

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011  
 (The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/06/2011 RM'000	Corresponding Quarter Ended 30/06/2010 RM'000	12 Months Cumulative To Date 30/06/2011 RM'000	12 Months Cumulative To Date 30/06/2010 RM'000
Revenue	33,259	30,154	112,841	102,357
Operating expenses	(31,157)	(25,983)	(111,789)	(91,550)
Other operating income	491	730	1,552	2,506
Profit from operations	2,593	4,901	2,604	13,313
Finance cost	(1,585)	(230)	(4,683)	(847)
Profit/(loss) before tax	1,008	4,671	(2,079)	12,466
Tax expense	(54)	(910)	(60)	(745)
Profit/(loss) after tax, representing total comprehensive income/(expense) for the period	954	3,761	(2,139)	11,721
Earnings/(loss) per share (sen)				
(a) Basic	0.77	3.04	(1.73)	9.47
(b) Diluted	0.77	3.04	(1.72)	9.47

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to this interim financial report)

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 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Unaudited As at 30.06.2011 RM '000	Audited As at 30.06.2010 RM '000 (restated)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	172,127	163,776
Investment property	1,623	1,649
Development expenditure	-	906
	173,750	166,331
<b>Current Assets</b>		
Derivative financial assets	51	-
Inventories	23,585	28,227
Trade receivables	35,305	37,629
Other receivables, deposits and prepayments	2,494	2,053
Tax recoverable	181	225
Cash and bank balances	11,823	8,132
	73,439	76,266
<b>TOTAL ASSETS</b>	247,189	242,597
<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	317	311
Retained earnings	38,471	40,610
	100,694	102,827
<b>Non-Current Liabilities</b>		
Deferred income	-	20
Long term borrowings	87,896	85,194
	87,896	85,214
<b>Current Liabilities</b>		
Trade payables	15,214	15,852
Other payables and accruals	12,757	9,143
Short term borrowings	28,601	21,143
Bank overdrafts	2,027	8,418
	58,599	54,556
<b>Total Liabilities</b>	146,495	139,770
<b>TOTAL EQUITY AND LIABILITIES</b>	247,189	242,597
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	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 and the accompanying explanatory notes attached to this interim financial report)

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

	12 Months Ended 30/06/2011 RM '000	12 Months Ended 30/06/2010 RM '000
<b>Cash Flows From Operating Activities</b>		
(Loss)/profit before taxation	(2,079)	12,466
Adjustment for:		
Non-cash items	10,204	4,957
Non-operating items	4,576	701
Share options granted under ESOS	6	-
Operating profit before working capital changes	<u>12,707</u>	<u>18,124</u>
Changes in working capital:		
Net change in current assets	3,185	(9,999)
Net change in current liabilities	231	(4,079)
Cash generated from operations	<u>16,123</u>	<u>4,046</u>
Interest paid	(1,281)	(781)
Tax paid	(17)	(101)
Net cash from operating activities	<u>14,825</u>	<u>3,164</u>
<b>Cash Flows For Investing Activities</b>		
Interest received	49	47
Development expenditure paid	(171)	(252)
Purchase of property, plant and equipment	(9,188)	(37,490)
Rental received	58	33
Proceed from disposal of property, plant and equipment	132	36
Net cash for investing activities	<u>(9,120)</u>	<u>(37,626)</u>
<b>Cash Flows From Financing Activities</b>		
Drawdown of term loan	7,969	26,388
Repayment of term loan	(3,519)	-
Other short term borrowings	5,710	7,422
Repayment of hire purchase loans	-	(15)
Interest paid	(5,723)	(4,274)
Net cash from financing activities	<u>4,437</u>	<u>29,521</u>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	10,142	(4,941)
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	(60)	(115)
<b>Cash &amp; Cash Equivalents at beginning of the financial year</b>	(286)	4,770
<b>Cash &amp; Cash Equivalents at end of financial year</b>	<u>9,796</u>	<u>(286)</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 and the accompanying explanatory notes attached to this interim financial report)

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011  
 (The figures have not been audited)

**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
<b>As at 30 June 2011</b>					
Balance at 1 July 2010	61,903	3	311	40,610	102,827
Loss after tax, representing total comprehensive expense for the year	-	-	-	(2,139)	(2,139)
Share-based payment under ESOS	-	-	6	-	6
Balance at 30 June 2011	<u>61,903</u>	<u>3</u>	<u>317</u>	<u>38,471</u>	<u>100,694</u>
<b>As at 30 June 2010</b>					
Balance at 1 July 2009	61,903	3	314	28,886	91,106
Profit after tax, representing total comprehensive income for the year	-	-	-	11,721	11,721
Share-based payment under ESOS	-	-	(3)	3	-
Balance at 30 June 2010	<u>61,903</u>	<u>3</u>	<u>311</u>	<u>40,610</u>	<u>102,827</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 and the accompanying explanatory notes attached to this interim financial report)

**KOTRA INDUSTRIES BERHAD (497632-P)**  
QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011

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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 30 June 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 1 (2010)	First-time Adoption of Financial Reporting Standards
Revised FRS 3 (2010)	Business Combinations
Revised FRS 127 (2010)	Consolidated and Separate 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 12	Service Concession Arrangement
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119: The Limit on a Defined Benefits Asset, Minimum Funding Requirements and their Interaction
IC Interpretation 16	Hedges of Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 2	Vesting Conditions and Cancellations
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 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
Amendments to FRS 132	Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments
Amendments to FRS 138	Consequential Amendments Arising from Revised FRS 3 (2010)
Amendment to IC Interpretation 9	Scope of IC Interpretation 9 and Revised FRS 3 (2010)
Annual Improvements to FRSs (2009)	
TR i - 3: Presentation of Financial Statement of Islamic Financial Institutions	

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011

**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

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011

**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 30 June 2011 but are not yet effective:

<b>FRSs/IC Interpretations</b>	<b>Effective date</b>
• Revised FRS 124 (2010): Related Party Disclosures	1 January 2012
• 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
• 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 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.

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011

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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 30 June 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 30 June 2011 are as follows:-

	Local		Export		Total	
	Ended 30 Jun		Ended 30 Jun		Ended 30 Jun	
	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	74,210	62,539	38,631	39,818	112,841	102,357
Profit/(loss) from operations	13,781	12,712	(760)	6,233	13,021	18,945



**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011

**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 30 Jun	
	2011	2010
	RM'000	RM'000
Profit from operations for reportable segments	13,021	18,945
Expenses managed on a central basis	(11,969)	(8,138)
Other operating Income	1,552	2,506
Consolidated profit from operations	2,604	13,313
Finance Cost	(4,683)	(847)
Consolidated (loss)/profit before tax	(2,079)	12,466

**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 30 June 2011 is as follows:

	RM'000
Approved and contracted for	6,389
Approved but not contracted for	9,098
	15,487

**A12. Impairment loss on development expenditure**

An impairment loss of RM1,057,000 was recognised, following a review of the recoverable amounts of the development expenditure.

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011

**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		12 Months	
	Ended 30 Jun		Ended 30 Jun	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Turnover	33,259	30,154	112,841	102,357
Profit/(loss) before tax	1,008	4,671	(2,079)	12,466

The Group recorded a growth in turnover of 10.2% for the 12 months ended 30 June 2011 as compared to the corresponding 12 months ended 30 June 2010. The overall growth was attributed to the increase in local sales.

The Group recorded a loss before tax for the 12 months ended 30 June 2011 as compared to a profit before tax for the 12 months in the preceding year mainly due to:

- lower profit margins arising from changes in the Group's product sales mix and the depreciation of the US Dollar,
- higher interest expense on increased borrowings as well as the depreciation charge of the newly completed factory building,
- higher advertisement and promotional expenses associated with the Group's drive to develop new export markets, and
- impairment loss on trade receivables and development expenditure.

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

	Quarter Ended	
	30 Jun	31 Mar
	2011	2011
	RM'000	RM'000
Turnover	33,259	26,744
Profit/(loss) before tax	1,008	(1,868)

For the quarter ended 30 June 2011, the Group recorded an increase in revenue of 24.4% to RM33.26 million as compared to RM26.74 million in the preceding quarter. This was contributed by higher sales of both local and export markets.

The Group recorded a profit before tax of RM1.01 million in the current quarter as compared to loss before tax of RM1.87 million in the preceding quarter mainly due to higher sales achieved and lower advertisement and promotional expenses incurred in current quarter.

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011

**B3. Commentary on Prospects for the Coming Financial Year**

The Group will continue to pursue the development and registration of new products locally and overseas with its new cGMP approved manufacturing facilities. With its additional capacity, it will also explore new opportunities for third party contract manufacturing. Barring unforeseen circumstances, the Group can expect improved revenue in coming months. However due to higher operating expenses required for the new facilities, the prospects remain challenging.

**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		12 Months	
	Ended 30 Jun		Ended 30 Jun	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current tax expense	60	(9)	60	6
- Over provision in prior period	(6)	(11)	-	(11)
	54	(20)	60	(5)
Deferred tax:				
- Relating to origination and reversal of temporary difference	-	194	-	-
- Under provision in prior period	-	(14)	-	-
- Reversal of deferred tax asset	-	750	-	750
Total tax expenses	54	910	60	745

**B7. Realised and Unrealised Profits of the Group**

Total retained earnings as at 30 June 2011 and 31 March 2011 is analysed as follows:

	As at 30.06.2011 RM'000	As at 31.03.2011 RM'000
Realised profits	38,666	38,015
Unrealised loss	(195)	(498)
Total Group retained earnings as per consolidated accounts	38,471	37,517

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011

**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.

**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 30 June 2011 were as follows:-

	<b>Total</b>	<b>Secured</b>	<b>Unsecured</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(a) Short Term Borrowings			
Bills and other trade financing liabilities	22,297	4,838	17,459
Bank overdrafts	2,027	-	2,027
Term loan	6,304	6,304	-
	<u>30,628</u>	<u>11,142</u>	<u>19,486</u>
(b) Long Term Borrowings			
Term loan	87,896	87,896	-
	<u>87,896</u>	<u>87,896</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 30 June 2011 are as follows:

	<b>Contract</b>		<b>Foreign</b>
	<b>Amount</b>	<b>Fair Value</b>	<b>Currency</b>
	<b>RM'000</b>	<b>RM'000</b>	
Foreign Exchange Contract to sell USD			
- Less than 1 year	<u>5,515</u>	<u>5,464</u>	USD 1.8 million

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 July 2011 to June 2012.

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011

**B12. Derivative Financial Instruments (Cont'd)**

(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.

(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 August 2011.

**B14. Dividend Declared**

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

**B15. Earnings Per Share**

	<b>Quarter</b>		<b>12 Months</b>	
	<b>Ended 30 Jun</b>		<b>Ended 30 Jun</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
(a) Basic Earnings Per Share				
Net profit/(loss) attributable to shareholders (RM'000)	954	3,761	(2,139)	11,721
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Basic earnings/(loss) per share (sen)	0.77	3.04	(1.73)	9.47

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2011

**B15. Earnings Per Share (Cont'd)**

	Quarter		12 Months	
	Ended 30 Jun		Ended 30 Jun	
	2011	2010	2011	2010
(b) Diluted Earnings Per Share				
Net profit/(loss) attributable to shareholders (RM'000)	954	3,761	(2,139)	11,721
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Adjustment for ESOS ('000)	252	-	252	-
	<u>124,058</u>	<u>123,806</u>	<u>124,058</u>	<u>123,806</u>
Diluted earnings/(loss) per share (sen)	0.77	3.04	(1.72)	9.47

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 August 2011