

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015  
 (The figures have not been audited)

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/09/15 RM'000	Corresponding Quarter Ended 30/09/14 RM'000	3 Months Cumulative To Date 30/09/15 RM'000	3 Months Cumulative To Date 30/09/14 RM'000
Revenue	37,778	32,173	37,778	32,173
Operating expenses	(35,927)	(34,371)	(35,927)	(34,371)
Other operating income	3,591	1,445	3,591	1,445
Profit / (loss) from operations	5,442	(753)	5,442	(753)
Finance cost	(1,810)	(2,008)	(1,810)	(2,008)
Profit / (loss) before tax	3,632	(2,761)	3,632	(2,761)
Tax expense	-	-	-	-
Profit / (loss) after tax, representing total comprehensive income / (expense) for the period	<u>3,632</u>	<u>(2,761)</u>	<u>3,632</u>	<u>(2,761)</u>
Profit / (loss) per share (sen)				
(a) Basic	2.74	(2.09)	2.74	(2.09)
(b) Diluted	2.61	(2.00)	2.61	(2.00)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with  
 the Audited Financial Statements for the year ended 30 June 2015 and the accompanying  
 explanatory notes attached to this interim financial report)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Unaudited As at 30.09.2015 RM '000	Audited As at 30.06.2015 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	162,735	162,905
Investment properties	1,513	1,519
	164,248	164,424
<b>Current Assets</b>		
Inventories	35,463	36,509
Trade receivables	39,202	35,735
Other receivables, deposits and prepayments	5,644	5,614
Cash and bank balances	13,683	11,711
	93,992	89,569
<b>TOTAL ASSETS</b>	258,240	253,993
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	66,158	66,158
Share premium reserve	1,081	1,081
Share option reserve	4,805	4,386
Retained earnings	53,749	50,117
	125,793	121,742
<b>Non-Current Liabilities</b>		
Long term borrowings	73,437	75,621
Deferred Income	361	372
	73,798	75,993
<b>Current Liabilities</b>		
Trade payables	16,224	18,383
Other payables and accruals	9,701	8,818
Derivative liabilities	-	2
Short term borrowings	32,724	29,055
	58,649	56,258
<b>Total Liabilities</b>	132,447	132,251
<b>TOTAL EQUITY AND LIABILITIES</b>	258,240	253,993
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	0.95	0.92

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to this interim financial report)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

	<b>3 Months Ended 30/09/15 RM '000</b>	<b>3 Months Ended 30/09/14 RM '000</b>
<b>Cash Flows From Operating Activities</b>		
Profit / (loss) before taxation	3,632	(2,761)
Adjustment for:		
Impairment loss on trade receivables	50	67
Depreciation and amortisation	3,230	2,878
Fair value (gain) / loss on derivatives	(2)	87
Unrealised gain on foreign exchange	(1,905)	(567)
Impairment loss on inventories	678	-
Amortisation of deferred income	(11)	(8)
Gain on disposal of property, plant and equipment	-	(2)
Interest expense	1,810	2,008
Rental income from investment properties	(22)	(22)
Share based payment under ESOS	419	400
Operating profit before working capital changes	7,879	2,080
Decrease in inventories	368	661
(Increase) / decrease in receivables	(2,143)	6,932
Increase in payables	(1,256)	(1,487)
Cash generated from operations	4,848	8,186
Interest paid	(342)	(456)
Tax paid	(25)	(45)
Net cash from operating activities	4,481	7,685
<b>Cash Flows For Investing Activities</b>		
Purchase of property, plant and equipment	(3,054)	(1,303)
Rental received	22	22
Proceed from disposal of property, plant and equipment	-	3
Net cash for investing activities	(3,032)	(1,278)

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

	<b>3 Months</b>	<b>3 Months</b>
	<b>Ended</b>	<b>Ended</b>
	<b>30/09/15</b>	<b>30/09/14</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>Cash Flows For Financing Activities</b>		
Repayment of hire purchase payables	(124)	(114)
Repayment of term loans	(1,950)	(1,866)
Other short term borrowings	3,244	(1,255)
Proceeds from issuance of shares	-	61
Interest paid	(1,468)	(1,552)
Net cash for financing activities	(298)	(4,726)
<b>Net Increase in Cash &amp; Cash Equivalents</b>	1,151	1,681
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	821	127
<b>Cash &amp; Cash Equivalents at beginning of the financial period</b>	11,711	11,038
<b>Cash &amp; Cash Equivalents at end of financial period</b>	13,683	12,846

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 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 30 September 2015</b>					
Balance at 1 July 2015	66,158	1,081	4,386	50,117	121,742
Profit after tax, representing total comprehensive income for the year	-	-	-	3,632	3,632
Share options exercised	-	-	-	-	-
Share based payment transactions	-	-	419	-	419
Balance at 30 September 2015	<u>66,158</u>	<u>1,081</u>	<u>4,805</u>	<u>53,749</u>	<u>125,793</u>
<b>As at 30 September 2014</b>					
Balance at 1 July 2014	66,053	912	3,041	49,057	119,063
Profit after tax, representing total comprehensive expense for the year	-	-	-	(2,761)	(2,761)
Share options exercised	46	15	-	-	61
Share based payment transactions	-	-	400	-	400
Balance at 30 September 2014	<u>66,099</u>	<u>927</u>	<u>3,441</u>	<u>46,296</u>	<u>116,763</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 2015 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 2015 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 2015.

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 2015.

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:-

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	01-Jan-18
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: Presentation of Financial Statements - 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 adoption of the above mentioned accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

### **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.

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**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 2015.

**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 September 2015 are as follows:-

	Local		Export		Total	
	Ended 30 Sept		Ended 30 Sept		Ended 30 Sept	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	20,753	20,622	17,025	11,551	37,778	32,173
Profit/(loss) from operations	2,332	2,221	2,584	(1,607)	4,916	614

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

	Total	
	Ended 30 Sept 2015	2014
	RM'000	RM'000
Profit from operations for reportable segments	4,916	614
Expenses managed on a central basis	(3,065)	(2,812)
Other operating income	3,591	1,445
Consolidated profit from operations	5,442	(753)
Finance cost	(1,810)	(2,008)
Consolidated profit before tax	3,632	(2,761)

**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 2015 are as follows:

	RM'000
Approved and contracted for	4,986
Approved but not contracted for	15,275
	20,261

**A12 Significant Related Party Transactions**

The Group's significant related party transactions in the current financial period to-date ended 30 September 2015 are as follows:

	Quarter Ended 30 Sept 2015 RM'000	3 Months Ended 30 Sept 2015 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	192	192
- Royalty paid/payable	6	6
- Contract manufacturing cost paid / payable	17	17
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	(83)	(83)

**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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Turnover	37,778	32,173	37,778	32,173
Profit / (loss) before tax	3,632	(2,761)	3,632	(2,761)

The Group recorded an increase in turnover of 17.42% for the current period ended 30 September 2015 as compared to the corresponding 3 months ended 30 September 2014. This was attributed to higher sales from export markets.

The Group recorded a profit before tax of RM 3.63 million for the 3 months ended 30 September 2015 as compared to a loss of RM2.76 million for the 3 months ended 30 September in the preceding year. This was mainly due to higher sales achieved from overseas markets and higher unrealised foreign exchange gain.



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

	Quarter Ended	
	30 Sept 2015	30 Jun 2015
	RM'000	RM'000
Turnover	37,778	38,215
Profit before tax	3,632	894

For the quarter ended 30 September 2015, the Group recorded a decrease in revenue of 1.14% to RM37.78 million as compared to RM38.21 million in the preceding quarter. This was mainly due to decrease in sales of both local and export markets.

The Group recorded a profit before tax of RM3.63 million in the current quarter as compared to the profit before tax of RM0.89 million in the preceding quarter mainly due to higher unrealised foreign exchange gain and lower advertisement and promotional expenditure.

**B3. Commentary on Prospects**

The Group will continue to invest in overseas markets and also carry out R&D activities for new products. With its available production capacity it hopes to secure new tenders to boost its revenue and expand its market share.

**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 have 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 September 2015 and 30 June 2015 are analysed as follows:

	As at 30.09.2015	As at 30.06.2015
	RM'000	RM'000
Realised profits	51,842	49,180
Unrealised gain	1,907	937
Total Group retained earnings as per consolidated accounts	53,749	50,117

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**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 2015 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	21,560	9,601	11,959
- Denominated in Euros	2,306	1,836	470
HP Creditors	518	518	-
Term loan	8,340	8,340	-
	<u>32,724</u>	<u>20,295</u>	<u>12,429</u>
(b) Long Term Borrowings			
HP Creditors	1,201	1,201	-
Term loan	72,236	72,236	-
	<u>73,437</u>	<u>73,437</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.

There was no outstanding Forward Foreign Exchange Contracts as at 30 September 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 30 September 2015 and up to 19 November 2015.

**B12. Dividend Declared**

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

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**B13. Profit before tax**

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:-				
Other income	(86)	(166)	(86)	(166)
Depreciation and amortisation	3,230	2,878	3,230	2,878
Amortisation of deferred income	(11)	(8)	(11)	(8)
Impairment loss on trade receivables	50	67	50	67
Impairment loss on inventories	678	-	678	0
Foreign exchange (gain) / loss				
- realised	(1,071)	(406)	(1,071)	(406)
- unrealised	(1,905)	(567)	(1,905)	(567)
Fair value (gain) / loss on derivatives	(2)	87	(2)	87

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 September 2015.

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

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2015	2014	2015	2014
(a) Basic Profit / (loss) Per Share				
Net Profit / (loss) attributable to shareholders (RM'000)	3,632	(2,761)	3,632	(2,761)
Weighted average number of ordinary shares ('000)	132,316	132,198	132,316	132,198
Basic Profit / (loss) per share (sen)	2.74	(2.09)	2.74	(2.09)
(b) Diluted Profit / (loss) Per Share				
Net Profit / (loss) attributable to shareholders (RM'000)	3,632	(2,761)	3,632	(2,761)
Weighted average number of ordinary shares ('000)	132,316	132,198	132,316	132,198
Adjustment for ESOS ('000)	7,107	5,677	7,107	5,677
	139,423	137,875	139,423	137,875
Diluted Profit / (loss) per share (sen)	2.61	(2.00)	2.61	(2.00)

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**B15. Audit Report**

The auditors' report of the Group's annual financial statements for the year ended 30 June 2015 did not contain any qualification.

**BY ORDER OF THE BOARD**

**CHUA SIEW CHUAN**  
Secretary

Date : 26 November 2015