

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2016
 (The figures have not been audited)

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/03/16 RM'000	Corresponding Quarter Ended 31/03/15 RM'000	9 Months Cumulative To Date 31/03/16 RM'000	9 Months Cumulative To Date 31/03/15 RM'000
Revenue	42,259	35,400	119,376	106,959
Operating expenses	(40,959)	(34,590)	(114,110)	(106,217)
Other operating income	1,111	1,814	4,928	5,380
Profit from operations	2,411	2,624	10,194	6,122
Finance cost	(1,735)	(1,884)	(5,295)	(5,838)
Profit before tax	676	740	4,899	284
Tax expense	-	-	-	-
Profit after tax, representing total comprehensive income /(expense) for the period	676	740	4,899	284
Profit per share (sen)				
(a) Basic	0.51	0.56	3.70	0.21
(b) Diluted	0.49	0.53	3.55	0.20

(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 31.03.2016 RM '000	Audited As at 30.06.2015 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	161,593	162,905
Investment properties	1,500	1,519
	163,093	164,424
Current Assets		
Inventories	34,845	36,509
Trade receivables	39,115	35,735
Other receivables, deposits and prepayments	4,956	5,613
Tax recoverable	67	1
Cash and bank balances	14,896	11,711
	93,879	89,569
TOTAL ASSETS	256,972	253,993
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	66,212	66,158
Share premium reserve	1,097	1,081
Share option reserve	5,641	4,386
Retained earnings	55,016	50,117
	127,966	121,742
Non-Current Liabilities		
Long term borrowings	68,870	75,621
Deferred Income	339	372
	69,209	75,993
Current Liabilities		
Trade payables	21,203	18,383
Other payables and accruals	8,868	8,791
Derivative liabilities	-	2
Provision for taxation	-	27
Short term borrowings	29,726	29,055
	59,797	56,258
Total Liabilities	129,006	132,251
TOTAL EQUITY AND LIABILITIES	256,972	253,993
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.97	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

	9 Months Ended 31/03/16 RM '000	9 Months Ended 31/03/15 RM '000
Cash Flows From Operating Activities		
Profit before taxation	4,899	284
Adjustment for:		
Property, plant and equipment written off	38	1
Impairment loss on trade receivables	150	167
Depreciation and amortisation	9,935	9,117
Fair value (gain) / loss on derivatives	(2)	87
Unrealised loss / (gain) on foreign exchange	1,690	(2,736)
Impairment loss on inventories	678	-
Amortisation of deferred income	(32)	(30)
Loss / (Gain) on disposal of property, plant and equipment	11	(2)
Interest expense	5,295	5,838
Rental income from investment properties	(67)	(67)
Share based payment under ESOS	1,255	1,201
Operating profit before working capital changes	23,850	13,860
Decrease in inventories	986	2,254
(Increase) / Decrease in receivables	(4,318)	3,146
Increase in payables	2,896	1,527
Cash generated from operations	23,414	20,787
Interest paid	(982)	(1,264)
Tax paid	(91)	(105)
Net cash from operating activities	22,341	19,418
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(8,663)	(4,412)
Rental received	67	67
Proceed from disposal of property, plant and equipment	10	3
Net cash for investing activities	(8,586)	(4,342)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	9 Months	9 Months
	Ended	Ended
	31/03/16	31/03/15
	RM '000	RM '000
Cash Flows For Financing Activities		
Repayment of hire purchase payables	(378)	(351)
Repayment of term loans	(5,942)	(5,681)
Other short term borrowings	350	(5,153)
Proceeds from issuance of shares	70	98
Grant received	-	102
Interest paid	(4,313)	(4,574)
Net cash for financing activities	(10,213)	(15,559)
Net Increase / (Decrease) in Cash & Cash Equivalents	3,542	(483)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(357)	-
Cash & Cash Equivalents at beginning of the financial period	11,711	11,039
Cash & Cash Equivalents at end of financial period	14,896	10,556

(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	
As at 31 March 2016					
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	-	-	-	4,899	4,899
Share options exercised	54	16	-	-	70
Share based payment transactions	-	-	1,255	-	1,255
Balance at 31 March 2016	<u>66,212</u>	<u>1,097</u>	<u>5,641</u>	<u>55,016</u>	<u>127,966</u>
As at 31 March 2015					
Balance at 1 July 2014	66,053	912	3,041	49,057	119,063
Profit after tax, representing total comprehensive expense for the year	-	-	-	284	284
Share options exercised	75	23	-	-	98
Share based payment transactions	-	-	1,201	-	1,201
Balance at 31 March 2015	<u>66,128</u>	<u>935</u>	<u>4,242</u>	<u>49,341</u>	<u>120,646</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
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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 2016 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:-

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-18
MFRS 16 Leases	01-Jan-19
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
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 15: Effective Date of MFRS 15	01-Jan-18
Amendments to MFRS 101: Presentation of Financial Statements - Disclosure Initiative	01-Jan-16
Amendments to MFRS 107: Disclosure Initiative	01-Jan-17
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	01-Jan-17
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 31 March 2016 except for the issuance of 108,000 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 March 2016 are as follows:-

	Local		Export		Total	
	Ended 31 Mar		Ended 31 Mar		Ended 31 Mar	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	66,630	66,156	52,746	40,803	119,376	106,959
Profit/(loss) from operations	9,086	11,476	7,092	(2,231)	16,178	9,245

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

	Total	
	2016	2015
	RM'000	RM'000
Profit from operations for reportable segments	16,178	9,245
Expenses managed on a central basis	(10,912)	(8,503)
Other operating income	4,928	5,380
Consolidated profit from operations	10,194	6,122
Finance cost	(5,295)	(5,838)
Consolidated Profit before tax	4,899	284

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 2016 are as follows:

	RM'000
Approved and contracted for	3,886
Approved but not contracted for	11,241
	15,127

A12 Significant Related Party Transactions

The Group's significant related party transactions in the current financial period to-date ended 31 March 2016 are as follows:

	Quarter Ended 31 Mar 2016 RM'000	9 Months Ended 31 Mar 2016 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	261	718
- Royalty paid/payable	4	14
- Contract manufacturing cost paid / payable	38	84
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	(179)	(435)
	(179)	(435)

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	
	2016 RM'000	2015 RM'000
Turnover	42,259	35,400
Profit before tax	676	740
	676	740

The Group recorded an increase in turnover of 19.38% for the current quarter ended 31 March 2016 as compared to the corresponding quarter ended 31 March 2015. This was mainly attributed to higher sales in the export markets.

The Group recorded a profit before tax of RM 0.68 million for the current quarter ended 31 March 2016 as compared to a profit before tax of RM0.74million in the preceding year. Despite the higher sales achieved this was offset by higher foreign exchange loss in current quarter.

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

	9 Months	
	Ended 31 Mar	
	2016	2015
	RM'000	RM'000
Turnover	119,376	106,959
Profit before tax	4,899	284

The Group recorded an increase in turnover of 11.61% for the current period ended 31 March 2016 as compared to the corresponding 9 months ended 31 March 2015. This was attributed to higher sales from export markets.

The Group recorded a profit before tax of RM 4.90 million for the 9 months ended 31 March 2016 as compared to a profit of RM0.28 million for the 9 months ended 31 March in the preceding year. This was mainly due to higher sales achieved from overseas markets.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	31 Mar	31 Dec
	2016	2015
	RM'000	RM'000
Turnover	42,259	39,339
Profit before tax	676	591

For the quarter ended 31 March 2016, the Group recorded an increase in revenue of 7.42% to RM42.26 million as compared to RM 39.34 million in the preceding quarter. This was mainly due to increase in sales from local markets.

The Group recorded a profit before tax of RM0.68 million in the current quarter as compared to the profit before tax of RM0.59 million in the preceding quarter. Despite the higher sales achieved this was offset by higher foreign exchange loss in current quarter.

B3. Commentary on Prospects

The Group will continue to strive to increase its market share in both the local and export markets. It will also seek to secure new tenders to utilise its available production capacity while carrying out R&D activities for new products.

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.

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B7. Realised and Unrealised Profits of the Group

Total retained earnings as at 31 March 2016 and 30 June 2015 are analysed as follows:

	As at 31.03.2016 RM'000	As at 30.06.2015 RM'000
Realised profits	56,704	49,180
Unrealised (loss) / gain	(1,688)	937
Total Group retained earnings as per consolidated accounts	<u>55,016</u>	<u>50,117</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 2016 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	18,151	8,071	10,080
- Denominated in Euros	2,396	2,396	-
HP Creditors	536	536	-
Term loan	8,643	8,643	-
	<u>29,726</u>	<u>19,646</u>	<u>10,080</u>
(b) Long Term Borrowings			
HP Creditors	929	929	-
Term loan	67,941	67,941	-
	<u>68,870</u>	<u>68,870</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 Contract as at 31 March 2016.

(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 March 2016 and up to 19 May 2016.

B12. Dividend Declared

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

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B13. Profit before tax

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:-				
Other income	(551)	(53)	(727)	(314)
Depreciation and amortisation	3,435	3,124	9,935	9,117
Amortisation of deferred income	(10)	(11)	(32)	(30)
Impairment loss on trade receivables	50	50	150	167
Loss /(Gain) on disposal of property, plant and equipment	2	-	11	(2)
Impairment loss on inventories	-	-	678	-
Foreign exchange (gain) / loss				
- realised	(274)	(757)	(2,280)	(1,675)
- unrealised	2,103	(793)	1,690	(2,736)
Fair value (gain) / loss on derivatives	-	(37)	(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 31 March 2016.

B14. Profit Per Share

	Quarter		9 Months	
	Ended 31 Mar		Ended 31 Mar	
	2016	2015	2016	2015
(a) Basic Profit Per Share				
Net Profit attributable to shareholders (RM'000)	676	740	4,899	284
Weighted average number of ordinary shares ('000)	132,424	132,256	132,424	132,256
Basic Profit per share (sen)	0.51	0.56	3.70	0.21
(b) Diluted Profit Per Share				
Net Profit attributable to shareholders (RM'000)	676	740	4,899	284
Weighted average number of ordinary shares ('000)	132,424	132,256	132,424	132,256
Adjustment for ESOS ('000)	5,764	7,416	5,764	7,416
	138,188	139,672	138,188	139,672
Diluted Profit per share (sen)	0.49	0.53	3.55	0.20

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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 : 25 May 2016