

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2015

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

**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 2014 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 2014.

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 2015.

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 2014.

**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.

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**A7. Profit for the period**

Profit for the current quarter and period-to-date ended 31 March 2015 is arrived at after charging / (crediting), amongst other items, the following:

	<i>Quarter Ended</i>	<i>Period To Date Ended</i>
	<b>31 Mar 2015 RM'000</b>	<b>31 Mar 2015 RM'000</b>
Other income including investment income	(182)	(182)
Unrealised foreign exchange loss	15	15
Interest expense	96	96
Interest income	(17)	(17)
Depreciation	225	225
Inventories written down	157	157
Foreign exchange gain	(65)	(65)

**A8. Segmental information**

The Group is organised into the following operating segments:

- a) Trading
- b) Manufacturing

Quarter ended 31 Mar 2015	Trading RM'000	Manufacturing RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue from</b>				
External customers	16,336	647	-	16,983
Inter-segment revenue	1,791	5,494	(7,285)	-
<b>Total revenue</b>	18,127	6,141	(7,285)	16,983
<b>Profit before tax</b>	760	71	-	831
Tax expense				(340)
<b>Profit for the period</b>				491

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NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 (CONT'D)

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

Period to Date ended 31 Mar 2015	Trading RM'000	Manufacturing RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue from</b>				
External customers	16,336	647	-	16,983
Inter-segment revenue	1,791	5,494	(7,285)	-
<b>Total revenue</b>	18,127	6,141	(7,285)	16,983
<b>Profit before tax</b>	760	71	-	831
Tax expense				(340)
<b>Profit for the period</b>				491

**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 2014, 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 2015 (CONT'D)**

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

**B1. Review of performance**

The Group registered RM16.983 million revenue for the current quarter which represents an increase of RM5.792 million or 51.76% as compared to the revenue of RM11.191 million in the previous period's corresponding quarter. The Group registered profit before tax of RM0.831 million for the quarter under review which represents an increase of RM0.575 million or 224.61% as compared to the Group's profit before tax of RM0.256 million reported in the previous period's corresponding quarter. Profit before tax improved due to higher revenue recorded coupled with higher gross margin achieved.

For the current quarter, trading segment registered revenue of RM16.336 million from the external customers and RM1.791 million from inter-company transaction and reported profit before tax of RM0.760 million for the quarter under review. In the previous quarter, the group achieved revenue of RM15.002 million from the external customers and RM2.286 million from inter-company transaction and reported profit before tax of RM1.775 million for the trading segment. The significant decrease in profit before tax for the trading segment for the current quarter was mainly due to higher operating expenses incurred in tandem with higher revenue achieved .

The manufacturing segment registered revenue of RM0.647 million from the external customers and RM5.494 million from inter-company transaction and reported profit before tax of RM0.071 million for the quarter under review. In the previous quarter, the Group achieved revenue of RM0.970 million from external customers and RM4.630 million from inter-company transaction and reported profit before tax of RM0.23 million for the manufacturing segment. The decrease in profit before tax for the manufacturing segment for the current quarter was mainly attributable to lower revenue achieved in the manufacturing segment.

**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 6.32% from RM15.972 million to RM16.983 million and significant decrease in profit before tax of 58.55% from RM2.005 million to RM0.831 million as compared to preceding quarter ended 31 December 2014. The decrease in profit before tax was mainly attributable to higher operating expenses incurred together with higher selling and distribution expenses in tandem with higher revenue achieved as compared with previous quarter. For the current quarter, trading segment achieved revenue of RM16.336 million and profit before tax of RM0.760 million as compared to revenue of RM15.002 million and profit before tax of RM1.775 million in the previous quarter, whilst the manufacturing segment achieved revenue of RM0.647 million and reported profit before tax of RM0.071 million as compared to revenue of RM0.970 million and profit before tax of RM0.230 million in the previous quarter.

**B3. Prospects**

The Malaysian economy faces uncertainty with volatile oil price, a weakening Ringgit Malaysia against the US Dollar and concerns about the rising cost of doing business. 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.

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**B4. Profit forecast**

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

**B5. Tax expense**

	<b>Current quarter ended 31 Mar 2015 RM'000</b>	<b>Current year to-date 31 Mar 2015 RM'000</b>
Income tax		
- Current year	317	317
Deferred Tax	<u>23</u>	<u>23</u>
	<u>340</u>	<u>340</u>

The Group's effective tax rate for the current quarter and current year-to-date were higher than the statutory rate due to losses incurred by the investment holding company and subsidiaries.

**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 Mar 2015 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	-	78	78
Bank borrowings	<u>5,578</u>	<u>-</u>	<u>5,578</u>
Total	<u>5,578</u>	<u>78</u>	<u>5,656</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	-	183	183
Bank borrowings	<u>2,488</u>	<u>-</u>	<u>2,488</u>
Total	<u>2,488</u>	<u>183</u>	<u>2,671</u>

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2015 (CONT'D)

**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.

**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 2015 and previous year's corresponding period ended 31 March 2014.
- b) An interim single-tier tax exempt dividend of 0.5 sen per ordinary share amounting to RM0.940 million, in respect of the FYE 31 December 2014 was paid on 25 February 2015 (a single-tier tax exempt dividend of 0.3 sen per ordinary share amounting to RM0.540 million, in respect of the FYE 31 December 2013 was paid on 14 February 2014).

**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 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
Comprehensive income attributable to owners of the Company (RM'000)	492	238	492	238
Weighted average number of ordinary shares in issue ('000)	188,000	188,000	188,000	188,000
Earnings per share (sen)				
- Basic	0.26	0.13	0.26	0.13
- Diluted	0.26	0.13	0.26	0.13

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**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:

	<b>Unaudited as at 31 Mar 2015</b>	<b>Audited as at 31 Dec 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Realised retained earnings	21,036	21,369
Unrealised retained earnings	<u>353</u>	<u>376</u>
	21,389	21,745
Less : Consolidated adjustments	<u>(10,404)</u>	<u>(10,311)</u>
Total group retained earnings	<u>10,985</u>	<u>11,434</u>

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

Date: 27 May 2015