

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/12/2010 RM'000	Corresponding Quarter Ended 31/12/2009 RM'000	6 Months Cumulative To Date 31/12/2010 RM'000	6 Months Cumulative To Date 31/12/2009 RM'000
Revenue	27,449	23,953	52,838	47,033
Operating expenses	(28,673)	(22,753)	(53,228)	(42,386)
Other operating income	252	671	827	1,506
(Loss)/profit from operations	(972)	1,871	437	6,153
Finance cost	(1,376)	(189)	(1,656)	(382)
(Loss)/profit before tax	(2,348)	1,682	(1,219)	5,771
Tax (expense)/credit	(6)	567	(7)	48
Comprehensive (loss)/income for the period	<u>(2,354)</u>	<u>2,249</u>	<u>(1,226)</u>	<u>5,819</u>
(Loss)/earnings per share (sen)				
(a) Basic	(1.90)	1.82	(0.99)	4.70
(b) Diluted	(1.90)	1.82	(0.99)	4.70

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31.12.2010 RM '000	Audited As at 30.06.2010 RM '000 (restated)
ASSETS		
Non-Current Assets		
Property, plant and equipment	168,387	163,776
Investment property	1,636	1,649
Development expenditure	985	906
	171,008	166,331
Current Assets		
Derivative financial assets	151	-
Inventories	23,472	28,227
Trade receivables	31,122	37,629
Other receivables, deposits and prepayments	2,940	2,053
Tax recoverable	218	225
Cash and bank balances	13,361	8,132
	71,264	76,266
TOTAL ASSETS	242,272	242,597
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	61,903	61,903
Share premium reserve	3	3
Share option reserve	319	311
Retained earnings	39,384	40,610
	101,609	102,827
Non-Current Liabilities		
Deferred income	6	20
Long term borrowings	88,558	85,194
	88,564	85,214
Current Liabilities		
Trade payables	18,676	15,852
Other payables and accruals	5,994	9,143
Short term borrowings	18,749	21,143
Bank overdrafts	8,680	8,418
	52,099	54,556
Total Liabilities	140,663	139,770
TOTAL EQUITY AND LIABILITIES	242,272	242,597
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.82	0.83

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	6 Months Ended 31/12/2010 RM '000	6 Months Ended 31/12/2009 RM '000
Cash Flows From Operating Activities		
(Loss)/profit before taxation	(1,219)	5,771
Adjustment for:		
Non-cash items	2,563	2,738
Non-operating items	1,612	315
Share options granted under ESOS	8	23
Operating profit before working capital changes	<u>2,964</u>	<u>8,847</u>
Changes in working capital:		
Net change in current assets	9,964	(2,916)
Net change in current liabilities	(326)	1,231
Cash generated from operations	<u>12,602</u>	<u>7,162</u>
Interest paid	(1,656)	(354)
Tax paid	-	(79)
Net cash from operating activities	<u>10,946</u>	<u>6,729</u>
Cash Flows For Investing Activities		
Interest received	31	21
Development expenditure paid	(89)	(86)
Purchase of property, plant and equipment	(5,142)	(28,586)
Rental received	13	18
Proceed from disposal of property, plant and equipment	24	-
Net cash for investing activities	<u>(5,163)</u>	<u>(28,633)</u>
Cash Flows (For)/From Financing Activities		
Drawdown of term loan	5,377	22,375
Repayment of term loan	(542)	-
Other short term borrowings	(3,865)	1,240
Repayment of hire purchase loans	-	(9)
Interest paid	(1,727)	(1,837)
Net cash (for)/from financing activities	<u>(757)</u>	<u>21,769</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	5,026	(135)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(59)	(168)
Cash & Cash Equivalents at beginning of the financial period	(286)	4,770
Cash & Cash Equivalents at end of financial period	<u>4,681</u>	<u>4,467</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with
 the Audited Financial Statements for the year ended 30 June 2010)

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CONDENSED CONSOLIDATED STATEMENT 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
As at 31 December 2010					
Balance at 1 July 2010	61,903	3	311	40,610	102,827
Loss for the period	-	-	-	(1,226)	(1,226)
Share-based payment under ESOS	-	-	8	-	8
Balance at 31 December 2010	<u>61,903</u>	<u>3</u>	<u>319</u>	<u>39,384</u>	<u>101,609</u>
As at 31 December 2009					
Balance at 1 July 2009	61,903	3	314	28,886	91,106
Profit for the period	-	-	-	5,819	5,819
Share-based payment under ESOS	-	-	23	-	23
Balance at 31 December 2009	<u>61,903</u>	<u>3</u>	<u>337</u>	<u>34,705</u>	<u>96,948</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with
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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 December 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 2010.

The significant accounting policies adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 30 June 2010, except for the adoption of the following new and revised FRSs, IC Interpretations, Amendments to FRSs and IC Interpretations which are effective for the financial period commencing on 1 July 2010:

FRSs/IC Interpretations

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
Revised FRS 101 (2009)	Presentation of Financial Statements
Revised FRS 139 (2010)	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119: The Limit on a Defined Benefits Asset, Minimum Funding Requirements and their Interaction
Amendments to FRS 2	Vesting Conditions and Cancellations
Amendments to FRS 132	Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments
Amendments to FRS 1 and FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 7, FRS 139 and IC Interpretation 9	
Amendments to FRS 101 and FRS 132	Puttable Financial Instruments and Obligations Arising on Liquidation
Annual Improvements to FRSs (2009)	
TR i - 3: Presentation of Financial Statement of Islamic Financial Institutions	
Revised FRS 1 (2010)	First-time Adoption of Financial Reporting Standards
Revised FRS 3 (2010)	Business Combinations
Revised FRS 127 (2010)	Consolidated and Separate Financial Statements
Amendments to FRS 2	Scope of FRS 2 and Revised FRS 3 (2010)
Amendments to FRS 5	Plan to Sell the Controlling Interest in a Subsidiary
Amendments to FRS 138	Consequential Amendments Arising from Revised FRS 3 (2010)
IC Interpretation 12	Service Concession Arrangement
IC Interpretation 16	Hedges of Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendment to IC Interpretation 9	Scope of IC Interpretation 9 and Revised FRS 3 (2010)

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

The adoption of the above pronouncements does not give rise to any material effects on the interim financial statements upon their initial application, other than as disclosed below:

(a) Revised FRS 101 (2009): Presentation of Financial Statements

The revised FRS 101 (2009) introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The adoption of this revised FRS affects only the presentation of the Group's financial statements.

(b) Improvements to FRSs (2009) - FRS 117: Leases

Leasehold land is classified as finance lease if the Group has substantially all the risks and rewards incidental to ownership. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Following the amendments to FRS 117, the classification of leasehold land has been changed from operating to finance lease.

The change in classification has been applied retrospectively and as disclosed below, certain comparatives have been restated. There were no financial effects on the Group's interim financial statements.

The following comparative amounts have been restated as a result of the amendments to FRS 117:

	Previously stated RM'000	Increase/ (Decrease) RM'000	Restated RM'000
Property, plant and equipment	159,379	4,397	163,776
Prepaid land lease payments	4,397	(4,397)	-

(c) FRS 139: Financial Instruments: Recognition and Measurement

With the adoption of FRS 139, financial assets and financial liabilities either recognised or unrecognised in the prior financial year are classified into the following categories:

Categories for financial assets:

- (i) at fair value through profit or loss,
- (ii) loans and receivables,
- (iii) held-to-maturity,
- (iv) available-for-sale

Categories for financial liabilities:

- (i) at fair value through profit or loss,
- (ii) amortised cost

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

(c) FRS 139: Financial Instruments: Recognition and Measurement (Cont'd)

The classification depends on the nature and purpose of the financial instrument. The measurement bases applied to the financial assets and financial liabilities in the prior financial year have been changed to conform to the measurement standards of FRS 139 in the current quarter. At initial recognition, all financial assets and financial liabilities are measured at their fair value and in the case of financial instruments not at fair value through profit or loss plus transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

<u>Category</u>	<u>Measurement basis</u>
(i) at fair value through profit or loss,	- at fair value through profit or loss
(ii) loans and other financial liabilities	- at amortised cost effective interest method
(iii) loans and receivables,	- at amortised cost effective interest method
(iv) held-to-maturity,	- at amortised cost effective interest method
(v) available-for-sale	- at fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost

These changes in accounting policies have no material impact in the current quarter.

The Group has not adopt the following revised FRS, new IC Interpretations and amendments to FRSs and IC Interpretations which have been issued as at 31 December 2010 but are not yet effective:

FRSs/IC Interpretations	Effective date
• Revised FRS 124 (2010): Related Party Disclosures	1 January 2012
• Annual Improvements to FRSs (2010)	1 January 2011
• IC Interpretation 4: Determining Whether An Arrangement Contains a Lease	1 January 2011
• IC Interpretation 15: Agreements for the Construction of Real Estate	1 January 2012
• IC Interpretation 18: Transfer of Assets from Customers	1 January 2011
• IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
• Amendments to FRS 1: First-time Adoption of Financial Reporting Standards	1 January 2011
- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	
- Additional Exemptions for First-time Adopters	
• Amendments to FRS 2: Share-based Payment - Group Cash-settled Share-based Payment Transactions	1 January 2011
• Amendments to FRS 7: Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments	1 January 2011
• Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
• TR 3: Guidance on Disclosures of Transition to IFRSs	1 January 2011
• TR i - 4: Shariah Compliant Sale Contracts	1 January 2011

The above are expected to have no material impact on the financial position and results of the Group upon their initial application.

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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 December 2010.

A6. Dividends Paid

There was no payment of dividend in the current quarter.

A7. Segmental Information

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

	Local		Export		Total	
	Ended 31 Dec		Ended 31 Dec		Ended 31 Dec	
	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	35,769	31,307	17,069	15,726	52,838	47,033
Profit/(loss) from operations	7,947	6,745	(2,952)	2,331	4,995	9,076

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A7. Segmental Information (Cont'd)

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

	Total	
	Ended 31 Dec	
	2010	2009
	RM'000	RM'000
Profit from operations for reportable segments	4,995	9,076
Expenses managed on a central basis	(5,385)	(4,429)
Other operating Income	827	1,506
Consolidated profit from operations	437	6,153
Finance Cost	(1,656)	(382)
Consolidated (loss)/profit before tax	(1,219)	5,771

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.

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.

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 December 2010 is as follows:

	RM'000
Approved and contracted for	14,215
Approved but not contracted for	11,272
	25,487

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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		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Turnover	27,449	23,953	52,838	47,033
(Loss)/profit before tax	(2,348)	1,682	(1,219)	5,771

The Group recorded a growth in turnover of 12.3% for the 6 months ended 31 December 2010 as compared to the corresponding 6 months ended 31 December 2009. The overall growth was attributed to the increase in both local and export sales.

The Group recorded a loss before tax for the 6 months ended 31 December 2010 as compared to a profit before tax for the 6 months in the preceding period mainly due to:

- lower gross profit margins in the current market situation and depreciation of US Dollar
- higher interest and depreciation expenses on the newly completed factory building, and
- higher advertisement and promotional expenses for market development

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	31 Dec	30 Sep
	2010	2010
	RM'000	RM'000
Turnover	27,449	25,389
(Loss)/profit before tax	(2,348)	1,129

For the quarter ended 31 December 2010, the Group recorded an increase in revenue of 8.1% to RM27.45 million as compared to RM25.39 million in the preceding quarter. This was mainly due to higher export sales.

The Group recorded a loss before tax of RM2.35 million in the current quarter as compared to a profit before tax of RM1.13 million in the preceding quarter mainly due to higher interest and depreciation charges on the newly completed factory building and higher advertisement and promotional expenses.

B3. Commentary on Prospects for the Coming Financial Year

With the additional capacity and improved efficiency of the new manufacturing facilities, the Group will increase production and pursue the development and registration of new products. The Group will thus be in a better position to increase local market share and penetrate and develop overseas markets.

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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		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current tax expense	6	2	7	4
Deferred tax:				
- Relating to origination and reversal of temporary difference	-	(569)	-	(52)
Total tax expenses/(credit)	<u>6</u>	<u>(567)</u>	<u>7</u>	<u>(48)</u>

B7. Realised and Unrealised Profits of the Group

Total retained earnings as at 31 December 2010 and 30 September 2010 is analysed as follows:

	As at 31.12.2010	As at 30.09.2010
	RM'000	RM'000
Realised profits	39,601	42,252
Unrealised loss	(217)	(514)
Total Group retained earnings as per consolidated accounts	<u>39,384</u>	<u>41,738</u>

B8. 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 year-to-date.

B9. Quoted Securities

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

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B10. Status of Corporate Proposals

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

B11. Details of Group Borrowings and Debt Securities

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

	Total	Secured	Unsecured
	RM'000	RM'000	RM'000
(a) Short Term Borrowings			
Bills and other trade financing liabilities	12,722	4,272	8,450
Bank overdrafts	8,680	-	8,680
Term loan	6,027	6,027	-
	<u>27,429</u>	<u>10,299</u>	<u>17,130</u>
(b) Long Term Borrowings			
Term loan	88,558	88,558	-
	<u>88,558</u>	<u>88,558</u>	<u>-</u>

B12. Derivative Financial Instruments

(a) With the adoption of FRS 139, financial derivatives are recognised on their respective contract dates. The related accounting policies are disclosed in Note A1(c) above.

The outstanding Forward Foreign Exchange Contracts as at 31 December 2010 are as follows:

	Contract		Foreign
	Amount	Fair Value	Currency
	RM'000	RM'000	
Foreign Exchange Contract to sell USD			
- Less than 1 year	<u>2,947</u>	<u>2,796</u>	USD 900,000

These forward foreign exchange sale contracts were entered into to hedge against fluctuations of exchange rates in foreign currencies. The settlement dates of these contracts range from February 2011 to June 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. The Group does not anticipate any market risks arising from these derivatives.

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B12. Derivative Financial Instruments (Cont'd)

(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. The Group does not anticipate any credit risks arising from these derivatives.

(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.

B13. Material Litigation

There was no pending material litigation since the last financial period ended 30 June 2010 and up to 18th February 2011.

B14. Dividend Declared

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

B15. Earnings Per Share

	Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2010	2009	2010	2009
(a) Basic Earnings Per Share				
Net (loss)/profit attributable to shareholders (RM'000)	<u>(2,354)</u>	<u>2,249</u>	<u>(1,226)</u>	<u>5,819</u>
Weighted average number of ordinary shares ('000)	<u>123,806</u>	<u>123,806</u>	<u>123,806</u>	<u>123,806</u>
Basic (loss)/earnings per share (sen)	(1.90)	1.82	(0.99)	4.70

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B15. Earnings Per Share (Cont'd)

	Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2010	2009	2010	2009
(b) Diluted Earnings Per Share				
Net (loss)/profit attributable to shareholders (RM'000)	(2,354)	2,249	(1,226)	5,819
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Adjustment for ESOS ('000)	332	-	332	-
	<u>124,138</u>	<u>123,806</u>	<u>124,138</u>	<u>123,806</u>
Diluted (loss)/earnings per share (sen)	(1.90)	1.82	(0.99)	4.70

The effect on the diluted earnings per share for the preceding year quarter arising from the assumed conversion of the existing ESOS was anti-dilutive. Accordingly, the diluted earnings per share for the preceding year quarter was presented as equal to basic earnings per share.

B16. Audit Report

The auditors' report of the Group's annual financial statements for the year ended 30 June 2010 did not contain any qualification.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN
 Secretary

Date : 23 February 2011