

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE FORTH FINANCIAL QUARTER ENDED 30 JUNE 2017
 (The figures have not been audited)

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/06/17 RM'000	Corresponding Quarter Ended 30/06/16 RM'000	12 Months Cumulative To Date 30/06/17 RM'000	12 Months Cumulative To Date 30/06/16 RM'000
Revenue	42,182	40,854	166,368	160,230
Operating expenses	(38,933)	(37,680)	(152,250)	(151,790)
Other operating income	217	1,472	4,354	6,400
Profit from operations	3,466	4,646	18,472	14,840
Finance cost	(1,408)	(1,680)	(5,948)	(6,975)
Profit before tax	2,058	2,966	12,524	7,865
Tax expense	(127)	(104)	(127)	(104)
Profit after tax, representing total comprehensive income for the period	<u>1,931</u>	<u>2,862</u>	<u>12,397</u>	<u>7,761</u>
Profit per share (sen)				
(a) Basic	1.46	2.17	9.34	5.87
(b) Diluted	1.37	2.08	8.81	5.63

(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 30.06.2017 RM '000	Audited As at 30.06.2016 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	151,318	161,743
Investment properties	1,468	1,493
	152,786	163,236
Current Assets		
Derivative assets	-	15
Inventories	40,902	34,355
Trade receivables	37,272	37,647
Other receivables, deposits and prepayments	4,267	2,136
Cash and bank balances	16,898	16,276
	99,339	90,429
TOTAL ASSETS	252,125	253,665
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	68,293	66,227
Share premium reserve	-	1,165
Share option reserve	6,173	5,944
Retained earnings	67,617	57,878
	142,083	131,214
Non-Current Liabilities		
Long term borrowings	57,299	66,548
Deferred Income	2,205	1,845
	59,504	68,393
Current Liabilities		
Trade payables	21,712	13,383
Other payables and accruals	12,347	10,264
Provision for taxation	34	30
Short term borrowings	16,445	30,381
	50,538	54,058
Total Liabilities	110,042	122,451
TOTAL EQUITY AND LIABILITIES	252,125	253,665
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.07	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

	12 Months Ended 30/06/17 RM '000	12 Months Ended 30/06/16 RM '000
Cash Flows From Operating Activities		
Profit before taxation	12,524	7,865
Adjustment for:		
Property, plant and equipment written off	49	40
Impairment loss on trade receivables	586	761
Reversal of impairment loss on trade receivables	(672)	(307)
Bad debts written off	3	-
Depreciation and amortisation	13,446	13,291
Fair value loss / (gain) on derivatives	15	(17)
Unrealised loss on foreign exchange	382	650
Inventories written down	588	1,146
Amortisation of deferred income	(240)	(69)
(Gain) / Loss on disposal of property, plant and equipment	(3)	11
Interest expense	5,948	6,975
Interest income	(100)	-
Rental income from investment properties	(89)	(89)
Share based payment under ESOS	600	1,622
Operating profit before working capital changes	33,037	31,879
(Increase) / Decrease in inventories	(7,135)	1,008
(Increase) / Decrease in receivables	(2,022)	308
Increase / (Decrease) in payables	10,412	(3,404)
Cash generated from operations	34,292	29,791
Interest paid	(824)	(1,287)
Tax paid	(123)	(122)
Tax refund	-	23
Net cash from operating activities	33,345	28,405
Cash Flows For Investing Activities		
Interest received	100	-
Purchase of property, plant and equipment	(3,047)	(12,165)
Rental received	89	89
Proceed from disposal of property, plant and equipment	6	10
Net cash for investing activities	(2,852)	(12,066)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	12 Months	12 Months
	Ended	Ended
	30/06/17	30/06/16
	RM '000	RM '000
Cash Flows For Financing Activities		
Dividend paid	(2,658)	-
Repayment of hire purchase payables	(546)	(509)
Repayment of term loans	(8,550)	(7,985)
(Repayment) / drawdown of other short term borrowings	(14,127)	884
Proceeds from issuance of shares	530	89
Grant received	600	1,541
Interest paid	(5,124)	(5,688)
Net cash for financing activities	(29,875)	(11,668)
Net Increase in Cash & Cash Equivalents	618	4,671
Effect of Exchange Rate Changes on Cash & Cash Equivalents	4	(106)
Cash & Cash Equivalents at beginning of the financial period	16,276	11,711
Cash & Cash Equivalents at end of financial period	16,898	16,276

(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

	Share Capital RM '000	← Non - distributable → Share Premium RM '000	Share Option Reserve RM '000	Distributable Retained Profits RM '000	Total RM '000
As at 30 June 2017					
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	-	-	-	12,397	12,397
Dividend paid	-	-	-	(2,658)	(2,658)
Share options exercised	796	105	(371)	-	530
Adjustments for effects of Companies Act 2016 (Note a)	1,270	(1,270)	-	-	-
Share based payment transactions	-	-	600	-	600
Balance at 30 June 2017	<u>68,293</u>	<u>-</u>	<u>6,173</u>	<u>67,617</u>	<u>142,083</u>
As at 30 June 2016					
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	-	-	-	7,761	7,761
Share options exercised	69	84	(64)	-	89
Share based payment transactions	-	-	1,622	-	1,622
Balance at 30 June 2016	<u>66,227</u>	<u>1,165</u>	<u>5,944</u>	<u>57,878</u>	<u>131,214</u>

Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM 1,270,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

(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)

KOTRA INDUSTRIES BERHAD (497632-P)
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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 June 2017 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
MFRS 17 Insurance Contracts	01-Jan-21
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 1: Deletion of Short-Term Exemption for First-Time Adoptions	01-Jan-18
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	

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 30 June 2017 except for the issuance of 815,120 ordinary shares pursuant to the Company's Employee Share Option Scheme at the exercise price of RM0.65 each.

A6. Dividends Paid

An interim single tier dividend of 2 sen per share in respect of the current financial year ended 30 June 2017 amounting to RM 2,658,142 was paid on 30 March 2017.

A7. Segmental Information

The segment information in respect of the Group's operating segments for the period ended 30 June 2017 is as follows:-

	Local		Export		Total	
	Ended 30 Jun		Ended 30 Jun		Ended 30 Jun	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	91,162	87,477	75,206	72,753	166,368	160,230
Profit from operations	9,913	8,535	14,001	13,025	23,914	21,560

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

	Total	
	2017	2016
	RM'000	RM'000
Profit from operations for reportable segments	23,914	21,560
Expenses managed on a central basis	(9,796)	(13,120)
Other operating income	4,354	6,400
Consolidated profit from operations	18,472	14,840
Finance cost	(5,948)	(6,975)
Consolidated Profit before tax	12,524	7,865

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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 contingent liabilities or contingent assets at the end of this reporting period and 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 June 2017 are as follows:

	RM'000
Approved and contracted for	2,009
Approved but not contracted for	3,640
	5,649

A12 Significant Related Party Transactions

The Group's significant related party transactions in the current financial period to-date ended 30 June 2017 are as follows:

	Quarter Ended 30 Jun 2017 RM'000	12 Months Ended 30 Jun 2017 RM'000
Companies in which certain key management personnel have significant financial interests:		
- Rental of premises paid/payable	265	1,052
- Royalty paid/payable	3	18
- Contract manufacturing cost paid / payable	-	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	(14)	(57)
- Sales of goods	(193)	(703)
	(193)	(703)

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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 30 Jun	
	2017	2016
	RM'000	RM'000
Turnover	42,182	40,854
Profit before tax	2,058	2,966

The Group recorded an increase in turnover of 3.25% for the current quarter ended 30 June 2017 as compared to the corresponding quarter ended 30 June 2016. This was attributed to higher sales from local markets offset by decrease in export markets.

The Group recorded a profit before tax of RM 2.06 million for the current quarter ended 30 June 2017 as compared to a profit before tax of RM2.97 million in the preceding year. This was mainly due to higher advertisement and promotional expenditure in current quarter.

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

	12 Months	
	Ended 30 Jun	
	2017	2016
	RM'000	RM'000
Turnover	166,368	160,230
Profit before tax	12,524	7,865

The Group recorded an increase in turnover of 3.83% for the current period ended 30 June 2017 as compared to the corresponding 12 months ended 30 June 2016. This was mainly due to increase in sales of both local and export markets.

The Group recorded a profit before tax of RM 12.52 million for the 12 months ended 30 June 2017 as compared to a profit of RM 7.87 million for the 12 months ended 31 June in the preceding year. This was mainly due to higher sales and rationalisation of selling and administration expenses.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended	
	30 Jun	31 Mar
	2017	2017
	RM'000	RM'000
Turnover	42,182	45,220
Profit before tax	2,058	4,584

For the quarter ended 30 June 2017, the Group recorded an decrease in revenue of 6.72% to RM42.18 million as compared to RM 45.22 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 RM2.06 million in the current quarter as compared to the profit before tax of RM 4.58 million in the preceding quarter. This was mainly due to decrease in sales in current quarter.

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B3. Commentary on Prospects

As the current economic conditions remain uncertain, going into the new financial year, 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 and contract manufacturing to utilise its available production capacity while leveraging the 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

	Quarter		12 Months	
	Ended 30 Jun		Ended 30 Jun	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current tax expense	130	118	130	118
- Overprovision in prior period	(3)	(14)	(3)	(14)
Total tax expenses	127	104	127	104

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 June 2017 and 30 June 2016 are analysed as follows:

	As at 31.03.2017	As at 30.06.2016
	RM'000	RM'000
Realised profits	67,999	58,511
Unrealised loss	(382)	(633)
Total Group retained earnings as per consolidated statement of changes in equity	67,617	57,878

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 June 2017 were as follows:-

	Total	Secured	Unsecured
	RM'000	RM'000	RM'000
(a) Short Term Borrowings			
Bills and other trade financing liabilities			
- Denominated in Ringgit Malaysia	6,671	6,671	-
- Denominated in Euros	294	-	294
HP Creditors	581	581	-
Term loan	8,899	8,899	-
	16,445	16,151	294
(b) Long Term Borrowings			
HP Creditors	207	207	-
Term loan	57,092	57,092	-
	57,299	57,299	-

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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 30 June 2017.

(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 material litigation since the last financial period ended 30 June 2017 and up to 16 August 2017.

B12. Dividend Declared

No dividend has been proposed for current quarter ended 30 June 2017.

B13. Profit before tax

	Quarter		12 Months	
	Ended 30 Jun		Ended 30 Jun	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:-				
Interest income	(73)	-	(100)	-
Other income	(93)	(94)	(1,056)	(821)
Depreciation and amortisation	3,353	3,356	13,446	13,291
Amortisation of deferred income	(64)	(37)	(240)	(69)
Bad debts written off	1	-	3	-
Reversal of impairment loss on trade receivables	(672)	(307)	(672)	(307)
Impairment loss on trade receivables	436	611	586	761
(Gain)/Loss on disposal of property, plant and equipment	2	-	(3)	11
Inventories written down	-	468	588	1,146
Foreign exchange (gain) / loss				
- realised	284	250	(2,283)	(2,030)
- unrealised	655	(1,040)	382	650
Fair value loss / (gain) on derivatives	-	(15)	15	(17)

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 June 2017.

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B14. Profit Per Share

	Quarter Ended 30 Jun		12 Months Ended 30 Jun	
	2017	2016	2017	2016
(a) Basic Profit Per Share				
Net Profit attributable to shareholders (RM'000)	1,931	2,862	12,397	7,761
Weighted average number of ordinary shares ('000)	132,670	132,118	132,670	132,118
Basic Profit per share (sen)	1.46	2.17	9.34	5.87
(b) Diluted Profit Per Share				
Net Profit attributable to shareholders (RM'000)	1,931	2,862	12,397	7,761
Weighted average number of ordinary shares ('000)	132,670	132,118	132,670	132,118
Adjustment for ESOS ('000)	8,013	5,767	8,013	5,767
	140,683	137,885	140,683	137,885
Diluted Profit per share (sen)	1.37	2.08	8.81	5.63

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 August 2017