

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2012
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/06/2012 RM'000	Corresponding Quarter Ended 30/06/2011 RM'000	12 Months Cumulative To Date 30/06/2012 RM'000	12 Months Cumulative To Date 30/06/2011 RM'000
Revenue	40,281	33,259	126,943	112,841
Operating expenses	(36,222)	(31,157)	(122,156)	(111,789)
Other operating income	1,858	491	4,167	1,552
Profit from operations	5,917	2,593	8,954	2,604
Finance cost	(1,952)	(1,585)	(7,776)	(4,683)
Profit / (Loss) before tax	3,965	1,008	1,178	(2,079)
Tax expense	(56)	(54)	(56)	(60)
Profit / (Loss) after tax, representing total comprehensive income / (expense) for the period	<u>3,909</u>	<u>954</u>	<u>1,122</u>	<u>(2,139)</u>
Earning / (Loss) per share (sen)				
(a) Basic	3.16	0.77	0.91	(1.73)
(b) Diluted	3.16	0.77	0.91	(1.72)

(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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 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30.06.2012 RM '000	Audited As at 30.06.2011 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	164,557	172,127
Investment properties	1,597	1,623
	166,154	173,750
Current Assets		
Derivative assets	-	51
Inventories	35,231	23,584
Trade receivables	41,625	35,306
Other receivables, deposits and prepayments	3,318	2,704
Cash and bank balances	11,192	11,823
	91,366	73,468
TOTAL ASSETS	257,520	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	637	317
Retained earnings	39,593	38,471
	102,136	100,694
Non-Current Liabilities		
Long term borrowings	91,432	87,896
	91,432	87,896
Current Liabilities		
Trade payables	17,990	15,214
Other payables and accruals	11,294	12,786
Derivative Liabilities	137	-
Short term borrowings	29,753	28,601
Bank overdrafts	4,778	2,027
	63,952	58,628
Total Liabilities	155,384	146,524
TOTAL EQUITY AND LIABILITIES	257,520	247,218
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.82	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

	12 Months Ended 30/06/2012 RM '000	12 Months Ended 30/06/2011 RM '000
Cash Flows From Operating Activities		
Profit / (Loss) before taxation	1,178	(2,079)
Adjustment for:		
Fixed asset written off	2	101
Impairment loss on trade receivable	260	1,920
Bad and doubtful debts recovered	(1,038)	(184)
Bad debts written off	3	4
Depreciation and amortisation	10,638	5,749
Impairment loss on development expenditure	-	1,057
Fair value loss/(gain) on derivatives	188	(51)
Unrealised (gain)/loss on foreign exchange	(689)	245
Inventories written down	1,860	1,436
Amortisation of deferred income	-	(20)
Gain on disposal of property, plant and equipment	-	(53)
Interest expense	7,776	4,683
Interest income	(3)	(49)
Rental income from investment properties	(92)	(58)
Share options granted under ESOS	320	6
Operating profit before working capital changes	20,403	12,707
(Increase)/decrease in inventories	(13,507)	3,206
Decrease in receivables	(5,653)	(21)
Increase in payables	1,313	231
Cash generated from operations	2,556	16,123
Interest paid	(1,701)	(1,281)
Tax paid	(72)	(17)
Tax refund	151	13,544
Net cash from operating activities	934	14,825
Cash Flows For Investing Activities		
Interest received	3	49
Development expenditure paid	-	(171)
Purchase of property, plant and equipment	(3,044)	(9,188)
Rental received	92	58
Proceed from disposal of property, plant and equipment	-	132
Net cash for investing activities	(2,949)	(9,120)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	12 Months Ended 30/06/2012 RM '000	12 Months Ended 30/06/2011 RM '000
Cash Flows (For)/From Financing Activities		
Drawdown of term loan	3,544	7,969
Repayment of term loan	(5,818)	(3,519)
Other short term borrowings	6,807	5,710
Interest paid	(6,075)	(5,723)
Net cash (for)/from financing activities	(1,542)	4,437
Net (Decrease)/Increase in Cash & Cash Equivalents	(3,557)	10,142
Effect of Exchange Rate Changes on Cash & Cash Equivalents	175	(60)
Cash & Cash Equivalents at beginning of the financial period	9,796	(286)
Cash & Cash Equivalents at end of financial period	6,414	9,796

(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 June 2012					
Balance at 1 July 2011	61,903	3	317	38,471	100,694
Profit after tax, representing total comprehensive income for the period	-	-	-	1,122	1,122
Share-based payment under ESOS	-	-	320	-	320
Balance at 30 June 2012	<u>61,903</u>	<u>3</u>	<u>637</u>	<u>39,593</u>	<u>102,136</u>
As at 30 June 2011					
Balance at 1 July 2010	61,903	3	311	40,610	102,827
Loss after tax, representing total comprehensive expense for the period	-	-	-	(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>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with
 the Audited Financial Statements for the year ended 30 June 2011 and the accompanying
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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 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 30 June 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 30 June 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 30 June 2012 are as follows:-

	Local		Export		Total	
	Ended 30 June		Ended 30 June		Ended 30 June	
	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	84,845	74,210	42,098	38,631	126,943	112,841
Profit/(loss) from operations	11,371	13,781	2,935	(760)	14,306	13,021

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	14,306	13,021
Expenses managed on a central basis	(9,519)	(11,969)
Other operating income	4,167	1,552
Consolidated profit from operations	8,954	2,604
Finance cost	(7,776)	(4,683)
Consolidated profit / (loss) before tax	1,178	(2,079)

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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 June 2012 is as follows:

	RM'000
Approved and contracted for	8,167
Approved but not contracted for	14,006
	22,173

A12 Significant Related Party Transactions

The Group's significant related party transactions in the current financial year to-date ended 30 June 2012 are as follows:

	Quarter Ended 30 June 2012 RM'000	12 Months Ended 30 June 2012 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	24	94
- Royalty paid/payable	9	27
- Contract manufacturing cost paid / payable	23	23
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	57
- Sales of goods	(1)	514

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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 30 June	
	2012	2011
	RM'000	RM'000
Turnover	40,281	33,259
Profit before tax	3,965	1,008

The Group recorded a growth in turnover of 21.1% for the current quarter ended 30 June 2012 as compared to the corresponding quarter ended 30 June 2011. The growth was mainly attributed to the higher sales of both local and export markets.

The Group recorded a higher profit before tax for the current quarter ended 30 June 2012 of RM3.97 million as compared to RM1.01 million in the preceding quarter ended 30 June 2011 mainly due to the following:

- increased sales volume and higher profit margins arising from changes in the Group's product sales mix;
- reversal of allowance for impairment loss on trade receivables.

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

	12 Months	
	Ended 30 June	
	2012	2011
	RM'000	RM'000
Turnover	126,943	112,841
Profit / (Loss) before tax	1,178	(2,079)

The Group recorded a growth in turnover of 12.5% for the 12 months ended 30 June 2012 as compared to the corresponding 12 months ended 30 June 2011. The overall growth was contributed by the increase in both local sales and export sales of 14% and 9% respectively.

The Group recorded profit of RM1.18 million for the 12 months ended 30 June 2012 as compared to loss of RM2.08 million in the preceding period. This was due to higher turnover achieved for the year, decrease in advertisement and promotional expenses, higher foreign exchange gain and reversal of allowance for impairment loss on trade receivable less the interest expense on borrowings.

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B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	30 June	31 March
	2012	2012
	RM'000	RM'000
Turnover	40,281	28,944
Profit / (Loss) before tax	3,965	(808)

For the quarter ended 30 June 2012, the Group recorded an increase in revenue of nearly 40% to RM40.28 million as compared to RM28.94 million in the preceding quarter. This was mainly attributed to the increase in both local and export sales.

The Group recorded a profit before tax of RM3.97 million in the current quarter as compared to loss before tax of RM0.81 million in the preceding quarter mainly due to higher sales achieved, lower operating expenses and reversal of allowance for impairment loss on trade receivable.

B3. Commentary on Prospects

With the increased production capabilities and capacities of the new manufacturing plant, the Group will continue to secure new manufacturing contracts and also the registration of new products in the overseas market. Continued efforts will be made to increase the overall revenue of the Group and to control operating expenses.

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 June		Ended 30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current tax expense	71	60	71	60
- Over provision in prior period	(15)	(6)	(15)	-
Total tax expenses	56	54	56	60

The effective tax rate of the Group is lower than the statutory rate due to the utilisation of double deduction tax incentives for the eligible expenses. Deferred tax assets 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 30 June 2012 and 30 June 2011 is analysed as follows:

	As at 30.06.2012 RM'000	As at 30.06.2011 RM'000
Realised profits	38,904	38,666
Unrealised Gain / (Loss)	689	(195)
Total Group retained earnings as per consolidated accounts	<u>39,593</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 30 June 2012 were as follows:-

	Total RM'000	Secured RM'000	Unsecured RM'000
(a) Short Term Borrowings			
Bills and other trade financing liabilities			
- Denominated in Ringgit Malaysia	20,495	6,438	14,057
- Denominated in US Dollar	6,273	935	5,338
- Denominated in Euros	2,491		2,491
Bank overdrafts	4,778	-	4,778
Term loan	494	494	-
	<u>34,531</u>	<u>7,867</u>	<u>26,664</u>
(b) Long Term Borrowings			
Term loan	91,432	91,432	-
	<u>91,432</u>	<u>91,432</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 30 June 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>5,420</u>	<u>5,557</u>	USD 1.75 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 2012 to May 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 22 August 2012.

B12. Dividend Declared

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

B13. Profit / (Loss) before tax

	Quarter		12 Months	
	Ended 30 June		Ended 30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit / (Loss) before tax is arrived at after (crediting)/charging:-				
Interest income	-	(5)	(3)	(49)
Other income	72	(26)	(367)	(155)
Depreciation and amortisation	2,670	1,922	10,638	5,749
Gain on disposal of property, plant and equipment	-	-	-	(53)
Impairment loss on trade receivable	107	1,181	260	1,920
Impairment loss on development expenditure	-	1,057	-	1,057
Inventories written down	1,186	844	1,860	1,436
Foreign exchange (gain)/loss				
- realised	(121)	158	(921)	632
- unrealised	(511)	(349)	(689)	245
Fair value (gain)/loss on derivatives	177	45	188	(51)

Other than the above items, there were no gain or loss on disposal of quoted or unquoted investment or properties and exceptional items for the current quarter and financial year ended 30 June 2012.

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B14. Earnings Per Share

	Quarter		12 Months	
	Ended 30 June		Ended 30 June	
	2012	2011	2012	2011
(a) Basic Earnings Per Share				
Net profit / (loss) attributable to shareholders (RM'00)	3,909	954	1,122	(2,139)
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Basic earnings / (loss) per share (sen)	3.16	0.77	0.91	(1.73)
(b) Diluted Earnings Per Share				
Net profit / (loss) attributable to shareholders (RM'00)	3,909	954	1,122	(2,139)
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Adjustment for ESOS ('000)	76	252	76	252
	123,882	124,058	123,882	124,058
Basic earnings / (loss) per share (sen)	3.16	0.77	0.91	(1.72)

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 : 29 Aug 2012