

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

**NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 SECOND QUARTER ENDED 30 JUNE 2014 (CONT'D)

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014 (CONT'D)

**A7. Profit for the period**

Profit for the current quarter and period-to-date ended 30 June 2014 is arrived at after charging / (crediting), amongst other items, the following:-

	<i>Quarter Ended</i>	<i>Period To Date Ended</i>
	<b>30 Jun 2014 RM'000</b>	<b>30 Jun 2014 RM'000</b>
Other income including investment income	(111)	(140)
Reversal of inventories written down	-	(52)
Interest expense	60	120
Depreciation	208	419
Inventories written down	136	136
Foreign exchange gain	(68)	(118)

**A8. Segmental information**

The Group is organised into the following operating segments:-

- a) Trading
- b) Manufacturing

<b>Quarter ended 30 Jun 2014</b>	<b>Trading RM'000</b>	<b>Manufacturing RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue from</b>				
External customers	12,494	1,221	-	13,715
Inter-segment revenue	2,978	4,396	(7,374)	-
<b>Total revenue</b>	<u>15,472</u>	<u>5,617</u>	<u>(7,374)</u>	<u>13,715</u>
<b>Profit before tax</b>	622	193	-	815
Tax expense				(199)
<b>Profit for the period</b>				616

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014 (CONT'D)

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014 (CONT'D)

**A8. Segmental information (cont'd)**

Period to Date ended 30 Jun 2014	Trading RM'000	Manufacturing RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from External customers	23,029	1,877	-	24,906
Inter-segment revenue	5,606	7,925	(13,531)	-
<b>Total revenue</b>	<b>28,635</b>	<b>9,802</b>	<b>(13,531)</b>	<b>24,906</b>
<b>Profit before tax</b>	<b>701</b>	<b>370</b>	<b>-</b>	<b>1,071</b>
Tax expense				(270)
<b>Profit for the period</b>				<b>801</b>

**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 SECOND QUARTER ENDED 30 JUNE 2014 (CONT'D)**

**B: ADDITIONAL INFORMATION PURSUANT TO THE ACE LR**

**B1. Review of performance**

The Group registered RM13.715 million revenue for the current quarter which represents an increase of RM1.426 million or 11.6% as compared to the revenue of RM12.289 million in the previous period's corresponding quarter. The Group registered profit before tax of RM0.815 million for the quarter under review which represents an increase of RM0.034 million or 4.4% as compared to the Group's profit before tax of RM0.781 million reported in the previous period's corresponding quarter. Profitability improved due to higher revenue recorded.

For the current quarter, trading segment registered revenue of RM12.494 million and profit before tax of RM0.622 million as compared to RM10.535 million and RM0.079 million in the previous quarter. The significant increase in profit before tax for the current quarter was mainly due to higher revenue generated coupled with higher gross margin achieved in the trading segment.

The manufacturing segment registered revenue of RM1.221 million from the external customers and RM4.396 million from inter-company transaction and reported profit before tax of RM0.193 million for the quarter under review. In the previous quarter, the Group achieved revenue of RM0.656 million from external customers and RM3.529 million from inter-company transaction. The profit for manufacturing segment was RM0.177 million. The increase in profit before tax for the current quarter was mainly attributable to higher revenue achieved with better gross margin achieved.

**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 an increase in revenue of 22.6% from RM11.191 million to RM13.715 million and increase in profit before tax of 218.4% from RM0.256 million to RM0.815 million as compared to preceding quarter ended 31 March 2014. The significant increase in profit before tax was mainly attributable to higher revenue achieved coupled with improved gross profit margin as compared with previous quarter. For the current quarter, trading segment achieved revenue of RM12.494 million and profit before tax of RM0.622 million as compared to revenue of RM10.535 million and profit before tax of RM0.079 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 SECOND QUARTER ENDED 30 JUNE 2014 (CONT'D)

**B5. Tax expense**

	<b>Current quarter ended 30 June 2014 RM'000</b>	<b>Current year to-date 30 June 2014 RM'000</b>
Income tax		
- Current year	199	270

The Group's effective tax rate for the current quarter was lower than the statutory rate due to the utilisation of previous years' unabsorbed capital allowance by a subsidiary 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 30 June 2014 were as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b><u>Short term borrowings:</u></b>			
Finance lease liabilities	-	58	58
Bank borrowings	<u>1,541</u>	<u>-</u>	<u>1,541</u>
Total	<u>1,541</u>	<u>58</u>	<u>1,599</u>
	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b><u>Long term borrowings:</u></b>			
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 SECOND QUARTER ENDED 30 JUNE 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 30 June 2014 and previous year's corresponding period ended 30 June 2013.
- b) There was no dividend paid during the financial quarter ended 30 June 2014 and previous year's corresponding period ended 30 June 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	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
Comprehensive income attributable to owners of the Company (RM'000)	635	498	873	843
Weighted average number of ordinary shares in issue ('000)	188,000	188,000	188,000	188,000
Earnings per share (sen)				
- Basic	0.34	0.26	0.46	0.45
- Diluted	0.34	0.26	0.46	0.45

**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 30 June 2014 RM'000	Audited as at 31 December 2013 RM'000
- Realised	8,776	8,467
- Unrealised	<u>506</u>	<u>506</u>
	<u>9,282</u>	<u>8,973</u>

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

Date: 27 Aug 2014