

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

**NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013**

**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 2012 and the accompanying explanatory notes attached to the interim financial report.

**A2. Basis of preparation**

**2.1 Adoption of New and Revised Malaysian Financial Reporting Standards (“MFRS”)**

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except for the Group and the Company have adopted new and revised MFRSs and IC Interpretations.

Initial application of the new and revised MFRSs and interpretations is not expected to have any material impact on the financial statements of the Group and of the Company, except for the following :-

**MFRS 13 Fair Value Measurement**

MFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced the disclosures about fair value measurements. The enhanced disclosure requirements are similar to those in MFRS 7 Financial Instruments: Disclosures, but apply to all assets and liabilities measured at fair value, not just financial ones.

**2.2 Standards issued but not yet effective**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the MASB but are not yet effective, and have not been adopted by the Group and the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group’s and the Company’s accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group’s and the Company’s financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group’s and the Company’s financial statements.

**MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)**

MFRS 9 replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments. It addresses the classification, measurement and recognition of financial assets and financial liabilities with only two classification categories: fair value and amortised cost.

The Group and the Company expect changes to arise from the adoption of MFRS in terms of the classification and measurement of the financial assets. However, the extent of the impact has not been determined.

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**A3. Auditors' report**

There was no qualification on the Audited Financial Statements of the Group for the FYE 31 December 2012.

**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.

**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 current quarter and period-to-date ended 31 March 2013 is arrived at after charging / (crediting):

	<b>Quarter Ended 31 Mar 2013 RM'000</b>	<b>Period To Date Ended 31 Mar 2013 RM'000</b>
Other income including investment income	(16)	(16)
Interest expense	63	63
Depreciation	205	205
Inventories written down	152	152
Foreign exchange gain	(38)	(38)

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**A8. Segmental information**

The Group is organised into the following operating segments:-

- a) Trading
- b) Manufacturing

<b>Quarter ended 31 March 2013</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	11,139	305	-	11,444
Inter-segment revenue	2,308	3,985	(6,293)	-
<b>Total revenue</b>	<u>13,447</u>	<u>4,290</u>	<u>(6,293)</u>	<u>11,444</u>
<b>Profit before tax</b>	754	(203)	-	551
Tax expense				(223)
<b>Profit for the period</b>				328

<b>Period to Date ended 31 March 2013</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	11,139	305	-	11,444
Inter-segment revenue	2,308	3,985	(6,293)	-
<b>Total revenue</b>	<u>13,447</u>	<u>4,290</u>	<u>(6,293)</u>	<u>11,444</u>
<b>Profit before tax</b>	754	(203)	-	551
Tax expense				(223)
<b>Profit for the period</b>				328

**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.

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**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 2012, there were no other significant related party transactions for the current quarter under review.

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**B: ADDITIONAL INFORMATION REQUIRED UNDER THE ACE LR**

**B1. Review of performance**

The Group's revenue for the current quarter of RM11.444 million which represents an increase of RM0.813 million or 7.6% as compared to the revenue of RM10.631 million in the previous period's corresponding quarter. The Group registered profit before tax of RM0.551 million for the quarter under review which represents a decrease of RM0.552 million or 50.0% as compared to the Group's profit before tax of RM1.103 million reported in the previous period's corresponding quarter. The decrease in profit before tax for the current quarter was due to lower gross margin mainly due to purchase inflation in which the cost have not been passed on to customers due to competitive market. The decrease in other income was due to gain on disposal of fixed assets recognized in the previous period's corresponding quarter.

For the current quarter, trading segment registered revenue of RM11.139 million and profit before tax of RM0.754 million as compared to RM12.610 million and RM1.087 million in the previous quarter. The decrease in profit before tax for the current quarter was mainly due to lower sales and additional provision of slow moving stock of RM0.244 million.

The manufacturing segment registered revenue of RM0.305 million from the external customers and RM3.985 million from inter-company transaction while reported loss of RM0.203 million for the quarter under review. In the previous quarter, the Group achieved revenue of RM0.325 million from external customers and RM4.402 million (from inter-company transaction). The loss for manufacturing segment was RM0.258 million. The decrease in loss for the current quarter was due to lower provision of slow moving stock of RM0.052 million was made 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 11.5% from RM12.935 million to RM11.444 million and decrease in profit before tax of 38.1% from RM0.890 million to RM0.551 million as compared to preceding quarter ended 31 December 2012. The decline in profit before tax was mainly due lower sales achieved as compared to previous quarter. For the current quarter, trading segment achieved revenue of RM11.139 million and profit before tax of RM0.754 million as compared to revenue of RM12.610 million and profit before tax of RM1.087 million in the previous quarter. The decrease in revenue was mainly due to lower customer purchase both from trading and manufacturing segments in the quarter under review.

**B3. Prospects**

The Group will continue to focus on its manufacturing, distribution and trading of animal health and nutrition products which include animal feed additives, environment maintenance products, veterinary pharmaceuticals and biological products. The Group has recently embarked on animal feed additives to exports market countries such as Indonesia, Brunei, Taiwan and Cambodia. The Group expects the prospect of the Malaysian animal health and nutrition products to be positive. 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.

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**B5. Tax expense**

	<b>Current quarter ended 31 March 2013 RM'000</b>	<b>Current year to-date 31 March 2013 RM'000</b>
Current tax	<u>223</u>	<u>223</u>
	<u>223</u>	<u>223</u>

The Group's effective tax rate for the current quarter was higher than the statutory rate due to loss making of Holdings Company and subsidiary from manufacturing segment.

**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 2013 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	-	97	97
Bank borrowings	<u>2,771</u>	-	<u>2,771</u>
Total	<u>2,771</u>	<u>97</u>	<u>2,868</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	-	136	136
Bank borrowings	<u>2,927</u>	-	<u>2,927</u>
Total	<u>2,927</u>	<u>136</u>	<u>3,063</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.

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**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**

An interim single tier tax exempt dividend of 0.7 sen per share amounting to RM1.316 million was declared in respect of FYE 31 December 2012 and 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 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
Comprehensive income attributable to owners of the Company (RM'000)	345	754	345	754
Weighted average number of ordinary shares in issue ('000)	188,000	188,000	188,000	188,000
Earnings per share (sen)				
- Basic	0.18	0.40	0.18	0.40
- Diluted	0.18	0.40	0.18	0.40

**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	Audited as at
	31 March 2013	31 December 2012
	RM'000	RM'000
- Realised	6,714	7,685
- Unrealised	<u>577</u>	<u>577</u>
	<u>7,291</u>	<u>8,262</u>

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

Date: 28 May 2013