

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/09/2011 RM'000	Corresponding Quarter Ended 30/09/2010 RM'000	3 Months Cumulative To Date 30/09/2011 RM'000	3 Months Cumulative To Date 30/09/2010 RM'000
Revenue	27,499	25,389	27,499	25,389
Operating expenses	(27,220)	(24,555)	(27,220)	(24,555)
Other operating income	1,380	575	1,380	575
Profit from operations	1,659	1,409	1,659	1,409
Finance cost	(1,966)	(280)	(1,966)	(280)
(Loss)/profit before tax	(307)	1,129	(307)	1,129
Tax expense	-	(1)	-	(1)
(Loss)/profit after tax, representing total comprehensive (expense)/income for the period	<u>(307)</u>	<u>1,128</u>	<u>(307)</u>	<u>1,128</u>
(Loss)/earnings per share (sen)				
(a) Basic	(0.25)	0.91	(0.25)	0.91
(b) Diluted	(0.25)	0.91	(0.25)	0.91

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with
 the Audited Financial Statements for the year ended 30 June 2011 and the accompanying
 explanatory notes attached to this interim financial report)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30.09.2011 RM '000	Audited As at 30.06.2011 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	170,443	172,127
Investment properties	1,617	1,623
	172,060	173,750
Current Assets		
Derivative assets	-	51
Inventories	27,521	23,584
Trade receivables	32,432	35,306
Other receivables, deposits and prepayments	2,068	2,704
Cash and bank balances	12,705	11,823
	74,726	73,468
TOTAL ASSETS	246,786	247,218
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	317	317
Retained earnings	38,164	38,471
	100,387	100,694
Non-Current Liabilities		
Long term borrowings	86,846	87,896
	86,846	87,896
Current Liabilities		
Trade payables	15,172	15,214
Other payables and accruals	12,629	12,786
Derivative liabilities	177	-
Short term borrowings	22,060	28,601
Bank overdrafts	9,515	2,027
	59,553	58,628
Total Liabilities	146,399	146,524
TOTAL EQUITY AND LIABILITIES	246,786	247,218
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.81	0.81

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to this interim financial report)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	3 Months Ended 30/09/2011 RM '000	3 Months Ended 30/09/2010 RM '000
Cash Flows From Operating Activities		
(Loss)/profit before taxation	(307)	1,129
Adjustment for:		
Non-cash items	2,001	1,290
Non-operating items	1,940	260
Share options granted under ESOS	-	6
Operating profit before working capital changes	<u>3,634</u>	<u>2,685</u>
Changes in working capital:		
Net change in current assets	178	4,765
Net change in current liabilities	(185)	(3,124)
Cash generated from operations	<u>3,627</u>	<u>4,326</u>
Interest paid	(426)	(280)
Tax paid	(14)	-
Net cash from operating activities	<u>3,187</u>	<u>4,046</u>
Cash Flows For Investing Activities		
Interest received	1	15
Development expenditure paid	-	(35)
Purchase of property, plant and equipment	(955)	(1,653)
Rental received	25	5
Proceed from disposal of property, plant and equipment	-	16
Net cash for investing activities	<u>(929)</u>	<u>(1,652)</u>
Cash Flows For Financing Activities		
Drawdown of term loan	628	836
Repayment of term loan	(1,423)	-
Other short term borrowings	(6,796)	(2,729)
Interest paid	(1,540)	(1,369)
Net cash for financing activities	<u>(9,131)</u>	<u>(3,262)</u>
Net Decrease in Cash & Cash Equivalents	(6,873)	(868)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	267	(84)
Cash & Cash Equivalents at beginning of the financial period	9,796	(286)
Cash & Cash Equivalents at end of financial period	<u>3,190</u>	<u>(1,238)</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to this interim financial report)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Non - distributable →			Distributable	Total RM '000
	Share Capital RM '000	Share Premium RM '000	Share Option Reserve RM '000	Retained Profits RM '000	
As at 30 September 2011					
Balance at 1 July 2011	61,903	3	317	38,471	100,694
Loss after tax, representing total comprehensive expense for the year	-	-	-	(307)	(307)
Share-based payment under ESOS	-	-	-	-	-
Balance at 30 September 2011	<u>61,903</u>	<u>3</u>	<u>317</u>	<u>38,164</u>	<u>100,387</u>
As at 30 September 2010					
Balance at 1 July 2010	61,903	3	311	40,610	102,827
Profit after tax, representing total comprehensive income for the year	-	-	-	1,128	1,128
Share-based payment under ESOS	-	-	6	-	6
Balance at 30 September 2010	<u>61,903</u>	<u>3</u>	<u>317</u>	<u>41,738</u>	<u>103,961</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 30 September 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 2011.

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 2011, 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 2011:

FRSs/IC Interpretations

- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards
 - 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
- Amendments to FRS 7: Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments
- IC Interpretation 4: Determining Whether An Arrangement Contains a Lease
- IC Interpretation 18: Transfer of Assets from Customers
- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
- Annual Improvements to FRSs (2010)
- TR 3: Guidance on Disclosures of Transition to IFRSs
- TR i - 4: Shariah Compliant Sale Contracts

The adoption of the above pronouncements does not give rise to any material effects on the interim financial statements upon their initial application.

The Group has not adopted the following revised FRS and new IC Interpretations which have been issued as at 30 September 2011 but are not yet effective:

FRSs/IC Interpretations	Effective date
• Revised FRS 124 (2010): Related Party Disclosures	1 January 2012
• IC Interpretation 15: Agreements for the Construction of Real Estate	1 January 2012

The above 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.

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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. 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. Issues, Repurchases and Repayments of Debt and Equity Securities

There were no issues, repurchases or repayments of debt and equity securities, for the period ended 30 September 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 September 2011 are as follows:-

	Local		Export		Total	
	Ended 30 Sept		Ended 30 Sept		Ended 30 Sept	
	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	20,967	17,820	6,532	7,569	27,499	25,389
Profit/(loss) from operations	3,732	4,626	(681)	(503)	3,051	4,123

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

	Total	
	2011	2010
	RM'000	RM'000
Profit from operations for reportable segments	3,051	4,123
Expenses managed on a central basis	(2,772)	(3,289)
Other operating Income	1,380	575
Consolidated profit from operations	1,659	1,409
Finance Cost	(1,966)	(280)
Consolidated (loss)/profit before tax	(307)	1,129

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A8. Events After the Interim Period

There were no material events after 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 end of last financial year.

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 September 2011 is as follows:

	RM'000
Approved and contracted for	6,135
Approved but not contracted for	9,098
	15,233

A12. Significant Related Party Transactions

The Group's significant related party transactions in the current financial year to-date ended 30 Sept 2011 are as follows:

	Quarter Ended 30 Sept 2011 RM'000	3 Months Ended 30 Sept 2011 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	23	23
- Royalty paid/payable	5	5
A company in which a close member of the family of certain key management personnel has significant financial interests:		
- Rental of premises received/receivable	14	14
- Sales of goods	464	464

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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		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Turnover	27,499	25,389	27,499	25,389
(Loss)/profit before tax	(307)	1,129	(307)	1,129

The Group recorded a growth in turnover of 8.3% for the 3 months ended 30 September 2011 as compared to the corresponding 3 months ended 30 September 2010. The overall growth was attributed to the increase in local sales.

The Group recorded a loss before tax for the 3 months ended 30 September 2011 as compared to a profit before tax for the 3 months in the preceding year. This was mainly due to higher interest expense on increased borrowings as well as the depreciation charge of the newly completed factory building, partially offset by unrealised foreign exchange gain.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	30 Sept	30 Jun
	2011	2011
	RM'000	RM'000
Turnover	27,499	33,259
(Loss)/profit before tax	(307)	1,008

For the quarter ended 30 September 2011, the Group recorded a decrease in revenue of 17.3% to RM27.50 million as compared to RM33.26 million in the preceding quarter. This was due to lower export sales.

The Group recorded a loss before tax of RM0.30 million in the current quarter as compared to a profit before tax of RM1.01 million in the preceding quarter due to lower export sales. The loss had been partially offset by unrealised foreign exchange gain.

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B3. Commentary on Prospects for the Coming Financial Year

The Group will continue to explore opportunities for third party contract manufacturing with its new cGMP approved facilities and also the development and registration of new products locally and overseas. When realised, they will generate additional revenue for the Group.

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

Tax expense in corresponding quarter ended 30 September 2011 was in respect of Malaysian income tax. The effective tax rate of the Group for that quarter is lower than the statutory tax rate mainly due to the availability of double deduction tax incentives.

Deferred tax assets arising from the losses for the quarter and year to-date has not been recognised as the realisation of the deferred tax asset is not probable.

B7. Realised and Unrealised Profits of the Group

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

	As at 30.09.2011 RM'000	As at 30.06.2011 RM'000
Realised profits	37,199	38,666
Unrealised profit/(loss)	965	(195)
Total Group retained earnings as per consolidated accounts	<u>38,164</u>	<u>38,471</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 30 September 2011 were as follows:-

	Total	Secured	Unsecured
	RM'000	RM'000	RM'000
(a) Short Term Borrowings			
Bills and other trade financing liabilities	15,501	5,720	9,781
Bank overdrafts	9,515	-	9,515
Term loan	6,559	6,559	-
	<u>31,575</u>	<u>12,279</u>	<u>19,296</u>
(b) Long Term Borrowings			
Term loan	86,846	86,846	-
	<u>86,846</u>	<u>86,846</u>	<u>-</u>

B12. Derivative Financial Instruments

(a) Derivative financial instruments are categorised as fair value through profit or loss and measured at their fair value with the changes in fair value recognised in the income statement at each reporting date. Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

The outstanding Forward Foreign Exchange Contracts as at 30 September 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	5,820	5,585	USD 1.90 million
Foreign Exchange Contract to buy Euro			
- Less than 1 year	2,076	2,134	Euro 0.49 million
	<u>7,896</u>	<u>7,719</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 October 2011 to September 2012.

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(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 2011 and up to 18th November 2011.

B14. Dividend Declared

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

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B15. Earnings Per Share

	Quarter		3 Months	
	Ended 30 Sept 2011	2010	Ended 30 Sept 2011	2010
(a) Basic Earnings Per Share				
Net (loss)/profit attributable to shareholders (RM'000)	(307)	1,128	(307)	1,128
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Basic (loss)/earnings per share (sen)	(0.25)	0.91	(0.25)	0.91
(b) Diluted Earnings Per Share				
Net (loss)/profit attributable to shareholders (RM'000)	(307)	1,128	(307)	1,128
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Adjustment for ESOS ('000)	138	506	138	506
	123,944	124,312	123,944	124,312
Basic (loss)/earnings per share (sen)	(0.25)	0.91	(0.25)	0.91

B16. Audit Report

The auditors' report of the Group's annual financial statements for the year ended 30 June 2011 did not contain any qualification.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN
 Secretary

Date : 25 November 2011