

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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. 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 2012.

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 2013.

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 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 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 30 September 2013 is arrived at after charging / (crediting), amongst other items, the following:-

	<i>Quarter Ended</i>	<i>Period To Date Ended</i>
	30 Sep 2013 RM'000	30 Sep 2013 RM'000
Other income including investment income	(63)	(97)
Reversal of inventories written down	(9)	(79)
Interest expense	81	262
Depreciation	212	628
Inventories written down	37	189
Foreign exchange gain	(61)	(200)

A8. Segmental information

The Group is organised into the following operating segments:-

- a) Trading
- b) Manufacturing

Quarter ended 30 Sep 2013	Trading RM'000	Manufacturing RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from				
External customers	12,718	462	-	13,180
Inter-segment revenue	3,707	4,032	(7,739)	-
Total revenue	<u>16,425</u>	<u>4,494</u>	<u>(7,739)</u>	<u>13,180</u>
Profit/(loss) before tax	853	(177)	-	676
Tax expense				(258)
Profit for the period				418

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A8. Segmental information (cont'd)

Period to Date ended 30 Sep 2013	Trading RM'000	Manufacturing RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from External customers	35,718	1,195	-	36,913
Inter-segment revenue	8,454	11,649	(20,103)	-
Total revenue	<u>44,172</u>	<u>12,844</u>	<u>(20,103)</u>	<u>36,913</u>
Profit/(loss) before tax	2,648	(640)	-	2,008
Tax expense				(775)
Profit for the period				1,233

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

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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.

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B: ADDITIONAL INFORMATION PURSUANT TO THE ACE LR

B1. Review of performance

The Group registered RM13.180 million revenue for the current quarter which represents an increase of RM1.617 million or 14.0% as compared to the revenue of RM11.563 million in the previous period's corresponding quarter. Notwithstanding the increase in the revenue, the Group registered profit before tax of RM0.676 million for the quarter under review which represents a decrease of RM0.388 million or 36.5% as compared to the Group's profit before tax of RM1.064 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 achieved mainly due to higher purchase cost for our trading segment as well as increase in cost of raw materials for our manufacturing segment and the weakening of Ringgit Malaysia against the USD. Such cost have not been passed on to customers due to competitive market.

For the current quarter, trading segment registered revenue of RM12.718 million and profit before tax of RM0.853 million as compared to RM11.861 million and RM1.041 million in the previous quarter. The decrease in profit before tax for the current quarter was mainly due lower gross margin achieved despite increase in sales from trading segments.

The manufacturing segment registered revenue of RM0.462 million from the external customers and RM4.032 million from inter-company transaction while reported loss of RM0.177 million for the quarter under review. In the previous quarter, the Group achieved revenue of RM0.428 million from external customers and RM3.632 million (from inter-company transaction). The loss for manufacturing segment was RM0.260 million. The decrease in loss for the current quarter was mainly attributable to higher sales achieved and lower operating expenses incurred during the quarter under review.

For the financial period-to-date

As for the financial period ended 30 September 2013, the Group's recorded revenue of RM36.913 million which represent an increase of RM3.744 million or 11.3% as compared to the revenue of RM33.169 million in the previous year's corresponding period. The Group registered profit before tax of RM2.008 million which represents a decrease of RM0.991 million or 33.0% as compared to previous period which reported RM2.999 million. The decline was mainly due to lower gross margin achieved and higher distribution cost to East Malaysia despite increase in sales especially from trading segments.

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 7.3% from RM12.289 million to RM13.180 million but decrease in profit before tax of 13.4% from RM0.781 million to RM0.676 million as compared to preceding quarter ended 30 June 2013. The decrease in profit before tax was mainly attributable to lower gross margin achieved and higher distribution cost to east Malaysia despite sales increase especially from trading segments. For the current quarter, trading segment achieved revenue of RM12.718 million and profit before tax of RM0.853 million as compared to revenue of RM11.861 million and profit before tax of RM1.041 million in the previous quarter.

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 export market countries such as Indonesia, Brunei, Taiwan and Cambodia. Despite the current challenging business environment, barring any unforeseen circumstances, the Board of Directors expects the Group's prospect to remain positive 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

	Current quarter ended 30 September 2013 RM'000	Current year to-date 30 September 2013 RM'000
Income tax		
- Current year	242	759
- Under provision in previous year	63	63
Deferred tax	<u>(47)</u>	<u>(47)</u>
	<u>258</u>	<u>775</u>

The Group's effective tax rate for the current quarter was higher than the statutory rate due to losses incurred by the holding company and a 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 30 September 2013 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowings:</u>			
Finance lease liabilities	-	97	97
Bank borrowings	<u>2,840</u>	<u>-</u>	<u>2,840</u>
Total	<u>2,840</u>	<u>97</u>	<u>2,937</u>
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long term borrowings:</u>			
Finance lease liabilities	-	89	89
Bank borrowings	<u>2,896</u>	<u>-</u>	<u>2,896</u>
Total	<u>2,896</u>	<u>89</u>	<u>2,985</u>

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

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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

- a) No interim dividend has been recommended for the financial quarter ended 30 September 2013.
- b) There was no dividend paid during the financial quarter ended 30 September 2013 and previous year's corresponding period ended 30 September 2012.

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 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
Comprehensive income attributable to owners of the Company (RM'000)	423	1,582	1,266	3,019
Weighted average number of ordinary shares in issue ('000)	188,000	188,000	188,000	188,000
Earnings per share (sen)				
- Basic	0.23	0.84	0.67	1.61
- Diluted	0.23	0.84	0.67	1.61

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
	30 September 2013	31 December 2012
	RM'000	RM'000
- Realised	7,588	7,685
- Unrealised	<u>624</u>	<u>577</u>
	<u>8,212</u>	<u>8,262</u>

PETERLABS HOLDINGS BERHAD (Company No: 909720-W)

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

Date: 19 November 2013