

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 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 31/12/2013 RM'000	Corresponding Quarter Ended 31/12/2012 RM'000	6 Months Cumulative To Date 31/12/2013 RM'000	6 Months Cumulative To Date 31/12/2012 RM'000
Revenue	35,494	28,537	61,373	51,966
Operating expenses	(34,045)	(28,705)	(62,155)	(54,500)
Other operating income	579	289	1,560	882
Profit / (loss) from operations	2,028	121	778	(1,652)
Finance cost	(2,011)	(1,979)	(4,107)	(4,031)
Profit / (loss) before tax	17	(1,858)	(3,329)	(5,683)
Tax expense	-	-	-	-
Profit / (loss) after tax, representing total comprehensive expense for the period	17	(1,858)	(3,329)	(5,683)
Profit / (loss) per share (sen)				
(a) Basic	0.01	(1.50)	(2.52)	(4.58)
(b) Diluted	0.01	(1.47)	(2.52)	(4.49)

**(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 31.12.2013 RM '000	Audited As at 30.06.2013 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	158,916	160,932
Investment properties	1,558	1,571
	160,474	162,503
<b>Current Assets</b>		
Inventories	36,268	28,962
Trade receivables	37,173	48,483
Other receivables, deposits and prepayments	15,703	7,032
Cash and bank balances	14,408	16,321
	103,552	100,798
<b>TOTAL ASSETS</b>	264,026	263,301
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	66,053	63,888
Share premium reserve	504	286
Share option reserve	1,578	525
Retained earnings	40,476	43,280
	108,611	107,979
<b>Non-Current Liabilities</b>		
Long term borrowings	87,587	90,198
Deferred Income	326	-
	87,913	90,198
<b>Current Liabilities</b>		
Trade payables	15,761	18,644
Other payables and accruals	8,939	10,582
Derivative liabilities	78	62
Short term borrowings	38,231	31,227
Bank overdrafts	4,493	4,609
	67,502	65,124
<b>Total Liabilities</b>	155,415	155,322
<b>TOTAL EQUITY AND LIABILITIES</b>	264,026	263,301
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	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**

	<b>6 Months Ended 31/12/2013 RM '000</b>	<b>6 Months Ended 31/12/2012 RM '000</b>
<b>Cash Flows (For)/ From Operating Activities</b>		
Loss before taxation	(3,329)	(5,683)
Adjustment for:		
Fixed asset written off	-	29
Impairment loss on trade receivables	100	100
Bad debts written off	-	2
Depreciation and amortisation	5,680	5,392
Fair value loss / (gain) on derivatives	17	(179)
Unrealised (gain) / loss on foreign exchange	(8)	544
Reversal of inventories written off	-	(389)
Gain on disposal of property, plant and equipment	(18)	-
Interest expense	4,107	4,031
Rental income from investment properties	(45)	(45)
ESOS granted	1,578	-
Operating profit before working capital changes	8,079	3,802
(Increase)/Decrease in inventories	(7,306)	3,614
Decrease in receivables	2,090	6,397
Decrease in payables	(4,126)	(9,994)
Cash generated (for)/ from operations	(1,263)	3,819
Interest paid	(1,033)	(972)
Tax paid	(56)	(45)
Tax refund	28	-
Net cash (for)/ from operating activities	(2,324)	2,802
<b>Cash Flows For Investing Activities</b>		
Purchase of property, plant and equipment	(2,015)	(4,139)
Rental received	45	45
Proceed from disposal of property, plant and equipment	22	-
Net cash for investing activities	(1,948)	(4,094)

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

	<b>6 Months Ended 31/12/2013 RM '000</b>	<b>6 Months Ended 31/12/2012 RM '000</b>
<b>Cash Flows From / (For) Financing Activities</b>		
Repayment of Hire Purchase payables	(69)	-
Drawdown of term loans	679	1,118
Repayment of term loans	-	(479)
Other short term borrowings	2,143	(426)
Proceeds from issuance of shares	2,383	85
Grant received	329	-
Interest paid	(3,074)	(3,059)
Net cash from / (for) financing activities	2,391	(2,761)
<b>Net Decrease in Cash &amp; Cash Equivalents</b>	(1,881)	(4,053)
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	84	-
<b>Cash &amp; Cash Equivalents at beginning of the financial period</b>	11,712	6,414
<b>Cash &amp; Cash Equivalents at end of financial period</b>	9,915	2,361

(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	
<b>As at 31 December 2013</b>					
Balance at 1 July 2013	63,888	286	525	43,280	107,979
Loss after tax, representing total comprehensive expense for the year	-	-	-	(3,329)	(3,329)
Issuance of new shares- ESOS	2,165	218	-	-	2,383
ESOS options granted / lapsed	-	-	1,053	525	1,578
Balance at 31 December 2013	<u>66,053</u>	<u>504</u>	<u>1,578</u>	<u>40,476</u>	<u>108,611</u>
<b>As at 31 December 2012</b>					
Balance at 1 July 2012	61,903	3	636	39,593	102,135
Loss after tax, representing total comprehensive expense for the year	-	-	-	(5,683)	(5,683)
Issuance of new shares- ESOS	80	5	-	-	85
Balance at 31 December 2012	<u>61,983</u>	<u>8</u>	<u>636</u>	<u>33,910</u>	<u>96,537</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 31 December 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 except for the adoption of the following new FRSS, Amendments to FRSS, and IC Interpretations that are effective for the Group from 1 July 2013

**MFRSs and IC Interpretations (Including The Consequential Amendments)**

MFRS 10 Consolidated Financial Statements  
MFRS 11 Joint Arrangements  
MFRS 12 Disclosure of Interests in Other Entities  
MFRS 13 Fair Value Measurement  
MFRS 119 (2011) Employee Benefits  
MFRS 127 (2011) Separate Financial Statements  
MFRS 128 (2011) Investments in Associates and Joint Ventures  
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities  
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance  
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine  
Annual Improvements to MFRSs 2009 – 2011 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

The Group has not early adopted the following MFRSs and Amendments to MFRS, which have been issued and will be effective for the financial periods as stated below:-

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 (2009) Financial Instruments	1-Jan-15
MFRS 9 (2010) Financial Instruments	1-Jan-15
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	1-Jan-15
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1-Jan-14
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1-Jan-14
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets	1-Jan-14
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1-Jan-14
IC Interpretation 21 Levies	1-Jan-14

**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 31 December 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.

**A7. Segmental Information**

The segment information in respect of the Group's operating segments for the period ended 31 December 2013 are as follows:-

	Local		Export		Total	
	Ended 31 Dec		Ended 31 Dec		Ended 31 Dec	
	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	42,551	40,137	18,822	11,829	61,373	51,966
Profit/(loss) from operations	5,776	3,812	(178)	(1,781)	5,598	2,031

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	5,598	2,031
Expenses managed on a central basis	(6,380)	(4,565)
Other operating income	1,560	882
Consolidated loss from operations	778	(1,652)
Finance cost	(4,107)	(4,031)
Consolidated loss before tax	(3,329)	(5,683)

**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 31 December 2013 are as follows:

	<b>RM'000</b>
Approved and contracted for	13,718
Approved but not contracted for	10,518
	24,236

**A12 Significant Related Party Transactions**

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

	<b>Quarter Ended 31 Dec 2013 RM'000</b>	<b>6 Months Ended 31 Dec 2013 RM'000</b>
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	25	49
- Royalty paid/payable	7	17
- Contract manufacturing cost paid / payable	45	64
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)	(29)
- Sales of goods	(48)	(51)
	(48)	(51)

**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**

	<b>Quarter Ended 31 Dec</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Turnover	35,494	28,537
Profit / (loss) before tax	17	(1,858)
	17	(1,858)

The Group recorded an increase in turnover of 24.38% for the current quarter ended 31 December 2013 as compared to the corresponding quarter ended 31 December 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 31 December 2013 of RM0.017 million as compared to a loss before tax of RM1.86 million in the preceding year. Despite the higher sales achieved this was offset by the higher selling & administrative expenses and advertisement expenses.



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

	<b>6 Months</b>	
	<b>Ended 31 Dec</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Turnover	61,373	51,966
Loss before tax	(3,329)	(5,683)

The Group recorded an increase in turnover of 18.10% for the current period ended 31 Dec 2013 as compared to the corresponding 6 months ended 31 Dec 2012. This was mainly contributed by the export sales.

The Group recorded a loss before tax for the 6 months ended 31 December 2013 of RM3.33 million as compared to a loss before tax of RM5.68 million for the 6 months ended 31 December in the preceding year. Despite the higher sales achieved this was offset by the higher selling & administrative expenses and advertisement expenses.

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

	<b>Quarter Ended</b>	
	<b>31 Dec</b>	<b>30 Sept</b>
	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Turnover	35,494	25,879
Profit / (loss) before tax	17	(3,346)

For the quarter ended 31 December 2013, the Group recorded a increase in revenue of 37.2% to RM35.49 million as compared to RM25.88 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 RM0.017 million in the current quarter as compared to the loss before tax of RM3.35 million in the preceding quarter mainly due to higher export and local sales.

**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.

**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.

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**B7. Realised and Unrealised Profits of the Group**

Total retained earnings as at 31 Dec 2013 and 30 June 2013 are analysed as follows:

	As at 31.12.2013 RM'000	As at 30.06.2013 RM'000
Total retained earnings of the Group		
- realised	40,468	42,886
- unrealised	8	394
Total Group retained earnings as per consolidated accounts	<u>40,476</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 31 December 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	25,125	8,981	16,144
- Denominated in US Dollar	1,769	-	1,769
- Denominated in Euros	4,116	734	3,382
Bank overdrafts	4,493	-	4,493
HP Creditors	288	288	-
Term loan	6,933	6,933	-
	<u>42,724</u>	<u>16,936</u>	<u>25,788</u>
(b) Long Term Borrowings			
HP Creditors	1,283	1,283	-
Term loan	86,304	86,304	-
	<u>87,587</u>	<u>87,587</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 31 December 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>3,852</u>	<u>3,931</u>	USD 1.20million

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 February 2014 to September 2014.

(b) Market risk

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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 19 February 2014.

**B12. Dividend Declared**

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

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**B13. Profit / (loss) before tax**

	Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit / (loss) before tax is arrived at after (crediting)/charging:-				
Other income	(68)	(133)	(268)	(172)
Depreciation and amortisation	2,866	2,713	5,680	5,392
Impairment loss on trade receivables	50	52	100	102
Reversal of inventories written off	-	-	-	(389)
Foreign exchange (gain)/loss				
- realised	(295)	30	(607)	(218)
- unrealised	487	(214)	(8)	544
Fair value loss / (gain) on derivatives	(41)	20	17	(179)

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 31 December 2013.

**B14. Profit / (loss) Per Share**

	Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2013	2012	2013	2012
(a) Basic Profit / (Loss) Per Share				
Net loss attributable to shareholders (RM'000)	17	(1,858)	(3,329)	(5,683)
Weighted average number of ordinary shares ('000)	132,106	123,966	132,106	123,966
Basic profit / (loss) per share (sen)	0.01	(1.50)	(2.52)	(4.58)
(b) Diluted Profit / (Loss) Per Share				
Net loss attributable to shareholders (RM'000)	17	(1,858)	(3,329)	(5,683)
Weighted average number of ordinary shares ('000)	132,106	123,966	132,106	123,966
Adjustment for ESOS ('000)	-	2,595	-	2,595
	132,106	126,561	132,106	126,561
Diluted profit / (loss) per share (sen)	0.01	(1.47)	(2.52)	(4.49)

**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 : 26 February 2014