

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2013
 (The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 AND OTHER COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/06/2013 RM'000	Corresponding Quarter Ended 30/06/2012 RM'000	12 Months Cumulative To Date 30/06/2013 RM'000	12 Months Cumulative To Date 30/06/2012 RM'000
Revenue	41,776	40,281	131,295	126,943
Operating expenses	(34,634)	(36,222)	(121,163)	(122,156)
Other operating income	782	1,858	1,831	4,167
Profit from operations	7,924	5,917	11,963	8,954
Finance cost	(2,011)	(1,952)	(8,134)	(7,776)
Profit before tax	5,913	3,965	3,829	1,178
Tax expense	(142)	(56)	(142)	(56)
Profit after tax, representing total comprehensive expense for the period	5,771	3,909	3,687	1,122
Profit per share (sen)				
(a) Basic	4.52	3.16	2.89	0.91
(b) Diluted	4.46	3.16	2.85	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 2012 and the accompanying explanatory notes attached to this interim financial report)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30.06.2013 RM '000	Audited As at 30.06.2012 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	160,932	164,557
Investment properties	1,571	1,597
	162,503	166,154
Current Assets		
Inventories	28,962	35,230
Trade receivables	48,483	41,625
Other receivables, deposits and prepayments	7,001	3,318
Cash and bank balances	16,321	11,192
	100,767	91,365
TOTAL ASSETS	263,270	257,519
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	63,888	61,903
Share premium reserve	286	3
Share option reserve	525	636
Retained earnings	43,280	39,593
	107,979	102,135
Non-Current Liabilities		
Long term borrowings	90,198	91,432
	90,198	91,432
Current Liabilities		
Trade payables	18,644	17,990
Other payables and accruals	10,551	11,294
Derivative liabilities	62	137
Short term borrowings	31,227	29,753
Bank overdrafts	4,609	4,778
	65,093	63,952
Total Liabilities	155,291	155,384
TOTAL EQUITY AND LIABILITIES	263,270	257,519
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.85	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

	12 Months Ended 30/06/2013 RM '000	12 Months Ended 30/06/2012 RM '000
Cash Flows From Operating Activities		
Profit before taxation	3,829	1,178
Adjustment for:		
Fixed asset written off	31	2
Impairment loss on trade receivables	392	260
Reversal of impairment loss on trade receivables	(164)	(1,038)
Bad debts written off	5	3
Depreciation and amortisation	10,939	10,638
Fair value (gain) / loss on derivatives	(75)	188
Unrealised gain on foreign exchange	(319)	(689)
Inventories written off	727	1,860
Interest expense	8,134	7,776
Interest income	(1)	(3)
Rental income from investment properties	(87)	(92)
ESOS (exercised & lapsed) / granted	(111)	319
Operating profit before working capital changes	23,300	20,402
Decrease/(Increase) in inventories	5,541	(13,506)
Increase in receivables	(10,685)	(5,653)
(Decrease)/Increase in payables	9	1,313
Cash generated from operations	18,165	2,556
Interest paid	(2,051)	(1,701)
Tax paid	(100)	(72)
Tax refund	-	151
Net cash from operating activities	16,014	934
Cash Flows For Investing Activities		
Interest received	1	3
Purchase of property, plant and equipment	(7,319)	(3,044)
Rental received	87	92
Net cash for investing activities	(7,231)	(2,949)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	12 Months Ended 30/06/2013 RM '000	12 Months Ended 30/06/2012 RM '000
Cash Flows For Financing Activities		
Drawdown of term loans	1,118	3,544
Repayment of term loans	(486)	(5,818)
Other short term borrowings	(360)	6,807
Proceeds from issuance of shares	2,268	-
Interest paid	(6,083)	(6,075)
Net cash for financing activities	(3,543)	(1,542)
Net Increase / (Decrease) in Cash & Cash Equivalents	5,240	(3,557)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	58	175
Cash & Cash Equivalents at beginning of the financial period	6,414	9,796
Cash & Cash Equivalents at end of financial period	11,712	6,414

(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	
As at 30 June 2013					
Balance at 1 July 2012	61,903	3	636	39,593	102,135
Profit after tax, representing total comprehensive expense for the year	-	-	-	3,687	3,687
Issuance of new shares- ESOS	1,985	283			2,268
ESOS options exercised / lapsed	-	-	(111)	-	(111)
Balance at 30 June 2013	<u>63,888</u>	<u>286</u>	<u>525</u>	<u>43,280</u>	<u>107,979</u>
As at 30 June 2012					
Balance at 1 July 2011	61,903	3	317	38,471	100,694
Profit after tax, representing total comprehensive expense for the year	-	-	-	1,122	1,122
Share options granted under ESOS	-	-	319	-	319
Balance at 30 June 2012	<u>61,903</u>	<u>3</u>	<u>636</u>	<u>39,593</u>	<u>102,135</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)

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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 30 June 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.

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 2013 except for the issuance of 160,000, 200,000 and 3,610,000 ordinary shares pursuant to its Employee Share Option Scheme at the exercise price of RM0.532, RM0.500 and RM0.577 each respectively.

A6. Dividends Paid

There was no payment of dividend in the current quarter.

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A7. Segmental Information

The segment information in respect of the Group's operating segments for the period ended 30 June 2013 are as follows:-

	Local		Export		Total	
	Ended 30 June		Ended 30 June		Ended 30 June	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
External revenue	89,539	84,845	41,756	42,098	131,295	126,943
Profit from operations	16,229	11,371	3,157	2,935	19,386	14,306

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

	Total	
	2013 RM'000	2012 RM'000
Profit from operations for reportable segments	19,386	14,306
Expenses managed on a central basis	(9,254)	(9,519)
Other operating income	1,831	4,167
Consolidated profit from operations	11,963	8,954
Finance cost	(8,134)	(7,776)
Consolidated profit before tax	3,829	1,178

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.

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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 30 June 2013 are as follows:

	RM'000
Approved and contracted for	15,429
Approved but not contracted for	10,489
	25,918

A12 Significant Related Party Transactions

The Group's significant related party transactions in the current financial year to-date ended 30 June 2013 are as follows:

	Quarter Ended 30 June 2013 RM'000	12 Months Ended 30 June 2013 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	24	97
- Royalty paid/payable	12	30
- Contract manufacturing cost paid / payable	-	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	(14)	(57)
- Sales of goods	(377)	(539)

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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	
	2013	2012
	RM'000	RM'000
Turnover	41,776	40,281
Profit before tax	5,913	3,965

The Group recorded an increase in turnover of 3.71% for the current quarter ended 30 June 2013 as compared to the corresponding quarter ended 30 June 2012. This was attributed to higher sales in both the local and export markets.

The Group recorded a profit before tax for the current quarter ended 30 June 2013 of RM5.91 million as compared to a profit before tax of RM3.97 million in the preceding year quarter mainly due to higher sales achieved.

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

	12 Months	
	Ended 30 June	
	2013	2012
	RM'000	RM'000
Turnover	131,295	126,943
Profit before tax	3,829	1,178

The Group recorded an increase in turnover of 3.43% for the current year ended 30 June 2013 as compared to the corresponding 12 months ended 30 June 2012. This was mainly contributed by the local market.

The Group recorded a profit before tax for the 12 months ended 30 June 2013 of RM3.83 million as compared to RM1.18 million for the preceding year mainly due to the improvement in local sales.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	30 June	31 March
	2013	2013
	RM'000	RM'000
Turnover	41,776	37,553
Profit before tax	5,913	3,599

For the quarter ended 30 June 2013, the Group recorded a growth in revenue of 11.2% to RM41.78 million as compared to RM37.55 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 RM5.91 million in the current quarter as compared to the profit before tax of RM3.60 million in the preceding quarter mainly due to the increase in export and local sales, higher unrealised foreign exchange gain offset by higher advertisement and promotional expenditure.

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B3. Commentary on Prospects

The Group will continue to work towards improving its bottom line results by increasing its revenue through new manufacturing contracts and sales while at the same time controlling its overall expenditure.

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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current tax expense	104	71	104	71
- Under / (over) provision in prior period	38	(15)	38	(15)
Total tax expenses	<u>142</u>	<u>56</u>	<u>142</u>	<u>56</u>

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.

B7. Realised and Unrealised Profits of the Group

Total retained earnings as at 30 June 2013 and 30 June 2012 are analysed as follows:

	As at	As at
	30.06.2013	30.06.2012
	RM'000	RM'000
Realised profits	42,886	38,904
Unrealised gain	394	689
Total Group retained earnings as per consolidated accounts	<u>43,280</u>	<u>39,593</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.

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B9. Details of Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 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	25,679	11,021	14,658
- Denominated in US Dollar	3,188	430	2,758
- Denominated in Euros	-	-	-
Bank overdrafts	4,609	-	4,609
Term loan	2,360	2,360	-
	<u>35,836</u>	<u>13,811</u>	<u>22,025</u>
(b) Long Term Borrowings			
Term loan	90,198	90,198	-
	<u>90,198</u>	<u>90,198</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 2013 are as follows:

	Contract Amount RM'000	Fair Value RM'000	Foreign Currency
Foreign Exchange Contract to sell USD			
- Less than 1 year	<u>4,689</u>	<u>4,751</u>	USD 1.50million

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 August 2013 to May 2014.

(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.

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B11. Material Litigation

There was no pending material litigation since the last financial period ended 30 June 2012 and up to 21 August 2013.

B12. Dividend Declared

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

B13. Profit before tax

	Quarter		12 Months	
	Ended 30 June		Ended 30 June	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:-				
Interest income	-	-	(1)	(3)
Other income	(111)	48	(347)	(391)
Depreciation and amortisation	2,790	2,670	10,939	10,638
Impairment loss on trade receivables	38	108	392	260
Inventories written off	-	1,186	727	1,860
Foreign exchange gain				
- realised	(63)	(121)	(306)	(921)
- unrealised	(789)	(511)	(319)	(689)
Fair value loss /(gain) on derivatives	74	176	(75)	188

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 year ended 30 June 2013.

B14. Earnings Per Share

	Quarter		12 Months	
	Ended 30 June		Ended 30 June	
	2013	2012	2013	2012
(a) Basic Earnings Per Share				
Net profit attributable to shareholders (RM'000)	5,771	3,909	3,687	1,122
Weighted average number of ordinary shares ('000)	127,776	123,806	127,776	123,806
Basic earnings per share (sen)	4.52	3.16	2.89	0.91
(b) Diluted Earnings Per Share				
Net profit attributable to shareholders (RM'000)	5,771	3,909	3,687	1,122
Weighted average number of ordinary shares ('000)	127,776	123,806	127,776	123,806
Adjustment for ESOS ('000)	1,605	76	1,605	76
	129,381	123,882	129,381	123,882
Basic earnings per share (sen)	4.46	3.16	2.85	0.91

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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 : 28 August 2013