

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2010  
 (The figures have not been audited)

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/03/2010 RM'000	Corresponding Quarter Ended 31/03/2009 RM'000	9 Months Cumulative To Date 31/03/2010 RM'000	9 Months Cumulative To Date 31/03/2009 RM'000
Revenue	25,170	19,355	72,203	65,589
Operating expenses	(23,181)	(17,620)	(65,567)	(60,167)
Other operating income	270	126	1,776	2,056
<b>Profit from operations</b>	<b>2,259</b>	<b>1,861</b>	<b>8,412</b>	<b>7,478</b>
Finance cost	(235)	(150)	(617)	(440)
<b>Profit before tax</b>	<b>2,024</b>	<b>1,711</b>	<b>7,795</b>	<b>7,038</b>
Tax credit/(expense)	117	(73)	165	(1,019)
<b>Profit after tax</b>	<b>2,141</b>	<b>1,638</b>	<b>7,960</b>	<b>6,019</b>
Earnings per share (sen)				
(a) Basic	1.73	1.32	6.43	4.86
(b) Diluted	1.73	1.32	6.43	4.86

(The Condensed Consolidated Income Statements should be read in conjunction with  
 the Audited Financial Statements for the year ended 30 June 2009)

**KOTRA INDUSTRIES BERHAD (497632-P)**  
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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	Unaudited As at 31/03/2010 RM '000	Audited As at 30/06/2009 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	155,609	120,493
Investment property	1,655	1,675
Prepaid land lease payment	4,411	4,449
Development expenditure	832	671
Deferred tax asset	930	750
	163,437	128,038
<b>Current Assets</b>		
Inventories	30,253	21,111
Trade receivables	30,463	30,464
Other receivables, deposits and prepayments	1,672	8,266
Tax recoverable	205	119
Deposits with licensed banks	-	1,600
Cash and bank balances	8,135	6,962
	70,728	68,522
<b>TOTAL ASSETS</b>	234,165	196,560
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	61,903	61,903
Share premium reserve	3	3
Share option reserve	348	314
Retained profits	36,846	28,886
	99,100	91,106
<b>Non-Current Liabilities</b>		
Deferred income	26	46
Long term borrowings	87,056	63,045
	87,082	63,091
<b>Current Liabilities</b>		
Trade payables	17,589	18,868
Other payables and accruals	5,047	10,206
Short term borrowings	20,711	9,497
Bank overdrafts	4,636	3,792
	47,983	42,363
<b>Total Liabilities</b>	135,065	105,454
<b>TOTAL EQUITY AND LIABILITIES</b>	234,165	196,560
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	80.04	73.59

(The Condensed Consolidated Balance Sheets should be read in conjunction with  
 the Audited Financial Statements for the year ended 30 June 2009)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	<b>9 months Ended 31/03/2010 RM '000</b>	<b>9 months Ended 31/03/2009 RM '000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	7,795	7,038
Adjustment for:		
Non-cash items	3,663	1,354
Non-operating items	500	239
ESOS expenses	34	54
Operating profit before working capital changes	<u>11,992</u>	<u>8,685</u>
Changes in working capital:		
Net change in current assets	(3,984)	(2,973)
Net change in current liabilities	<u>(6,438)</u>	<u>10,951</u>
Cash generated from operations	1,570	16,663
Interest paid	(562)	(378)
Tax paid	<u>(101)</u>	<u>(28)</u>
Net cash from operating activities	<u>907</u>	<u>16,257</u>
<b>Cash Flows For Investing Activities</b>		
Interest received	37	82
Development expenditure paid	(174)	(203)
Purchase of property, plant and equipment	(34,265)	(64,949)
Rental received	25	57
Proceed from disposal of fixed assets	36	10
Net cash for investing activities	<u>(34,341)</u>	<u>(65,003)</u>
<b>Cash Flows From Financing Activities</b>		
Drawdown of bank borrowings	35,238	38,538
Repayment of hire purchase loans	(13)	(12)
Interest capitalised	<u>(3,001)</u>	<u>-</u>
Net cash from financing activities	<u>32,224</u>	<u>38,526</u>
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	<u>(61)</u>	<u>-</u>
<b>Net Decrease in Cash &amp; Cash Equivalents</b>	<u>(1,271)</u>	<u>(10,220)</u>
<b>Cash &amp; Cash Equivalents at beginning of the financial period</b>	4,770	13,267
<b>Cash &amp; Cash Equivalents at end of period</b>	<u><u>3,499</u></u>	<u><u>3,047</u></u>

(The Condensed Consolidated Balance Sheets should be read in conjunction with  
 the Audited Financial Statements for the year ended 30 June 2009)

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share Capital RM '000	← Non - distributable → Share Premium RM '000	Share Option Reserve RM '000	Distributable Retained Profits RM '000	Total RM '000
<b>As at 31 March 2010</b>					
Balance at 1 July 2009	61,903	3	314	28,886	91,106
Profit for the period	-	-	-	7,960	7,960
Share-based payment under ESOS	-	-	34	-	34
Balance at 31 March 2010	<u>61,903</u>	<u>3</u>	<u>348</u>	<u>36,846</u>	<u>99,100</u>
<b>As at 31 March 2009</b>					
Balance at 1 July 2008	61,903	3	241	19,762	81,909
Profit for the period	-	-	-	6,019	6,019
Share-based payment under ESOS	-	-	54	-	54
Balance at 31 March 2009	<u>61,903</u>	<u>3</u>	<u>295</u>	<u>25,781</u>	<u>87,982</u>

(The Condensed Consolidated Statements of Changes In Equity should be read in conjunction  
 with the Audited Financial Statements for the year ended 30 June 2009)

# KOTRA INDUSTRIES BERHAD (497632-P)

QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2010

## A. Explanatory Notes pursuant to FRS 134 Interim Financial Reporting

### A1. Accounting Policies and Methods of Computation

The interim financial statements have been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. The figures for the cumulative period in the current quarter to 31 March 2010 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2009.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 30 June 2009, except the Group has adopted FRS 8, Operating Segments, being the Financial Reporting Standard effective for financial periods beginning on or after 1 July 2009. FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this new Standard only impacts the form and content of disclosures presented in the interim financial statements, as disclosed in Note A7.

The Group has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period.

<b>FRSs/IC Interpretations</b>	<b>Effective date</b>	
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
Revised FRS 101 (2009)	Presentation of Financial Statements	1 January 2010
Revised FRS 139 (2010)	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119: The Limit on a Defined Benefits Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Amendments to FRS 2	Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132	Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments	1 January 2010/ 1 March 2010
Amendments to FRS 1 and FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 7, FRS 139 and IC Interpretation 9		1 January 2010
Annual Improvements to FRSs (2009)		1 January 2010
Revised FRS 1 (2010)	First-time Adoption of Financial Reporting Standards	1 July 2010
Revised FRS 3 (2010)	Business Combinations	1 July 2010
Revised FRS 127 (2010)	Consolidated and Separate Financial Statements	1 July 2010

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2010

### A1. Accounting Policies and Methods of Computation (Cont'd)

FRSs/IC Interpretations		Effective date
Amendments to FRS 2	Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 5	Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 138	Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
IC Interpretation 12	Service Concession Arrangement	1 July 2010
IC Interpretation 15	Agreement for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendment to IC Interpretation 9	Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011

The possible impacts of FRS 7 (including the subsequent amendments) and the revised FRS 139 (2010) on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

The above FRSs or IC Interpretations except FRS 7 and FRS 139 are either not applicable to the Group or are expected to have no material impact on the financial position and results of the Group upon their initial application.

### A2. Seasonal or Cyclical Factors

The business operation of the Group was not materially affected by any seasonal or cyclical factors.

### A3. Unusual items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There are no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

### A4. Materials Changes in Estimates

There are no changes in estimates reported in prior interim periods of the current financial year or prior financial years which have a material effect in the current interim period.

### A5. Issuance, Repurchase and Repayment of Debt and Equity Securities

There was no issuance, repurchase or repayment of debt and equity securities, for the period ended 31 March 2010.

### A6. Dividends Paid

There was no payment of dividend in the current quarter.

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**A7. Segmental Information**

The segment information in respect of the Group's operating segments for the quarter ended 31 March 2010 are as follows:-

	Local		Export		Total	
	Ended 31 Mar		Ended 31 Mar		Ended 31 Mar	
	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	46,716	43,904	25,487	21,685	72,203	65,589
Profit from operations	9,821	10,627	3,675	154	13,496	10,781

A reconciliation of total profit from operations to total consolidated profit before tax is provided as follows:-

	Total	
	2010	2009
	RM'000	RM'000
<b>Profit from operations for reportable segments</b>	<b>13,496</b>	<b>10,781</b>
Expenses managed on a central basis	(6,860)	(5,359)
Other operating Income	1,776	2,056
<b>Consolidated profit from operations</b>	<b>8,412</b>	<b>7,478</b>
Finance Cost	(617)	(440)
<b>Consolidated profit before tax</b>	<b>7,795</b>	<b>7,038</b>

**A8. Material Subsequent Events**

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period except as disclosed in Note B12.

**A9. Effect of Changes in the Composition of the Group**

There were no changes in the composition of the Group, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinuing operations during the interim period under review.

**A10. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date except as disclosed in Note B12.

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**A11. Capital Commitments**

The amount committed for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 March 2010 is as follows:

	RM'000
Approved and contracted for	4,077
Approved but not contracted for	13,794
	<u>17,871</u>

**B. Explanatory Notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

**B1. Review of the Performance of the Group**

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Turnover	25,170	19,355	72,203	65,589
Profit before tax	2,024	1,711	7,795	7,038

The Group recorded a growth in turnover of 10% for the 9 months ended 31 March 2010 as compared to the corresponding 9 months in the preceding period. The overall growth was attributed to the increase in both local and export sales.

Profit before tax for the 9 months ended 31 March 2010 was slightly higher as compared to the 9 months in the preceding period mainly due to higher gross profit margins arising from changes in product mix in sales offset by higher foreign exchange loss.

**B2. Comparison with Preceding Quarter's Results**

	Quarter Ended	
	31 Mar	31 Dec
	2010	2009
	RM'000	RM'000
Turnover	25,170	23,953
Profit before tax	2,024	1,682

For the quarter ended 31 March 2010, the Group recorded an increase in revenue of 5.1% to RM25.17 million as compared to RM23.95 million in the preceding quarter. This was mainly due to higher sales from the local market.

Higher Group profit before tax of RM2.02 million was achieved during the current quarter as compared to RM1.68 million in the preceding quarter mainly due to lower advertisement and promotional expenses.

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## B3. Commentary on Prospects for the Remaining Period of the Current Financial Year

The Group will continue to penetrate new markets and pursue the development and registration of new products for both the local and overseas markets. Consequently, revenue is expected to grow in the remaining period of the current financial year.

## B4. Variance of Actual Profit from Forecast Profit or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee in the current quarter or in the prior financial period.

## B5. Statement by Directors

The Group did not disclose or announce any profit forecast or projection in a public document in the current quarter or prior financial period.

## B6. Breakdown of Tax Charges

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current tax expense	11	49	15	78
Deferred tax expense:				
- Relating to origination and reversal of temporary difference	(142)	24	(194)	908
- Under provision in prior period	14	-	14	33
Total tax (credit)/expense	<u>(117)</u>	<u>73</u>	<u>(165)</u>	<u>1,019</u>

The effective tax rate of the Group is lower than the statutory rate due to the utilisation of double deduction tax incentives for the eligible expenses.

## B7. Profit or Losses on Sales of Unquoted Investments and Properties

There were no sales of unquoted investments and properties for the current quarter and financial period-to-date.

## B8. Quoted Securities

There were no purchases or sales of quoted securities for the current quarter and financial period-to-date.

## B9. Status of Corporate Proposals

There were no corporate proposals announced by the Company as at the date of the issue of this quarterly report.

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**B10. Details of Group Borrowings and Debt Securities**

The Group's borrowings as at 31 March 2010 were as follows:-

	<b>Secured RM'000</b>
(a) Short Term Borrowings	
Bills and other trade financing liabilities	17,937
Hire purchase payable	2
Bank overdrafts	4,636
Term loan	2,772
	<u>25,347</u>
(b) Long Term Borrowings	
Term loan	87,056
Hire purchase payable	-
	<u>87,056</u>

**B11. Derivative Financial Instruments**

(a) As at 19th May 2010, the Group has the following outstanding derivative financial instruments:

	<b>Notional Amount RM'000</b>	<b>Foreign Currency</b>
Foreign Exchange Contract to sell USD		
- Less than 1 year	4,024	USD 1.25 million
Foreign Exchange Contract to buy Euro		
- Less than 1 year	5,195	Euro 1.30 million
	<u>9,219</u>	

These forward foreign exchange sale and purchase contracts were entered into to hedge against fluctuations of exchange rates in foreign currencies. The settlement dates of these contracts range from May 2010 to January 2011.

(b) Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting items on and off the balance sheet.

(c) Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain in a contract. There is minimal credit risk as these contracts are entered into with reputable licensed financial institutions.

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### B11. Derivative Financial Instruments (Cont'd)

(d) There have been no changes since the end of the previous financial year in respect of the following:

- the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- the related accounting policies.

### B12. Material Litigation

There was no pending material litigation since the last financial year ended 30 June 2009 and up to 19th May 2010 except for the following:

On 7 April 2010, a Writ of Summons and Statement of Claim ("the Summons") have been served on Kotra Pharma (M) Sdn. Bhd. ("KPM"), a wholly-owned subsidiary of the Company by Takaso Rubber Products Sdn. Bhd. ("TRPSB"), in relation to alleged goods sold and delivered by TRPSB to KPM. In the event KPM loses the litigation arising from the Summons, the amount payable by the Group are court costs, legal fees and the amount of the claim under the Summons, the quantum of which cannot be determined at the date of this quarterly report.

Details of the Summons were announced on 3rd May 2010.

### B13. Dividend Declared

No dividend has been recommended for the current financial period under review.

### B14. Earnings Per Share

	Quarter Ended 31 Mar		9 Months Ended 31 Mar	
	2010	2009	2010	2009
(a) Basic Earnings Per Share				
Net profit attributable to shareholders (RM'000)	<u>2,141</u>	<u>1,638</u>	<u>7,960</u>	<u>6,019</u>
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Basic earnings per share (sen)	1.73	1.32	6.43	4.86

#### (b) Diluted Earnings Per Share

The effect on the basic earnings per share for the current financial period arising from the assumed conversion of the existing ESOS is anti-dilutive. Accordingly, the diluted earnings per share for the current financial period is presented as equal to basic earnings per share.

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**B15. Audit Report**

The auditors' report of the Group's annual financial statements for the year ended 30 June 2009 did not contain any qualification.

**BY ORDER OF THE BOARD**

**OW PEE JUAN**  
**Secretary**

Date : 26 May 2010