

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 30/09/2013 RM'000	Corresponding Quarter Ended 30/09/2012 RM'000	3 Months Cumulative To Date 30/09/2013 RM'000	3 Months Cumulative To Date 30/09/2012 RM'000
Revenue	25,879	23,429	25,879	23,429
Operating expenses	(28,110)	(25,795)	(28,110)	(25,795)
Other operating income	981	593	981	593
Loss from operations	(1,250)	(1,773)	(1,250)	(1,773)
Finance cost	(2,096)	(2,052)	(2,096)	(2,052)
Loss before tax	(3,346)	(3,825)	(3,346)	(3,825)
Tax expense	-	-	-	-
Loss after tax, representing total comprehensive expense for the period	<u>(3,346)</u>	<u>(3,825)</u>	<u>(3,346)</u>	<u>(3,825)</u>
Loss per share (sen)				
(a) Basic	(2.53)	(3.09)	(2.53)	(3.09)
(b) Diluted	(2.53)	(3.06)	(2.53)	(3.06)

**(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with
 the Audited Financial Statements for the year ended 30 June 2013 and the accompanying
 explanatory notes attached to this interim financial report)**

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30.09.2013 RM '000	Audited As at 30.06.2013 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	158,693	160,932
Investment properties	1,565	1,571
	160,258	162,503
Current Assets		
Inventories	38,142	28,962
Trade receivables	34,242	48,483
Other receivables, deposits and prepayments	14,494	7,032
Cash and bank balances	12,960	16,321
	99,838	100,798
TOTAL ASSETS	260,096	263,301
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	66,053	63,888
Share premium reserve	504	286
Share option reserve	789	525
Retained earnings	40,459	43,280
	107,805	107,979
Non-Current Liabilities		
Long term borrowings	88,270	90,198
	88,270	90,198
Current Liabilities		
Trade payables	18,431	18,644
Other payables and accruals	9,609	10,582
Derivative liabilities	119	62
Short term borrowings	32,607	31,227
Bank overdrafts	3,255	4,609
	64,021	65,124
Total Liabilities	152,291	155,322
TOTAL EQUITY AND LIABILITIES	260,096	263,301
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.82	0.85

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to this interim financial report)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	3 Months Ended 30/09/2013 RM '000	3 Months Ended 30/09/2012 RM '000
Cash Flows For Operating Activities		
Loss before taxation	(3,346)	(3,825)
Adjustment for:		
Impairment loss on trade receivables	50	50
Depreciation and amortisation	2,814	2,679
Fair value loss / (gain) on derivatives	58	(199)
Unrealised (gain) / loss on foreign exchange	(495)	758
Reversal of inventories written off	-	(389)
Gain on disposal of property, plant and equipment	(3)	-
Interest expense	2,096	2,052
Rental income from investment properties	(22)	(22)
ESOS granted	789	-
Operating profit before working capital changes	1,941	1,104
(Increase)/Decrease in inventories	(9,180)	944
Decrease in receivables	6,872	1,945
Decrease in payables	(786)	(7,123)
Cash generated for operations	(1,153)	(3,130)
Interest paid	(558)	(526)
Tax paid	(17)	(25)
Net cash for operating activities	(1,728)	(3,681)
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(571)	(1,153)
Rental received	22	22
Proceed from disposal of property, plant and equipment	5	-
Net cash for investing activities	(544)	(1,131)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	3 Months Ended 30/09/2013 RM '000	3 Months Ended 30/09/2012 RM '000
Cash Flows From Financing Activities		
Drawdown of term loans	274	1,118
Repayment of term loans	-	(488)
Other short term borrowings	(822)	5,972
Proceeds from issuance of shares	2,383	-
Interest paid	(1,538)	(1,526)
Net cash from financing activities	<u>297</u>	<u>5,076</u>
Net (Decrease)/ Increase in Cash & Cash Equivalents	(1,975)	264
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(32)	-
Cash & Cash Equivalents at beginning of the financial period	11,712	6,414
Cash & Cash Equivalents at end of financial period	<u>9,705</u>	<u>6,678</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 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 September 2013					
Balance at 1 July 2013	63,888	286	525	43,280	107,979
Loss after tax, representing total comprehensive expense for the year	-	-	-	(3,346)	(3,346)
Issuance of new shares- ESOS	2,165	218	-	-	2,383
ESOS options granted / lapsed	-	-	264	525	789
Balance at 30 September 2013	<u>66,053</u>	<u>504</u>	<u>789</u>	<u>40,459</u>	<u>107,805</u>
As at 30 September 2012					
Balance at 1 July 2012	61,903	3	636	39,593	102,135
Loss after tax, representing total comprehensive expense for the year	-	-	-	(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>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 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 September 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 2013.

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2013

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 September 2013 except for the issuance of 670,000, 583,000, 540,000 and 2,538,000 ordinary shares pursuant to its Employee Share Option Scheme at the exercise price of RM0.500, RM0.509, RM0.532 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 September 2013 are as follows:-

	Local		Export		Total	
	Ended 30 Sept		Ended 30 Sept		Ended 30 Sept	
	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	20,116	19,606	5,763	3,823	25,879	23,429
Profit/(loss) from operations	2,267	1,954	(1,606)	(1,292)	661	662

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

	Total	
	Ended 30 Sept	
	2013	2012
	RM'000	RM'000
Profit from operations for reportable segments	661	662
Expenses managed on a central basis	(2,892)	(3,028)
Other operating income	981	593
Consolidated loss from operations	(1,250)	(1,773)
Finance cost	(2,096)	(2,052)
Consolidated loss before tax	(3,346)	(3,825)

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 September 2013 are as follows:

	RM'000
Approved and contracted for	13,359
Approved but not contracted for	10,877
	24,236

A12 Significant Related Party Transactions

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

	Quarter Ended 30 Sept 2013 RM'000	3 Months Ended 30 Sept 2013 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	24	24
- Royalty paid/payable	10	10
- Contract manufacturing cost paid / payable	19	19
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	(3)	(3)
	(3)	(3)

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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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Turnover	25,879	23,429	25,879	23,429
Loss before tax	(3,346)	(3,825)	(3,346)	(3,825)

The Group recorded an increase in turnover of 10.46% for the current quarter ended 30 September 2013 as compared to the corresponding quarter ended 30 September 2012. This was attributed to higher sales in both the local and export markets.

The Group recorded a loss before tax for the 3 months ended 30 September 2013 of RM3.35 million as compared to a loss before tax of RM3.83 million for the 3 months ended 30 September in the preceding year. Despite the higher sales achieved this was offset by the higher selling and administrative expenses.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	30 Sept	30 June
	2013	2013
	RM'000	RM'000
Turnover	25,879	41,776
(Loss) / Profit before tax	(3,346)	5,913

For the quarter ended 30 September 2013, the Group recorded a decrease in revenue of 38.1% to RM25.88 million as compared to RM41.78 million in the preceding quarter. This was mainly due to decrease in sales of both export and local markets.

The Group recorded a loss before tax of RM3.35 million in the current quarter as compared to the profit before tax of RM5.91 million in the preceding quarter mainly due to lower export and local sales and higher selling and administrative expenses

B3. Commentary on Prospects

The Group will strive to improve its sales revenue by securing new manufacturing contracts and increasing its market share in existing and new 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.

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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 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 Sept 2013 and 30 June 2013 are analysed as follows:

	As at 30.09.2013 RM'000	As at 30.06.2013 RM'000
Realised profits	39,964	42,886
Unrealised gain	495	394
Total Group retained earnings as per consolidated accounts	<u>40,459</u>	<u>43,280</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 September 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	23,756	9,666	14,090
- Denominated in US Dollar	-	-	-
- Denominated in Euros	4,289	2,207	2,082
Bank overdrafts	3,255	-	3,255
Term loan	4,562	4,562	-
	<u>35,862</u>	<u>16,435</u>	<u>19,427</u>
(b) Long Term Borrowings			
Term loan	88,270	88,270	-
	<u>88,270</u>	<u>88,270</u>	<u>-</u>

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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 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>4,771</u>	<u>4,890</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 November 2013 to August 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.

B11. Material Litigation

There was no pending material litigation since the last financial period ended 30 June 2013 and up to 20 November 2013.

B12. Dividend Declared

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

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B13. Loss before tax

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loss before tax is arrived at after (crediting)/charging:-				
Other income	(200)	(39)	(200)	(39)
Depreciation and amortisation	2,814	2,679	2,814	2,679
Impairment loss on trade receivables	50	50	50	50
Reversal of inventories written off	-	(389)	-	(389)
Foreign exchange (gain)/loss				
- realised	(312)	(248)	(312)	(248)
- unrealised	(495)	758	(495)	758
Fair value loss /(gain) on derivatives	59	(199)	58	(199)

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 September 2013.

B14. Loss Per Share

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2013	2012	2013	2012
(a) Basic Loss Per Share				
Net loss attributable to shareholders (RM'000)	(3,346)	(3,825)	(3,346)	(3,825)
Weighted average number of ordinary shares ('000)	132,106	123,806	132,106	123,806
Basic loss per share (sen)	(2.53)	(3.09)	(2.53)	(3.09)
(b) Diluted Loss Per Share				
Net loss attributable to shareholders (RM'000)	(3,346)	(3,825)	(3,346)	(3,825)
Weighted average number of ordinary shares ('000)	132,106	123,806	132,106	123,806
Adjustment for ESOS ('000)	-	1,210	-	1,210
	132,106	125,016	132,106	125,016
Diluted loss per share (sen)	(2.53)	(3.06)	(2.53)	(3.06)

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B15. Audit Report

The auditors' report of the Group's annual financial statements for the year ended 30 June 2013 did not contain any qualification.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN
Secretary

Date : 27 November 2013