

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 30/09/16 RM'000	Corresponding Quarter Ended 30/09/15 RM'000	3 Months Cumulative To Date 30/09/16 RM'000	3 Months Cumulative To Date 30/09/15 RM'000
Revenue	33,893	37,778	33,893	37,778
Operating expenses	(33,669)	(35,927)	(33,669)	(35,927)
Other operating income	1,500	3,591	1,500	3,591
Profit from operations	1,724	5,442	1,724	5,442
Finance cost	(1,594)	(1,810)	(1,594)	(1,810)
Profit before tax	130	3,632	130	3,632
Tax expense	-	-	-	-
Profit after tax, representing total comprehensive income for the period	130	3,632	130	3,632
Profit per share (sen)				
(a) Basic	0.10	2.74	0.10	2.74
(b) Diluted	0.09	2.61	0.09	2.61

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with
 the Audited Financial Statements for the year ended 30 June 2016 and the accompanying
 explanatory notes attached to this interim financial report)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30.09.2016 RM '000	Audited As at 30.06.2016 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	159,103	161,743
Investment properties	1,487	1,493
	160,590	163,236
Current Assets		
Derivative assets	-	15
Inventories	34,914	34,355
Trade receivables	30,020	37,647
Other receivables, deposits and prepayments	3,401	2,136
Cash and bank balances	17,033	16,276
	85,368	90,429
TOTAL ASSETS	245,958	253,665
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	66,267	66,227
Share premium reserve	1,177	1,165
Share option reserve	6,085	5,944
Retained earnings	58,008	57,878
	131,537	131,214
Non-Current Liabilities		
Long term borrowings	64,183	66,548
Deferred Income	2,169	1,845
	66,352	68,393
Current Liabilities		
Trade payables	11,512	13,383
Other payables and accruals	10,311	10,264
Provision for taxation	6	30
Short term borrowings	26,240	30,381
	48,069	54,058
Total Liabilities	114,421	122,451
TOTAL EQUITY AND LIABILITIES	245,958	253,665
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.99	0.99

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to this interim financial report)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	3 Months Ended 30/09/16 RM '000	3 Months Ended 30/09/15 RM '000
Cash Flows From Operating Activities		
Profit before taxation	130	3,632
Adjustment for:		
Property, plant and equipment written off	37	-
Impairment loss on trade receivables	50	50
Bad debts written off	(2)	-
Depreciation and amortisation	3,360	3,230
Fair value loss / (gain) on derivatives	15	(2)
Unrealised gain on foreign exchange	(439)	(1,905)
Impairment loss on inventories	-	678
Amortisation of deferred income	(52)	(11)
Interest expense	1,594	1,810
Interest income	(2)	-
Rental income from investment properties	(22)	(22)
Share based payment under ESOS	141	419
Operating profit before working capital changes	4,810	7,879
(Increase) / Decrease in inventories	(559)	368
Decrease / (Increase) in receivables	6,475	(2,143)
Decrease in payables	(1,824)	(1,256)
Cash generated from operations	8,902	4,848
Interest paid	(258)	(342)
Tax paid	(24)	(25)
Net cash from operating activities	8,620	4,481
Cash Flows For Investing Activities		
Interest received	2	-
Purchase of property, plant and equipment	(751)	(3,054)
Rental received	22	22
Net cash for investing activities	(727)	(3,032)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	3 Months	3 Months
	Ended	Ended
	30/09/16	30/09/15
	RM '000	RM '000
Cash Flows For Financing Activities		
Repayment of hire purchase payables	(133)	(124)
Repayment of term loans	(2,082)	(1,950)
(Repayment) / drawdown of other short term borrowings	(4,291)	3,244
Proceeds from issuance of shares	52	-
Grant received	376	-
Interest paid	(1,336)	(1,468)
Net cash for financing activities	(7,414)	(298)
Net Increase in Cash & Cash Equivalents	479	1,151
Effect of Exchange Rate Changes on Cash & Cash Equivalents	278	821
Cash & Cash Equivalents at beginning of the financial period	16,276	11,711
Cash & Cash Equivalents at end of financial period	17,033	13,683

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 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 September 2016					
Balance at 1 July 2016	66,227	1,165	5,944	57,878	131,214
Profit after tax, representing total comprehensive income for the year	-	-	-	130	130
Share options exercised	40	12		-	52
Share based payment transactions	-	-	141	-	141
Balance at 30 September 2016	<u>66,267</u>	<u>1,177</u>	<u>6,085</u>	<u>58,008</u>	<u>131,537</u>
As at 30 September 2015					
Balance at 1 July 2015	66,158	1,081	4,386	50,117	121,742
Profit after tax, representing total comprehensive expense for the year	-	-	-	3,632	3,632
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>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with
 the Audited Financial Statements for the year ended 30 June 2016 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 September 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 2016.

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 2016.

A1.1 During the current financial period, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any) :-

- MFRS 14 Regulatory Deferral
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101: Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants
- Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements
- Annual Improvements to MFRSs 2012 - 2014 Cycle

A1.2 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 15 Revenue from Contracts with Customers	01-Jan-18
MFRS 16 Leases	01-Jan-19
Amendments to MFRS 2: Classification and Measurement of share based payment transactions	01-Jan-18
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 15: Effective Date of MFRS 15	01-Jan-18
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers	01-Jan-18
Amendments to MFRS 107: Disclosure Initiative	01-Jan-17
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	01-Jan-17

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 2016 except for the issuance of 80,000 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 30 June 2016 are as follows:-

	Local		Export		Total	
	Ended 30 Sept		Ended 30 Sept		Ended 30 Sept	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	20,798	20,753	13,095	17,025	33,893	37,778
Profit/(loss) from operations	1,281	2,332	1,028	2,584	2,309	4,916

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	2,309	4,916
Expenses managed on a central basis	(2,085)	(3,065)
Other operating income	1,500	3,591
Consolidated profit from operations	1,724	5,442
Finance cost	(1,594)	(1,810)
Consolidated Profit before tax	130	3,632

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 2016 are as follows:

	RM'000
Approved and contracted for	383
Approved but not contracted for	8,221
	8,604

A12 Significant Related Party Transactions

The Group's significant related party transactions in the current financial period to-date ended 30 September 2016 are as follows:

	Quarter Ended 30 Sept 2016 RM'000	3 Months Ended 30 Sept 2016 RM'000
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	261	261
- Royalty paid/payable	3	3
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	(186)	(186)

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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

	Current		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Turnover	33,893	37,778	33,893	37,778
Profit before tax	130	3,632	130	3,632

The Group recorded a decrease in turnover of 10.28% for the current period ended 30 September 2016 as compared to the corresponding 3 months ended 30 September 2015. This was attributed to lower sales from export markets.

The Group recorded a profit before tax of RM 0.13 million for the 3 months ended 30 September 2016 as compared to a profit of RM3.63 million for the 3 months ended 30 September in the preceding year. This was mainly due to lower sales from export markets and higher foreign exchange gain in the preceding year.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	30 Sept	30 Jun
	2016	2016
	RM'000	RM'000
Turnover	33,893	40,854
Profit before tax	130	2,966

For the quarter ended 30 September 2016, the Group recorded a decrease in revenue of 17.04% to RM33.89 million as compared to RM 40.85 million in the preceding quarter. This was mainly due to decrease in sales from export markets.

The Group recorded a profit before tax of RM0.13 million in the current quarter as compared to the profit before tax of RM2.97 million in the preceding quarter mainly due to decrease in sales from export markets.

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 30 September 2016 and 30 June 2016 are analysed as follows:

	As at 30.09.2016 RM'000	As at 30.06.2016 RM'000
Realised profits	57,569	58,511
Unrealised gain / (loss)	439	(633)
Total Group retained earnings as per consolidated accounts	<u>58,008</u>	<u>57,878</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 30 September 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	14,825	7,475	7,350
- Denominated in Euros	1,938	501	1,437
HP Creditors	554	554	-
Term loan	8,923	8,923	-
	<u>26,240</u>	<u>17,453</u>	<u>8,787</u>
(b) Long Term Borrowings			
HP Creditors	647	647	-
Term loan	63,536	63,536	-
	<u>64,183</u>	<u>64,183</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 30 September 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 30 September 2016 and up to 16 November 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		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:-				
Interest income	2	-	2	-
Other income	(623)	(86)	(623)	(86)
Depreciation and amortisation	3,360	3,230	3,360	3,230
Amortisation of deferred income	(52)	(11)	(52)	(11)
Impairment loss on trade receivables	50	50	50	50
Impairment loss on inventories	-	678	-	678
Foreign exchange (gain) / loss				
- realised	(373)	(1,071)	(373)	(1,071)
- unrealised	(439)	(1,905)	(439)	(1,905)
Fair value loss / (gain) on derivatives	15	(2)	15	(2)

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 2016.

B14. Profit Per Share

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2016	2015	2016	2015
(a) Basic Profit Per Share				
Net Profit attributable to shareholders (RM'000)	130	3,632	130	3,632
Weighted average number of ordinary shares ('000)	132,515	132,316	132,515	132,316
Basic Profit per share (sen)	0.10	2.74	0.10	2.74
(b) Diluted Profit Per Share				
Net Profit attributable to shareholders (RM'000)	130	3,632	130	3,632
Weighted average number of ordinary shares ('000)	132,515	132,316	132,515	132,316
Adjustment for ESOS ('000)	5,754	7,107	5,754	7,107
	138,269	139,423	138,269	139,423
Diluted Profit per share (sen)	0.09	2.61	0.09	2.61

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B15. Audit Report

The auditors' report of the Group's annual financial statements for the year ended 30 June 2016 did not contain any qualification.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN
Secretary

Date : 23 November 2016