

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

A: EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS 134 (MFRS 134): INTERIM FINANCIAL REPORTING

A1. Basis of reporting preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements ("ACE LR").

The interim financial statements should be read in conjunction with the Audited Financial Statements of the Group for the FYE 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

A2. Significant Accounting Policies

Significant accounting policies adopted by the Group in these interim financial statements are consistent with those of the audited financial statements for the FYE 31 December 2013.

The Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. There has been no material impact upon the adoption of the MFRS on the financial statements of the Group.

The Group has also adopted all the relevant new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2014.

The Directors anticipate that the adoption of new and revised MFRSs and IC Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

A3. Auditors' report

There was no qualification on the Audited Financial Statements of the Group for the FYE 31 December 2013.

A4. Seasonal or cyclical factors

The operations of the Group were not significantly affected by seasonal or cyclical factors during the current financial quarter under review and current year-to-date.

A5. Items of unusual nature and amount

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the quarter under review and current year-to-date.

A6. Material changes in estimates

There were no changes in estimates that had a material effect in the current quarter and period to date results.

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (CONT'D)

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014 (CONT'D)

A7. Profit for the period

Profit for the current quarter and period-to-date ended 31 March 2014 is arrived at after charging / (crediting), amongst other items, the following:-

	<i>Quarter Ended</i>	<i>Period To Date Ended</i>
	31 Mar 2014 RM'000	31 Mar 2014 RM'000
Other income including investment income	(29)	(29)
Reversal of inventories written down	(52)	(52)
Interest expense	60	60
Depreciation	211	211
Foreign exchange gain	(50)	(50)

A8. Segmental information

The Group is organised into the following operating segments:-

- a) Trading
- b) Manufacturing

Quarter ended 31 Mar 2014	Trading RM'000	Manufacturing RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from				
External customers	10,535	656	-	11,191
Inter-segment revenue	2,628	3,529	(6,157)	-
Total revenue	<u>13,163</u>	<u>4,185</u>	<u>(6,157)</u>	<u>11,191</u>
Profit before tax	79	177	-	256
Tax expense				(71)
Profit for the period				185

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (CONT'D)

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014 (CONT'D)

A8. Segmental information (cont'd)

Period to Date ended 31 Mar 2014	Trading RM'000	Manufacturing RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from External customers	10,535	656	-	11,191
Inter-segment revenue	2,628	3,529	(6,157)	-
Total revenue	13,163	4,185	(6,157)	11,191
Profit before tax	79	177	-	256
Tax expense				(71)
Profit for the period				185

A9. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current quarter under review.

A10. Capital commitments

As at the reporting date, there were no outstanding capital commitments not provided for in the interim financial report.

A11. Material subsequent event

There were no material events subsequent to the end of the current financial quarter under review that have not been reflected.

A12. Changes in composition of the Group

There was no change in composition of the Group for the current quarter under review.

A13. Contingent liabilities or contingent assets

There were no contingent liabilities and contingent assets, which upon becoming enforceable may have a material effect on the net assets, profits or financial position of the Group for the current quarter and current year-to-date under review.

A14. Significant related party transactions

Save as disclosed in the Audited Financial Statements for the FYE 31 December 2013, there were no other significant related party transactions for the current quarter under review.

A15. Issuances, cancellations, repurchase, resale and repayment of debt and equity

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and current year-to-date under review.

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (CONT'D)

B: ADDITIONAL INFORMATION PURSUANT TO THE ACE LR

B1. Review of performance

The Group registered RM11.191 million revenue for the current quarter which represents a decrease of RM0.253 million or 2.2% as compared to the revenue of RM11.444 million in the previous period's corresponding quarter. The Group registered profit before tax of RM0.256 million for the quarter under review which represents a decrease of RM0.295 million or 53.5% as compared to the Group's profit before tax of RM0.551 million reported in the previous period's corresponding quarter. The significant decrease in profit before tax for the current quarter was mainly due to lower gross profit and higher administration expenses for the quarter under review.

For the current quarter, trading segment registered revenue of RM10.535 million and profit before tax of RM0.079 million as compared to RM12.536 million and RM1.183 million in the previous quarter. The significant decrease in profit before tax for the current quarter was mainly due to lower sales generated coupled with lower gross margin achieved in the trading segment.

The manufacturing segment registered revenue of RM0.656 million from the external customers and RM3.529 million from inter-company transaction and reported profit before tax of RM0.177 million for the quarter under review. In the previous quarter, the Group achieved revenue of RM0.863 million from external customers and RM4.494 million from inter-company transaction. The loss for manufacturing segment was RM0.005 million. The increase in profit before tax for the current quarter was mainly attributable to higher gross margin achieved and lower operating expenses incurred during the quarter under review.

B2. Material changes in the current quarter's results compared to the results of the immediate preceding quarter

For the quarter under review, the Group registered a decrease in revenue of 16.5% from RM13.399 million to RM11.191 million and decrease in profit before tax of 78.3% from RM1.178 million to RM0.256 million as compared to preceding quarter ended 31 December 2013. The significant decrease in profit before tax was mainly attributable to lower sales achieved and higher selling and distribution expenses as well as higher administration expenses incurred as compared with previous quarter. For the current quarter, trading segment achieved revenue of RM10.535 million and profit before tax of RM0.079 million as compared to revenue of RM12.536 million and profit before tax of RM1.183 million in the previous quarter.

B3. Prospects

The Group has aligned its goals to focus on the manufacturing, distribution and trading of animal health and nutrition products with the aim to further develop in the current market and pursue increased market share in the export market. The Group's next step is to develop the business segment into the aquaculture and ruminant sector and will continue to obtain GMP compliance to achieve higher quality standards for all products. Despite the current challenging business environment, barring any unforeseen circumstances, the Board of Directors expects the performance of the Group to remain satisfactory in the future.

B4. Profit forecast

No profit forecast has been issued by the Group previously in any public document.

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (CONT'D)

B5. Tax expense

	Current quarter ended 31 March 2014 RM'000	Current year to-date 31 March 2014 RM'000
Income tax		
- Current year	71	71

The Group's effective tax rate for the current quarter was higher than the statutory rate due to losses incurred by the holding company.

B6. Profit from sale of unquoted investments and/or properties

There was no disposal of unquoted investments or properties for the current quarter under review.

B7. Quoted securities

There was no acquisition and/or disposal of quoted securities for the current quarter under review.

B8. Status of corporate proposals

There was no corporate proposal announced but not completed as at the date of this quarterly report.

B9. Group borrowings and debts securities

The Group's borrowings as at 31 March 2014 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowings:</u>			
Finance lease liabilities	-	59	59
Bank borrowings	<u>2,148</u>	<u>-</u>	<u>2,148</u>
Total	<u>2,148</u>	<u>59</u>	<u>2,207</u>
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long term borrowings:</u>			
Finance lease liabilities	-	81	81
Bank borrowings	<u>2,971</u>	<u>-</u>	<u>2,971</u>
Total	<u>2,971</u>	<u>81</u>	<u>3,052</u>

All the Group's borrowings are denominated in Ringgit Malaysia.

B10. Off balance sheet financial instruments

The Group does not have any financial instruments with off-balance sheet risk as at the date of this quarterly report.

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (CONT'D)

B11. Material litigation

As at the date of this announcement, neither the Company nor any of its subsidiary companies is engaged in any material litigation and/or arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiary companies and the Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company or its subsidiary companies.

B12. Dividends

- a) No interim dividend has been recommended for the financial quarter ended 31 March 2014 and previous year's corresponding period ended 31 March 2013.
- b) An interim single-tier tax exempt dividend of 0.3 sen per ordinary share amounting to RM0.564 million, in respect of the FYE 31 December 2013 was paid on 14 February 2014 (a single-tier tax exempt dividend of 0.7 sen per ordinary share amounting to RM1.316 million, in respect of the FYE 31 December 2012 was paid on 29 March 2013).

B13. Earnings per share

The basic and diluted earnings per share is calculated based on the Group's comprehensive income attributable to equity holders of the Company divided by the weighted average number of ordinary shares as follows:

	Quarter Ended		Year To Date Ended	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
Comprehensive income attributable to owners of the Company (RM'000)	238	345	238	345
Weighted average number of ordinary shares in issue ('000)	188,000	188,000	188,000	188,000
Earnings per share (sen)				
- Basic	0.13	0.18	0.13	0.18
- Diluted	0.13	0.18	0.13	0.18

B14. Supplementary information on the disclosure of realised and unrealised profit

The amount of realised and unrealised profits included in the retained profits of the Group are as follows:

	Unaudited as at 31 March 2014 RM'000	Audited as at 31 December 2013 RM'000
- Realised	8,141	8,467
- Unrealised	<u>506</u>	<u>506</u>
	<u>8,647</u>	<u>8,973</u>

PETERLABS HOLDINGS BERHAD (Company No: 909720-W)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (CONT'D)

By Order of the Board
PeterLabs Holdings Berhad
Wong Keo Rou (MAICSA 7021435)
Company Secretary
Kuala Lumpur

Date: 28 May 2014