

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE FOURTH FINANCIAL QUARTER ENDED 30 JUNE 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 30/06/2014 RM'000	Corresponding Quarter Ended 30/06/2013 RM'000	12 Months Cumulative To Date 30/06/2014 RM'000	12 Months Cumulative To Date 30/06/2013 RM'000
Revenue	42,770	41,775	147,371	131,294
Operating expenses	(37,714)	(34,634)	(136,490)	(121,163)
Other operating income	623	782	3,011	1,831
Profit from operations	5,679	7,923	13,892	11,962
Finance cost	(2,046)	(2,010)	(8,127)	(8,133)
Profit before tax	3,633	5,913	5,765	3,829
Tax expense	(67)	(142)	(67)	(142)
Profit after tax, representing total comprehensive expense for the period	<u>3,566</u>	<u>5,771</u>	<u>5,698</u>	<u>3,687</u>
Profit per share (sen)				
(a) Basic	2.70	4.52	4.31	2.89
(b) Diluted	2.60	4.46	4.15	2.85

(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 30.06.2014 RM '000	Audited As at 30.06.2013 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	169,599	160,932
Investment properties	1,545	1,571
	171,144	162,503
Current Assets		
Derivative assets	87	-
Inventories	38,861	28,962
Trade receivables	45,883	48,483
Other receivables, deposits and prepayments	2,836	7,032
Cash and bank balances	13,398	16,321
	101,065	100,798
TOTAL ASSETS	272,209	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	3,041	525
Retained earnings	49,503	43,280
	119,101	107,979
Non-Current Liabilities		
Long term borrowings	84,049	90,198
Deferred Income	310	-
	84,359	90,198
Current Liabilities		
Trade payables	20,913	18,644
Other payables and accruals	10,175	10,582
Derivative liabilities	-	62
Short term borrowings	35,302	31,227
Bank overdrafts	2,359	4,609
	68,749	65,124
Total Liabilities	153,108	155,322
TOTAL EQUITY AND LIABILITIES	272,209	263,301
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.90	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

	12 Months Ended 30/06/2014 RM '000	12 Months Ended 30/06/2013 RM '000
Cash Flows From Operating Activities		
Profit before taxation	5,765	3,829
Adjustment for:		
Property, plant and equipment written off	1	31
Impairment loss on trade receivables	297	391
Reversal of impairment loss on trade receivables	(104)	(164)
Bad debts written off	-	5
Depreciation and amortisation	11,499	10,939
Fair value gain on derivatives	(149)	(75)
Unrealised loss / (gain) on foreign exchange	768	(319)
Inventories written off	1,612	727
Amortisation of deferred income	(19)	-
Gain on disposal of property, plant and equipment	(12)	-
Interest expense	8,127	8,133
Interest income	(1)	(1)
Rental income from investment properties	(89)	(87)
Share based payment under ESOS	3,041	(111)
Operating profit before working capital changes	30,736	23,298
(Increase)/Decrease in inventories	(11,511)	5,542
Decrease/ (Increase) in receivables	5,553	(6,486)
Increase in payables	2,026	43
Cash generated from operations	26,804	22,397
Interest paid	(2,067)	(2,051)
Tax paid	(85)	(100)
Tax refund	30	-
Net cash from operating activities	24,682	20,246
Cash Flows For Investing Activities		
Interest received	1	1
Purchase of property, plant and equipment	(17,545)	(11,520)
Rental received	89	87
Proceed from disposal of property, plant and equipment	24	-
Net cash for investing activities	(17,431)	(11,432)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	12 Months	12 Months
	Ended	Ended
	30/06/2014	30/06/2013
	RM '000	RM '000
Cash Flows For Financing Activities		
Repayment of Hire Purchase payables	(292)	-
Drawdown of term loans	-	1,118
Repayment of term loans	(2,408)	(486)
Other short term borrowings	(1,746)	(392)
Proceeds from issuance of shares	2,383	2,268
Grant received	329	-
Interest paid	(6,060)	(6,082)
Net cash for financing activities	(7,794)	(3,574)
Net (Decrease) / Increase in Cash & Cash Equivalents	(543)	5,240
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(130)	58
Cash & Cash Equivalents at beginning of the financial period	11,712	6,414
Cash & Cash Equivalents at end of financial period	11,039	11,712

(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 June 2014					
Balance at 1 July 2013	63,888	286	525	43,280	107,979
Profit after tax, representing total comprehensive expense for the year	-	-	-	5,698	5,698
Share options exercised	2,165	218	-	-	2,383
Share based payment transactions	-	-	2,516	525	3,041
Balance at 30 June 2014	<u>66,053</u>	<u>504</u>	<u>3,041</u>	<u>49,503</u>	<u>119,101</u>
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
Share options exercised	1,985	283	-	-	2,268
Share based payment transactions	-	-	(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>

(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
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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 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 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)	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	
MFRS 14 Regulatory Deferral Accounts	1-Jan-16
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1-Jan-14
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1-Jan-16
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1-Jan-16
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

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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 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.

A7. Segmental Information

The segment information in respect of the Group's operating segments for the period ended 30 June 2014 are as follows:-

	Local		Export		Total	
	Ended 30 Jun		Ended 30 Jun		Ended 30 Jun	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	96,891	89,539	50,480	41,755	147,371	131,294
Profit from operations	18,366	16,229	4,812	3,157	23,178	19,386

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

	Total	
	Ended 30 Jun	
	2014	2013
	RM'000	RM'000
Profit from operations for reportable segments	23,178	19,386
Expenses managed on a central basis	(12,297)	(9,255)
Other operating income	3,011	1,831
Consolidated profit from operations	13,892	11,962
Finance cost	(8,127)	(8,133)
Consolidated profit before tax	5,765	3,829

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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 30 June 2014 are as follows:

	RM'000
Approved and contracted for	1,092
Approved but not contracted for	9,846
	10,938

A12 Significant Related Party Transactions

The Group's significant related party transactions in the current financial year to-date ended 30 June 2014 are as follows:

	Quarter Ended 30 Jun 2014 RM'000	12 Months Ended 30 Jun 2014 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	26	102
- Royalty paid/payable	8	34
- Contract manufacturing cost paid / payable	64	146
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	(129)	(261)
	(14)	(261)

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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 Jun	
	2014	2013
	RM'000	RM'000
Turnover	42,770	41,775
Profit before tax	3,633	5,913

The Group recorded an increase in turnover of 2.38% for the current quarter ended 30 June 2014 as compared to the corresponding quarter ended 30 June 2013. This was attributed to higher sales in the local markets.

The Group recorded a profit before tax for the current quarter ended 30 June 2014 of RM3.63 million as compared to a profit before tax of RM5.91 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

	12 Months Ended 30 Jun	
	2014	2013
	RM'000	RM'000
Turnover	147,371	131,294
Profit before tax	5,765	3,829

The Group recorded an increase in turnover of 12.25% for the current period ended 30 June 2014 as compared to the corresponding 12 months ended 30 June 2013. This was attributed to higher sales in both the local and export markets.

The Group recorded a profit before tax of RM 5.76 million for the 12 months ended 30 June 2014 as compared to RM3.83 million for the 12 months ended 30 June in the preceding year. This was mainly due to higher sales achieved and effective cost control measures taken by the Company.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	30 Jun 2014	31 Mar 2014
	RM'000	RM'000
Turnover	42,770	43,228
Profit before tax	3,633	5,461

For the quarter ended 30 June 2014, the Group recorded a decrease in revenue of 1.1% to RM42.77 million as compared to RM43.22 million in the preceding quarter. This was mainly due to decrease in sales in the local markets.

The Group recorded a profit before tax of RM3.63 million in the current quarter as compared to the profit before tax of RM5.46 million in the preceding quarter mainly due to lower sales achieved and higher advertisement expenses for the current quarter.

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B3. Commentary on Prospects

The Group will continue to strive to increase its market share in existing and new markets and also carry out R&D activities for new products for local and export 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

	Quarter		12 Months	
	Ended 30 Jun		Ended 30 Jun	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current tax expense	78	104	78	104
- Under / (over) provision in prior period	(11)	38	(11)	38
Total tax expenses	<u>67</u>	<u>142</u>	<u>67</u>	<u>142</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 2014 and 30 June 2013 are analysed as follows:

	As at 30.06.2014	As at 30.06.2013
	RM'000	RM'000
Realised profits	50,122	42,886
Unrealised (loss) / gain	(619)	394
Total Group retained earnings as per consolidated accounts	<u>49,503</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.

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B9. Details of Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 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	21,713	8,584	13,129
- Denominated in US Dollar	1,735	-	1,735
- Denominated in Euros	3,436	3,436	
Bank overdrafts	2,359	-	2,359
HP Creditors	474	474	-
Term loan	7,944	7,944	-
	<u>37,661</u>	<u>20,438</u>	<u>17,223</u>
(b) Long Term Borrowings			
HP Creditors	1,843	1,843	-
Term loan	82,206	82,206	-
	<u>84,049</u>	<u>84,049</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 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>2,831</u>	<u>2,744</u>	USD 0.85 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 July 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.

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B11. Material Litigation

There was no pending material litigation since the last financial period ended 30 June 2013 and up to 20 August 2014.

B12. Dividend Declared

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

B13. Profit before tax

	Quarter		12 Months	
	Ended 30 Jun		Ended 30 Jun	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:-				
Interest income	(1)	-	(1)	(1)
Other income	7	(111)	(400)	(347)
Depreciation and amortisation	2,925	2,790	11,499	10,939
Amortisation of deferred income	(8)	-	(19)	-
Impairment loss on trade receivables	(95)	37	297	391
Inventories written off	1,612	-	1,612	727
Foreign exchange (gain)/loss				
- realised	(327)	(63)	(1,316)	(306)
- unrealised	347	(789)	768	(319)
Fair value (gain) / loss on derivatives	(72)	74	(149)	(75)

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 30 June 2014.

B14. Profit Per Share

	Quarter		12 Months	
	Ended 30 Jun		Ended 30 Jun	
	2014	2013	2014	2013
(a) Basic Profit Per Share				
Net profit attributable to shareholders (RM'000)	3,566	5,771	5,698	3,687
Weighted average number of ordinary shares ('000)	132,106	127,776	132,106	127,776
Basic profit per share (sen)	2.70	4.52	4.31	2.89
(b) Diluted Profit Per Share				
Net profit attributable to shareholders (RM'000)	3,566	5,771	5,698	3,687
Weighted average number of ordinary shares ('000)	132,106	127,776	132,106	127,776
Adjustment for ESOS ('000)	5,074	1,605	5,074	1,605
	137,180	129,381	137,180	129,381
Diluted profit per share (sen)	2.60	4.46	4.15	2.85

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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 August 2014