

PETERLABS HOLDINGS BERHAD (Company No. 909720-W)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2017

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 June 2017 RM'000	Preceding Period Corresponding Quarter Ended 30 June 2016 RM'000	Current Period To Date Ended 30 June 2017 RM'000	Preceding Period To Date Ended 30 June 2016 RM'000
Revenue	23,045	20,004	46,154	40,062
Cost of sales	(18,908)	(15,903)	(37,788)	(32,109)
Gross profit	4,137	4,101	8,366	7,953
Other income	334	144	581	400
Selling and distribution expenses	(1,117)	(875)	(2,365)	(1,708)
Administration expenses	(1,936)	(2,064)	(3,705)	(3,978)
Other expenses	(83)	(13)	(147)	(467)
Operating profit	1,335	1,293	2,730	2,200
Finance cost	(136)	(101)	(273)	(187)
Profit before tax	1,199	1,192	2,457	2,013
Tax expense	(236)	(385)	(612)	(575)
Profit for the period	963	807	1,845	1,438
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	963	807	1,845	1,438
Total comprehensive income attributable to the Owners of the Company	963	807	1,845	1,438
Weighted average no. of ordinary shares in issue ('000)	210,116	206,800	208,467	206,800
Earnings per share (sen):				
-Basic	0.46	0.39	0.89	0.70

Note:

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended ("FYE") 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

PETERLABS HOLDINGS BERHAD (Company No. 909720-W)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Unaudited	Audited
	As at	As at
	30 June 2017	31 December 2016
	RM'000	RM'000
ASSETS		
Non-current asset		
Property, plant and equipment	18,902	18,744
	<u>18,902</u>	<u>18,744</u>
Current assets		
Inventories	10,190	11,584
Trade receivables	21,903	21,889
Other receivables	969	3,963
Tax recoverable	263	-
Cash and bank balances	9,595	5,568
	<u>42,920</u>	<u>43,004</u>
TOTAL ASSETS	<u><u>61,822</u></u>	<u><u>61,748</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	27,459	20,680
Share premium	-	4,477
Unappropriated profits	16,119	14,274
Total equity	<u>43,578</u>	<u>39,431</u>
Non-current liabilities		
Finance lease liabilities	711	761
Borrowings	4,857	5,295
Deferred tax liabilities	359	359
	<u>5,927</u>	<u>6,415</u>
Current liabilities		
Trade payables	2,639	3,776
Other payables	5,615	3,683
Finance lease liabilities	257	288
Dividend payable	-	1,448
Borrowings	3,735	6,645
Tax payables	71	62
	<u>12,317</u>	<u>15,902</u>
Total liabilities	<u>18,244</u>	<u>22,317</u>
TOTAL EQUITY AND LIABILITIES	<u><u>61,822</u></u>	<u><u>61,748</u></u>
Net assets per share attributable to ordinary equity holders of the Company (sen)	20.29	19.07

Note:

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2016.

PETERLABS HOLDINGS BERHAD (Company No. 909720-W)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	Attributable to Equity Holders of the Company			
	<u>Non-Distributable</u>		<u>Distributable</u>	
	Share Capital RM'000	Share Premium RM'000	Unappropriated Profit RM'000	Total equity RM'000
At 1 January 2017	20,680	4,477	14,274	39,431
Special Bumiputera Issue	2,302	-	-	2,302
Adjustment for effect of Companies Act 2016 (Note A)	4,477	(4,477)	-	-
Total comprehensive income for the financial period	-	-	1,845	1,845
At 30 June 2017 (Unaudited)	<u>27,459</u>	<u>-</u>	<u>16,119</u>	<u>43,578</u>
At 1 January 2016	20,680	4,477	13,834	38,991
Total comprehensive income for the financial period	-	-	1,438	1,438
Dividend of 0.7% per share in respect of financial year ended 31 December 2015 paid on 30 March 2016	-	-	(1,448)	(1,448)
At 30 June 2016 (Unaudited)	<u>20,680</u>	<u>4,477</u>	<u>13,824</u>	<u>38,981</u>

Note A

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM4.477 million has been transferred to the share capital account. Pursuant to subsection 618 (3) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

Note:

The Unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2016.

PETERLABS HOLDINGS BERHAD (Company No. 909720-W)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	Current Period To Date Ended 30 June 2017 (Unaudited) RM'000	Preceding Year Corresponding Period Ended 30 June 2016 (Unaudited) RM'000
OPERATING ACTIVITIES		
Profit before tax	2,457	2,013
Adjustments for:-		
- Non cash items	487	720
- Non-operating items	231	115
Operating profit before working capital changes	3,175	2,848
Changes in working capital		
Inventories	1,434	1,382
Receivables	3,192	(158)
Payables	12	3,138
Bill payables	(2,922)	2,718
Cash generated from operations	4,891	9,928
Tax expense paid	(866)	(627)
Interest received	42	50
Interest paid	(93)	(101)
Net cash from/(used in) operating activities	3,974	9,250
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(46)	(1,411)
Proceed from disposal of property, plant and equipment	-	25
Net cash used in investing activities	(46)	(1,386)
FINANCING ACTIVITIES		
Dividend paid on ordinary shares	(1,448)	(1,448)
Proceeds from special bumiputera issue	2,302	-
Interest paid	(180)	(86)
Repayment of term loan	(426)	(218)
Repayment of finance lease liabilities	(161)	(104)
Net cash from financing activities	87	(1,856)
Net Changes In Cash And Cash Equivalents	4,015	6,008
Effect of exchange rate changes	12	(116)
Cash And Cash Equivalents At The Beginning Of The Period	5,568	3,634
Cash And Cash Equivalents At The End Of The Period	9,595	9,526

Note:

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2016.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

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

A1. Basis 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 2016 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 2016.

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 not early adopted new or revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2017.

The Directors anticipate that the adoption of new and revised MFRSs and IC Interpretations that are effective 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 2016.

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 period-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 period-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 2017 (CONT'D)

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017 (CONT'D)

A7. Profit for the period

Profit for the current quarter and period-to-date ended 30 June 2017 is arrived at after charging / (crediting), amongst other items, the following:

	<i>Quarter Ended</i>	<i>Period To Date Ended</i>
	30.06.2017 RM'000	30.06.2017 RM'000
Other income including investment income	(274)	(481)
Unrealised foreign exchange gain	(9)	(19)
Net Realised foreign exchange loss	66	115
Interest expense	136	273
Interest income	(18)	(42)
Depreciation	378	756
Reversal of inventories written down	(34)	(40)

A8. Segmental information

The Group is organised into the following operating segments:

- a) Trading
- b) Manufacturing

Quarter ended 30 June 2017	Trading RM'000	Manufacturing RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from				
External customers	19,839	3,206	-	23,045
Inter-segment revenue	2,263	7,134	(9,397)	-
Total revenue	22,102	10,340	(9,397)	23,045
Profit before tax	1,020	179	-	1,199
Tax expense				(236)
Profit for the period				963

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017 (CONT'D)

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017 (CONT'D)

A8. Segmental information (cont'd)

Period to Date ended 30 June 2017	Trading RM'000	Manufacturing RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from				
External customers	39,903	6,251	-	46,154
Inter-segment revenue	4,245	13,806	(18,051)	-
Total revenue	44,148	20,057	(18,051)	46,154
Profit before tax	1,676	781	-	2,457
Tax expense				(612)
Profit for the period				1,845

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

There was no capital commitment as at date of this announcement.

A11. Material subsequent events

There were no material events subsequent to the reporting date up to the date of this report.

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

	Company	
	As at 30/06/2017	As at 31/12/2016
	RM'000	RM'000
Corporate guarantee given by the Company to financial Institutions for credit facilities granted to Subsidiaries		
- Utilised	8,592	11,940
- Limit	33,450	33,450

A14. Significant related party transactions

Save as disclosed in the Audited Financial Statements for the FYE 31 December 2016, 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 financial quarter under review save for the issuance of 7,939,900 new ordinary shares pursuant to the Special Bumiputera issues at RM0.29 per Issue Share. The total cash proceeds arising from the Special Bumiputera Issue was RM2.3 million.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017 (CONT'D)

B: ADDITIONAL INFORMATION PURSUANT TO THE ACE LR

B1. Review of performance

The Group registered RM23.045 million revenue for the current quarter which represents an increase of RM3.041 million or 15.20% as compared to the revenue of RM20.004 million in the previous period's corresponding quarter. The Group registered profit before tax of RM1.199 million for the quarter under review which represents increase of RM0.007 million or 0.58% as compared to the Group's profit before tax of RM1.192 million reported in the previous period's corresponding quarter. Profit before tax increase slightly despite of higher revenue achieved but affected with higher operating expenses incurred.

For the current quarter, trading segment registered revenue of RM19.839 million from the external customers and RM2.263 million from inter-company transactions and reported profit before tax of RM1.020 million for the quarter under review. In the previous period's corresponding quarter, the group achieved revenue of RM18.497 million from the external customers and RM3.325 million from inter-company transactions and reported profit before tax of RM0.997 million for the trading segment. The increase in profit before tax for the trading segment for the current quarter was mainly due to higher revenue achieved.

The manufacturing segment registered revenue of RM3.206 million from the external customers and RM7.134 million from inter-company transactions and reported profit before tax of RM0.179 million for the quarter under review. In the previous period's corresponding quarter, the Group achieved revenue of RM1.507 million from external customers and RM7.242 million from inter-company transactions and reported profit before tax of RM0.195 million for the manufacturing segment. The decrease in profit before tax for the manufacturing segment for the current quarter was mainly attributable to higher operating expenses incurred.

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 decrease in revenue of 0.28% from RM23.109 million to RM23.045 million and decrease in profit before tax of 4.69% from RM1.258 million to RM1.199 million as compared to preceding quarter ended 31 March 2017. The decrease in profit before tax was mainly attributable to lower gross margin achieved as compared with previous quarter. For the current quarter, trading segment achieved revenue of RM19.839 million and profit before tax of RM1.020 million as compared to revenue of RM20.064 million and profit before tax of RM0.656 million in the previous quarter, whilst the manufacturing segment achieved revenue of RM3.206 million and reported profit before tax of RM0.179 million as compared to revenue of RM3.045 million and profit before tax of RM0.602 million in the previous quarter.

B3. Prospects

With the successful commercialization of our new fat granular spray plant in Klang, the Group is optimistic of sustaining our growth momentum.

Our Group will continue to explore and penetrate the China and others market as the demand for products like Osmofat has been strong in China and others. Besides, our Group is expanding into wider range of products, which include vaccines.

Moving forward, the Group will ensure it stays ahead of market trends, responding swiftly to changes through further strengthening its position in the market with a wider range of products which include vaccines. In the near term, the Group expects the raw material prices to trend at higher levels due to supply and demand mechanism of raw materials and foreign exchange volatility.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017 (CONT'D)

B3. Prospects (cont'd)

However, the outlook of the global economy remains challenging and uncertain. Nevertheless, the Group strategies are to focus on leveraging on its extensive customer network, improved productivity, quality services and product range to enhance its competitive edge.

Barring any unforeseen circumstances, the Board believes that the Group's prospects in this financial year ending 31 December 2017 remains positive with challenges ahead and target to achieve a better result than last financial year ended 31 December 2016.

B4. Profit forecast

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

B5. Tax expense

	Current quarter ended 30.06.2017 RM'000	Current period- to-date 30.06.2017 RM'000
Income tax		
- Current period	<u>236</u>	<u>612</u>

The Group's effective tax rate for the current quarter and current period-to-date were higher than the statutory rate due to losses incurred by subsidiaries and certain expenses which were not deductible for tax purposes.

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 were no other corporate proposals announced but not completed at the latest practicable date which is not earlier than seven (7) days from the date of issue of this interim financial report.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017 (CONT'D)

B9. Group borrowings and debts securities

The Group's borrowings as at 30 June 2017 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowings:</u>			
Finance lease liabilities	-	257	257
Bank borrowings	<u>3,735</u>	<u>-</u>	<u>3,735</u>
Total	<u>3,735</u>	<u>257</u>	<u>3,992</u>

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long term borrowings:</u>			
Finance lease liabilities	-	711	711
Bank borrowings	<u>4,857</u>	<u>-</u>	<u>4,857</u>
Total	<u>4,857</u>	<u>711</u>	<u>5,568</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.

B11. Material litigation

As at the date of this announcement, neither the Company nor any of its subsidiaries are 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 subsidiaries 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 subsidiaries.

B12. Dividends

No interim dividend has been recommended for the financial quarter ended 30 June 2017 and previous year's corresponding period ended 30 June 2016.

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		Period To Date Ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Comprehensive income attributable to owners of the Company (RM'000)	963	807	1,845	1,438
Weighted average number of ordinary shares in issue ('000)	210,116	206,800	208,467	206,800
Earnings per share (sen)				
- Basic	0.46	0.39	0.89	0.70

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017 (CONT'D)

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 2017 RM'000	Audited as at 31 December 2016 RM'000
Realised retained earnings	29,685	28,015
Unrealised retained earnings	(340)	(430)
	29,345	27,585
Less: Consolidated adjustments	(13,226)	(13,311)
Total group retained earnings	<u>16,119</u>	<u>14,274</u>

By Order of the Board
PeterLabs Holdings Berhad
Wong Yuet Chyn (MAICSA 7047163)
Company Secretary
Kuala Lumpur

Date: 25 August 2017