PETERLABS HOLDINGS BERHAD (909720-W)

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ANNUAL REPORT | 2011

PLabs™ PETERLABS HOLDINGS BERHAD (909720-W)

ANNUAL REPORT | 2011

PeterLabs always S.H.A.R.E...

Vision I Mission I Value

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.

VALUE

- *"PeterLabs always* ***SHARE...****"*

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 of Bursa Malaysia Securities Berhad ("Bursa Securities").

Our Group is involved in the manufacturing, distribution and trading of animal health and nutrition products, which include animal feed additives, environment maintenance products, veterinary pharmaceuticals and biologicals.

The establishment of our Group can be traced back to the founding of Chern Tek Dinamik Sdn Bhd ("Chern Tek") on 20 December 1989 by Teo Chin Heng, Lim Swee Hwa and Tan Chin Tee and Benuser Sdn Bhd ("Benuser") on 3 December 1990 by Lim Tong Seng, Teo Chin Heng, Tan Chin Tee and Chan Eng Nai. In1992, Dr. Teo Kooi Cheng joined Chern Tek as the Technical Director. Chern Tek was principally involved in the trading of animal health and nutrition products whilst Benuser was involved in the manufacturing and distribution of animal health and nutrition products.

Due to the personal reasons, Tan Chin Tee, one of the original shareholders of Benuser and Chern Tek wanted to withdraw from both companies. This led Teo Chin Heng to initiate the idea of forming PeterLabs Sdn Bhd ("PeterLabs") and Osmosis Nutrition Sdn Bhd ("Osmosis Nutrition") with equity participation from all remaining shareholders of both Benuser and Chern Tek thereby streamlining the shareholdings of both companies under a group of common shareholders. PeterLabs and Osmosis Nutrition were subsequently incorporated on 4 October 2002 to capitalise on the growing demand of animal feed addictives from the local livestock industry.

PeterLabs and Osmosis Nutrition obtained the neccessary licenses in 2002 to engage in manufacturing distribution and trading of animal health and nutrition products.

Following the above, PLON Synergy Group Sdn Bhd ("PLON Synergy") was incorporated on 13 November 2002 and become the common holding company of PeterLabs and Osmosis Nutrition on 7 October 2003, with an initial 51% equity interest in both companies. Upon the formation of the PLON Synergy group of companies, Chern Tek and Benuser ceased operations in 2002 and were dissolved on 30 January 2007. On 25 September 2008, PeterLabs and Osmosis Nutrition became wholly-owned subsidiary companies of PLON Synergy. Subesequently, Tan Chin Tee rejoined the PLON Synergy Group of companies in 2008.

Our founders have accumulated an average of 28 years experience in the livestock industry. Lim Tong Seng, Dr. Teo Kooi Cheng and Teo Chin Heng have also been directly involved in the business operations of PLON Synergy and its subsidiary companies since its incorporation in 2002.

On 8 April 2003, our founders Zeus Biotech (Asia) Sdn Bhd (now known as OMS Resources Sdn Bhd ("OMS Resources")) ("Zeus") to distribute, amongst others, products from Zeus. We acquired OMS Resources on 10 June 2010. OMS Resources currently distributes the Group's products such as Compound Feed Additive.

On 10 July 2009, our founders Zeus Biotech (M) Sdn Bhd (currently known as OMS Laboratory Sdn Bhd ("OMS Laboratory")) together with a director of Zeus for the purposes of venturing into the livestock industry in Indonesia. However, this plan did not materialise. Subsequently, we acquired a 70% equity stake in OMS Laboratory on 1 October 2010. Whilst OMS Laboratory is currently dormant, we intend to undertake future laboratory activities under this company.

Biojava Sdn Bhd ("Biojava") was incorporated in 2006 and was acquired by us 4 October 2010. Biojava currently undertakes trading of animal health and nutrition product but also to undertake our Group's export activities.

Corporate Information

BOARD OF DIRECTORS

Dato' Hon Choon Kim
Independent Non-Executive Chairman

Lim Tong Seng
Managing Director

Teo Chin Heng
Executive Director

Dr. Teo Kooi Cheng
Executive Director

Lau Yeng Khuan
Executive Director

Prof. Dr. Paul Cheng Chai Liou
Independent Non-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)*
Dr. Teo Kooi Cheng
Dato' Hon Choon Kim

COMPANY SECRETARY
Wong Keo Rou *(MAICSA 7021435)*

REGISTERED OFFICE
10-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
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Fax : (606) 7997 070
Email : info@peterlabs.com.my

CORPORATE WEBSITE
www.peterlabs.com.my

SHARE REGISTRAR
ShareWorks Sdn Bhd
10-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 6201 1120
Fax : (603) 6201 3121

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SJ Grant Thornton *(AF 0737)*
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 2692 4022
Fax : (603) 2732 5119

PRINCIPAL BANKERS
Affin Bank Berhad
Public Bank Berhad
United Overseas Bank (M) Bhd

STOCK EXCHANGE LISTING
ACE Market of
Bursa Malaysia Securities Berhad
Stock Name : PLABS
Stock Code : 0171
(Listed on 26 July 2011)

ADMISSION SPONSOR
Alliance Investment Bank Berhad
Level 3, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 2692 7788
Fax : (603) 2691 9028

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 and distribution of animal health and nutrition products*
    - 100% — **OMS RESOURCES SDN BHD** (611524-W) — *Trading of animal health and nutrition products*
      - 70% — **OMS LABORATORY SDN BHD** (864020-X) — *Dormant*
    - 52.5% — **BIOJAVA SDN BHD** (734171-H) — *Trading of animal health and nutrition products and export activities*

Corporate Milestones

Our key achievements and milestones since inception are as follows:

YEAR	KEY ACHIEVEMENTS AND MILESTONES
2005	Special Recognition Award from CAB Cakaran Corparation 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 operation 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 farmer 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.
2009	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. 

Corporate Milestones (cont'd)

YEAR	KEY ACHIEVEMENTS AND MILESTONES
2009	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.

YEAR	KEY ACHIEVEMENTS AND MILESTONES
2004 to 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.

Corporate Milestones (cont'd)

YEAR	KEY ACHIEVEMENTS AND MILESTONES
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.
2011	Awards and achievements in year 2011. - In 27 January 2011, the Company had received a letter from National Pharmaceutical Control Bureau ("NPCB") of the Ministry of Health, Malaysia, stated our plant is Good Manufacturing Practice ("GMP") compliance satisfactory. - 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.

Board of Directors'

From left to right :

Azman bin Abdul Jalil
Independent Non-Executive Director

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

Teo Chin Heng
Executive Director

Lim Tong Seng
Managing Director

Dato' Hon Choon Kim
Independent Non-Executive Chairman

Dr. Vijaya Raghavan A/L M P Nair
Independent Non-Executive Director

Dr. Teo Kooi Cheng
Executive Director

Lau Yeng Khuan
Executive Director

Directors' Profile

Dato' Hon Choon Kim
Malaysian, aged 64
Independent Non-Executive Chairman

Dato' Hon Choon Kim 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 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.

Lim Tong Seng
Malaysian, aged 53
Managing Director

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 32 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 was subsequently promoted to Managing Director in 2008.

Directors' Profile (cont'd)

Teo Chin Heng
Malaysian, aged 59
Executive Director

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 graduated from National Chengchi University in Taiwan with a Bachelor of Economics in 1978 and has since accumulated over 29 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.

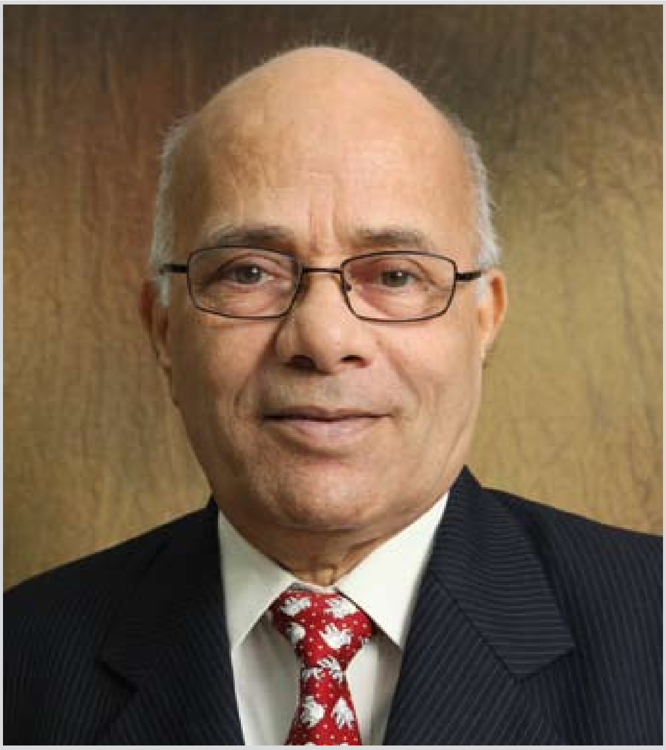
Dr. Teo Kooi Cheng
Malaysian, aged 53
Executive Director

Dr. Teo Kooi Cheng, a veterinarian, was appointed to the Board on 28 July 2010 as a Director and redesignated to Executive Director on 1 September 2010 and is currently heading our Group's Technical Department. He graduated from National Taiwan University, with a Bachelor of Veterinary Medicine in 1983 and has since accumulated 27 years of experience in the livestock industry, both as a veterinarian as well as a farm manager.

Dr. Teo's career in the livestock industry began when he joined Tai Yue Pig Farm in 1983 as a veterinarian and subsequently joined Industrial Farm Pte Ltd, a Singapore commercial pig farm in 1985 as a Deputy Farm Manager. In 1988, he joined Coopers Animal Health (M) Sdn Bhd as a Techno Commercial Executive, where he was responsible for technical backup and product development. Subsequently in 1992, he assumed the position of Technical Director at Chern Tek, a company involved in trading of animal health and nutrition products. In 1999, during the Nipah virus outbreak, he was involved in a large scale Nipah virus screening test of livestock in Malaysia.

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

Directors' Profile (cont'd)



Dr. Vijaya Raghavan A/L M P Nair
Malaysian, aged 73
Independent Non-Executive Director

Dr. Vijaya was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. 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 Institute haiwan, Kluang, Johor for two years. He then joined the feed milling industry as a nutritionist and worked for two related companies, namely Sin Heng Chan (M) Sdn Bhd and Federal Flour Mills Bhd for 35 years before becoming a free lance 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. 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. He is also the Technical Chairman of the Malaysian Feed Millers Association.

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

Lau Yeng Khuan
Malaysian, aged 52
Executive Director

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 all public relation matters as well as providing professional advice to our customers in the swine and poultry sector.

Directors' Profile (cont'd)

Prof. Dr. Paul Cheng Chai Liou
Malaysian, aged 65
Independent Non-Executive Director

Prof. Dr. Paul Cheng was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. He is the senior partner of Cheng & Co, a local accounting firm which was established in 1993, with seven branches in Malaysia and five branches overseas supported by more than 150 staffs.

Prof. Dr. Paul Cheng holds Bachelor of Business degree (1990) of the University of Southern Queensland, Australia, Masters of Business Administration (1991) and Doctor of Commercial Sciences (1996) both of the Oklahoma City University, United States of America, and Doctor of Business Administration (2007) of the University of Newcastle, Australia. He is a member of the Malaysian Institute of Accountants as Chartered Accountant, The Malaysian Institute of Certified Public Accountants, Malaysian Institute of Management, and Malaysian National Computer Confederation. He is a Fellow member of CPA Australia and the Malaysian Institute of Taxation, and Chartered Member of the Institute of Internal Auditors. He is an adjunct professor with Universiti Tun Abdul Razak since February 2011. He lectures on the Mandatory Accreditation Program (MAP) for directors of public listed companies in Malaysia.

Azman bin Abdul Jalil
Malaysian, aged 52
Independent Non-Executive Director

Encik Azman was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. 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 deals with the registration of pharmaceutical, cosmetics, traditional and health supplements and products.

Encik Azman is a member of Malaysian Pharmaceutical Society, Parenteral Drug Association, and Institute of Validation Technology and a committee member of the International Society of Pharmaceutical Engineering (ISPE) of the Malaysian Affiliate.

Directors' Profile (cont'd)

OTHER INFORMATION ON DIRECTORS

None of the Directors have any family relationship with any other Director or major shareholder of PeterLabs Holdings Berhad. None of the Directors have any conflict of interest with PeterLabs Holdings Berhad nor any conviction for offences (other than traffic offences, if any) for the past ten (10) years.

The details of the Directors' Profile are set out from pages 9 to 12 of the Annual Report.

The details of attendance of the Directors at the Board meetings are disclosed on page 17 of this Annual Report.

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I have the pleasure of presenting to you the Annual Report and Audited Financial Statement of PeterLabs Holdings Berhad for the financial year ended 31 December 2011. This is our first annual report since PeterLabs Holdings Berhad was listed on the ACE Market of Bursa Malaysia Securities Berhad on 26 July 2011.

OVERVIEW

The Group's initiatives are principally in manufacturing, distribution and trading of animal health and nutrition products which include animal feed additives, environment maintenance products, veterinary pharmaceuticals and biological products. Looking at the past year's performance, we can stand proud of having accomplished some all important results that continue to push the Group's effort to strengthen its position and reputation in the market. The Company successfully listed in ACE Market of Bursa Securities on 26 July 2011 with an initial public issue of 15 million new shares at 30 sen each with an oversubscription rate of 4.96 times from a total of 15 million shares reserved for public subscription. The utilisation of our proceeds was distributed through RM1.83 million for listing expenses, RM1.5 million for repayment of borrowing and a balance of RM1.17 million was allocated for working capital.

FINANCIAL PERFORMANCE

The Group's performance for the financial year 2011 ended with a recorded revenue of RM45.69 million, representing a growth of 12.19% as compared with the financial year 2010.

The Group recorded a Profit Before Tax of RM4.26 million & Profit After Tax of RM2.67 million. There was a plunge of RM3.28 million in Profit After Tax was due to incurred IPO expenses of RM1.83 million and an increment of manufacturing expenses coupled with overheads in our new manufacturing plant, i.e. depreciation, staffs and utility costs. We recognise the need to strengthen our operational capabilities through the economic and social impacts, thus we are focusing our efforts on the long-term viability in building a business that will secure a positive future for our Company.

DIVIDEND

On 26 December 2011, the Group declared an interim single tier dividend of 0.5 sen per share, representing a payout ratio of 35.23% of Profit After Tax for the Group for the financial year ended 31 December 2011. The dividend was subsequently paid to shareholders on 16 January 2012. The Group did not recommend any final dividend for the financial year ended 31 December 2011.

Chairman's Statement (cont'd)

OPERATIONS REVIEW

We successfully opened our new manufacturing plant in Nilai and were fully operational by the 3rd quarter of the financial year ended 31 December 2011. Our new manufacturing plant houses our headoffice, marketing office and warehouse. The plant is currently undergoing the GMP accreditation process. The current production capacity was at approximate 170 tonnes per month and production utilisation at approximate 50%.

FUTURE PROSPECTS

The Malaysian government's top line plans for future development of its livestock, meat and animal feed industries are set out to focus on revitalising agriculture as one of Malaysia's economic growth engine through developing modernised agricultural industries, including those producing livestock, meat and animal feed.

The Malaysian market is expected to have a positive outlook with an expected compound annual growth rate ("CAGR") of 6.4% over the next 4 years by 2015 with market size growing to RM291.1 million. Barring any unforeseen circumstances, the Board is optimistic about the Group's prospect in the future.

Opportunistic acquisitions and an ongoing focus on operational excellence will continue to play a significant role in the Group's strategy. With that firmly in place, we are continuously seeking further development in current market and with our exploits into newly developed export markets in financial year 2011 such as Bangladesh and Nepal. The next stage of our growth has taken aim towards penetration into other new export markets in Jordan and Philippines.

Chairman's Statement (cont'd)

CORPORATE SOCIAL RESPONSIBILITY

We believe our reputation, together with the trust and confidence of those with whom we deal, to be one of our most valuable assets. In order to keep this reputation and trust, we demand and maintain the highest ethical standards in carrying out our business activities.

Among some of our initiatives to support this cause is by contributing to the Federation of Livestock Farmers Association of Malaysia, donations to various primary school's education fund and charity fairs.

We strongly believe that integrity in dealings with customers is a prerequisite for a successful and sustainable business relationship. By providing various training programmes for the employees, we strive to enhance and upgrade their work skills to further encourage interaction and to promote teamwork within.

CORPORATE GOVERNANCE

To ensure transparency, accountability and protection of shareholders' interest, the Board places great importance on ensuring that the highest standard of corporate governance is practiced throughout the Group. Our statement on Corporate Governance and related reports are on pages 17 to 20.






ACKNOWLEDGEMENT

On behalf of my colleagues on the Board, I wish to express my sincere appreciation to each and every one of our employees who has remained loyal and dedicated to the Company and continue to persevere throughout the year in review. I would therefore be humbled to offer my sincerest appreciation to the management and staffs for their commitment and contribution to the Group.

I would also like to sincerely extend my appreciation and gratitude to all our shareholders, customers, business associates, bankers, government authorities and statutory bodies for their undying dedication and untiring efforts in assisting throughout the work of the Group.

Dato' Hon Choon Kim
Independent Non-Executive Chairman

Corporate Governance Statement

The Board is committed to achieving and maintaining high standards of corporate governance and effective application of the principles and best practices set out in the Malaysian Code on Corporate Governance (Revised 2007) ("Code") throughout the Group as a fundamental part of discharging its responsibilities to enhance long-term shareholders' value and investors' interest.

Pursuant to Rule 15.25 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements ("ACE LR"), the Board is pleased to outline below the manner in which the Group has applied the Principles of Corporate Governance set out in Part 1 of the Code and the extent of compliance with Best Practices set out in Part 2 of the Code.

A. THE BOARD OF DIRECTORS

(i) The Board

The Group recognises 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.

(ii) Board Balance

The current Board has eight (8) members comprising one (1) Independent Non-Executive Chairman, one (1) Managing Director, three (3) Executive Directors and three (3) Independent Non-Executive Directors, which is in compliance with Rule 15.02(1) of the ACE LR.

The Board comprises professionals drawn from various backgrounds, bringing in-depth and diversity in experience, expertise and perspectives to the Group's business operations. The Board is satisfied that the current Board composition facilitate effective decision making and independent judgment where no individual shall dominate the Board's decision making. The profiles of the members of the Board are set out in this Annual Report on pages 8 to 13.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and the Managing Director are separated and clearly defined. The Chairman is responsible for ensuing Board effectiveness and conduct whilst the Managing Director has overall responsibilities over the Group's operating units, organizational effectiveness and implementation of Board policies and decisions.

(iii) Supply of Information

The Board meets regularly on a quarterly basis and as and when required. During the financial year under review, the Board held two (2) meetings as the Company was listed on 26 July 2011. A summary of the attendance of each Director at the Board meetings held during the financial year under review are as follows:-

NAME OF DIRECTORS	MEETINGS ATTENDED	PERCENTAGE OF ATTENDANCE (%)
Dato' Hon Choon Kim	2/2	100
Lim Tong Seng	2/2	100
Teo Chin Heng	2/2	100
Dr. Teo Kooi Cheng	2/2	100
Lau Yeng Khuan	2/2	100
Dr. Vijaya Raghavan A/L M P Nair	2/2	100
Prof. Dr. Paul Cheng Chai Liou	2/2	100
Azman bin Abdul Jalil	2/2	100

The notices of meetings and board papers are distributed to the Directors prior to Board meetings to provide Directors with sufficient time to deliberate on issues to be raised at the Board meetings. All proceedings and resolution pass at each meeting are properly minuted and filed by Secretary.

The Directors 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 Secretary who is responsible for ensuring that Board meeting procedures are followedt and that applicable rules and regulations are complied with. At each meeting of the Board, the Secretary appraises the Board on the Group's compliance obligations and highlights non-compliances with legal, regulatory and statutory rules and guidelines, if any.

The Directors are also regularly updated and advised on new regulations, guidelines or directive issued by Bursa Securities, Securities Commission 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.

(iv) Board Committees

The Board delegates specific responsibilities to the respective Committees of the Board namely the Audit Committee, Nomination Committee and Remuneration Committee in order to enhance business and corporate efficiency and effectiveness. The Chairman of the respective Committees will brief the Board on the matters discussed at the Committee meetings and minutes of these meetings are circulated to the full Board.

(v) Appointments to the Board

The Board has established a Nomination Committee, consisting of three (3) Directors who are Independent Non-Executive Directors of the Company as follows:-

NO	NAME	DESIGNATION
1.	Azman bin Abdul Jalil	Chairman, Independent Non-Executive Director
2.	Dr. Vijaya Raghavan A/L M P Nair	Member, Independent Non-Executive Director
3.	Dato' Hon Choon Kim	Member, Independent Non-Executive Director

This Committee is responsible for making recommendations on the appointment of any new Directors. New appointees will be considered and evaluated by the Board and the Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

The Nomination Committee also annually reviews the effectiveness of the Board as a whole, its committees and the contribution of each individual Director, as well as the Chief Executive Officer. The Nomination Committee will ensure that all assessments and evaluations carried out are properly documented and filed.

(vi) Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors, shall retire from office, at least once in three (3) years. The retiring Directors can offer themselves for re-election. The Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the next Annual General Meeting held following their appointments. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with section 129(6) of the Companies Act, 1965.

The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished.

(vii) Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme as prescribed by the ACE LR. The Directors are also encouraged to attend any relevant training programme to further enhance their knowledge to enable them to discharge their responsibilities more effectively.

B. DIRECTORS' REMUNERATION

(i) Remuneration Committee

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

NO	NAME	DESIGNATION
1.	Dr. Vijaya Raghavan A/L M P Nair	Chairman, Independent Non-Executive Director
2.	Dato' Hon Choon Kim	Member, Independent Non-Executive Director
3.	Dr. Teo Kooi Cheng	Member, Executive Director

(ii) The Level and Make-up of Remuneration

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.

(iii) Details of Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year under review are as follows:

Aggregate remuneration of the Directors categorised into appropriate components:

	BASIC SALARY RM'000	FEES RM'000	BONUSES RM'000	EPF (EMPLOYER) RM'000	TOTAL RM'000
Executive Directors	602	-	268	74	944
Non-Executive Directors	-	96	-	-	96
Total	602	96	268	74	1040

The numbers of Directors whose total remuneration fall within the following bands:

	NUMBER OF DIRECTORS	
Band of Remuneration	Executive	Non-Executive
Less than RM50,000	-	4
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	3	-
RM250,001 to RM300,000	1	-

Corporate Governance Statement (cont'd)

The disclosure of directors' remuneration is made in accordance with Appendix 9C, item 12 of the ACE LR. This method of disclosure represents a deviation from the Best Practices set out in the code, which suggests separate disclosure of each director's remuneration. The Board of Directors is of the opinion that separate disclosure will impinge upon the directors' right of privacy and would not add value significantly to the understanding of shareholders and other interested investors in this area.

C. SHAREHOLDERS

(i) Dialogue between Companies and Investors

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, circulars to shareholders, quarterly financial results and various announcements made from time to time. Alternatively, they may obtain the Company's latest announcements via Bursa Malaysia Berhad's website at www.bursamalaysia.com. The Group also maintains a website at www.peterlabs.com.my to enable easy and convenient access to up-to date information relating to the Group.

(ii) Annual General Meeting ("AGM")

The 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 one (21) 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.

D. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Board takes the responsibility for presenting a clear, balanced and comprehensive assessment of the Group's position and prospects in its presentation of the annual financial statements and quarterly announcements of its results.

The Board is responsible for keeping proper maintenance of accounting records of the Group and that the financial reporting and disclosure are clearly completed to the highest standards. The Audit Committee assists the Board by reviewing the information to be disclosed, to ensure completeness, accuracy and adequacy, and recommends the same for consideration and approval by the Board.

(ii) Internal Control

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

(iii) Relationship with Auditors

The Board has established a transparent relationship with the external auditors through the Audit Committee, 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 Audit Committee in terms of compliance with the accounting standards and other related regulatory requirements.

E. COMPLIANCE WITH THE CODE

The Board considers that the Group has substantially complied with the Best Practices as stipulated in Part 2 of the Code throughout the financial year ended 31 December 2011.

Audit Committee Report

MEMBERS OF AUDIT COMMITTEE

The Audit Committee of the Company comprises the following members:-

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

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

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

The Audit Committee of PeterLabs Holdings Berhad is pleased to present the Audit Committee Report for the year ended 31 December 2011.

Attendance at Meetings

The record of attendance of the members of Audit for meetings held for the financial year ended 31 December 2011 can be summarised 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	2	2/2
Dato' Hon Choon Kim	2	2/2
Encik Azman bin Abdul Jalil	2	2/2

TERMS OF REFERENCE

Composition of the Audit Committee

Composition

The Audit Committee is comprised of three (3) members who are Directors of the Company. In compliance with the ACE LR and the Malaysian Code on Corporate Governance, the Audit Committee is comprised of not less than three members, all of whom are Non-Executive Directors.

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

MEETINGS AND MINUTES

Meetings

The Audit Committee will meet at least four (4) times a year although such additional meetings may be called at any time at the discretion of the Committee. If the need arises, the Chairman has the discretion to call for the attendance of Management and auditors during such meetings. However, during the financial year, the Committee convened two (2) meetings as the Company was listed on 26 July 2011. The record of attendance is shown above.

The meetings are pre-scheduled and are timed just before the Board meetings. The Agenda carries matters that need to be deliberated, reviewed or decided on and further reported to the Board. Notices and Audit Committee papers are circulated to all members well before each meeting with sufficient time for them to prepare themselves for deliberating on the matters being raised.

If the need arises, the Chairman has the discretion to call for the attendance of Management and Internal Auditor and External Auditors during such meetings.

The Audit Committee shall meet the external auditors in two private sessions without the presence of Management to discuss audit related matters that Auditors wish to raise directly with the Committee. During the financial year ended 31 December 2011, the Committee only met once with the external auditors.

The majority of Audit Committee members present must be independent Directors to form a quorum.

Minutes

The Company Secretary shall be the Secretary of the Committee. The Secretary of the Audit Committee 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 Audit Committee are:

i. To relieve the full Board of Directors 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 LR and other specified financial standards, required disclosure policies, regulations, rules, directives or guidelines developed and administered by Bursa Securities; and

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

Audit Committee Report (cont'd)

Authority of Audit Committee

The Audit Committee is authorised by the Board to:

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.

Duties of the Audit Committee

The duties of the Audit Committee 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 officer 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 of Directors, 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
    - 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 of Directors the Corporate Governance Statement and Statement on Internal Control 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

Audit Committee Report (cont'd)

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

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

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

The main activities carried out by the Committee during the financial year were as follows:

a. Reviewed the quarterly and half yearly unaudited financial results of the Company and Group before recommending to the Board for consideration and approval.

b. Reviewed the audited financial statements of the Company and Group prior to submission to the Board for consideration and approval. The review was to ensure that these financial statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards.

c. Reviewed the external auditors' scope of work and audit plan for the year.

d. Reviewed with the external auditors, the results of the annual audit, audit report, including the management's response.

e. Reviewed with the Internal Auditor, the internal audit plans, the internal audit reports, their evaluation of system of internal controls and the follow-up on the audit findings.

f. Reviewed related party transactions within the Group.

INTERNAL AUDIT FUNCTION

The Audit Committee relies on the services of key management and the various professional firms (where required) to provide information, audit services and legal services to assist in the determination of recommendations (where applicable) to the Board.

The Internal Auditor reports directly to the Audit Committee on a quarterly basis by presenting its Internal Audit Reports during the Audit Committee meetings, whereby relevant issues identified in the Internal Audit Reports will be followed-up and addressed accordingly with the respective senior management personnel in the next internal audit.

During the financial year ended 31 December 2011, 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.

Additional Compliance Information

The following additional compliance information is provided in accordance with Rule 9.25 of the ACE LR:-

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. Utilisation of Proceeds raised from Corporate Proposal

As at 31 December 2011, the gross proceeds from the IPO exercise amounting to RM4.5 million have been utilised in the following manner:

	Purposes	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation* RM'000	(%) RM'000
(i)	Repayment of borrowings	3,000	1,500	1,500	50
(ii)	Estimated listing expenses	1,500	1,832	(332)	22
		4,500	3,332	-	-

* The excess from the repayment of borrowings were used to pay off the expenses of approximately RM332,000 and the balance was utilised as the Group's working capital.

3. Non-audit Fees

There were non-audit fees of RM59,700 paid to the external auditors or a firm or company affiliated to the auditors' firm by the Group for the financial year ended 31 December 2011.

4. Variation in Results

There was no variation in results of 10% or more between the profits stated in the announced unaudited financial statements and the audited financial statements.

Statement of Internal Control

Introduction

The Board of Directors is pleased to provide the following statement on Internal Control pursuant to Rule 15.26(b) of ACE LR. The Statement has been prepared in accordance with the Principles and Best Practices provisions relating to Internal Controls provided in the Malaysian Code on Corporate Governance.

Board Responsibility

The Board of Directors acknowledges the responsibility for maintaining a sound system of internal control to safeguard the shareholders' investment and the Group's assets. This entails the establishment of an appropriate control environment and framework as well as processes for reviewing the adequacy and integrity of the Group's internal control. Due to the limitations that are inherent in any system of internal control, the Group's internal control system is designed to manage rather than to eliminate the risk of failure to achieve the policies and business objectives of the Group.

Risk Management Framework

The primary objective and direction of the Board in managing the risks faced by the Group is focused on the achievement of the Group's business objectives. The Board has extended the responsibilities of the Audit Committee to include the work of monitoring internal controls on behalf of the Board, including identifying risk areas, highlighting and communicating to the Board, the significant and critical issues and risk areas faced by the Group as a whole.

Internal Audit Function

The Group has outsourced its internal audit function to a professional service team. The internal audit function has been mandated to continually assess and monitor the Group's system of internal control. On a quarterly basis, internal auditors review the internal control of the activities in the Group's business, by implementing a risk-based approach and report their findings to the Board and Audit Committee. For year 2011, the cost incurred for Internal Audit function was RM17,500.

Key Elements of the System of Internal Control

The key elements of the Group's system of internal control include:

- There is an organizational structure outlining the lines of responsibilities and authorities for planning, executing, controlling and monitoring the business operations;

- Monthly operational review meetings are held and attended by the Executive Directors and the department heads to consider financial and operational issues of the Group as well as any management proposal;

- As and when necessary, staff training and development programs may be provided to equip staff with the appropriate knowledge and skills to enable staff to carry out their job functions productively and effectively;

- Board and Audit Committee Meeting are scheduled regularly, that is at least four times in a year and the respective meeting papers are distributed on a timely basis to enable members to have access to all relevant information for reviews and queries to be raised;

- A policy on financial limits and approving authority for capital and operating expenditure; and

- Documentation of standard operating procedures, internal policies, processes and procedures are drawn-up, reviewed and revised as and when required and necessary.

The Board is of the view that the Group's system of internal control is sound and adequate to safeguard the shareholders' investment as well as the Group's assets. The system of internal control will be continuously reviewed to ensure that it is in line with the changes in the operational environment of the Group. Notwithstanding this, the Board will continually seek assurance on the effectiveness of the internal control system through appraisal by both the internal and external auditors to ensure that the internal control in place is adequate to support the operations of the Group.

Statement of Directors' Responsibility

The Directors are required by the Companies Act, 1965 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 Company 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 comply with the Companies Act, 1965.

The Directors have the overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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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 2011.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	2,668,595	1,138,049
Attributable to:-		
Owners of the Company	2,630,223	1,138,049
Non-controlling interests	38,372	-
Profit for the financial year	2,668,595	1,138,049

DIVIDENDS

The amounts of dividend paid and declared since the end of last financial period were as follows:-

	RM
In respect of financial year ended 31 December 2011 and paid on 16 January 2012:-	
Interim single tier dividend of 0.5% per share	940,000

The Directors do not recommend any final dividend payment for the 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

The Directors in office since the date of last report are as follows:-

Dato' Hon Choon Kim (Independent Non-Executive Chairman)
Lim Tong Seng (Managing Director)
Teo Chin Heng (Executive Director)
Dr. Teo Kooi Cheng (Executive Director)
Lau Yeng Khuan (Executive Director)
Prof. Dr. Paul Cheng Chai Liou (Independent Non-Executive Director)
Dr. Vijaya Raghavan A/L M P Nair (Independent Non-Executive Director)
Azman bin Abdul Jalil (Independent Non-Executive Director)

In accordance with Article 90 of the Company's Articles of Association, Lim Tong Seng and Dr. Teo Kooi Cheng will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Dr. Vijaya Raghavan A/L M P Nair will retire at the forth coming Annual General Meeting and being eligible, offers himself for re-appointment.

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year in the shares of the Company and its related corporation were as follows:-

	<-------- ORDINARY SHARES OF RM0.10 EACH -------->			
	At 01.01.2011	**Bought**	**Sold**	**At 31.12.2011**
Direct interest				
Lim Tong Seng	24,945,892	-	(6,502,654)	18,443,238
Teo Chin Heng	32,066,934	-	(6,501,689)	25,565,245
Dr. Teo Kooi Cheng	24,945,892	-	(6,502,654)	18,443,238
Lau Yeng Khuan	10,393,062	-	(992,417)	9,400,645

By virtue of Lim Tong Seng, Teo Chin Heng, Dr. Teo Kooi Cheng and Lau Yeng Khuan's interest in shares of the Company, they are also deemed to have interest in the shares of all subsidiary companies to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

None of the other Directors in office at the end of financial year had any interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' 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 the Directors of the Company to acquire any 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 period, no Director has received or become entitled to receive any benefit (other than as disclosed in Note 20, 23 and 24 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 he is a member, or with a company in which he has a substantial financial interest.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the following shares were issued:-

Date of issue	Par value RM	Number of ordinary shares	Term of issue	Purpose of issue	Public issue price RM
26 July 2011	0.10	15,000,000	Cash	Initial Public Offering	0.30

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

There were no debentures issued during the financial year.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position 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 all known bad debts had been 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 the amount written off for 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.

OTHER STATUTORY INFORMATION (CONT'D)

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.

In the opinion of 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 its 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.

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 30 to the financial statements.

AUDITORS

The Auditors, Messrs SJ Grant Thornton 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
Director

....

TEO CHIN HENG
Director

Kuala Lumpur
23 April 2012

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 37 to 81 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2011 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

The supplementary information as set out in Note 32, page 81 is prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirement, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

…………………………………………	…………………………………………
LIM TONG SENG	TEO CHIN HENG
Director	Director

Kuala Lumpur
23 April 2012

STATUTORY DECLARATION

I, Prof. Dr. Paul Cheng Chai Liou, being the Director 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 37 to 81 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.

…………………………………………
PROF. DR. PAUL CHENG CHAI LIOU

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory this day of 23 April 2012

Before me:

S. ARULSAMY, W.490
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of PeterLabs Holdings Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2011, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 81.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2011 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS (CONT'D)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 32 on page 90 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

TAN CHEE BENG
CHARTERED ACCOUNTANT
(NO: 2664/02/13(J))

Kuala Lumpur
23 April 2012

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	NOTE	GROUP 2011 RM	GROUP 2010 RM	COMPANY 2011 RM	COMPANY 2010 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	12,901,498	12,716,620	-	-
Investment in subsidiary company	6	-	-	17,299,900	17,299,900
Total non-current assets		12,901,498	12,716,620	17,299,900	17,299,900
CURRENT ASSETS					
Inventories	7	5,935,428	3,015,516	-	-
Trade receivables	8	16,402,312	15,036,549	-	-
Other receivables	9	642,573	1,154,201	156,700	-
Amount due from subsidiary companies	6	-	-	5,051,553	-
Tax recoverable		365,733	-	-	-
Cash and bank balances	10	2,520,305	1,449,308	103,116	100
Total current assets		25,866,351	20,655,574	5,311,369	100
TOTAL ASSETS		**38,767,849**	**33,372,194**	**22,611,269**	**17,300,000**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	11	18,800,000	17,300,000	18,800,000	17,300,000
Share premium	12	2,690,914	-	2,690,914	-
Unappropriated profit/(Accumulated loss)		4,362,775	2,672,552	144,825	(53,224)
		25,853,689	19,972,552	21,635,739	17,246,776
Non-controlling interests		38,374	2	-	-
Total equity		25,892,063	19,972,554	21,635,739	17,246,776
Non-current liabilities					
Finance lease liabilities	13	156,214	176,589	-	-
Borrowings	14	3,324,343	3,050,316	-	-
Deferred tax liabilities	15	364,600	58,900	-	-
Total non-current liabilities		3,845,157	3,285,805	-	-

The accompanying notes form an intergral part of the financial statements

STATEMENTS OF FINANCIAL POSITION (cont'd)

AS AT 31 DECEMBER 2011

	NOTE	GROUP 2011 RM	GROUP 2010 RM	COMPANY 2011 RM	COMPANY 2010 RM
CURRENT LIABILITIES					
Trade payables	16	2,636,685	3,087,975	-	-
Other payables	17	2,882,411	2,662,970	975,530	10,000
Finance lease liabilities	13	60,994	97,603	-	-
Amount due to subsidiary company	6	-	-	-	43,224
Borrowings	14	3,224,617	1,733,878	-	-
Bank overdraft	18	165,775	1,991,367	-	-
Tax payables		60,147	540,042	-	-
Total current liabilities		9,030,629	10,113,835	975,530	53,224
TOTAL LIABILITIES		12,875,786	13,399,640	975,530	53,224
TOTAL EQUITY AND LIABILITIES		**38,767,849**	**33,372,194**	**22,611,269**	**17,300,000**

The accompanying notes form an intergral part of the financial statements

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	NOTE	GROUP 01.01.2011 to 31.12.2011 RM	GROUP 28.07.2010 to 31.12.2010 RM	COMPANY 01.01.2011 to 31.12.2011 RM'	COMPANY 28.07.2010 to 31.12.2010 RM
Revenue	19	45,689,837	7,707,264	2,700,000	-
Cost of sales		(33,327,896)	(5,221,518)	-	-
Gross profit		12,361,941	2,485,746	2,700,000	-
Other income		284,610	2,807,392	1,834	-
Selling and distribution expenses		(1,918,902)	(400,645)	-	-
Administration expenses		(5,663,179)	(740,068)	(1,563,785)	(53,224)
Other expenses		(483,261)	(282,204)	-	-
Finance cost		(320,078)	(18,476)	-	-
Profit/(Loss) before tax	20	4,261,131	3,851,745	1,138,049	(53,224)
Tax expense	21	(1,592,536)	(1,179,193)	-	-
Profit/(Loss) for the financial year/period		2,668,595	2,672,552	1,138,049	(53,224)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the financial year/period		**2,668,595**	**2,672,552**	**1,138,049**	**(53,224)**
Profit/(Loss) for the financial year/period and total comprehensive income/(loss) attributable to:-					
Owners of the Company		2,630,223	2,672,552	1,138,049	(53,224)
Non-controlling interests		38,372	-	-	-
Total profit/(loss) and total comprehensive income/(loss) for the financial year/period		**2,668,595**	**2,672,552**	**1,138,049**	**(53,224)**
Earnings per share attributable to owners of the Company-basic (sen)	**22**	**1.46**	**3.11**		

The accompanying notes form an intergral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<--- ATTRIBUTABLE TO OWNERS OF THE COMPANY			--->		
	<-- Non-distributable	-->	Distributable			
	Share capital RM	Share premium RM	Unappropriated profit/ (Accumulated loss) RM	Total RM	Non-controlling interests RM	Total equity RM
Group						
At date of incorporation	2	-	-	2	-	2
Arising from acquisition of subsdiary company	-	-	-	-	2	2
Total comprehensive income for the financial period	-	-	2,672,552	2,672,552	-	2,672,552
Transaction with owners:-						
Issued shares during the financial period						
- working capital	98	-	-	98	-	98
- acquisition of subsidiary company	17,299,900	-	-	17,299,900	-	17,299,900
Total transaction with owners	17,299,998	-	-	17,299,998	-	17,299,998
Balance at 31 December 2010	17,300,000	-	2,672,552	19,972,552	2	19,972,554
Total comprehensive income for the financial year	-	-	2,630,223	2,630,223	38,372	2,668,595
Listing expenses	-	(309,086)	-	(309,086)	-	(309,086)
Transaction with owners:-						
Issued shares during the financial year - initial public offering	1,500,000	3,000,000	-	4,500,000	-	4,500,000
Dividend of 0.5% per share, paid on 16 January 2012	-	-	(940,000)	(940,000)	-	(940,000)
Total transaction with owners	1,500,000	3,000,000	(940,000)	3,560,000	-	3,560,000
Balance at 31 December 2011	**18,800,000**	**2,690,914**	**4,362,775**	**25,853,689**	**38,374**	**25,892,063**

The accompanying notes form an intergral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<------------ ATTRIBUTABLE TO OWNERS OF THE COMPANY			------------>
	<----- Non-distributable	----->	Distributable	
	Share capital	Share premium	Unappropriated profit/ (Accumulated loss)	Total
	RM	RM	RM	RM
Company				
At date of incorporation	2	-	-	2
Total comprehensive loss for the financial period	-	-	(53,224)	(53,224)
Transaction with owners:-				
Issued shares during the financial period				
- working capital	98	-	-	98
- acquisition of subsidiary company	17,299,900	-	-	17,299,900
Total transaction with owners	17,299,998	-	-	17,299,998
Balance at 31 December 2010	17,300,000	-	(53,224)	17,246,776
Total comprehensive income for the financial year		-	1,138,049	1,138,049
Listing expenses	-	(309,086)	-	(309,086)
Transaction with owners:-				
Issued shares during the financial year - initial public offering	1,500,000	3,000,000	-	4,500,000
Dividend of 0.5% per share, paid on 16 January 2012	-	-	(940,000)	(940,000)
Total transaction with owners	1,500,000	3,000,000	(940,000)	3,560,000
Balance at 31 December 2011	**18,800,000**	**2,690,914**	**144,825**	**21,635,739**

The accompanying notes form an intergral part of the financial statements

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	NOTE	GROUP 01.01.2011 to 31.12.2011 RM	GROUP 28.07.2010 to 31.12.2010 RM	COMPANY 01.01.2011 to 31.12.2011 RM	COMPANY 28.07.2010 to 31.12.2010 RM
OPERATING ACTIVITIES					
Profit/(Loss) before tax		4,261,131	3,851,745	1,138,049	(53,224)
Adjustments for:-					
Bad debts written off		123,653	-	-	-
Depreciation		569,051	50,261	-	-
Excess of fair value of subsidiary company acquired over the cost of investment		-	(2,743,372)	-	-
Impairment loss on trade receivables		49,605	19,808	-	-
Interest expenses		320,078	18,476	-	-
Inventories written down		108,696	57,836	-	-
Loss on disposal of property, plant and equipment		69,730	8,040	-	-
Property, plant and equipment written off		66,668	136,087	-	-
Unrealised gain on foreign exchange		(1,202)	-	-	-
Dividend income		-	-	(2,700,000)	-
Impairment loss on trade receivables no longer required		(49,288)	(70,235)	-	-
Interest income		(1,834)	-	(1,834)	-
Listing expenses		1,349,124	-	1,349,124	-
Reversal of inventories written down		(81,966)	-	-	-
Operating profit/(loss) before working capital changes		6,783,446	1,328,646	(214,661)	(53,224)
Changes in working capital:-					
Inventories		(2,946,642)	(189,994)	-	-
Receivables		(978,105)	(859,649)	(156,700)	-
Payables		(1,171,849)	1,195,148	25,530	10,000
Bills payable		1,318,489	(728,489)	-	-
Cash generated from/(used in) operations		3,005,339	745,662	(345,831)	(43,224)
Tax paid		(2,132,464)	(590,322)	-	-
Interest paid		(112,959)	(7,568)	-	-
Net cash from/(used in) operating activities		759,916	147,772	(345,831)	(43,224)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(862,747)	(1,496,547)	-	-
Acquisition of subsidiary company, net of cash acquired **(Note 6)**		-	854,357	-	-
Interest received		1,834	-	1,834	-
Proceeds from disposal of property, plant and equipment		13,320	15,000	-	-
Net cash (used in)/from investing activities		(847,593)	(627,190)	1,834	-

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	NOTE	GROUP		COMPANY	
		01.01.2011 to 31.12.2011 RM	28.07.2010 to 31.12.2010 RM	01.01.2011 to 31.12.2011 RM	28.07.2010 to 31.12.2010 RM
FINANCING ACTIVITIES					
Interest paid		(207,119)	(45,042)	-	-
Listing expenses paid		(1,658,210)	-	(1,658,210)	-
Repayment of finance lease liabilities		(97,884)	(17,699)	-	-
Repayment of term loan		(373,040)	-	-	-
Drawndown of term loan		819,317	-	-	-
Proceeds from issuance of shares		4,500,000	100	4,500,000	100
Advance (to)/from subsidiary company		-	-	(2,394,777)	43,224
Net cash from/(used in) financing activities		2,983,064	(62,641)	447,013	43,324
CASH AND CASH EQUIVALENTS					
Net changes		2,895,387	(542,059)	103,016	100
Effect of exchange rate changes		1,202	-	-	-
Brought forward		(542,059)	-	100	-
Carried forward	**B**	**2,354,530**	**(542,059)**	**103,116**	**100**

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment with an aggregate cost of RM903,647 (2010: RM1,530,681) of which RM40,900 (2010: RM34,134) was acquired by means of finance lease. Cash payment of RM862,747 (2010: RM1,496,547) was made to purchase property, plant and equipment.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:-

	2011 RM	2010 RM	2011 RM	2010 RM
Cash and bank balances	2,520,305	1,449,308	103,116	100
Bank overdraft (Note 18)	(165,775)	(1,991,367)	-	-
	2,354,530	**(542,059)**	**103,116**	**100**

The accompanying notes form an intergral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

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 10-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur and the principal place of business is located at 16014 (PT No. 24341) , Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan Darul Khusus.

The Company is principally engaged in investment holding.

The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies 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 23 April 2012.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 issued by the Malaysian Accounting Standards Board ("MASB"). At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial period beginning on or after 1 January 2011 as described fully in Note 2.4 to the financial statements.

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 summary of significant accounting policies.

2.3 Functional and Presentation Currency

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

2. BASIS OF PREPARATION (CONT'D)

2.4 Financial Reporting Standards (FRSs)

2.4.1 Adoption of New or Revised Financial Reporting Standards (FRSs)

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial period except for the following new and revised FRSs and IC Interpretations:-

Effective for annual financial period beginning on 1 March 2010:-

1) Amendment to FRS 132 - Financial Instruments: Presentation.
Amendments relating to classification of right issues

Effective for annual financial period beginning on 1 July 2010:-

1) FRS 3 - Business Combinations (Revised)
2) Amendment to FRS 127 - Consolidated and Separate Financial Statements (Revised)
3) IC Interpretation 17 - Distributions of Non-cash Assets to Owners

Effective for annual financial period beginning on 1 January 2011:-

1) Amendment to FRS 3 - Business Combinations
2) Amendment to FRS 7 - Improving Disclosures about Financial Instruments
3) Amendment to FRS 101 - Presentation of Financial Statements
4) Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates
5) Amendment to FRS 132 - Financial Instruments: Presentation
6) Amendment to FRS 134 - Interim Financial Reporting
7) Amendment to FRS 139 - Financial Instruments: Recognition and Measurement
8) IC Interpretation 4 - Determining Whether an Arrangement Contains a Lease

Initial application of the above standards, amendments and interpretations did not have any material impact on the financial statements of the Group and of the Company except for the following:-

FRS 3 Business Combination (Revised)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

FRS 127 Consolidated and Separate Financial Statements

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Losses are required to be allocated to non-controlling interests, even if it results the non-controlling interest to be in a deficit position.

IC Interpretation 17 Distributions of Non-Cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Company should measure the dividend payable at the fair value of the assets to be distributed when the dividend is appropriately authorised and is no longer at the discretion of the Company. On settlement of the dividend, the difference between the dividend paid and the carrying amount of the assets distributed is recognised in profit or loss. If the dividend remains unpaid at the end of the financial year, the carrying amount of dividend payable is reviewed with any changes recognised in equity.

2. BASIS OF PREPARATION (CONT'D)

2.4 Financial Reporting Standards (FRSs) (cont'd)

2.4.2 Standards issued but not yet effective

New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards

To converge with International Financial Reporting Standards ("IFRSs") in 2012, the MASB had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), which are mandatory for annual financial period beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture ("Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRSs for an additional one year. Consequently, adoption of the MFRSs by Transitioning Entities will be mandatory for annual period beginning on or after 1 January 2013. However, the Group and the Company do not qualify as Transitioning Entities and are therefore required to adopt the MFRSs for financial period beginning on or after 1 January 2012.

The Group and the Company have not early adopted the MFRS Framework.

In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company have not completed its quantification of the financial effects of the differences between Financial Reporting Standards ("FRS") and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the financial year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

2.5 Significant Accounting Estimates and Judgements

The preparation of financial statements entails judgements, estimates and assumptions which affect the application of accounting policies and reported amounts of assets, liabilities, revenue, expenses and related disclosures. The assumptions, estimates and judgement are based on historical experience, current trends and other factors that are believed to be relevant at the time the financial statement is prepared. However, because of uncertainty in determining future events and its result, actual result could differ from the estimates reported.

The accounting policies, assumptions and judgements are reviewed regularly to ensure the financial statements are presented fairly and comply with FRSs. Significant accounting policies involving assumptions, estimates and judgements are disclosed below:-

Key sources of estimation uncertainty

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:-

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their useful life. However, significant judgement is involved in estimating the useful life and residual value of property, plant and equipment which are subjected to technological development and level of usage. Therefore residual values of these assets and future depreciation charges may vary.

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

Impairment of property, plant and equipment

The Group carried out impairment tests where there is indications of impairment based on a variety of estimation including value-in-use of 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-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows.

Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors such as probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments are considered in determining whether there is objective evidence of impairment.

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.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Income taxes

Significant judgement is involved in determining the Group-wide 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 recognised 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.

Inventories

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

The carrying amount of the Group's inventories at the end of the reporting date is disclosed in Note 7 to the financial statements.

<u>Significant management judgement</u>

The significant management judgements in applying the accounting policies of the Group and the Company that have the most significant effect on the financial statements are as follows:-

Deferred tax assets

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The Group 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.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

If business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in 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 net identifiable assets. The Group elects for the fair value method.

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 the acquiree (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. In instances where the later amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owner's ownership 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 interest 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 parent.

3.2 Property, plant and equipment

Property, plant and equipment are initially recognised at cost in the financial statements and cost includes cost of replacing parts of the property, plant and equipment and borrowing cost that are directly attributable to the acquisition, construction or production of the qualifying property plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item capitalised can be measured reliably.

Repair and maintenance cost are charged to the profit or loss during the period in which they are incurred and the cost of major renovation and restoration is included in the carrying amount of the asset when it is probable that future economic benefits from the renovation and restoration exceeds the previously assessed standards of performance and it is depreciated over the remaining useful life of the asset.

Depreciation is provided on straight line method in order to write off the cost of the property, plant and equipment less estimated residual value over the estimated useful life and it commences when the asset is available for use. No depreciation is provided on freehold land as it has indefinite life. The principal annual rates of depreciation used are as follows:-

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment (cont'd)

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

Property, plant and equipment under construction is included in the financial statements as capital work-in-progress and no depreciation is charged until it is available for use.

Residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of future economic benefits embodied in property, plant and equipment.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

3.3 Capital work-in-progress

Capital work-in-progress consists of buildings, computer systems, 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.

3.4 Assets acquired under lease arrangements

Finance leases

Lease of property, plant and equipment acquired under finance lease arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Leased payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Depreciation policy on these assets is similar to that of the Group's property, plant and equipment depreciation policy.

Outstanding obligation due under finance lease arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease arrangements are allocated to profit or loss over the period of respective agreements.

Operating leases

Lease payments for operating leases, where substantially all the risk and benefits remain with lessor, are charged as expenses in the period in which they incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment of non-financial assets

At each reporting date, the Group reviews carrying amounts of assets to determine whether there is any indication of impairment. Intangible asset with indefinite useful life such as goodwill is tested for impairment at least once annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, estimated future cash flows are discounted to 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. Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset. An impairment loss is recognised as an expense in the profit or loss immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

All reversals of impairment losses are recognised as income immediately in the profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through profit or loss is treated as revaluation increase. After such a reversal, depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

3.6 Subsidiary companies

A subsidiary company is a company in which the Company or the Group either directly or indirectly owns the power to govern its financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies is stated at cost and/or valuation in the Company's statement of financial position. Where an indication of impairment exists, the carrying amount of the subsidiary companies is assessed and written down immediately to their recoverable amount.

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

3.7 Financial instruments

Financial assets and financial liabilities are recognised when the Group 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.1 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument and they are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

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

Financial assets other than those designated and effective as hedging instruments are classified into following categories upon initial recognition:-

a) Loans and receivables
b) Financial assets at fair value through profit or loss
c) Held-to-maturity investments
d) Available-for-sale financial assets

The category mentioned above determines subsequent measurement of a financial asset and whether any resulting income and expense is recognised in profit or loss or in statement of comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least once at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied to determine impairment for each category of financial assets, as described later.

All income and expenses relating to financial assets are recognised in profit or loss.

Other than loan and receivables, the Group does not have financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and they are measured at amortised cost using effective interest method, less provision for impairment subsequently. Discounting is omitted where the effect of discounting is immaterial in subsequent measurement. Cash and bank balances, trade and most other receivables of the Group fall into this category of financial instruments.

Loans and receivables are classified as current assets and those mature 12 months after the reporting date are classified as non-current.

3.7.2 Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial liabilities are measured initially at fair value plus transactions costs, except for financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Subsequently, they are measured at amortised cost using the effective interest method except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All derivative financial instruments which are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

The Group financial liabilities include borrowings, trade payables and other payables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence indicating a financial asset might be impaired.

Trade and other receivables and other financial assets carried at amortised cost

The Group consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments to determine whether there is objective evidence that an impairment loss has occurred. For certain categories of financial assets, such as trade receivables, assets not impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with industry group, increase in cases of delayed payments and observable changes in economic conditions. If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and the loss is recognised in profit or loss.

The Group assesses at each reporting date whether there is any objective evidence indicating a financial asset might be impaired.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3.9 Inventories

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

Cost of raw materials is determined using weighted average method and finished goods include direct materials, labour and an appropriate proportion of manufacturing overheads.

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 also recognised as an expense when they occur. Any reversal is recognised in the profit or loss in the period in which the reversal occurs.

3.10 Foreign currency transactions and balances

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Cash and cash equivalents

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

Bank overdraft is shown in current liabilities in the statements of financial position.

3.12 Equity

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

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit.

Unappropriated profit include all current and prior period unappropriated profit.

All transactions with shareholder are recorded separately within equity.

3.13 Dividends

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. Interim dividends are recognised as liability when they are declared.

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

3.14 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, 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 reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of eyuconomic resources will be required to settle the obligation, the provision is reversed. Where the effect of time value of money is material, the amount of a provision is the present value of expenditure expected to settle the obligation.

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.

3.15 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrences or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measure reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Borrowing costs

Borrowing costs are recognised as expenses in the profit or loss in the period in which they are incurred. However, borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of those assets during the period of time that is required to complete and prepare the assets for its intended use.

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

3.17 Employee benefits

3.17.1 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.

3.17.2 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 Company and its Malaysia subsidiary companies made such contributions to the Employees Provident Fund ("EPF").

3.18 Revenue recognition

Revenue is recognised upon delivery of goods sold and customer acceptance, net of returns and trade discounts.

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

3.19 Income tax

<u>Current tax</u>

Current tax expense is the expected amount of income taxes payable in respect of taxable profit for the financial year and is measured using tax rates which have been enacted by the reporting date. Current tax for current and prior periods is recognised as liability (or asset) to the extent that it is unpaid (or refundable).

<u>Deferred tax</u>

Deferred tax liabilities and assets are provided for under the liability method in respect of all temporary differences at the end of the reporting period between the carrying amount of an asset or liability in the statement of financial position and its tax base including unused tax losses and capital allowances.

Deferred tax liabilities are recognised for all temporary differences, except :

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Income tax (cont'd)

Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each end of the reporting period. If it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit. Unrecognised deferred tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.20 Segment reporting

In identifying its operating segments, management generally follows the Group's internal reports regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the respective segments and to assess their performance.

3.21 Intersegment transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are on negotiated basis. These transfers are eliminated on consolidation.

4. FLOTATION EXERCISE

As an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of Peterlabs Holdings Berhad ("PeterLabs Holdings"), PeterLabs Holdings undertook a flotation exercise that involves the following:-

(i) Public Issue

Public Issue of 15,000,000 new PeterLabs Holdings Shares at an issue price of RM0.30 per PeterLabs Holdings Share.

15,000,000 of PeterLabs Holdings Shares representing 7.98% of the enlarged issued and paid-up share capital after the Public Issue are made available for application by the public.

(ii) Offer for Sale

The offerors implement an offer for sale of 35,903,000 existing PeterLabs Holdings Shares to identified investors, subject to terms and conditions contained in Prospectus.

(iii) Listing and Quotation on the ACE Market of Bursa Malaysia Securities Berhad

In conjunction with the flotation exercise, PeterLabs Holdings seeks the listing of and quotation for the entire enlarged issued and paid-up share capital of PeterLabs Holdings comprising 188,000,000 PeterLabs Holdings Shares on the Official List of the ACE Market of Bursa Malaysia Securities Berhad.

The Company has successfully listed on 26 July 2011.

5. PROPERTY, PLANT AND EQUIPMENT

Group Cost	Freehold land RM	Building RM	Motor vehicles RM	Plant and machinery RM	Office equip-ment RM	Computer equip-ment RM	Capital work-in-progress RM	Furniture and fittings RM	Air conditioner RM	Renovation RM	Laboratory RM	Total RM
Additions through acquired subsidiary company	1,467,419	-	380,595	173,911	63,116	58,309	9,168,916	11,254	14,284	57,523	-	11,395,327
Additions	-	-	-	-	-	8,485	1,522,196	-	-	-	-	1,530,681
Written off	-	-	-	-	(32,854)	(58,381)	-	(10,887)	(7,524)	(29,538)	-	(139,184)
Disposals	-	-	-	(23,680)	-	-	-	-	-	-	-	(23,680)
Transfer from capital work-in-progress	-	5,538,110	-	-	-	-	(5,538,110)	-	-	-	-	-
At 31 December 2010	1,467,419	5,538,110	380,595	150,231	30,262	8,413	5,153,002	367	6,760	27,985	-	12,763,144
Additions	-	203,726	127,361	64,133	-	-	215,383	-	-	28,479	264,565	903,647
Disposals	-	-	-	(151,000)	-	-	-	-	-	-	-	(151,000)
Written off	-	-	-	(45,554)	(9,061)	-	-	(367)	(4,947)	(27,985)	-	(87,914)
Transfer from capital work-in-progress	-	-	38,000	4,802,499	75,324	-	(5,269,815)	-	92,590	-	261,402	-
At 31 December 2011	**1,467,419**	**5,741,836**	**545,956**	**4,820,309**	**96,525**	**8,413**	**98,570**	**-**	**94,403**	**28,479**	**525,967**	**13,427,877**
Accumulated depreciation												
Charge for the financial period	-	-	41,129	4,152	1,914	1,828	-	347	544	347	-	50,261
Written off	-	-	-	-	(645)	(1,759)	-	(319)	(187)	(187)	-	(3,097)
Disposals	-	-	-	(640)	-	-	-	-	-	-	-	(640)
At 31 December 2010	-	-	41,129	3,512	1,269	69	-	28	357	160	-	46,524
Charge for the financial year	-	114,674	120,019	265,365	13,576	1,697	-	84	10,170	1,754	41,712	569,051
Disposals	-	-	-	(67,950)	-	-	-	-	-	-	-	(67,950)
Written off	-	-	-	(16,865)	(2,136)	-	-	(112)	(835)	(1,298)	-	(21,246)
At 31 December 2011	**-**	**114,674**	**161,148**	**184,062**	**12,709**	**1,766**	**-**	**-**	**9,692**	**616**	**41,712**	**526,379**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2011

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

Group	Freehold land RM	Building RM	Motor vehicles RM	Plant and machinery RM	Office equip-ment RM	Computer equip-ment RM	Capital work-in-progress RM	Furniture and fittings RM	Air conditioner RM	Renovation RM	Laboratory RM	Total RM
Net carrying amount												
At 31 December 2011	1,467,419	5,627,162	384,808	4,636,247	83,816	6,647	98,570	-	84,711	27,863	484,255	12,901,498
At 31 December 2010	1,467,419	5,538,110	339,466	146,719	28,993	8,344	5,153,002	339	6,403	27,825	-	12,716,620

The Group's net carrying amount of property, plant and equipment which are under finance lease arrangement amounted to RM264,519 (2010: RM339,466).

Freehold land and building are charged as security for banking facilities granted to the Group as disclosed in the Note 14 to the Financial Statements.

In prior financial period, interest capitalised in work-in-progress amounted to RM34,134.

6. INVESTMENT IN SUBSIDIARY COMPANY

	COMPANY 2011 RM	COMPANY 2010 RM
Unquoted shares, at cost	**17,299,900**	**17,299,900**

Amount due from/to subsidiary companies is unsecured, bears no interest and repayable on demand.

(a) Details of the subsidiary companies are as follows:-

Name	Group's effective interest (%) 2011	Group's effective interest (%) 2010	Principal activities	Country of incorporation
Plon Synergy Group Sdn. Bhd.	100	100	Investment holding company	Malaysia
Subsidiary companies 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
Subsidiary company of OMS Resources Sdn. Bhd.				
3.1 OMS Laboratory Sdn Bhd.	70	70	Dormant	Malaysia
4. Biojava Sdn. Bhd.	52.5	52.5	Trading of animal health and nutrition products and export activities	Malaysia

All the above subsidiary companies are audited by SJ Grant Thornton.

(b) Acquisition of subsidiary company

On 15 October 2010, the Company acquired the entire issued and paid-up share capital of Plon Synergy Group Sdn. Bhd. for a total purchase consideration of RM17,299,900 satisfied entirely through the issuance of 172,999,000 new Company's shares at RM0.10 each.

6. INVESTMENT IN SUBSIDIARY COMPANY (CONT'D)

(b) Acquisition of subsidiary company (cont'd)

The fair values of the identifiable assets and liabilities of the acquired subsidiary at the date of acquisition were as follows:-

	GROUP 2010 RM
Property, plant and equipment	11,395,327
Inventories	2,883,358
Receivables	15,280,674
Tax recoverable	33,497
Cash and bank balances	2,110,272
Payables	(4,555,797)
Finance lease liabilities	(291,891)
Borrowings	(5,512,683)
Bank overdraft	(1,255,915)
Deferred tax liabilities	(43,568)
Total net assets acquired	20,043,274
Non-controlling interests	(2)
Excess of fair value of subsidiary company acquired over the cost of investment	(2,743,372)
	17,299,900
Less: Non-cash consideration – share capital	(17,299,900)
Group's cash flow on acquisition	-
Less: Cash and cash equivalents acquired	
- Cash and bank balances	2,110,272
- Bank overdraft	(1,255,915)
Group's cash inflow on acquisition, net of cash and cash equivalents acquired	**854,357**

In prior financial period, from the date of acquisition, acquired subsidiary company has contributed RM7,707,264 and RM2,672,552 to the Group's revenue and profit after tax for the period respectively. If the combination had taken place at the beginning of the financial period, the Group's revenue and profit after tax in prior period would have been RM40,727,759 and RM5,947,998 respectively.

7. INVENTORIES

	GROUP 2011 RM	GROUP 2010 RM
Cost:-		
Raw materials	1,830,068	1,163,329
Finished goods	4,105,360	1,852,187
	5,935,428	**3,015,516**
Recognised in profit or loss:-		
Inventories recognised in cost of sales	29,568,354	4,950,880
Inventories written down	108,696	57,836
Reversal of inventories written down	**(81,966)**	**-**

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

8. TRADE RECEIVABLES

	GROUP 2011 RM	GROUP 2010 RM
Trade receivables	16,452,097	15,086,017
Less: Allowance for impairment loss	(49,785)	(49,468)
	16,402,312	**15,036,549**

(a) The trade receivables are non interest bearing and the normal credit terms granted to the customers ranges from 30 to 120 days (2010: 30 to 120 days).

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

	GROUP 2011 RM	GROUP 2010 RM
US Dollar	**171,224**	**57,065**

8. TRADE RECEIVABLES (CONT'D)

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

	GROUP	
	2011 RM	2010 RM
Neither past due nor impaired	9,752,147	4,174,031
Past due, not impaired		
Past due 1-30 days	2,399,862	3,289,756
Past due 31-60 days	2,216,671	1,972,036
Past due 61-90 days	954,221	2,300,854
Past due more than 90 days	1,079,411	3,299,872
	6,650,165	10,862,518
Past due and impaired	49,785	49,468
Gross trade receivables	**16,452,097**	**15,086,017**

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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM6,650,165 (2010: RM10,862,518) 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. These receivables are unsecured.

Receivables that are impaired

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

	GROUP	
	2011 RM	2010 RM
Trade receivables, gross	49,785	49,468
Less : Allowance for impairment		
- Individually impaired	(49,785)	(49,468)
	-	-

8. TRADE RECEIVABLES (CONT'D)

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

	GROUP	
	2011 RM	**2010 RM**
Brought forward	49,468	-
Charge for financial year/period	49,605	19,808
Impairment loss no longer required	(49,288)	(70,235)
From acquisition of subsidiary company	-	99,895
Carried forward	**49,785**	**49,468**

Trade receivables that are individually determined to be impaired at the reporting date relate to customers that have significant financial liabilities 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 26 to the financial statements.

9. OTHER RECEIVABLES

	GROUP		COMPANY	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Advance to suppliers	452,303	316,219	-	-
Deposits	20,140	168,322	1,000	-
Non-trade receivables	15,630	38,768	1,200	-
Prepayment	154,500	-	154,500	-
Prepayment for listing expenses	-	630,892	-	-
	642,573	**1,154,201**	**156,700**	**-**

In prior financial period, included in Group's non-trade receivables is an amount of RM38,768 due from a company in which certain Directors have interest. The amount due is unsecured, bears no interest and repayable on demand.

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

	GROUP	
	2011 RM	**2010 RM**
US Dollar	151,101	244,454
EURO	271,388	-
Sterling Pound	**-**	**29,765**

10. CASH AND BANK BALANCES

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

	GROUP	
	2011 RM	2010 RM
US Dollar	**125,287**	**-**

11. SHARE CAPITAL

	GROUP and COMPANY			
	2011 UNIT	2010 RM	2011 UNIT	2010 RM
Authorised:-				
Ordinary shares of RM1.00 each				
Creation at date of incorporation	-	-	100,000	100,000
Ordinary shares of RM0.10 each				
Brought forward	250,000,000	25,000,000	-	-
Subdivision of shares	-	-	1,000,000	100,000
Created during the financial period	-	-	249,000,000	24,900,000
Carried forward	**250,000,000**	**25,000,000**	**250,000,000**	**25,000,000**
Issued and fully paid:-				
Ordinary shares of RM1.00 each				
Issued at date of incorporation	-	-	2	2
Ordinary shares of RM0.10 each				
Brought forward	173,000,000	17,300,000	-	-
Subdivision of shares	-	-	20	2
Issued during the financial year/period	15,000,000	1,500,000	980	98
Issued of shares of acquired subsidiary company	-	-	172,999,000	17,299,900
Carried forward	**188,000,000**	**18,800,000**	**173,000,000**	**17,300,000**

New ordinary shares during the financial year/period ranked pari passu in all respect with existing ordinary shares of the Company.

12. SHARE PREMIUM

	GROUP and COMPANY	
	2011 RM	2010 RM
Arising from issuance of shares for Initial Public Offering	3,000,000	-
Less: Listing expenses	(309,086)	-
Carried forward	**2,690,914**	**-**

13. FINANCE LEASE LIABILITIES

	GROUP	
	2011 RM	2010 RM
Minimum lease payments		
- not later than 1 year	71,844	110,329
- later than 1 year but not later than 5 years	154,183	191,645
- more than 5 years	16,718	-
	242,745	301,974
Future finance charges on finance lease	(25,537)	(27,782)
Present value of finance lease liabilities	**217,208**	**274,192**
Present value of finance lease liabilities		
- not later than 1 year	60,994	97,603
- later than 1 year but not later than 5 years	140,643	176,589
- more than 5 years	15,571	-
	217,208	**274,192**

The effective interest rate of the above finance lease facility is 2.75% to 6.09% (2010: 2.75% to 6.09%) per annum.

14. BORROWINGS

	GROUP	
	2011 RM	2010 RM
Secured:-		
Current		
Term loan	502,617	330,367
Bankers' acceptance	2,722,000	1,403,511
	3,224,617	1,733,878

14. BORROWINGS (CONT'D)

	GROUP	
	2011 RM	2010 RM
Secured:-		
Non-current		
Term loan	3,324,343	3,050,316
Total borrowings	**6,548,960**	**4,784,194**

The above borrowings are secured by means of the following:-

i) a legal charge over the Group's freehold land and building;
ii) joint and several guarantees by a third party, all the Directors of the Company and certain Directors of the subsidiary companies.

The term loan bears interest at rates ranging from 7.55% to 8.80% (2010:7.55% to 8.80%) per annum and is repayable by 96 equal monthly installments commencing after the full release of the loan.

The bankers' acceptance of the Group bears interest at rates ranging from 0.80% to 1.10% (2010: 0.80% to 1.00%) per annum above the lending banks' cost of funds.

15. DEFERRED TAX LIABILITIES

	GROUP	
	2011 RM	2010 RM
Brought forward	58,900	-
Addition through acquisition of subsidiary company	-	43,568
Recognised in profit or loss (Note 21)	305,700	15,332
Carried forward	**364,600**	**58,900**

The balance in the deferred tax liabilities is made up of temporary differences arising from:-

	GROUP	
	2011 RM	2010 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	506,700	58,900
Unutilised capital allowances	(142,100)	-
	364,600	**58,900**

16. TRADE PAYABLES

The normal credit terms granted by the trade payables range from 30 to 60 days (2010: 30 to 60 days).

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

	GROUP	
	2011 RM	**2010 RM**
US Dollar	**446,171**	**788,197**

17. OTHER PAYABLES

	GROUP		COMPANY	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Provision for commission payables	645,397	721,052	-	-
Non-trade payables	254,974	1,094,383	1,000	-
Provision and accruals of expenses	1,042,040	840,820	34,530	10,000
Amount due to non-controlling interests	-	6,715	-	-
Dividend payable	940,000	-	940,000	-
	2,882,411	**2,662,970**	**975,530**	**10,000**

Amount due to non-controlling interests is unsecured, bears no interest and repayable on demand.

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

	GROUP	
	2011 RM	**2010 RM**
Thai Baht	7,907	-
Singapore Dollar	**290**	**8,508**

18. BANK OVERDRAFT – SECURED

The bank overdraft bears interest at rates ranging from 5.50% to 6.75% (2010: 5.55% to 6.75%) per annum and secured by the securities as disclosed in Note 14 to the financial statements.

19. REVENUE

Group

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

Company

Revenue represents dividend income.

20. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax has been determined after charging/(crediting), amongst other items, the following:-

	GROUP		COMPANY	
	01.01.2011 to 31.12.2011 RM	28.07.2010 to 31.12.2010 RM	01.01.2011 to 31.12.2011 RM	28.07.2010 to 31.12.2010 RM
Auditors' remuneration				
- current year provision	57,000	35,345	10,000	10,000
- underprovision in prior year	900	-	-	-
- others	59,700	83,300	46,200	73,800
Bank overdraft interest	31,185	8,151	-	-
Bad debts written off	123,653	-	-	-
Bankers' acceptance interest	112,959	7,568	-	-
Depreciation	569,051	50,261	-	-
Directors' remuneration				
- fee	96,000	16,000	96,000	16,000
- other emoluments	943,582	111,460	-	-
Rental expense	184,050	48,000	-	-
Finance lease interest	12,956	2,757	-	-
Impairment loss on trade receivables	49,605	19,808	-	-
Inventories written down	108,696	57,836	-	-
Loss on disposal of property, plant and equipment	69,730	8,040	-	-
Term loan interest	162,978	-	-	-
Listing expenses	1,349,124	-	1,349,124	-
Property, plant and equipment written off	66,668	136,087	-	-
Bad debts recovered	(3,000)	-	-	-
Dividend income	-	-	(2,700,000)	-
Impairment loss on trade receivables no longer required	(49,288)	(70,235)	-	-
Interest income	(1,834)	-	(1,834)	-
Realised gain on foreign exchange	(96,512)	(1,825)	-	-
Unrealised gain on foreign exchange	(1,202)	-	-	-
Reversal of inventories written down	(81,966)	-	-	-
Excess of fair value of subsidiary company acquired over the cost of investment	**-**	**(2,743,372)**	**-**	**-**

21. TAX EXPENSE

	GROUP		COMPANY	
	01.01.2011 to 31.12.2011 RM	**28.07.2010 to 31.12.2010 RM**	**01.01.2011 to 31.12.2011 RM**	**28.07.2010 to 31.12.2010 RM**
Provision for the financial year/period	1,428,966	1,163,737	-	-
Transferred to deferred tax liabilities (Note 15)	305,700	15,332	-	-
(Over)/Underprovision of tax in prior year/period	(142,130)	124	-	-
Total tax expense	**1,592,536**	**1,179,193**	**-**	**-**

The Group's unutilised capital allowances which can be carried forward to offset against future taxable profit amounted to approximately RM568,500 (2010: Nil).

However, the above amounts are subject to the acceptance of the Inland Revenue Board of Malaysia.

The numerical reconciliation between the average effective tax rate and the statutory tax rate is as follows:-

	GROUP		COMPANY	
	01.01.2011 to 31.12.2011 RM	**28.07.2010 to 31.12.2010 RM**	**01.01.2011 to 31.12.2011 RM**	**28.07.2010 to 31.12.2010 RM**
Profit/(Loss) before tax	**4,261,131**	**3,851,745**	**1,138,049**	**(53,224)**
Tax at Malaysian statutory tax rate of 25%	1,065,283	962,936	284,512	(13,306)
Tax effects in respect of:-				
Expenses not deductible for tax purposes	690,187	871,082	390,488	-
(Over)/Under provision of deferred tax liabilities in prior year	(8,381)	24,388	-	-
Losses of the Company not allowable for group relief	-	13,306	-	13,306
Income not subject to tax	(12,423)	(692,643)	(675,000)	-
(Over)/Under provision of tax in prior year/period	(142,130)	124	-	-
Effective tax expense	**1,592,536**	**1,179,193**	**-**	**-**

The Malaysian Budget 2008 introduced a Single Tier Income Tax System with effect from year of assessment 2008 and the Company has elected to pay dividend under this provision.

22. EARNINGS PER SHARE

Group

The basic earnings per share has been calculated by dividing profit for the financial year/period attributable to ordinary equity holders of the Company of RM2,630,223 (2010: RM2,672,552) to the weighted average number of shares issued during the financial year/period of 179,863,014 (2010: 85,949,058).

23. EMPLOYEE BENEFITS EXPENSE

	GROUP		COMPANY	
	01.01.2011 to 31.12.2011 RM	28.07.2010 to 31.12.2010 RM	01.01.2011 to 31.12.2011 RM	28.07.2010 to 31.12.2010 RM
Staff costs	**3,991,825**	**737,182**	**-**	**-**

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

	GROUP		COMPANY	
	01.01.2011 to 31.12.2011 RM	28.07.2010 to 31.12.2010 RM	01.01.2011 to 31.12.2011 RM	28.07.2010 to 31.12.2010 RM
Executive Directors:-				
Salaries and other emoluments	868,422	99,780	-	-
Defined contribution plan	74,160	11,680	-	-
	943,582	111,460	-	-
Non-Executive Directors:-				
Directors' fee	96,000	16,000	96,000	16,000
Total remuneration	**1,039,582**	**127,460**	**96,000**	**16,000**

Group

Included in the employee benefits expense are Directors' emoluments and defined contribution plan of RM943,582 (2010: RM111,460) and RM394,793 (2010:RM84,437) respectively.

24. RELATED PARTY DISCLOSURES (CONT'D)

(a) The significant related party transactions during the financial year/period are as follows (cont'd):-

	GROUP		COMPANY	
	01.01.2011 to 31.12.2011 RM	28.07.2010 to 31.12.2010 RM	01.01.2011 to 31.12.2011 RM	28.07.2010 to 31.12.2010 RM
Rental expense paid to certain Directors	61,600	35,800	-	-
Rental expense paid to a Director from a subsidiary company	30,800	8,800	-	-
Dividend income received from subsidiary company	-	-	2,700,000	-

(b) The remuneration of key management personnel is same with Directors' remuneration as disclosed in Note 20 and 23 to the financial statements. The Company has no other members of key management personnel apart from the Board of Directors.

(c) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Note 6 and 9 to the financial statements.

25. CAPITAL COMMITMENT

	GROUP	
	2011 RM	2010 RM
Authorised and contracted for plant and machinery	-	279,120

26. FINANCIAL INSTRUMENTS

Risk management objectives and policies

The Group is exposed to financial risks arising from its 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.

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

The following sections explain key risks faced by the Group and its management. Financial assets and liabilities of the Group are summarised in Note 3.7.1 and 3.7.2 respectively.

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

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Classes of financial assets:-				
Cash and bank balances	2,520,305	1,449,308	103,116	100
Trade receivables	16,402,312	15,036,549	-	-
Other receivables	642,573	1,154,201	156,700	-
Amount due from subsidiary companies	-	-	5,051,553	-
Carrying amount	**19,565,190**	**17,640,058**	**5,311,369**	**100**

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.

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.

Credit risk concentration

The Group determines concentration of credit risk by comparing the amounts due from each individual customer against the total receivables. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follow:-

	GROUP			
	2011 RM	2011 %	2010 RM	2010 %
Top 3 customers	**5,743,163**	**35**	**5,153,325**	**34**

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8 to the financial statements.

Financial assets that are either pass due or impaired

Information regarding financial assets that are either pass due or impaired is disclosed in Note 8 to the financial statements.

(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.

Analysis of financial instruments by remaining contractual maturities

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

31 December 2011

GROUP	**CURRENT**	<---------- **NON-CURRENT** ---------->	
	Within 1 year RM	**2 to 5 years RM**	**More than 5 years RM**
Non-derivative financial liabilities			
Bank borrowings	3,447,335	3,497,250	1,259,010
Finance lease liabilities	71,844	154,183	16,718
Trade payables	2,636,685	-	-
Other payables	2,882,411	-	-
Total undiscounted financial liabilities	**9,038,275**	**3,651,433**	**1,275,728**

COMPANY	**CURRENT**	<---------- **NON-CURRENT** ---------->	
	Within 1 year RM	**2 to 5 years RM**	**More than 5 years RM**
Other payables	**975,530**	**-**	**-**

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The following financial liabilities of the Group and of the Company are subjected to liquidity risk:- (cont'd)

31 December 2010

GROUP	CURRENT	<---------- NON-CURRENT	---------->
	Within 1 year RM	2 to 5 years RM	More than 5 years RM
Non-derivative financial liabilities			
Bank borrowings	3,767,918	2,238,240	1,865,200
Finance lease liabilities	110,329	191,645	-
Trade payables	3,087,975	-	-
Other payables	2,662,970	-	-
Total undiscounted financial liabilities	**9,629,192**	**2,429,885**	**1,865,200**

COMPANY	CURRENT	<---------- NON-CURRENT	---------->
	Within 1 year RM	2 to 5 years RM	More than 5 years RM
31 December 2010			
Other payables	10,000	-	-
Amount due to subsidiary company	43,224	-	-
Total	**53,224**	**-**	**-**

(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. Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Interest rate sensitivity analysis

At 31 December 2011, 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:-

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(c) Interest rate risk (cont'd)

	GROUP	
	2011 RM	**2010 RM**
Fixed rate instruments		
Financial liabilities		
Bankers' acceptance	2,722,000	1,403,511
Finance lease liabilities	217,208	274,192
	2,939,208	**1,677,703**
Floating rate instruments		
Term loan	3,826,960	3,380,683
Bank overdraft	165,775	1,991,367
	3,992,735	**5,372,050**

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 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	
	2011 RM	**2010 RM**
Effect on profit for the year		
+ 50bp	(19,964)	(26,860)
- 50bp	**19,964**	**26,860**

(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 US Dollar (USD), EURO (EUR) and Sterling Pound (GBP).

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

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

GROUP	USD RM	EUR RM	GBP RM	OTHERS RM
31 December 2011				
Financial assets	447,612	271,388	-	-
Financial liabilities	(446,171)	-	-	(8,197)
Net exposure	**1,441**	**271,388**	**-**	**(8,197)**

	USD RM	EUR RM	GBP RM	OTHERS RM
31 December 2010				
Financial assets	301,519	-	29,765	-
Financial liabilities	(788,197)	-	-	(8,508)
Net exposure	**(486,678)**	**-**	**29,765**	**(8,508)**

Foreign currency sensitivity analysis

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

It assumes a +/- 3 % change of the RM/USD, RM/EUR, RM/GBP and RM/Others exchange rate for the year ended 31 December 2011. 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 and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the RM had strengthened against the USD, EUR, GBP and others by 3% then this would be the impact:-

	Effect on profit for the year			
	USD RM	EUR RM	GBP RM	OTHERS RM
31 December 2011	43	8,142	-	(246)
31 December 2010	**(14,600)**	**-**	**893**	**255**

If RM had weakened against the USD, EUR, GBP and others by 3% respectively then the impact to profit for the year would be the opposite effect.

Exposures to foreign exchange rates vary during the 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.

27. 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 ended 31 December 2011.

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 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 hire purchase creditors, term loan, bankers' acceptance and bank overdraft while owners' equity refers to the equity attributable to the owners of the Group.

	GROUP	
	2011 RM	**2010 RM**
Interest bearing borrowings		
- Finance lease liabilities	217,208	274,192
- Bankers' acceptance	2,722,000	1,403,511
- Term loan	3,826,960	3,380,683
- Bank overdraft	165,775	1,991,367
Total interest bearing borrowings	**6,931,943**	**7,049,753**
Owners' equity	25,853,689	19,972,552
Gearing ratio	**0.27**	**0.35**

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities of the Group and 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.

For non-derivative financial liabilities, the fair value, which is determined for disclosures purposes, 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. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. 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	**2011 %**	**2010 %**
Loans and borrowings	4.80-8.80	4.80-8.80
Finance lease liabilities	2.75-6.09	2.75-6.09
Bank overdrafts	5.50-6.50	5.55-6.75

29. 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 segment : Manufacture of animal health and nutrition products

Trading segment : Trading and distribute of animal health and nutrition products

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

Transfer prices between operating segments are on negotiated basis.

	NOTE	MANUFAC-TURING	TRADING	OTHERS	ADJUSTMENTS AND ELIMINATIONS	TOTAL
		RM	RM	RM	RM	RM
2011						
Revenue						
External revenue		335,476	44,580,642	773,719	-	45,689,837
Intersegment revenue	A	19,083,156	5,805,745	2,500,000	(27,388,901)	-
Total revenue		**19,418,632**	**50,386,387**	**3,273,719**	**(27,388,901)**	**45,689,837**
Results						
Interest income		-	-	1,834	-	1,834
Finance cost		(265,692)	(54,386)	-	-	(320,078)
Depreciation		(468,613)	(100,438)	-	-	(569,051)
Other non-cash (expenses)/income	B	(135,598)	(151,500)	-	-	(287,098)
Tax expense		(246,276)	(1,339,860)	(6,400)	-	(1,592,536)
Profit after tax		**711,336**	**6,094,774**	**855,401**	**(4,992,916)**	**2,668,595**
Assets						
Additions to non-current assets	C	747,807	155,840	-	-	903,647
Segment assets	D	**13,160,354**	**24,679,641**	**651,779**	**(89,658)**	**38,402,116**
Liabilities						
Segment liabilities	E	**2,798,296**	**1,708,432**	**1,012,368**	**-**	**5,519,096**

29. OPERATING SEGMENTS – GROUP (CONT'D)

	NOTE	MANUFAC-TURING RM	TRADING RM	OTHERS RM	ADJUSTMENTS AND ELIMINATIONS RM	TOTAL RM
2010						
Revenue						
External revenue		7,306,817	400,447	-	-	7,707,264
Intersegment revenue	A	923,549	2,610,924	-	(3,534,473)	-
Total revenue		**8,230,366**	**3,011,371**	**-**	**(3,534,473)**	**7,707,264**
Results						
Finance cost		(10,636)	(7,840)	-	-	(18,476)
Depreciation		(29,282)	(20,979)	-	-	(50,261)
Other non-cash (expenses)/income	B	(144,327)	(7,209)	-	2,743,372	2,591,836
Tax expense		(837,899)	(341,294)	-	-	(1,179,193)
(Loss)/Profit after tax		**(89,339)**	**168,485**	**(53,224)**	**2,646,630**	**2,672,552**
Assets						
Additions to non-current assets	C	8,485	1,522,196	-	-	1,530,681
Segment assets	**D**	**20,221,488**	**13,246,248**	**1,200**	**(96,742)**	**33,372,194**
Liabilities						
Segment liabilities	**E**	**2,680,932**	**3,044,580**	**25,433**	**-**	**5,750,945**

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

	2011 RM	2010 RM
Bad debts written off	(123,653)	-
Inventories written down	(108,696)	(57,836)
Impairment loss on trade receivables	(49,605)	(19,808)
Loss on disposal of property, plant and equipment	(69,730)	(8,040)
Property, plant and equipment written off	(66,668)	(136,087)
Impairment loss on trade receivables no longer required	49,288	70,235
Reversal of inventories written down	81,966	-
Excess of fair value of subsidiary company acquired over the cost of investment	-	2,743,372
	(287,098)	**2,591,836**

29. OPERATING SEGMENTS – GROUP (CONT'D)

C. Additions to non-current assets consist of:-

	2011 RM	2010 RM
Property, plant and equipment	688,264	8,485
Capital work-in-progress	215,383	1,522,196
	903,647	**1,530,681**

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

	2011 RM	2010 RM
Segment assets	38,402,116	33,372,194
Tax recoverable	365,733	-
Total assets	**38,767,849**	**33,372,194**

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

	2011 RM	2010 RM
Segment liabilities	5,519,096	5,750,945
Deferred tax liabilities	364,600	58,900
Finance lease liabilities	217,208	274,192
Bank borrowings	6,714,735	6,775,561
Tax payable	60,147	540,042
Total assets	**12,875,786**	**13,399,640**

Geographical segment

Financial information by geographical segment is not presented as the Group's activities are conducted principally in Malaysia.

Major customers

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

	2011		2010	
	RM	%	RM	%
1 customer	**4,169,955**	**25**	**1,213,801**	**16**

30. SIGNFICANT EVENTS DURING THE FINANCIAL YEAR

On 19 May 2011, Bursa Malaysia Securities Berhad had given its conditional approval in conjunction with the Company's listing of and quotation for its entire enlarged issued and paid-up share capital on the ACE Market on the Official List of Bursa Malaysia Securities Berhad and on 16 June 2011, the Securities Commission had given its approval-in-principle for the issuance of the Company's prospectus in conjunction with its listing exercise.

On 30 June 2011, the Company launched its prospectus in conjunction with its listing exercise on the ACE Market which entails the following:-

(i) Public issue of 15,000,000 new PeterLabs Holdings Shares at an issue price of RM0.30 per PeterLabs Holdings Share; and

(ii) Offer for sale of 35,903,000 existing PeterLabs Holdings Shares at an offer price of RM0.30 per PeterLabs Holdings Share by way of private placement to identified investors.

The Company's entire enlarged issued and paid-up share capital is listed on the ACE Market on the Official List of Bursa Securities on 26 July 2011.

31. COMPARATIVE INFORMATION

The comparative information of the Group and the Company is for the period from 28 July 2010 (date of incorporation) to 31 December 2010. Consequently, the comparative figures in the statement of comprehensive income, statement of cash flows, statement of changes in equity and related notes are not comparable.

SUPPLEMENTARY INFORMATION

32. DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on group and company basis, as the case may be, in quarterly reports and annual audited financial statements.

The breakdowns of unappropriated profits/(accumulated losses) as at the reporting date that has been prepared in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:-

Total unappropriated profits/(accumulated losses) of the Company and its subsidiaries:

	GROUP		COMPANY	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
- Realised	18,153,596	16,127,587	144,825	(53,224)
- Unrealised	(363,398)	(58,900)	-	-
	17,790,198	16,068,687	144,825	(53,224)
Consolidation adjustments	(13,427,423)	(13,396,135)	-	-
	4,362,775	**2,672,552**	**144,825**	**(53,224)**

The above disclosures were reviewed and approved by the Board of Directors in accordance with a resolution of the Directors on 23 April 2012.

ANALYSIS OF SHAREHOLDINGS

AS AT 23 April 2012

SHARE CAPITAL

Authorised Share Capital	:	RM25,000,000 divided into 250,000,000 ordinary shares of RM0.10 each
Issued and Fully Paid-up Capital	:	RM18,800,000 divided into 188,000,000 ordinary shares of RM0.10 each
Class of Shares	:	Ordinary shares of RM0.10 each
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
10	Less than 100	742	*
82	100 to 1,000	68,700	0.04
509	1,001 to 10,000	3,504,000	1.86
686	10,001 to 100,000	27,189,197	14.46
165	100,001 to less than 5 % of issued shares	94,785,640	50.42
3	5% and above of the issued shares	62,451,721	33.22
1,455	**TOTAL**	**188,000,000**	**100**

* 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.	Teo Chin Heng	25,565,245	13.60
2.	Teo Kooi Cheng	18,443,238	9.81
3.	Lim Tong Seng	18,443,238	9.81
4.	Lau Yeng Khuan	7,900,645	4.20
5.	Kho Siaw Sua	7,900,000	4.20
6.	Chan Bee Chuan	7,900,000	4.20
7.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Swee Hwa*	4,697,050	2.50
8.	Ng Chew Kee	3,000,000	1.60
9.	Staling Tie Ling	1,585,000	0.84
10.	Lau Yeng Khuan	1,500,000	0.80
11.	Chan Bee Chuan	1,500,000	0.80
12.	Kho Siaw Sua	1,500,000	0.80
13.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Kah Eng*	1,225,700	0.65
14.	Hii Lay Yieng	1,220,000	0.65
15.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Wong Yee Loong*	1,205,600	0.64
16.	Ang Teck Chee	1,200,000	0.64
17.	Tan Siew Bee	1,116,300	0.59
18.	Ong Kah Huat	1,100,000	0.59
19.	Chia Bee Yoong	1,050,000	0.56
20.	Ng Chew Kee	1,000,000	0.53
21.	Goh Khee Teck	1,000,000	0.53
22.	Wong Wah Peng	1,000,000	0.53

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 23 April 2012

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

	Name of Shareholders	No. of Shares Held	Percentage (%)
23.	Tham Choong Yeeng	1,000,000	0.53
24.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Low Keng Kok*	1,000,000	0.53
25.	Goh Soo Chian	1,000,000	0.53
26.	Yap Lee Hsia	964,864	0.51
27.	CitiGroup Nominees (Asing) Sdn Bhd *CGML IPB for Gleneagle Securities (Aust) Pty Limit*	943,000	0.50
28.	Kang Yeat Guat	913,867	0.49
29.	Tan Chu Chin	850,000	0.45
30.	Lee Chee Keong	850,000	0.45
	TOTAL	**118,573,747**	**63.06**

SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

		<---------- NO. OF SHARES HELD		---------->	
	Name of Shareholders	Direct	%	Indirect	%
1.	Teo Chin Heng	25,565,245	13.60	-	-
2.	Lim Tong Seng	18,443,238	9.81	-	-
3.	Teo Kooi Cheng	18,443,238	9.81	-	-
4.	Lau Yeng Khuan	9,400,645	5.00	-	-
5.	Chan Bee Chuan	9,400,000	5.00	-	-
6.	Kho Siaw Sua	9,400,000	5.00	-	-

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

		<---------- NO. OF SHARES HELD		---------->	
	Name of Directors	Direct	%	Indirect	%
1.	Teo Chin Heng	25,565,245	13.60	-	-
2.	Lim Tong Seng	18,443,238	9.81	-	-
3.	Teo Kooi Cheng	18,443,238	9.81	-	-
4.	Lau Yeng Khuan	9,400,645	5.00	-	-
5.	Dato' Hon Choon Kim	-	-	*100,000	0.05

* Deemed interested by virtue of the shares held by his spouse.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2011

Location	Tenure	Land Area / Build-Up Area (Sq. Ft.)	Description	Approximate Age of Building	Net Book Value (RM'000)	Date of Certificate of Fitness for Occupation
Lot 16014 (PT No.24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan.	Freehold	141,276 / 52,474	Industrial land erected upon with building which consists of 1 storey factory/ warehouse and attached with 3 storey office area which houses the Group's manufacturing plant and office.	1 year	7,095	15 October 2010

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second (2nd) Annual General Meeting of **PETERLABS HOLDINGS BERHAD** will be held at Putra I, Nilai Springs Golf & Country Club, PT4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan on **Tuesday, 19 June 2012** at **10.00 a.m.** for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2011 and the Directors' and Auditors' Reports thereon. **(Ordinary Resolution 1)**

2. To approve the payment of Directors' fees of RM112,000 in respect of the financial year ended 31 December 2011. **(Ordinary Resolution 2)**

3. To re-elect the following Directors who retire by rotation pursuant to Article 90 of the Company's Articles of Association and being eligible, offer themselves for re-election:-

   a) Lim Tong Seng **(Ordinary Resolution 3)**
   b) Dr. Teo Kooi Cheng **(Ordinary Resolution 4)**

4. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129 (6) of the Companies Act, 1965:-

   "**THAT** Dr. Vijaya Raghavan a/l M P Nair, retiring pursuant to Section 129 (6) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." **(Ordinary Resolution 5)**

5. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

AS SPECIAL BUSINESS

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

6. **Authority to Issue Shares Pursuant to Section 132D of the Companies Act,1965**

   "THAT, pursuant to Section 132D of the Companies Act, 1965 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 7)**

7. **Proposed Amendments to Articles of Association**

   "THAT, subject to the relevant approvals being obtained, the proposed amendments to the Articles of Association of the Company in the manner as set out in Appendix 1 to this Annual Report ('Proposed Amendments') be and are hereby approved and in consequence thereof, the new set of Memorandum and Articles of Association incorporating all Proposed Amendments be adopted **AND THAT** the Director and Secretary be and are hereby authorised to sign, do and execute all relevant documents, acts and things as may be required for or in connection with and to give effect to the Proposed Amendments with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities." **(Special Resolution)**

8. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act, 1965.

By Order of the Board
PETERLABS HOLDINGS BERHAD

WONG KEO ROU (MAICSA 7021435)
Company Secretary

Kuala Lumpur
28 May 2012

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 and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

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. 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.

5. To be valid the proxy form duly completed must be deposited at the registered office not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

6. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 13 June 2012 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 2nd Annual General Meeting.

Explanatory Notes on Special Business

Ordinary Resolution 7 – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the best interest of the Company ("Share Mandate"). This Share Mandate is a new mandate and will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

This Share Mandate will provide flexibility of the Company to raise funds, including but not limited to placing of shares, for purpose of funding future investment projects and/or working capital and/or acquisitions.

Special Resolution – Proposed Amendments to Articles of Association

The proposed Special Resolution, if passed, will bring the Company's Articles of Association in line with the recent amendments made to Chapter 7 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements in relation to Appointment of Multiple Proxies by an Exempt Authorised Nominee, Qualification of Proxy and Rights of Proxy to Speak.

APPENDIX 1

DETAILS OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The rationale for the proposed amendments to the Articles of Association ("Articles") of the Company is in line with the recent amendments prescribed under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The details of the proposed amendments to the Articles of the Company are as follows:-

Article No.	Existing Articles	Proposed Articles	Article No.
2	-	**Words** / **Meanings** **Exempt Authorised Nominee** — **An authorised nominee defined under the Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Depositories Act**	Pursuant to Rule 7.21(2) of the amended ACE Market Listing Requirements ("ACE LR") dated 22 September 2011.
68	In every notice calling a General Meeting there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him, and that a proxy may, but need not be a Member and that 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. Where a Member is an authorised nominee, 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.	In every notice calling a General Meeting there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him, 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. Where a Member is an authorised nominee, 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. **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.**	Pursuant to Rule 7.21(1) and (2) of the amended ACE LR dated 22 September 2011.
83(b)	A proxy shall be entitled to vote on a show of hands on any question at any general meeting. A proxy may but need not be a Member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The provisions of Section 149(1)(b) of the Act shall not apply to the Company.	A proxy shall be entitled to vote on a show of hands or **on a poll** on any question at any General Meeting. A proxy may but need not be a Member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The provisions of Section 149(1)(b) of the Act shall not apply to 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.**	Pursuant to Rule 7.21A(1) and 7.21A(2) of the amended ACE LR dated 22 September 2011.

APPENDIX 1 (cont'd)

DETAILS OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article No.	Existing Articles	Proposed Articles	Article No.
85 Note 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 and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.	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 and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to 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.**	Pursuant to Rule 7.21A(1) and 7.21A(2) of the amended ACE LR dated 22 September 2011.
85 Note 4	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.	**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.**	Pursuant to Rule 7.21(1) and (2) of the amended ACE LR dated 22 September 2011.
85 Note 5	To be valid the proxy form duly completed must be deposited at the registered office not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.	**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.**	To rearrange the notes.
85 Note 6	-	**To be valid the proxy form duly completed must be deposited at the registered office not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.**	To rearrange the notes.

PETERLABS HOLDINGS BERHAD
(909720-W)
(Incorporated in Malaysia)

PROXY FORM

No. of shares held

I/We ………
(FULL NAME IN BLOCK LETTERS)

(NRIC No./Company Registration No.: ………)

of ……
(ADDRESS)

being a member/members of **PETERLABS HOLDINGS BERHAD (909720-W)**, hereby appoint ……………………………………………………

……………………………………………………………………………………………NRIC No./Passport No.: ………………………………………
(FULL NAME IN BLOCK LETTERS)

of ……
(ADDRESS)

or failing him……………………………………………………………………………NRIC No./Passport No.: ………………………………………
(FULL NAME IN BLOCK LETTERS)

of ……
(ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Second Annual General Meeting of the Company to be held at Putra I, Nilai Springs Golf & Country Club, PT4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan on **Tuesday, 19 June 2012** at **10.00 a.m.** and at any adjournment thereof.

ORDINARY RESOLUTION		FOR	AGAINST
1.	Receive the Audited Financial Statements and Directors' and Auditors' Reports		
2.	Payment of Directors' Fees		
3.	Re-election of Mr Lim Tong Seng		
4.	Re-election of Dr. Teo Kooi Cheng		
5.	Re-appointment of Dr. Vijaya Raghavan a/l M P Nair		
6.	Re-appointment of Auditors		
7.	Authority to issue shares under Section 132D of the Companies Act, 1965		
SPECIAL RESOLUTION			
Proposed Amendments to the Articles of Association of the Company			

(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 ……………………….. 2012.

…………………………………………
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 and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
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. 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.
5. To be valid the proxy form duly completed must be deposited at the Company's registered office at 10-1, 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.
6. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 13 June 2012 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Second Annual General Meeting.

FOLD HERE

AFFIX
60 CENTS
STAMP

The Company Secretary
PeterLabs Holdings Berhad (909720-W)
10-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

FOLD HERE