

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/03/2013 RM'000	Corresponding Quarter Ended 31/03/2012 RM'000	9 Months Cumulative To Date 31/03/2013 RM'000	9 Months Cumulative To Date 31/03/2012 RM'000
Revenue	37,553	28,944	89,519	86,662
Operating expenses	(32,029)	(28,472)	(86,529)	(85,934)
Other operating income	167	688	1,049	2,309
Profit from operations	5,691	1,160	4,039	3,037
Finance cost	(2,092)	(1,968)	(6,123)	(5,824)
Profit / (Loss) before tax	3,599	(808)	(2,084)	(2,787)
Tax expense	-	-	-	-
Profit / (Loss) after tax, representing total comprehensive expense for the period	3,599	(808)	(2,084)	(2,787)
Profit / (Loss) per share (sen)				
(a) Basic	2.90	(0.65)	(1.68)	(2.25)
(b) Diluted	2.84	(0.65)	(1.64)	(2.25)

(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)

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31.03.2013 RM '000	Audited As at 30.06.2012 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	161,834	164,557
Investment properties	1,578	1,597
	163,412	166,154
Current Assets		
Derivative assets	12	-
Inventories	28,201	35,230
Trade receivables	40,542	41,625
Other receivables, deposits and prepayments	6,063	3,318
Cash and bank balances	10,113	11,192
	84,931	91,365
TOTAL ASSETS	248,343	257,519
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	61,988	61,903
Share premium reserve	9	3
Share option reserve	636	636
Retained earnings	37,509	39,593
	100,142	102,135
Non-Current Liabilities		
Long term borrowings	92,113	91,432
	92,113	91,432
Current Liabilities		
Trade payables	13,592	17,990
Other payables and accruals	8,255	11,294
Derivative liabilities	-	137
Short term borrowings	25,633	29,753
Bank overdrafts	8,608	4,778
	56,088	63,952
Total Liabilities	148,201	155,384
TOTAL EQUITY AND LIABILITIES	248,343	257,519
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.81	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)

KOTRA INDUSTRIES BERHAD (497632-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	9 Months Ended 31/03/2013 RM '000	9 Months Ended 31/03/2012 RM '000
Cash Flows From Operating Activities		
Loss before taxation	(2,084)	(2,787)
Adjustment for:		
Fixed asset written off	31	2
Impairment loss on trade receivables	352	150
Bad debts written off	2	2
Depreciation and amortisation	8,149	7,968
Fair value (gain) / loss on derivatives	(149)	12
Unrealised loss / (gain) on foreign exchange	470	(178)
Inventories written off	727	674
Interest expense	6,123	5,824
Interest income	(1)	(3)
Rental income from investment properties	(64)	(70)
Operating profit before working capital changes	13,556	11,594
Decrease / (Increase) in inventories	6,302	(12,707)
(Increase) / Decrease in receivables	(2,405)	2,852
(Decrease) / Increase in payables	(7,435)	757
Cash generated from operations	10,018	2,496
Interest paid	(1,561)	(1,261)
Tax paid	(82)	(36)
Net cash from operating activities	8,375	1,199
Cash Flows For Investing Activities		
Interest received	1	3
Purchase of property, plant and equipment	(5,439)	(2,754)
Rental received	64	70
Net cash for investing activities	(5,374)	(2,681)

KOTRA INDUSTRIES BERHAD (497632-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	9 Months Ended 31/03/2013 RM '000	9 Months Ended 31/03/2012 RM '000
Cash Flows For Financing Activities		
Drawdown of term loans	1,118	1,359
Repayment of term loans	(479)	(4,345)
Other short term borrowings	(4,078)	3,038
Proceeds from issuance of shares	91	-
Interest paid	(4,562)	(4,563)
Net cash for financing activities	(7,910)	(4,511)
Net Decrease in Cash & Cash Equivalents	(4,909)	(5,993)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	-	136
Cash & Cash Equivalents at beginning of the financial period	6,414	9,796
Cash & Cash Equivalents at end of financial period	1,505	3,939

(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)

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013
 (The figures have not been audited)

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 31 March 2013					
Balance at 1 July 2012	61,903	3	636	39,593	102,135
Loss after tax, representing total comprehensive expense for the period	-	-	-	(2,084)	(2,084)
Issuance of new shares- ESOS	85	6	-		91
Balance at 31 March 2013	<u>61,988</u>	<u>9</u>	<u>636</u>	<u>37,509</u>	<u>100,142</u>
As at 31 March 2012					
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>

(The Condensed Consolidated Statement of Changes in Equity 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)

KOTRA INDUSTRIES BERHAD (497632-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013

A. Explanatory Notes pursuant to MFRS 134 Interim Financial Reporting

A1. Accounting Policies and Methods of Computation

The interim financial statements have been prepared in accordance with MFRS 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 2013 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 year ended 30 June 2012, the Group prepared its financial statements in accordance with applicable Financial Reporting Standards ("FRS").

Commencing 1 July 2012, 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.

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.

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013

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 2013 except for the issuance of 160,000 and 10,000 ordinary shares pursuant to its Employee Share Option Scheme at the exercise price of RM 0.532 and RM 0.577 each respectively.

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 2013 are as follows:-

	Local		Export		Total	
	Ended 31 Mar		Ended 31 Mar		Ended 31 Mar	
	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	64,427	60,652	25,092	26,010	89,519	86,662
Profit from operations	9,487	7,298	895	506	10,382	7,804

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

	Total	
	2013	2012
	RM'000	RM'000
Profit from operations for reportable segments	10,382	7,804
Expenses managed on a central basis	(7,392)	(7,076)
Other operating income	1,049	2,309
Consolidated profit from operations	4,039	3,037
Finance cost	(6,123)	(5,824)
Consolidated loss before tax	(2,084)	(2,787)

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013

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 amounts committed for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 March 2013 are as follows:

	RM'000
Approved and contracted for	16,735
Approved but not contracted for	11,160
	27,895

A12. Significant Related Party Transactions

The Group's significant related party transactions in the current financial year to-date ended 31 March 2013 are as follows:

	Quarter Ended 31 Mar 2013 RM'000	9 Months Ended 31 Mar 2013 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	25	73
- Royalty paid/payable	5	18
- Contract manufacturing cost paid / payable	7	186
A company in which a close member of the family of certain key management personnel has significant financial interests:		
- Rental of premises received/receivable	(15)	(43)
- Sales of goods	(4)	(162)
	(19)	(202)

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013

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	
	2013	2012
	RM'000	RM'000
Turnover	37,553	28,944
Profit / (loss) before tax	3,599	(808)

The Group recorded an increase in turnover of 29.7% for the current quarter ended 31 March 2013 as compared to the corresponding quarter ended 31 March 2012. The was attributed to higher sales in both the local and export markets.

The Group recorded a profit before tax for the current quarter ended 31 March 2013 of RM3.60 million as compared to a loss before tax of RM0.81 million in the preceding year quarter mainly due higher sales achieved.

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

	9 Months	
	Ended 31 Mar	
	2013	2012
	RM'000	RM'000
Turnover	89,519	86,662
Loss before tax	(2,084)	(2,787)

The Group recorded an increase in turnover of 3.30% for the current period ended 31 March 2013 as compared to the corresponding 9 months ended 31 March 2012. This was mainly contributed by the local market.

The Group recorded a smaller loss before tax for the 9 months ended 31 March 2013 of RM2.09 million as compared to RM2.79 million for the preceding period mainly due to the improvement in local sales offset by higher foreign exchange loss.

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Turnover	37,553	28,537
Profit / (loss) before tax	3,599	(1,858)

For the quarter ended 31 March 2013, the Group recorded a growth in revenue of 31.6% to RM37.55 million as compared to RM28.54 million in the preceding quarter. This was mainly due to increase in sales of both export and local markets.

The Group recorded a profit before tax of RM3.60 million in the current quarter as compared to the loss before tax of RM1.86 million in the preceding quarter mainly due to the increase in export and local sales and lower advertisement and promotional expenditure.

B3. Commentary on Prospects

The Group will strive to increase its revenue by securing new manufacturing contracts and wider market penetration of its newly launched products. It will also continue with the registration of new products in the overseas markets.

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 year to-date losses 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 31 March 2013 and 30 June 2012 are analysed as follows:

	As at 31.03.2013 RM'000	As at 30.06.2012 RM'000
Realised profits	37,800	38,904
Unrealised (Loss) / Gain	(291)	689
Total Group retained earnings as per consolidated accounts	37,509	39,593

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013

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 2013 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	23,278	7,499	15,779
- Denominated in US Dollar	1,111	1,111	-
- Denominated in Euros	792	792	-
Bank overdrafts	8,608	-	8,608
Term loan	452	452	-
	34,241	9,854	24,387
(b) Long Term Borrowings			
Term loan	92,113	92,113	-
	92,113	92,113	-

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 2013 are as follows:

	Contract Amount RM'000	Fair Value RM'000	Foreign Currency
Foreign Exchange Contract to sell USD			
- Less than 1 year	3,724	3,712	USD 1.20million
	3,724	3,712	

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 2013 to November 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.

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013

(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 May 2013.

B12. Dividend Declared

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

B13. Profit / (loss) before tax

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit / (loss) before tax is arrived at after (crediting)/charging:-				
Interest income	(1)	(2)	(1)	(3)
Other income	(64)	(299)	(236)	(439)
Depreciation and amortisation	2,757	2,666	8,149	7,968
Impairment loss on trade receivables	252	52	354	152
Inventories written off	1,115	180	727	674
Foreign exchange (gain)/loss				
- realised	(26)	(235)	(243)	(800)
- unrealised	(74)	337	470	(178)
Fair value loss / (gain) on derivatives	30	(195)	(149)	12

Other than the above items, there was no 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 2013.

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2013

B14. Earnings/(Loss) Per Share

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2013	2012	2013	2012
(a) Basic Earnings/(Loss) Per Share				
Net profit/(loss) attributable to shareholders (RM'000)	3,599	(808)	(2,084)	(2,787)
Weighted average number of ordinary shares ('000)	123,976	123,806	123,976	123,806
Basic earnings/(loss) per share (sen)	2.90	(0.65)	(1.68)	(2.25)
(b) Diluted Earnings/(Loss) Per Share				
Net profit/(loss) attributable to shareholders (RM'000)	3,599	(808)	(2,084)	(2,787)
Weighted average number of ordinary shares ('000)	123,976	123,806	123,976	123,806
Adjustment for ESOS ('000)	2,967	72	2,967	72
	126,943	123,878	126,943	123,878
Basic earnings/(loss) per share (sen)	2.84	(0.65)	(1.64)	(2.25)

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 : 29 May 2013