

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

**(a) NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS 134 (FRS 134):
INTERIM FINANCIAL REPORTING**

A1. Basis of reporting preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and Appendix 9B of the Listing Requirements.

The interim financial statements should be read in conjunction with the Audited Financial Statements of the Company for the FYE 31 December 2011 and the accompanying explanatory notes attached to the interim financial report.

A2. Adoption of New and Revised Accounting Policies

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.

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 second quarter ended 30 June 2012 could be different if prepared under the MFRS Framework.

A3. Auditors’ report

There was no qualification on the Audited Financial Statements of the Group for the FYE 31 December 2011.

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.

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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.

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.

A7. Profit for the period

Profit for the period is arrived at after charging/(crediting):

| | Current Quarter Ended 30 June 2012 RM'000 | Individual Quarter Preceding Period Corresponding Quarter Ended 30 June 2011 RM'000 | Cumulative Quarter Current Period to Date Ended 30 June 2012 RM'000 | Cumulative Quarter Preceding Period to Date Ended 30 June 2011 RM'000 |
|--|--|--|--|--|
| Other income including investment income | 24 | (19) | (104) | (105) |
| Interest expense | 55 | 98 | 124 | 178 |
| Depreciation and amortisation | 221 | 91 | 408 | 167 |
| Provision for and write off of receivables | - | 71 | - | 125 |
| Inventories written down | 19 | (25) | 73 | (38) |
| Foreign exchange gain or loss | 25 | (17) | (11) | (95) |

A8. Segmental information

The Group is organised into the following operating segments:-

- a) Trading
- b) Manufacturing

| Quarter ended 30 June 2012 | Trading RM'000 | Manufacturing RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---------------------------------------|---------------------------|---------------------------------|--------------------------------|--------------------------------|
| Revenue from | | | | |
| External customers | 10,546 | 429 | - | 10,975 |
| Inter-segment revenue | 2,040 | 4,401 | (6,441) | - |
| Total revenue | <u>12,586</u> | <u>4,830</u> | <u>(6,441)</u> | <u>10,975</u> |
| Profit before tax | 808 | 24 | | 832 |
| Tax expense | | | | (157) |
| Profit for the period | | | | 675 |

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A8. Segmental Reporting (cont'd)

| Period to Date ended 30 June 2012 | Trading RM'000 | Manufacturing RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--|---------------------------|---------------------------------|--------------------------------|--------------------------------|
| Revenue from External customers | 20,950 | 656 | - | 21,606 |
| Inter-segment revenue | 3,577 | 8,779 | (12,356) | - |
| Total revenue | <u>24,527</u> | <u>9,435</u> | <u>(12,356)</u> | <u>21,606</u> |
| Profit before tax | 1,701 | 234 | | 1,935 |
| Tax expense | | | | (482) |
| Profit for the period | | | | 1,453 |

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 year to date.

A14. Significant related party transactions

Save as disclosed in the Audited Financial Statements for the FYE 31 December 2011, there were no other significant related party transactions for the current quarter under review.

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ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of performance

The Group achieved revenue of RM10.975 million and profit before tax of RM0.832 million for the current quarter ended 30 June 2012. For the current quarter, trading segment achieved revenue of RM10.546 million and profit before tax of RM0.808 million as compared to revenue of RM10.404 million and profit before tax of RM0.893 million in the previous quarter. The decrease in profit before tax was due to higher administration expenses of RM0.175 million as compared to the previous quarter.

The manufacturing segment registered a revenue of RM0.429 million from external customers and a revenue of RM4.401 million from inter-company transaction. The profit before tax for manufacturing segment was RM0.024 million. In the previous quarter, the Group achieved a revenue of RM4.605 million and profit before tax of RM0.210 million (solely from inter-company transaction). The profit before tax decrease despite the increase of revenue which was attributed to higher administration cost.

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

The Group's revenue for the current quarter of RM10.975 million which represents an increase of RM0.344 million or 3.24% as compared to the revenue of RM10.631 million for the preceding quarter. The increase in revenue was due to higher trading and manufacturing sales achieved for the quarter under review. The Group registered profit before tax of RM0.832 million for the quarter under review which represents a decrease of RM0.271 million or 24.57% as compared to the Group's profit before tax of RM1.103 million reported in the preceding quarter. The decrease was due to higher administration cost.

B3. Prospects

The Malaysian animal feed additives market is expected to have a positive outlook with an expected compound annual growth rate ("CAGR") of 6.4% from 2010 to 2015 with market size growing to RM291.1 million in 2015. Barring any unforeseen circumstances, the Board of Directors is optimistic about the Group's prospect in the future.

B4. Profit forecast

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

B5. Tax expense

| | Current quarter ended 30 June 2012 RM'000 | Current period to-date 30 June 2012 RM'000 |
|--------------|--|---|
| Current tax | 157 | 482 |
| Deferred tax | <u>-</u> | <u>-</u> |
| | <u>157</u> | <u>482</u> |

The Group's effective tax rate for the current quarter was 18.8% which was lower than the statutory rate. This is due to overprovision of tax expense in prior years.

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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 2012 were as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|--------------------------------------|---------------------------|-----------------------------|-------------------------|
| <u>Short term borrowings:</u> | | | |
| Finance lease | - | 72 | 72 |
| Bank borrowings | 2,292 | - | 2,292 |
| Total | 2,292 | 72 | 2,364 |
| | | | |
| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
| <u>Long term borrowings:</u> | | | |
| Finance lease | - | 115 | 115 |
| Bank borrowings | 3,189 | - | 3,189 |
| Total | 3,189 | 115 | 3,304 |

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 subsidiary 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 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 2012.

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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:

| | <u>Individual Quarter</u> | | <u>Cumulative Quarter</u> | |
|--|--|---|---|---|
| | <u>Current Quarter Ended</u> <u>30 June 2012</u> <u>RM'000</u> | <u>Preceding Period Corresponding Quarter Ended</u> <u>30 June 2011</u> <u>RM'000</u> | <u>Current Period to Date Ended</u> <u>30 June 2012</u> <u>RM'000</u> | <u>Preceding Period to Date Ended</u> <u>30 June 2011</u> <u>RM'000</u> |
| Comprehensive income ordinary attributable to equity holders of Company (RM) | 683 | 672 | 1,437 | 1,978 |
| Weighted average number of ordinary shares in issue ('000) | 188,000 | 173,000 | 188,000 | 173,000 |
| Earnings per share (sen) | | | | |
| - Basic | 0.36 | 0.39 | 0.76 | 1.14 |
| - Diluted | 0.36 | 0.39 | 0.76 | 1.14 |

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:

| | <u>Unaudited as at</u> <u>30 June 2012</u> <u>RM'000</u> | <u>Audited as at</u> <u>31 December 2011</u> <u>RM'000</u> |
|--------------|--|--|
| - Realised | 6,165 | 4,728 |
| - Unrealised | (365) | (365) |
| | <u>5,800</u> | <u>4,363</u> |

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

Date: 28 August 2012