

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2011
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/03/2011 RM'000	Corresponding Quarter Ended 31/03/2010 RM'000	9 Months Cumulative To Date 31/03/2011 RM'000	9 Months Cumulative To Date 31/03/2010 RM'000
Revenue	26,744	25,170	79,582	72,203
Operating expenses	(27,404)	(23,181)	(80,632)	(65,567)
Other operating income	234	270	1,061	1,776
(Loss)/profit from operations	(426)	2,259	11	8,412
Finance cost	(1,442)	(235)	(3,098)	(617)
(Loss)/profit before tax	(1,868)	2,024	(3,087)	7,795
Tax credit/(expense)	1	117	(6)	165
(Loss)/profit after tax, representing total comprehensive (expense)/income for the period	<u>(1,867)</u>	<u>2,141</u>	<u>(3,093)</u>	<u>7,960</u>
(Loss)/earnings per share (sen)				
(a) Basic	(1.51)	1.73	(2.50)	6.43
(b) Diluted	(1.50)	1.73	(2.49)	6.43

(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 31.03.2011 RM '000	Audited As at 30.06.2010 RM '000 (restated)
ASSETS		
Non-Current Assets		
Property, plant and equipment	169,583	163,776
Investment property	1,630	1,649
Development expenditure	1,013	906
	172,226	166,331
Current Assets		
Derivative financial assets	96	-
Inventories	25,957	28,227
Trade receivables	33,792	37,629
Other receivables, deposits and prepayments	3,653	2,053
Tax recoverable	218	225
Cash and bank balances	10,478	8,132
	74,194	76,266
TOTAL ASSETS	246,420	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	324	311
Retained earnings	37,517	40,610
	99,747	102,827
Non-Current Liabilities		
Deferred income	-	20
Long term borrowings	88,005	85,194
	88,005	85,214
Current Liabilities		
Trade payables	22,863	15,852
Other payables and accruals	5,862	9,143
Short term borrowings	25,193	21,143
Bank overdrafts	4,750	8,418
	58,668	54,556
Total Liabilities	146,673	139,770
TOTAL EQUITY AND LIABILITIES	246,420	242,597
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.81	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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 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	9 Months Ended 31/03/2011 RM '000	9 Months Ended 31/03/2010 RM '000
Cash Flows From Operating Activities		
(Loss)/profit before taxation	(3,087)	7,795
Adjustment for:		
Non-cash items	5,613	3,663
Non-operating items	3,017	500
Share options granted under ESOS	13	34
Operating profit before working capital changes	<u>5,556</u>	<u>11,992</u>
Changes in working capital:		
Net change in current assets	2,699	(3,984)
Net change in current liabilities	3,730	(6,438)
Cash generated from operations	<u>11,985</u>	<u>1,570</u>
Interest paid	(3,098)	(562)
Tax paid	-	(101)
Net cash from operating activities	<u>8,887</u>	<u>907</u>
Cash Flows For Investing Activities		
Interest received	43	37
Development expenditure paid	(122)	(174)
Purchase of property, plant and equipment	(7,632)	(34,265)
Rental received	38	25
Proceed from disposal of property, plant and equipment	132	36
Net cash for investing activities	<u>(7,541)</u>	<u>(34,341)</u>
Cash Flows From Financing Activities		
Drawdown of term loan	6,404	26,466
Repayment of term loan	(2,077)	-
Other short term borrowings	2,534	8,772
Repayment of hire purchase loans	-	(13)
Interest paid	(2,077)	(3,001)
Net cash from financing activities	<u>4,784</u>	<u>32,224</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	6,130	(1,210)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(116)	(61)
Cash & Cash Equivalents at beginning of the financial period	(286)	4,770
Cash & Cash Equivalents at end of financial period	<u>5,728</u>	<u>3,499</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 March 2011					
Balance at 1 July 2010	61,903	3	311	40,610	102,827
Loss after tax, representing total comprehensive expense for the period	-	-	-	(3,093)	(3,093)
Share-based payment under ESOS	-	-	13	-	13
Balance at 31 March 2011	<u>61,903</u>	<u>3</u>	<u>324</u>	<u>37,517</u>	<u>99,747</u>
As at 31 March 2010					
Balance at 1 July 2009	61,903	3	314	28,886	91,106
Profit after tax, representing total comprehensive income 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>

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

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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 March 2011 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 adopted the following revised FRS, new IC Interpretations and amendments to FRSs and IC Interpretations which have been issued as at 31 March 2011 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 March 2011.

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 March 2011 are as follows:-

	Local		Export		Total	
	Ended 31 Mar		Ended 31 Mar		Ended 31 Mar	
	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	54,323	46,716	25,259	25,487	79,582	72,203
Profit/(loss) from operations	11,536	9,821	(4,340)	3,675	7,196	13,496

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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 Mar	
	2011	2010
	RM'000	RM'000
Profit from operations for reportable segments	7,196	13,496
Expenses managed on a central basis	(8,246)	(6,860)
Other operating Income	1,061	1,776
Consolidated profit from operations	11	8,412
Finance Cost	(3,098)	(617)
Consolidated (loss)/profit before tax	(3,087)	7,795

A8. Material Subsequent Events

There were no material events subsequent to the end of the interim period which 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 March 2011 is as follows:

	RM'000
Approved and contracted for	12,257
Approved but not contracted for	11,272
	23,529

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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		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Turnover	26,744	25,170	79,582	72,203
(Loss)/profit before tax	(1,868)	2,024	(3,087)	7,795

The Group recorded a growth in turnover of 10.2% for the 9 months ended 31 March 2011 as compared to the corresponding 9 months ended 31 March 2010. The overall growth was attributed to the increase in local sales.

The Group recorded a loss before tax for the 9 months ended 31 March 2011 as compared to a profit before tax for the 9 months in the preceding period mainly due to:

- lower gross profit margins arising from changes in the product mix and the depreciation of the US Dollar
- higher interest expense on increased borrowings and depreciation charge on the newly completed factory building, and
- higher personnel costs and advertisement and promotional expenses associated with the Group's drive to develop new export markets

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	31 Mar	31 Dec
	2011	2010
	RM'000	RM'000
Turnover	26,744	27,449
Loss before tax	(1,868)	(2,348)

For the quarter ended 31 March 2011, the Group recorded an decrease in revenue of 2.6% to RM26.74 million as compared to RM27.45 million in the preceding quarter. This was mainly due to a reduction in export sales.

The Group recorded a lower loss before tax of RM1.87 million in the current quarter as compared to RM2.35 million in the preceding quarter mainly due to lower advertisement and promotional expenses incurred in current quarter.

B3. Commentary on Prospects for the Coming Financial Year

Since our new facilities have now been certified with cGMP (current good manufacturing practice), the Group is in the good position to develop and register new products in order to increase local market share and capture new markets overseas.

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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		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current tax expense	-	11	6	15
- Over provision in prior period	(1)	-	-	-
	<u>(1)</u>	<u>11</u>	<u>6</u>	<u>15</u>
Deferred tax:				
- Relating to origination and reversal of temporary difference	-	(142)	-	(194)
- Under provision in prior period	-	14	-	14
Total tax (credit)/expenses	<u>(1)</u>	<u>(117)</u>	<u>6</u>	<u>(165)</u>

B7. Realised and Unrealised Profits of the Group

Total retained earnings as at 31 March 2011 and 31 December 2010 is analysed as follows:

	As at	As at
	31.03.2011	31.12.2010
	RM'000	RM'000
Realised profits	38,015	39,601
Unrealised loss	(498)	(217)
Total Group retained earnings as per consolidated accounts	<u>37,517</u>	<u>39,384</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.

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B9. Quoted Securities

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

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 March 2011 were as follows:-

	Total	Secured	Unsecured
	RM'000	RM'000	RM'000
(a) Short Term Borrowings			
Bills and other trade financing liabilities	19,121	3,848	15,273
Bank overdrafts	4,750	-	4,750
Term loan	6,072	6,072	-
	<u>29,943</u>	<u>9,920</u>	<u>20,023</u>
(b) Long Term Borrowings			
Term loan	88,005	88,005	-
	<u>88,005</u>	<u>88,005</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 March 2011 are as follows:

	Contract	Fair Value	Foreign
	Amount	RM'000	Currency
	RM'000	RM'000	
Foreign Exchange Contract to sell USD			
- Less than 1 year	4,222	4,126	USD 1.3 million
	<u>4,222</u>	<u>4,126</u>	

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 April 2011 to December 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 May 2011.

B14. Dividend Declared

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

B15. Earnings Per Share

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2011	2010	2011	2010
(a) Basic Earnings Per Share				
Net (loss)/profit attributable to shareholders (RM'000)	<u>(1,867)</u>	<u>2,141</u>	<u>(3,093)</u>	<u>7,960</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)	(1.51)	1.73	(2.50)	6.43

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B15. Earnings Per Share (Cont'd)

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2011	2010	2011	2010
(b) Diluted Earnings Per Share				
Net (loss)/profit attributable to shareholders (RM'000)	(1,867)	2,141	(3,093)	7,960
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)	(1.50)	1.73	(2.49)	6.43

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 : 25 May 2011