

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2014
 (The figures have not been audited)

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/03/2014 RM'000	Corresponding Quarter Ended 31/03/2013 RM'000	9 Months Cumulative To Date 31/03/2014 RM'000	9 Months Cumulative To Date 31/03/2013 RM'000
Revenue	43,228	37,553	104,601	89,519
Operating expenses	(36,621)	(32,029)	(98,776)	(86,529)
Other operating income	828	167	2,388	1,049
Profit from operations	7,435	5,691	8,213	4,039
Finance cost	(1,974)	(2,092)	(6,081)	(6,123)
Profit / (loss) before tax	5,461	3,599	2,132	(2,084)
Tax expense	-	-	-	-
Profit / (loss) after tax, representing total comprehensive expense for the period	<u>5,461</u>	<u>3,599</u>	<u>2,132</u>	<u>(2,084)</u>
Profit / (loss) per share (sen)				
(a) Basic	4.13	2.90	1.61	(1.68)
(b) Diluted	4.13	2.84	1.61	(1.64)

(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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 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31.03.2014 RM '000	Audited As at 30.06.2013 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	170,296	160,932
Investment properties	1,552	1,571
	171,848	162,503
Current Assets		
Derivative assets	16	-
Inventories	39,333	28,962
Trade receivables	44,927	48,483
Other receivables, deposits and prepayments	3,978	7,032
Cash and bank balances	16,894	16,321
	105,148	100,798
TOTAL ASSETS	276,996	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	2,367	525
Retained earnings	45,937	43,280
	114,861	107,979
Non-Current Liabilities		
Long term borrowings	86,207	90,198
Deferred Income	318	-
	86,525	90,198
Current Liabilities		
Trade payables	19,274	18,644
Other payables and accruals	11,858	10,582
Derivative liabilities	-	62
Short term borrowings	41,183	31,227
Bank overdrafts	3,295	4,609
	75,610	65,124
Total Liabilities	162,135	155,322
TOTAL EQUITY AND LIABILITIES	276,996	263,301
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.87	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

	9 Months Ended 31/03/2014 RM '000	9 Months Ended 31/03/2013 RM '000
Cash Flows From Operating Activities		
Profit / (loss) before taxation	2,132	(2,084)
Adjustment for:		
Fixed asset written off	-	31
Impairment loss on trade receivables	392	352
Bad debts written off	-	2
Depreciation and amortisation	8,574	8,149
Fair value (gain) on derivatives	(77)	(149)
Unrealised loss on foreign exchange	421	470
Inventories written off	-	727
Amortisation of deferred income	(11)	-
Gain on disposal of property, plant and equipment	(13)	-
Interest expense	6,081	6,123
Interest income	-	(1)
Rental income from investment properties	(67)	(64)
ESOS granted	2,367	-
Operating profit before working capital changes	19,799	13,556
(Increase)/Decrease in inventories	(10,371)	6,302
Decrease/ (Increase) in receivables	5,518	(2,405)
Increase/ (Decrease) in payables	2,306	(7,435)
Cash generated from operations	17,252	10,018
Interest paid	(1,524)	(1,561)
Tax paid	(70)	(82)
Tax refund	30	-
Net cash from operating activities	15,688	8,375
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(15,321)	(5,439)
Rental received	67	64
Proceed from disposal of property, plant and equipment	22	-
Net cash for investing activities	(15,232)	(5,374)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	9 Months	9 Months
	Ended	Ended
	31/03/2014	31/03/2013
	RM '000	RM '000
Cash Flows From / (For) Financing Activities		
Repayment of Hire Purchase payables	(185)	-
Drawdown of term loans	-	1,118
Repayment of term loans	(493)	(479)
Other short term borrowings	4,034	(4,078)
Proceeds from issuance of shares	2,383	91
Grant received	329	-
Interest paid	(4,557)	(4,562)
Net cash from / (for) financing activities	1,511	(7,910)
Net Increase / (Decrease) in Cash & Cash Equivalents	1,967	(4,909)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(80)	-
Cash & Cash Equivalents at beginning of the financial period	11,712	6,414
Cash & Cash Equivalents at end of financial period	13,599	1,505

(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 31 March 2014					
Balance at 1 July 2013	63,888	286	525	43,280	107,979
Profit after tax, representing total comprehensive expense for the year	-	-	-	2,132	2,132
Issuance of new shares- ESOS	2,165	218	-	-	2,383
ESOS options granted / lapsed	-	-	1,842	525	2,367
Balance at 31 March 2014	66,053	504	2,367	45,937	114,861
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 year	-	-	-	(2,084)	(2,084)
Issuance of new shares- ESOS	85	6	-	-	91
Balance at 31 March 2013	61,988	9	636	37,509	100,142

(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 March 2014 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:-

MFRSs and IC Interpretations (Including The Consequential Amendments)

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 (2009) Financial Instruments	} To be announced by MASB
MFRS 9 (2010) Financial Instruments	
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1-Jan-14
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1-Jul-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
Annual Improvements to MFRSs 2010 – 2012 Cycle	1-Jul-14
Annual Improvements to MFRSs 2011 – 2012 Cycle	1-Jul-14

A2. Seasonal or Cyclical Factors

The business operation of the Group was not materially affected by any seasonal or cyclical factors.

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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 31 March 2014 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 31 March 2014 are as follows:-

	Local		Export		Total	
	Ended 31 Mar		Ended 31 Mar		Ended 31 Mar	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	70,319	64,427	34,282	25,092	104,601	89,519
Profit from operations	12,881	9,487	2,986	895	15,867	10,382

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

	Total	
	Ended 31 Mar	
	2014	2013
	RM'000	RM'000
Profit from operations for reportable segments	15,867	10,382
Expenses managed on a central basis	(10,042)	(7,392)
Other operating income	2,388	1,049
Consolidated profit from operations	8,213	4,039
Finance cost	(6,081)	(6,123)
Consolidated profit/ (loss) before tax	2,132	(2,084)

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 March 2014 are as follows:

	RM'000
Approved and contracted for	2,879
Approved but not contracted for	11,756
	14,635

A12 Significant Related Party Transactions

The Group's significant related party transactions in the current financial year to-date ended 31 March 2014 are as follows:

	Quarter Ended 31 Mar 2014 RM'000	9 Months Ended 31 Mar 2014 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	27	76
- Royalty paid/payable	9	26
- Contract manufacturing cost paid / payable	18	82
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)	(43)
- Sales of goods	(81)	(132)
	(81)	(132)

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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 31 Mar	
	2014	2013
	RM'000	RM'000
Turnover	43,228	37,553
Profit before tax	5,461	3,599

The Group recorded an increase in turnover of 15.11% for the current quarter ended 31 March 2014 as compared to the corresponding quarter ended 31 March 2013. 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 March 2014 of RM5.46 million as compared to a profit before tax of RM3.60 million in the preceding year. Despite the higher sales achieved this was offset by the higher selling & administrative expenses and advertisement expenses.

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

	9 Months	
	Ended 31 Mar	
	2014	2013
	RM'000	RM'000
Turnover	104,601	89,519
Profit/ (loss) before tax	2,132	(2,084)

The Group recorded an increase in turnover of 16.85% for the current period ended 31 March 2014 as compared to the corresponding 9 months ended 31 March 2013. This was mainly contributed by the export sales.

The Group recorded a profit before tax of RM 2.13 million for the 9 months ended 31 March 2014 as compared to a loss before tax of RM2.08 million for the 9 months ended 31 March in the preceding year. This was mainly due to increase in the revenue of the Group which have been offset by the Bioequivalence studies,R&D and advertisement expenses.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	31 Mar	31 Dec
	2014	2013
	RM'000	RM'000
Turnover	43,228	35,494
Profit before tax	5,461	17

For the quarter ended 31 March 2014, the Group recorded a increase in revenue of 21.8% to RM43.22 million as compared to RM35.49 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 RM5.46 million in the current quarter as compared to the profit before tax of RM0.017 million in the preceding quarter mainly due to higher sales achieved and comparatively lower advertisement expenses for the current quarter.

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B3. Commentary on Prospects

The Group is actively carrying out R&D activities in respect of new products targeted for local and export markets. It will continue to 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.

B7. Realised and Unrealised Profits of the Group

Total retained earnings as at 31 March 2014 and 30 June 2013 are analysed as follows:

	As at 31.03.2014 RM'000	As at 30.06.2013 RM'000
Realised profits	46,358	42,886
Unrealised (loss) / gain	(421)	394
Total Group retained earnings as per consolidated accounts	<u>45,937</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 March 2014 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	24,958	7,890	17,068
- Denominated in US Dollar	1,769	-	1,769
- Denominated in Euros	6,174	1,799	4,375
Bank overdrafts	3,295	-	3,295
HP Creditors	464	464	-
Term loan	7,818	7,818	-
	<u>44,478</u>	<u>17,971</u>	<u>26,507</u>
(b) Long Term Borrowings			
HP Creditors	1,960	1,960	-
Term loan	84,247	84,247	-
	<u>86,207</u>	<u>86,207</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 31 March 2014 are as follows:

	Contract Amount RM'000	Fair Value RM'000	Foreign Currency
Foreign Exchange Contract to sell USD			
- Less than 1 year	<u>4,284</u>	<u>4,268</u>	USD 1.3 million

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 2014 to November 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 May 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		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit / (loss) before tax is arrived at after (crediting)/charging:-				
Interest income	-	(1)	-	(1)
Other income	(138)	(64)	(407)	(236)
Depreciation and amortisation	2,894	2,757	8,574	8,149
Impairment loss on trade receivables	292	252	392	354
Reversal of inventories written off	-	1,115	-	727
Foreign exchange (gain)/loss				
- realised	(382)	(26)	(989)	(243)
- unrealised	430	(74)	421	470
Fair value (gain) / loss on derivatives	(94)	30	(77)	(149)

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 2014.

B14. Profit / (loss) Per Share

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2014	2013	2014	2013
(a) Basic Profit / (Loss) Per Share				
Net profit/ (loss) attributable to shareholders (RM'000)	5,461	3,599	2,132	(2,084)
Weighted average number of ordinary shares ('000)	132,106	123,976	132,106	123,976
Basic profit / (loss) per share (sen)	4.13	2.90	1.61	(1.68)
(b) Diluted Profit / (Loss) Per Share				
Net profit/ (loss) attributable to shareholders (RM'000)	5,461	3,599	2,132	(2,084)
Weighted average number of ordinary shares ('000)	132,106	123,976	132,106	123,976
Adjustment for ESOS ('000)	-	2,967	-	2,967
	132,106	126,943	132,106	126,943
Diluted profit / (loss) per share (sen)	4.13	2.84	1.61	(1.64)

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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 May 2014