,565,245	8.18	-	-
5.	Lau Yeng Khuan	6,900,645	3.21	-	-
6.	Yap Siaw Peng	-	-	***350,058	0.16
7.	Lau Kin Wai	-	-	*16,107,000	7.50
8.	Prof Dr. Paul Cheng Chai Liou	-	-	-	-
9.	Dr. Vijaya Raghavan a/l M P Nair	-	-	-	-
10.	Azman bin Abdul Jalil	30,000	0.01	-	-

** Deemed interested by virtue of the shares held by his spouse.
*** Deemed interested by virtue of the shares held by her spouse.
* Deemed interested by virtue of his position as Director of Fatfish Ventures Sdn Bhd.

LIST OF PROPERTIES
AS AT 31 DECEMBER 2017

Title No./ Location	GRN 212756/ Lot 16014 (PT No.24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan.	HSD 151557/ No. 38, Lorong Sungai Puloh 1A/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor.
Tenure	Freehold	Freehold
Land Area/ Build-Up Area (Sq. Ft.)	141,276 / 52,474	21,858 / 14,160
Description	Industrial land erected upon with building which consist of 1 storey factory / warehouse and attached with 3 storey office area which houses the Group's manufacturing plant and office.	3-Storey Semi Detached Office Block Cum Factory
Approximate Age Of Building	7 year	4 year
Net Book Value (RM'000)	6,549	4,711
Date of acquisition	22 April 2008	20 June 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting ("8th AGM") of **PETERLABS HOLDINGS BERHAD** will be held at Springs I, Nilai Springs Resort Hotel, PT4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan on **Wednesday, 30 May 2018** at **11.30 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 9)**

2. To approve the payment of Directors' fees of RM120,000 for the financial year ended 31 December 2017 (RM114,000 for 31 December 2016) which represents an increase from the previous financial year. **(Ordinary Resolution 1)**

3. To re-elect the following Directors who are retiring under Article 90 of the Company's Articles of Association:-
   i) Dato' Hon Choon Kim **(Ordinary Resolution 2)**
   ii) Prof Dr. Paul Cheng Chai Liou **(Ordinary Resolution 3)**
   iii) Ms Yap Siaw Peng **(Ordinary Resolution 4)**

4. To re-elect the following Directors who are retiring under Article 95 of the Company's Articles of Association:-
   i) Datuk Wira Dr. Goy Hong Boon **(Ordinary Resolution 5)**
   ii) Mr Lau Kin Wai **(Ordinary Resolution 6)**

5. To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Board of Directors to fix their remuneration. **(Ordinary Resolution 7)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution:

6. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

   "**THAT**, pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares issued pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company and the Directors be and are also empowered to obtain approval for the listing and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Ordinary Resolution 8)**

7. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act 2016.

By Order of the Board
PETERLABS HOLDINGS BERHAD

WONG YUET CHYN (MAICSA 7047163)
Company Secretary

Kuala Lumpur
30 April 2018

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

Notes:
Proxy

1. A member of the Company entitled to attend and vote at this meeting may appoint one or more proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.

2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

3. Where a member is an authorised nominee as defined under the Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

4. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ('omnibus account') there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised.

6. To be valid the proxy form duly completed must be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.

7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 8th AGM.

8. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

   Explanatory Notes on Ordinary Business

9. **Audited Financial Statements for financial year ended 31 December 2017**
   The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

   Explanatory Note on Special Business

10. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**
    Ordinary Resolution 8 is proposed for the purpose of granting a renewed General Mandate ("General Mandate"), which if passed, will empower the Directors of the Company, pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new ordinary shares each in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up capital of the Company for the time being as the Directors may consider such action to be in the interest of the Company. The General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or during the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

    As at 24 May 2017, the Company had fully executed the Mandate given by the shareholders at the last Annual General Meeting held on 30 May 2017 by issuing 7,939,900 new ordinary shares at RM0.29 each in the Company pursuant to private placements. The proceeds amounting to RM2,302,571 arising from the issuance of 7,939,900 new ordinary shares is mainly for working capital requirements of the Group.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

The utilization of proceeds from the above private placement is as follows:-

Descriptions	Amount Approved (RM'000)	Utilization as at 31 March 2018 (RM'000)	Balance Unutilized (RM'000)
Working Capital	2,217	2,217	0
Share issue expenses	86	86	0
Total	2,303	2,303	0

The total proceeds of RM2,302,571 from the private placement of shares, completed on 24 May 2017 were fully utilized for working capital and defrayed the private placement expenses within the time period of twelve months.

The General Mandate, if granted, will provide flexibility to the Company for any possible fund raising activities, including but not limited to, further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions.

PeterLabs Holdings Berhad
(909720-W)
Investment Holding

CDS ACCOUNT NO.				-				-									
NO. OF SHARES HELD																	

FORM OF PROXY

I/We..
(FULL NAME IN BLOCK LETTERS)
(NRIC No./Passport No./Company Registration No.:...)

of..
(FULL ADDRESS)
being a member/members of **PETERLABS HOLDINGS BERHAD**, hereby appoint

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		

and/or failing him/her

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Eighth Annual General Meeting ("8th AGM") of the Company to be held at Springs I, Nilai Springs Resort Hotel, PT4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan on **Wednesday, 30 May 2018** at **11.30 a.m**. and at any adjournment thereof.

ORDINARY RESOLUTION		FOR	AGAINST
1.	Payment of Directors' Fees		
2.	Re-election of Dato' Hon Choon Kim		
3.	Re-election of Prof Dr. Paul Cheng Chai Liou		
4.	Re-election of Ms Yap Siaw Peng		
5.	Re-election of Datuk Wira Dr. Goy Hong Boon		
6.	Re-election of Mr Lau Kin Wai		
7.	Re-appointment of Auditors		
8.	Authority to issue shares under Sections 75 and 76 of the Companies Act 2016		

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this ………….. day of …………..2018.

………………………………………
Signature(s) of member(s)

Notes:-
1. A member of the Company entitled to attend and vote at this meeting may appoint one or more proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.
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8. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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Stamp

The Company Secretary
PeterLabs Holdings Berhad (909720-W)
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

Fold this flap for sealing

www.peterlabs.com.my

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