

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 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 31/12/2014 RM'000	Corresponding Quarter Ended 31/12/2013 RM'000	6 Months Cumulative To Date 31/12/2014 RM'000	6 Months Cumulative To Date 31/12/2013 RM'000
Revenue	39,386	35,494	71,559	61,373
Operating expenses	(37,256)	(34,045)	(71,627)	(62,155)
Other operating income	2,121	579	3,566	1,560
Profit from operations	4,251	2,028	3,498	778
Finance cost	(1,946)	(2,011)	(3,954)	(4,107)
Profit / (loss) before tax	2,305	17	(456)	(3,329)
Tax expense	-	-	-	-
Profit / (loss) before tax, representing total comprehensive expense for the period	<u>2,305</u>	<u>17</u>	<u>(456)</u>	<u>(3,329)</u>
Profit / (loss) per share (sen)				
(a) Basic	1.74	0.01	(0.34)	(2.52)
(b) Diluted	1.67	0.01	(0.33)	(2.52)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with
 the Audited Financial Statements for the year ended 30 June 2014 and the accompanying
 explanatory notes attached to this interim financial report)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31.12.2014 RM '000	Audited As at 30.06.2014 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	165,594	169,599
Investment properties	1,532	1,545
	167,126	171,144
Current Assets		
Derivative assets	-	87
Inventories	35,202	38,861
Trade receivables	42,256	45,883
Other receivables, deposits and prepayments	4,104	2,836
Cash and bank balances	13,353	13,398
	94,915	101,065
TOTAL ASSETS	262,041	272,209
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	66,113	66,053
Share premium reserve	930	912
Share option reserve	3,841	3,041
Retained earnings	48,601	49,057
	119,485	119,063
Non-Current Liabilities		
Long term borrowings	79,808	84,049
Deferred Income	393	310
	80,201	84,359
Current Liabilities		
Trade payables	16,734	20,913
Other payables and accruals	10,161	10,213
Derivative liabilities	37	-
Short term borrowings	31,394	35,302
Bank overdrafts	4,029	2,359
	62,355	68,787
Total Liabilities	142,556	153,146
TOTAL EQUITY AND LIABILITIES	262,041	272,209
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.90	0.90

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to this interim financial report)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	6 Months Ended 31/12/2014 RM '000	6 Months Ended 31/12/2013 RM '000
Cash Flows From / (For) Operating Activities		
Loss before taxation	(456)	(3,329)
Adjustment for:		
Impairment loss on trade receivables	117	100
Depreciation and amortisation	5,993	5,680
Fair value gain on derivatives	124	17
Unrealised loss / (gain) on foreign exchange	(1,943)	(8)
Amortisation of deferred income	(19)	-
Gain on disposal of property, plant and equipment	(2)	(18)
Interest expense	3,954	4,107
Rental income from investment properties	(45)	(45)
Share based payment under ESOS	800	1,578
Operating profit before working capital changes	8,524	8,082
Decrease / (Increase) in inventories	3,659	(7,306)
Decrease in receivables	3,796	2,090
Increase in payables	(4,187)	(4,126)
Cash generated from / (for) operations	11,792	(1,260)
Interest paid	(863)	(1,033)
Tax paid	(67)	(56)
Net cash from / (for) operating activities	10,862	(2,321)
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(1,976)	(3,655)
Rental received	45	45
Proceed from disposal of property, plant and equipment	3	22
Net cash for investing activities	(1,928)	(3,588)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	6 Months Ended 31/12/2014 RM '000	6 Months Ended 31/12/2013 RM '000
Cash Flows For / (From) Financing Activities		
Drawdown of Hire Purchases	-	1,640
Repayment of Hire Purchase payables	(232)	(69)
Drawdown of term loans	-	679
Repayment of term loans	(3,746)	-
Other short term borrowings	(4,300)	2,143
Proceeds from issuance of shares	78	2,383
Interest paid	(3,091)	(3,074)
Net cash for / (from) financing activities	<u>(11,189)</u>	<u>4,028</u>
Net Decrease in Cash & Cash Equivalents	(2,255)	(1,881)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	541	84
Cash & Cash Equivalents at beginning of the financial period	11,038	11,712
Cash & Cash Equivalents at end of financial period	<u>9,324</u>	<u>9,915</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to this interim financial report)

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

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 December 2014					
Balance at 1 July 2014	66,053	912	3,041	49,057	119,063
Loss after tax, representing total comprehensive expense for the year	-	-	-	(456)	(456)
Share options exercised	60	18	-	-	78
Share based payment transactions	-	-	800	-	800
Balance at 31 December 2014	<u>66,113</u>	<u>930</u>	<u>3,841</u>	<u>48,601</u>	<u>119,485</u>
As at 31 December 2013					
Balance at 1 July 2013	63,888	286	525	43,280	107,979
Loss after tax, representing total comprehensive expense for the year	-	-	-	(3,329)	(3,329)
Share options exercised	2,165	218	-	-	2,383
Share based payment transactions	-	-	264	525	789
Balance at 31 December 2013	<u>66,053</u>	<u>504</u>	<u>789</u>	<u>40,476</u>	<u>107,822</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 2014 and the accompanying explanatory notes attached to this interim financial report)

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2014

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 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 2014.

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 2014 except for the adoption of the following new MFRSs, Amendments to MFRSs, and IC Interpretations that are effective for the Group from 1 July 2014

MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities
 Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions
 Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
 Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets
 Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
 IC Interpretation 21 Levies
 Annual Improvements to MFRSs 2010 – 2012 Cycle
 Annual Improvements to MFRSs 2011 – 2013 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 applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	01-Jan-18
MFRS 14 Regulatory Deferral Accounts	01-Jan-16
MFRS 15 Revenue from Contracts with Customers	01-Jan-17
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01-Jan-16
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	01-Jan-16
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	01-Jan-16
Amendments to MFRS 101: Disclosure Initiative	01-Jan-16
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	01-Jan-16
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	01-Jan-16
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	01-Jan-16
Annual Improvements to MFRSs 2012 - 2014 Cycle	01-Jan-16

The above mentioned accounting standards and interpretations (including the consequential amendments) do not have any financial impact on the Group's financial statements upon their initial application.

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2014

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 31 December 2014 except for the issuance of 118,960 ordinary shares pursuant to its Employee Share Option Scheme at the exercise price of RM0.65 each.

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 2014 are as follows:-

	Local		Export		Total	
	Ended 31 Dec		Ended 31 Dec		Ended 31 Dec	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	41,555	42,551	30,004	18,822	71,559	61,373
Profit/(loss) from operations	6,156	5,776	(296)	(178)	5,860	5,598

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

	Total	
	2014	2013
	RM'000	RM'000
Profit from operations for reportable segments	5,860	5,598
Expenses managed on a central basis	(5,928)	(6,380)
Other operating income	3,566	1,560
Consolidated profit from operations	3,498	778
Finance cost	(3,954)	(4,107)
Consolidated loss before tax	(456)	(3,329)

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2014

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 31 December 2014 are as follows:

	RM'000
Approved and contracted for	5,100
Approved but not contracted for	14,162
	19,262

A12 Significant Related Party Transactions

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

	Quarter Ended 31 Dec 2014 RM'000	6 Months Ended 31 Dec 2014 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	26	52
- Royalty paid/payable	6	12
- Contract manufacturing cost paid / payable	-	5
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)	(28)
- Sales of goods	(63)	(100)
	(63)	(100)

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2014

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 Dec	
	2014	2013
	RM'000	RM'000
Turnover	39,386	35,494
Profit before tax	2,305	17

The Group recorded an increase in turnover of 10.97% for the current quarter ended 31 December 2014 as compared to the corresponding quarter ended 31 December 2013. This was attributed to higher sales in the export markets.

The Group recorded a profit before tax of RM 2.31 million for the current quarter ended 31 December 2014 as compared to a profit before tax of RM0.02 million in the preceding year mainly due to higher sales and higher unrealised foreign exchange gain.

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

	6 Months	
	Ended 31 Dec	
	2014	2013
	RM'000	RM'000
Turnover	71,559	61,373
Loss before tax	(456)	(3,329)

The Group recorded an increase in turnover of 16.6% for the current period ended 31 December 2014 as compared to the corresponding 6 months ended 31 December 2013. This was attributed to higher sales from export markets.

The Group recorded a loss before tax of RM 0.46 million for the 6 months ended 31 December 2014 as compared to a loss of RM3.33 million for the 6 months ended 31 December in the preceding year. Despite the higher sales achieved this was offset by higher advertisement and promotional expenses.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	31 Dec	30 Sept
	2014	2014
	RM'000	RM'000
Turnover	39,386	32,173
Profit / (loss) before tax	2,305	(2,761)

For the quarter ended 31 December 2014, the Group recorded an increase in revenue of 22.42% to RM39.39 million as compared to RM32.17 million in the preceding quarter. This was mainly due to increase in export sales

The Group recorded a profit before tax of RM2.31 million in the current quarter as compared to the loss before tax of RM2.76 million in the preceding quarter mainly due to higher sales achieved and higher unrealised foreign exchange gain.

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2014

B3. Commentary on Prospects

The Group will continue to carry out R&D activities for new products and to invest in overseas markets. It will strive to increase its market share and will endeavour to secure new tenders to improve its profitability.

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 December 2014 and 30 June 2014 are analysed as follows:

	As at 31.12.2014 RM'000	As at 30.06.2014 RM'000
Realised profits	46,658	49,676
Unrealised gain / (loss)	1,943	(619)
Total Group retained earnings as per consolidated accounts	<u>48,601</u>	<u>49,057</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 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	21,866	10,543	11,323
- Denominated in Euros	847	847	
Bank overdrafts	4,029	-	4,029
HP Creditors	492	492	-
Term loan	8,189	8,189	-
	<u>35,423</u>	<u>20,071</u>	<u>15,352</u>
(b) Long Term Borrowings			
HP Creditors	1,593	1,593	-
Term loan	78,215	78,215	-
	<u>79,808</u>	<u>79,808</u>	<u>-</u>

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2014

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 2014 are as follows:

	Contract Amount RM'000	Fair Value RM'000
Foreign Exchange Forward Contracts		
- Less than 1 year	<u>487</u>	<u>524</u>

These forward foreign exchange contracts were entered into to hedge against fluctuations of exchange rates in foreign currencies. The settlement date of these contracts is in the month of January 2015.

(b) 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 31 December 2014 and up to 9 February 2015.

B12. Dividend Declared

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

B13. Profit / (loss) before tax

	Quarter Ended 31 Dec		6 Months Ended 31 Dec	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit / (loss) before tax is arrived at after (crediting)/charging:-				
Other income	(104)	(68)	(261)	(268)
Depreciation and amortisation	3,115	2,866	5,993	5,680
Amortisation of deferred income	(11)	-	(19)	-
Impairment loss on trade receivables	50	50	117	100
Foreign exchange (gain) / loss				
- realised	(512)	(296)	(918)	(607)
- unrealised	(1,376)	486	(1,943)	(8)
Fair value loss / (gain) on derivatives	<u>37</u>	<u>(41)</u>	<u>124</u>	<u>17</u>

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 December 2014.

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2014

B14. Profit/(Loss) Per Share

	Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2014	2013	2014	2013
(a) Basic Profit/(Loss) Per Share				
Net profit/(loss) attributable to shareholders (RM'000)	2,305	17	(456)	(3,329)
Weighted average number of ordinary shares ('000)	132,226	132,106	132,226	132,106
Basic profit/(loss) per share (sen)	1.74	0.01	(0.34)	(2.52)
(b) Diluted Profit/(Loss) Per Share				
Net profit/(loss) attributable to shareholders (RM'000)	2,305	17	(456)	(3,329)
Weighted average number of ordinary shares ('000)	132,226	132,106	132,226	132,106
Adjustment for ESOS ('000)	6,027	-	6,027	-
	138,253	132,106	138,253	132,106
Diluted profit/(loss) per share (sen)	1.67	0.01	(0.33)	(2.52)

B15. Audit Report

The auditors' report of the Group's annual financial statements for the year ended 30 June 2014 did not contain any qualification.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN
 Secretary

Date : 16 February 2015