

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/09/2012 RM'000	Corresponding Quarter Ended 30/09/2011 RM'000	3 Months Cumulative To Date 30/09/2012 RM'000	3 Months Cumulative To Date 30/09/2011 RM'000
Revenue	23,429	27,499	23,429	27,499
Operating expenses	(25,795)	(27,220)	(25,795)	(27,220)
Other operating income	593	1,380	593	1,380
(Loss) / Profit from operations	(1,773)	1,659	(1,773)	1,659
Finance cost	(2,052)	(1,966)	(2,052)	(1,966)
Loss before tax	(3,825)	(307)	(3,825)	(307)
Tax expense	-	-	-	-
Loss after tax, representing total comprehensive income / (expense) for the period	<u>(3,825)</u>	<u>(307)</u>	<u>(3,825)</u>	<u>(307)</u>
Loss per share (sen)				
(a) Basic	(3.09)	(0.25)	(3.09)	(0.25)
(b) Diluted	(3.06)	(0.25)	(3.06)	(0.25)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with  
 the Audited Financial Statements for the year ended 30 June 2012 and the accompanying  
 explanatory notes attached to this interim financial report)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited</b> As at 30.09.2012 RM '000	<b>Audited</b> As at 30.06.2012 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	163,037	164,557
Investment properties	1,591	1,597
	164,628	166,154
<b>Current Assets</b>		
Derivative assets	62	-
Inventories	34,675	35,230
Trade receivables	35,527	41,625
Other receivables, deposits and prepayments	6,688	3,318
Cash and bank balances	10,837	11,192
	87,789	91,365
<b>TOTAL ASSETS</b>	252,417	257,519
<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	636	636
Retained earnings	35,768	39,593
	98,310	102,135
<b>Non-Current Liabilities</b>		
Long term borrowings	92,556	91,432
	92,556	91,432
<b>Current Liabilities</b>		
Trade payables	10,823	17,990
Other payables and accruals	11,338	11,294
Derivative Liabilities	-	137
Short term borrowings	35,231	29,753
Bank overdrafts	4,159	4,778
	61,551	63,952
<b>Total Liabilities</b>	154,107	155,384
<b>TOTAL EQUITY AND LIABILITIES</b>	252,417	257,519
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	0.79	0.82

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to this interim financial report)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

	3 Months Ended 30/09/2012 RM '000	3 Months Ended 30/09/2011 RM '000
<b>Cash Flows (For)/From Operating Activities</b>		
Loss before taxation	(3,825)	(307)
Adjustment for:		
Impairment loss on trade receivable	50	50
Depreciation and amortisation	2,679	1,588
Impairment loss on development expenditure	-	1,057
Fair value loss/(gain) on derivatives	(199)	228
Unrealised loss/(gain) on foreign exchange	758	(965)
Inventories written down	-	43
Reversal of inventories written down	(389)	-
Interest expense	2,052	1,966
Interest income	-	(1)
Rental income from investment properties	(22)	(25)
Operating profit before working capital changes	1,104	3,634
Decrease/(Increase) in inventories	944	(3,980)
Decrease in receivables	1,945	4,158
Decrease in payables	(7,123)	(185)
Cash generated (for)/from operations	(3,130)	3,627
Interest paid	(526)	(426)
Tax paid	(25)	(14)
Net cash (for)/from operating activities	(3,681)	3,187
<b>Cash Flows For Investing Activities</b>		
Interest received	-	1
Purchase of property, plant and equipment	(1,153)	(955)
Rental received	22	25
Net cash for investing activities	(1,131)	(929)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)**

	3 Months Ended 30/09/2012 RM '000	3 Months Ended 30/09/2011 RM '000
<b>Cash Flows From/(For) Financing Activities</b>		
Drawdown of term loan	1,118	628
Repayment of term loan	(488)	(1,423)
Other short term borrowings	5,972	(6,796)
Interest paid	(1,526)	(1,540)
Net cash from/(for) financing activities	5,076	(9,131)
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	264	(6,873)
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	-	267
<b>Cash &amp; Cash Equivalents at beginning of the financial period</b>	6,414	9,796
<b>Cash &amp; Cash Equivalents at end of financial period</b>	6,678	3,190

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2012 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	
<b>As at 30 September 2012</b>					
Balance at 1 July 2012	61,903	3	636	39,593	102,135
Loss after tax, representing total comprehensive income for the period	-	-	-	(3,825)	(3,825)
Balance at 30 September 2012	<u>61,903</u>	<u>3</u>	<u>636</u>	<u>35,768</u>	<u>98,310</u>
<b>As at 30 September 2011</b>					
Balance at 1 July 2011	61,903	3	317	38,471	100,694
Loss after tax, representing total comprehensive expense for the period	-	-	-	(307)	(307)
Balance at 30 Sept 2011	<u>61,903</u>	<u>3</u>	<u>317</u>	<u>38,164</u>	<u>100,387</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 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 2012. For the period up to and including the year ended 30 Jun 2012, the Group prepared its financial statements in accordance with applicable Financial Reporting Standards ("FRS").

The Group has adopted the MFRS framework and MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards for the first time in this condensed consolidated interim financial statements. The transition to MFRS framework does not have any material financial impact to the financial statement of the Group.

The Group has adopted the following MFRS and Amendments to MFRS during the current period:

- MFRS 124 Related Party Disclosures
- Amendments to MFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to MFRS 7: Disclosures -Transfer of Financial Assets
- Amendments to MFRS 112: Deferred Tax - Recovery of Underlying Assets
- Amendments to MFRS 101 (Revised): Presentation of Items of Other Comprehensive Income
- Amendments to MFRS 9: Mandatory effective Date of MFRS 9 and Transition Disclosures

The adoption is mainly to help clarify the requirements of or provide further explanations to existing MFRS and has no financial impact to the Group.

**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.

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**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 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 September 2012 are as follows:-

	Local		Export		Total	
	Ended 30 Sept		Ended 30 Sept		Ended 30 Sept	
	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	19,606	20,967	3,823	6,532	23,429	27,499
Profit/(loss) from operations	1,954	3,732	(1,292)	(681)	662	3,051

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	662	3,051
Expenses managed on a central basis	(3,028)	(2,772)
Other operating income	593	1,380
Consolidated (loss) / profit from operations	(1,773)	1,659
Finance cost	(2,052)	(1,966)
Consolidated loss before tax	(3,825)	(307)

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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 2012 is as follows:

	RM'000
Approved and contracted for	13,152
Approved but not contracted for	18,063
	31,215
	31,215

**A12. Significant Related Party Transactions**

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

	Quarter Ended 30 Sept 2012 RM'000	3 Months Ended 30 Sept 2012 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	24	24
- Royalty paid/payable	6	6
- Contract manufacturing cost paid / payable	110	110
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	(94)	(94)
	(108)	(108)



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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	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Turnover	23,429	27,499	23,429	27,499
Loss before tax	(3,825)	(307)	(3,825)	(307)

The Group recorded a decrease in turnover of 14.80% for the current quarter ended 30 September 2012 as compared to the corresponding 3 months ended 30 September 2011. This was mainly attributed to lower sales of both export and local markets.

The Group recorded a loss before tax for the 3 months ended 30 September 2012 of RM3.83 million as compared to RM0.31 million for the preceding year. This was mainly due to the higher selling and administration expenses, advertisement and promotional expenses and higher unrealised foreign exchange loss.

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

	Quarter Ended	
	30 Sept	30 June
	2012	2012
	RM'000	RM'000
Turnover	23,429	40,281
(Loss)/Profit before tax	(3,825)	3,965

For the quarter ended 30 September 2012, the Group recorded a decrease in revenue of 41.8% to RM23.43 million as compared to RM40.28 million in the preceding quarter. This is mainly due to decrease in the export sales as there was delay in obtaining import approval from the regulatory body in one of the major countries. Besides that, there was a slow down in the local sales due to stock holding adjustments from the trades following a change on trading term imposed by the Group.

The Group recorded a loss before tax of RM3.83 million in the current quarter as compared to a profit before tax of RM3.97 million in the preceding quarter mainly due to lower export and local sales and higher unrealised foreign exchange loss.

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**B3. Commentary on Prospects**

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**

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 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 2012 and 30 June 2012 are analysed as follows:

	<b>As at</b>	<b>As at</b>
	<b>30.09.2012</b>	<b>30.06.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Realised profits	36,526	38,904
Unrealised (Loss) / Gain	(758)	689
Total Group retained earnings as per consolidated accounts	35,768	39,593

**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.

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

The Group's borrowings as at 30 September 2012 were as follows:-

	<b>Total RM'000</b>	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>
(a) Short Term Borrowings			
Bills and other trade financing liabilities			
- Denominated in Ringgit Malaysia	30,134	13,107	17,027
- Denominated in US Dollar	2,288	1,438	850
- Denominated in Euros	2,809	775	2,034
Bank overdrafts	4,159	18	4,141
	<u>39,390</u>	<u>15,338</u>	<u>24,052</u>
(b) Long Term Borrowings			
Term loan	92,556	92,556	-
	<u>92,556</u>	<u>92,556</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 September 2012 are as follows:

	<b>Contract Amount RM'000</b>	<b>Fair Value RM'000</b>	<b>Foreign Currency</b>
Foreign Exchange Contract to sell USD			
- Less than 1 year	3,733	3,671	USD 1.2 million
	<u>3,733</u>	<u>3,671</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 October 2012 to May 2013.

(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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(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 2012 and up to 22 November 2012.

**B12. Dividend Declared**

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

**B13. Loss before tax**

	<b>Quarter</b>		<b>3 Months</b>	
	<b>Ended 30 Sept</b>		<b>Ended 30 Sept</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loss before tax is arrived at after (crediting)/charging:-				
Interest income	-	(1)	-	(1)
Other income	(39)	(28)	(39)	(28)
Depreciation and amortisation	2,679	2,645	2,679	2,645
Impairment loss on trade receivable	50	50	50	50
Inventories written down	-	43	-	43
Reversal of inventories written down	(389)	-	(389)	-
Foreign exchange (gain)/loss				
- realised	(248)	(135)	(248)	(135)
- unrealised	758	(965)	758	(965)
Fair value (gain)/loss on derivatives	(199)	228	(199)	228

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 period ended 30 September 2012.

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**B14. Loss Per Share**

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2012	2011	2012	2011
<b>(a) Basic Loss Per Share</b>				
Net loss attributable to shareholders (RM'000)	<u>(3,825)</u>	<u>(307)</u>	<u>(3,825)</u>	<u>(307)</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 per share (sen)	(3.09)	(0.25)	(3.09)	(0.25)
<b>(b) Diluted Loss Per Share</b>				
Net loss attributable to shareholders (RM'000)	<u>(3,825)</u>	<u>(307)</u>	<u>(3,825)</u>	<u>(307)</u>
Weighted average number of ordinary shares ('000)	123,806	123,806	123,806	123,806
Adjustment for ESOS ('000)	<u>1,210</u>	<u>138</u>	<u>1,210</u>	<u>138</u>
	<u>125,016</u>	<u>123,944</u>	<u>125,016</u>	<u>123,944</u>
Basic loss per share (sen)	(3.06)	(0.25)	(3.06)	(0.25)

**B15. Audit Report**

The auditors' report of the Group's annual financial statements for the year ended 30 June 2012 did not contain any qualification.

**BY ORDER OF THE BOARD**

**CHUA SIEW CHUAN**  
 Secretary

Date : 30 November 2012