

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2012  
 (The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/03/2012 RM'000	Corresponding Quarter Ended 31/03/2011 RM'000	9 Months Cumulative To Date 31/03/2012 RM'000	9 Months Cumulative To Date 31/03/2011 RM'000
Revenue	28,944	26,744	86,662	79,582
Operating expenses	(28,472)	(27,404)	(85,934)	(80,632)
Other operating income	688	234	2,309	1,061
Profit/(loss) from operations	1,160	(426)	3,037	11
Finance cost	(1,968)	(1,442)	(5,824)	(3,098)
Loss before tax	(808)	(1,868)	(2,787)	(3,087)
Tax expense	-	1	-	(6)
Loss after tax, representing total comprehensive expense for the period	<u>(808)</u>	<u>(1,867)</u>	<u>(2,787)</u>	<u>(3,093)</u>
Loss per share (sen)				
(a) Basic	(0.65)	(1.51)	(2.25)	(2.50)
(b) Diluted	(0.65)	(1.50)	(2.25)	(2.49)

(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 31.03.2012 RM '000	Audited As at 30.06.2011 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	166,930	172,127
Investment properties	1,604	1,623
	168,534	173,750
<b>Current Assets</b>		
Derivative assets	39	51
Inventories	35,617	23,584
Trade receivables	32,771	35,306
Other receivables, deposits and prepayments	2,284	2,704
Cash and bank balances	11,960	11,823
	82,671	73,468
<b>TOTAL ASSETS</b>	251,205	247,218
<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	317
Retained earnings	35,684	38,471
	97,907	100,694
<b>Non-Current Liabilities</b>		
Long term borrowings	90,253	87,896
	90,253	87,896
<b>Current Liabilities</b>		
Trade payables	16,394	15,214
Other payables and accruals	12,334	12,786
Short term borrowings	26,296	28,601
Bank overdrafts	8,021	2,027
	63,045	58,628
<b>Total Liabilities</b>	153,298	146,524
<b>TOTAL EQUITY AND LIABILITIES</b>	251,205	247,218
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	0.79	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**

	9 Months Ended 31/03/2012 RM '000	9 Months Ended 31/03/2011 RM '000
<b>Cash Flows From Operating Activities</b>		
Loss before taxation	(2,787)	(3,087)
Adjustment for:		
Fixed asset written off	2	29
Impairment loss on trade receivable	152	739
Depreciation and amortisation	7,968	3,828
Fair value loss/(gain) on derivatives	12	(96)
Unrealised (gain)/loss on foreign exchange	(178)	594
Inventories written down	674	592
Amortisation of deferred income	-	(20)
Gain on disposal of property, plant and equipment	-	(53)
Interest expense	5,824	3,098
Interest income	(3)	(43)
Rental income from investment properties	(70)	(38)
Share options granted under ESOS	-	13
Operating profit before working capital changes	11,594	5,556
(Increase)/decrease in inventories	(12,707)	1,678
Decrease in receivables	2,852	1,021
Increase in payables	757	3,730
Cash generated from operations	2,496	11,985
Interest paid	(1,261)	(948)
Tax paid	(36)	-
Net cash from operating activities	1,199	11,037
<b>Cash Flows For Investing Activities</b>		
Interest received	3	43
Development expenditure paid	-	(122)
Purchase of property, plant and equipment	(2,754)	(7,632)
Rental received	70	38
Proceed from disposal of property, plant and equipment	-	132
Net cash for investing activities	(2,681)	(7,541)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	9 Months Ended 31/03/2012 RM '000	9 Months Ended 31/03/2011 RM '000
<b>Cash Flows (For)/From Financing Activities</b>		
Drawdown of term loan	1,359	6,404
Repayment of term loan	(4,345)	(2,077)
Other short term borrowings	3,038	2,534
Interest paid	(4,563)	(4,227)
Net cash (for)/from financing activities	(4,511)	2,634
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	(5,993)	6,130
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	136	(116)
<b>Cash &amp; Cash Equivalents at beginning of the financial period</b>	9,796	(286)
<b>Cash &amp; Cash Equivalents at end of financial period</b>	3,939	5,728

(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**

	Share Capital RM '000	← Non - distributable → Share Premium RM '000	Share Option Reserve RM '000	Distributable Retained Profits RM '000	Total RM '000
<b>As at 31 March 2012</b>					
Balance at 1 July 2011	61,903	3	317	38,471	100,694
Loss after tax, representing total comprehensive expense for the period	-	-	-	(2,787)	(2,787)
Balance at 31 March 2012	<u>61,903</u>	<u>3</u>	<u>317</u>	<u>35,684</u>	<u>97,907</u>
<b>As at 31 March 2011</b>					
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>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with  
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 explanatory notes attached to this interim financial report)

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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 2012 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)

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

**Convergence of the FRSs with the International Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2013. As at 31 March 2012, all the FRSs issued under the existing FRS framework are the same as the MFRSs issued under the MFRS framework, except for differences in relation to the transitional provisions as well as differences in effective dates contained in certain of the existing FRSs.

Upon the adoption of the MFRS framework, the financial statements of the Group will be equivalent to the financial statements prepared by other jurisdictions which adopt IFRSs.

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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. 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 31 March 2012.

**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 period ended 31 March 2012 are as follows:-

	Local		Export		Total	
	Ended 31 Mar		Ended 31 Mar		Ended 31 Mar	
	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	60,652	54,323	26,010	25,259	86,662	79,582
Profit/(loss) from operations	7,298	11,536	506	(4,340)	7,804	7,196

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

	Total	
	2012	2011
	RM'000	RM'000
Profit from operations for reportable segments	7,804	7,196
Expenses managed on a central basis	(7,076)	(8,246)
Other operating income	2,309	1,061
Consolidated profit from operations	3,037	11
Finance cost	(5,824)	(3,098)
Consolidated loss before tax	(2,787)	(3,087)

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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 31 March 2012 is as follows:

	<b>RM'000</b>
Approved and contracted for	7,412
Approved but not contracted for	7,513
	14,925

**A12. Significant Related Party Transactions**

The Group's significant related party transactions in the current financial year to-date ended 31 March 2012 are as follows:

	<b>Quarter Ended 31 Mar 2012 RM'000</b>	<b>9 Months Ended 31 Mar 2012 RM'000</b>
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	24	70
- Royalty paid/payable	7	18
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	43
- Sales of goods	55	515
	55	515



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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**

**(a) Performance of the current quarter against the preceding year corresponding quarter**

	Quarter	
	Ended 31 Mar	
	2012	2011
	RM'000	RM'000
Turnover	28,944	26,744
Loss before tax	(808)	(1,868)

The Group recorded a growth in turnover of 8.23% for the current quarter ended 31 March 2012 as compared to the corresponding quarter ended 31 March 2011. The growth was mainly attributed to the increase in local sales.

The Group recorded a lower loss before tax for the current quarter ended 31 March 2012 of RM0.81 million as compared to RM1.87 million in the preceding year quarter. While the Group incurred higher depreciation charges and interest expense in the current quarter, the difference in timing of the group's marketing plan resulted in lower advertisement and promotional expenses as compared to the preceding year corresponding quarter.

**(b) Performance of the current period against the preceding year corresponding period**

	9 Months	
	Ended 31 Mar	
	2012	2011
	RM'000	RM'000
Turnover	86,662	79,582
Loss before tax	(2,787)	(3,087)

The Group recorded a growth in turnover of 8.90% for the 9 months ended 31 March 2012 as compared to the corresponding 9 months ended 31 March 2011. 89% of the overall growth was attributed to the increase in local sales and 11% from export sales.

The loss for the 9 months ended 31 March 2012 was lower than that of the 9 months in the preceding period due to lower advertisement and promotional expenses and higher foreign exchange gain in spite of increased interest expense on borrowings, depreciation charges, utility and maintenance expenses.

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

	Quarter Ended	
	31 March 2012	31 Dec 2011
	RM'000	RM'000
Turnover	28,944	30,219
Loss before tax	(808)	(1,672)

For the quarter ended 31 March 2012, the Group recorded an decrease in revenue of 4.22% to RM28.95 million as compared to RM30.22 million in the preceding quarter. This was mainly attributed to the decrease in export sales. Despite an increase of 18.13% in local sales, export sales had decreased by 38.03% as compared to preceding quarter.

Loss before tax for current quarter ended 31 March 2012 was lower as compared to the preceding quarter ended 31 December 2011 mainly due to lower advertisement and promotional expenses incurred in current quarter.

**B3. Commentary on Prospects**

The global economic outlook remains uncertain due to the Euro debt crisis. However, as the Group is principally engaged in the business of pharmaceutical and healthcare products which is less susceptible to economic uncertainties, it is anticipated that the Group's performance for both local and export segments to remain resilient for the financial year ending 30 June 2012.

The new cGMP approved facilities, which conforms to the international pharmaceutical manufacturing standards provides the Group with opportunities to produce more high end products with wider export horizons. The Group shall actively pursue the registration of these products in the overseas market and seek opportunities to increase its revenue to cover the higher interest expenses and depreciation charges.

**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 31 March 2011 was in respect of Malaysian income tax.

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.

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

Total retained earnings as at 31 March 2012 and 30 June 2011 is analysed as follows:

	As at 31.03.2012 RM'000	As at 30.06.2011 RM'000
Realised profits	35,862	38,666
Unrealised loss	(178)	(195)
Total Group retained earnings as per consolidated accounts	<u>35,684</u>	<u>38,471</u>

**B8. Status of Corporate Proposals**

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

**B9. Details of Group Borrowings and Debt Securities**

The Group's borrowings as at 31 March 2012 were as follows:-

	Total RM'000	Secured RM'000	Unsecured RM'000
(a) Short Term Borrowings			
Bills and other trade financing liabilities	25,335	10,525	14,810
Bank overdrafts	8,021	-	8,021
Term loan	961	961	-
	<u>34,317</u>	<u>11,486</u>	<u>22,831</u>
(b) Long Term Borrowings			
Term loan	90,253	90,253	-
	<u>90,253</u>	<u>90,253</u>	<u>-</u>

**B10. 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 31 March 2012 are as follows:

	Contract Amount RM'000	Fair Value RM'000	Foreign Currency
Foreign Exchange Contract to sell USD - Less than 1 year	<u>4,941</u>	<u>4,980</u>	USD 1.6 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 April 2012 to January 2013.

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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.

**B11. Material Litigation**

There was no pending material litigation since the last financial period ended 30 June 2011 and up to 17 May 2012.

**B12. Dividend Declared**

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

**B13. Lost before tax**

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Loss before tax is arrived at after (crediting)/charging:-				
Interest income	(2)	(13)	(3)	(44)
Other income	(299)	(80)	(439)	(182)
Depreciation and amortisation	2,666	1,547	7,968	3,827
Impairment loss on trade receivable	52	636	153	739
Inventories written down	180	592	674	592
Foreign exchange (gain)/loss				
- realised	(235)	34	(800)	474
- unrealised	337	226	(178)	594
Fair value (gain)/loss on derivatives	(196)	55	11	(96)

Other than the above items, there were no impairment of assets, gain or loss on disposal of quoted or unquoted investment or properties and exceptional items for the current quarter and financial period ended 31 March 2012.

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**B14. Earnings Per Share**

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2012	2011	2012	2011
<b>(a) Basic Earnings Per Share</b>				
Net loss attributable to shareholders (RM'000)	(808)	(1,867)	(2,787)	(3,093)
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Basic loss per share (sen)	(0.65)	(1.51)	(2.25)	(2.50)
<b>(b) Diluted Earnings Per Share</b>				
Net loss attributable to shareholders (RM'000)	(808)	(1,867)	(2,787)	(3,093)
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Adjustment for ESOS ('000)	72	332	72	332
	123,878	124,138	123,878	124,138
Basic loss per share (sen)	(0.65)	(1.50)	(2.25)	(2.49)

**B15. 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 : 24 May 2012