

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 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 31/12/16 RM'000	Corresponding Quarter Ended 31/12/15 RM'000	6 Months Cumulative To Date 31/12/16 RM'000	6 Months Cumulative To Date 31/12/15 RM'000
Revenue	45,073	39,339	78,966	77,117
Operating expenses	(40,169)	(37,224)	(73,838)	(73,151)
Other operating income	2,334	226	3,834	3,817
Profit from operations	7,238	2,341	8,962	7,783
Finance cost	(1,486)	(1,750)	(3,080)	(3,560)
Profit before tax	5,752	591	5,882	4,223
Tax expense	-	-	-	-
Profit after tax, representing total comprehensive income for the period	5,752	591	5,882	4,223
Profit per share (sen)				
(a) Basic	4.34	0.45	4.44	3.19
(b) Diluted	4.16	0.43	4.25	3.06

(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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 (The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Unaudited As at 31.12.2016 RM '000	Audited As at 30.06.2016 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	156,267	161,743
Investment properties	1,480	1,493
	157,747	163,236
<b>Current Assets</b>		
Derivative assets	-	15
Inventories	38,907	34,355
Trade receivables	39,342	37,647
Other receivables, deposits and prepayments	4,112	2,136
Tax recoverable	14	-
Cash and bank balances	14,046	16,276
	96,421	90,429
<b>TOTAL ASSETS</b>	254,168	253,665
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	66,327	66,227
Share premium reserve	1,195	1,165
Share option reserve	6,227	5,944
Retained earnings	63,760	57,878
	137,509	131,214
<b>Non-Current Liabilities</b>		
Long term borrowings	61,438	66,548
Deferred Income	2,110	1,845
	63,548	68,393
<b>Current Liabilities</b>		
Trade payables	21,464	13,383
Other payables and accruals	9,577	10,264
Provision for taxation	-	30
Short term borrowings	22,070	30,381
	53,111	54,058
<b>Total Liabilities</b>	116,659	122,451
<b>TOTAL EQUITY AND LIABILITIES</b>	254,168	253,665
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	1.04	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**

	<b>6 Months Ended 31/12/16 RM '000</b>	<b>6 Months Ended 31/12/15 RM '000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	5,882	4,223
Adjustment for:		
Property, plant and equipment written off	38	-
Impairment loss on trade receivables	100	100
Bad debts written off	-	-
Depreciation and amortisation	6,718	6,500
Fair value loss / (gain) on derivatives	15	(2)
Unrealised gain on foreign exchange	(1,983)	(413)
Impairment loss on inventories	588	678
Amortisation of deferred income	(111)	(22)
Loss on disposal of property, plant and equipment	-	9
Interest expense	3,080	3,560
Interest income	(6)	-
Rental income from investment properties	(45)	(45)
Share based payment under ESOS	283	837
Operating profit before working capital changes	14,559	15,425
(Increase) / Decrease in inventories	(5,140)	626
(Increase) / Decrease in receivables	(2,874)	196
Increase in payables	7,394	3,085
Cash generated from operations	13,939	19,332
Interest paid	(444)	(647)
Tax paid	(44)	(70)
Net cash from operating activities	13,451	18,615
<b>Cash Flows For Investing Activities</b>		
Interest received	6	-
Purchase of property, plant and equipment	(1,267)	(7,515)
Rental received	45	45
Proceed from disposal of property, plant and equipment	-	8
Net cash for investing activities	(1,216)	(7,462)

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

	<b>6 Months</b>	<b>6 Months</b>
	<b>Ended</b>	<b>Ended</b>
	<b>31/12/16</b>	<b>31/12/15</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>Cash Flows For Financing Activities</b>		
Repayment of hire purchase payables	(267)	(250)
Repayment of term loans	(4,201)	(3,924)
(Repayment) / drawdown of other short term borrowings	(8,953)	(210)
Proceeds from issuance of shares	130	38
Grant received	376	-
Interest paid	(2,636)	(2,913)
Net cash for financing activities	(15,551)	(7,259)
<b>Net (Decrease) / Increase in Cash &amp; Cash Equivalents</b>	(3,316)	3,894
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	1,086	568
<b>Cash &amp; Cash Equivalents at beginning of the financial period</b>	16,276	11,711
<b>Cash &amp; Cash Equivalents at end of financial period</b>	14,046	16,173

(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	
<b>As at 31 December 2016</b>					
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	-	-	-	5,882	5,882
Share options exercised	100	30	-	-	130
Share based payment transactions	-	-	283	-	283
Balance at 31 December 2016	<u>66,327</u>	<u>1,195</u>	<u>6,227</u>	<u>63,760</u>	<u>137,509</u>
<b>As at 31 December 2015</b>					
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	-	-	-	4,223	4,223
Share options exercised	29	9	-	-	38
Share based payment transactions	-	-	837	-	837
Balance at 31 December 2015	<u>66,187</u>	<u>1,090</u>	<u>5,223</u>	<u>54,340</u>	<u>126,840</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  
 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 31 December 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:-

<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-18
MFRS 16 Leases	01-Jan-19
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	01-Jan-18
Amendments to MFRS 2: Classification and Measurement of share based payment transactions	01-Jan-18
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	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
Amendments to MFRS 140 – Transfers of Investment Property	01-Jan-18
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	01-Jan-17
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	01-Jan-18

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.

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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 31 December 2016 except for the issuance of 200,000 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 31 Dec		Ended 31 Dec		Ended 31 Dec	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	40,405	41,767	38,561	35,350	78,966	77,117
Profit/(loss) from operations	1,483	5,133	8,161	5,137	9,644	10,270

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	9,644	10,270
Expenses managed on a central basis	(4,516)	(6,304)
Other operating income	3,834	3,817
Consolidated profit from operations	8,962	7,783
Finance cost	(3,080)	(3,560)
Consolidated Profit before tax	5,882	4,223

**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.

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**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 2016 are as follows:

	<b>RM'000</b>
Approved and contracted for	483
Approved but not contracted for	7,995
	8,478

**A12 Significant Related Party Transactions**

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

	<b>Quarter Ended 31 Dec 2016 RM'000</b>	<b>6 Months Ended 31 Dec 2016 RM'000</b>
Companies in which key management personnel have significant financial interests:		
- Rental of premises paid/payable	262	523
- Royalty paid/payable	7	10
- Contract manufacturing cost paid / payable	19	19
A company in which a close member of the family of certain key management personnel has significant financial interests:		
- Rental of premises received/receivable	(15)	(29)
- Sales of goods	(172)	(358)
	(157)	(367)



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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 31 Dec	
	2016	2015
	RM'000	RM'000
Turnover	45,073	39,339
Profit before tax	5,752	591

The Group recorded an increase in turnover of 14.58% for the current quarter ended 31 December 2016 as compared to the corresponding quarter ended 31 December 2015. This was mainly attributed to higher sales in the export markets.

The Group recorded a profit before tax of RM 5.75 million for the current quarter ended 31 December 2016 as compared to a profit before tax of RM0.59 million in the preceding year mainly due to higher sales from export markets and higher foreign exchange gain.

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

	6 Months	
	Ended 31 Dec	
	2016	2015
	RM'000	RM'000
Turnover	78,966	77,117
Profit before tax	5,882	4,223

The Group recorded an increase in turnover of 2.40% for the current period ended 31 December 2016 as compared to the corresponding 6 months ended 31 December 2015. This was attributed to higher sales from export markets offset with lower sales from local markets.

The Group recorded a profit before tax of RM 5.88 million for the 6 months ended 31 December 2016 as compared to a profit of RM 4.22 million for the 6 months ended 31 December in the preceding year. This was mainly due to higher sales from export markets and lower selling and administration expenses.

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

	Quarter Ended	
	31 Dec	30 Sept
	2016	2016
	RM'000	RM'000
Turnover	45,073	33,893
Profit before tax	5,752	130

For the quarter ended 31 December 2016, the Group recorded an increase in revenue of 32.99% to RM45.07 million as compared to RM 33.89 million in the preceding quarter. This was mainly due to increase in sales from export markets.

The Group recorded a profit before tax of RM5.75 million in the current quarter as compared to the profit before tax of RM 0.13 million in the preceding quarter mainly due to increase in sales from export markets.

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**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.

**B7. Realised and Unrealised Profits of the Group**

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

	As at 31.12.2016 RM'000	As at 30.06.2016 RM'000
Realised profits	61,777	58,511
Unrealised gain / (loss)	1,983	(633)
Total Group retained earnings as per consolidated accounts	<u>63,760</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 31 December 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	8,934	4,422	4,512
- Denominated in Euros	3,167	-	3,167
HP Creditors	564	564	-
Term loan	9,405	9,405	-
	<u>22,070</u>	<u>14,391</u>	<u>7,679</u>
(b) Long Term Borrowings			
HP Creditors	503	503	-
Term loan	60,935	60,935	-
	<u>61,438</u>	<u>61,438</u>	<u>-</u>

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**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 December 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 December 2016 and up to 1 February 2017.

**B12. Dividend Declared**

The Board of Directors declares an interim single tier dividend of 2 sen per ordinary share in respect of the financial year ending 30 June 2017.

**B13. Profit before tax**

	Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:-				
Interest income	(4)	-	(6)	-
Other income	(179)	(90)	(802)	(176)
Depreciation and amortisation	3,358	3,270	6,718	6,500
Amortisation of deferred income	(59)	(11)	(111)	(22)
Impairment loss on trade receivables	50	50	100	100
Loss on disposal of property, plant and equipment	-	9	-	9
Impairment loss on inventories	588	-	588	678
Foreign exchange (gain) / loss				
- realised	(548)	(935)	(921)	(2,006)
- unrealised	(1,544)	1,492	(1,983)	(413)
Fair value loss / (gain) on derivatives	-	-	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 31 December 2016.

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**B14. Profit Per Share**

	Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2016	2015	2016	2015
<b>(a) Basic Profit Per Share</b>				
Net Profit attributable to shareholders (RM'000)	5,752	591	5,882	4,223
Weighted average number of ordinary shares ('000)	132,580	132,316	132,580	132,316
Basic Profit per share (sen)	4.34	0.45	4.44	3.19
<b>(b) Diluted Profit Per Share</b>				
Net Profit attributable to shareholders (RM'000)	5,752	591	5,882	4,223
Weighted average number of ordinary shares ('000)	132,580	132,316	132,580	132,316
Adjustment for ESOS ('000)	5,817	5,817	5,817	5,817
	138,397	138,133	138,397	138,133
Diluted Profit per share (sen)	4.16	0.43	4.25	3.06

**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 : 8 February 2017