

**KOTRA INDUSTRIES BERHAD (497632-P)**  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS  
 FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 30/09/17 RM'000	Corresponding Quarter Ended 30/09/16 RM'000	3 Months Cumulative To Date 30/09/17 RM'000	3 Months Cumulative To Date 30/09/16 RM'000
Revenue	43,177	33,893	43,177	33,893
Operating expenses	(39,983)	(33,669)	(39,983)	(33,669)
Other operating income	380	1,500	380	1,500
Profit from operations	3,574	1,724	3,574	1,724
Finance cost	(1,273)	(1,594)	(1,273)	(1,594)
Profit before tax	2,301	130	2,301	130
Tax expense	-	-	-	-
Profit after tax, representing total comprehensive income for the period	2,301	130	2,301	130
Profit per share (sen)				
(a) Basic	1.73	0.10	1.73	0.10
(b) Diluted	1.63	0.09	1.63	0.09

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with  
 the Audited Financial Statements for the year ended 30 June 2017 and the accompanying  
 explanatory notes attached to this interim financial report)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Unaudited As at 30.09.2017 RM '000	Audited As at 30.06.2017 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	148,945	151,318
Investment properties	1,461	1,467
	150,406	152,785
<b>Current Assets</b>		
Inventories	36,059	40,902
Trade receivables	35,435	37,272
Other receivables, deposits and prepayments	5,370	4,268
Cash and bank balances	15,679	16,898
	92,543	99,340
<b>TOTAL ASSETS</b>	242,949	252,125
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	68,533	68,293
Share option reserve	6,224	6,173
Retained earnings	69,918	67,617
	144,675	142,083
<b>Non-Current Liabilities</b>		
Long term borrowings	55,271	57,300
Deferred Income	2,140	2,205
	57,411	59,505
<b>Current Liabilities</b>		
Trade payables	15,450	21,712
Other payables and accruals	12,860	12,346
Provision for taxation	5	34
Short term borrowings	12,548	16,445
	40,863	50,537
<b>Total Liabilities</b>	98,274	110,042
<b>TOTAL EQUITY AND LIABILITIES</b>	242,949	252,125
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	1.08	1.07

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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 30/09/17 RM '000</b>	<b>3 Months Ended 30/09/16 RM '000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	2,301	130
Adjustment for:		
Property, plant and equipment written off	-	37
Impairment loss on trade receivables	50	50
Bad debts written off	-	(2)
Depreciation and amortisation	3,468	3,360
Fair value loss on derivatives	-	15
Unrealised loss on foreign exchange	(189)	(439)
Amortisation of deferred income	(65)	(52)
Interest expense	1,273	1,594
Interest income	(52)	(2)
Rental income from investment properties	(22)	(22)
Share based payment under ESOS	150	141
Operating profit before working capital changes	6,914	4,810
Decrease / (Increase) in inventories	4,843	(559)
Decrease in receivables	916	6,475
Decrease in payables	(5,748)	(1,824)
Cash generated from operations	6,925	8,902
Interest paid	(49)	(258)
Tax paid	(29)	(24)
Net cash from operating activities	6,847	8,620
<b>Cash Flows For Investing Activities</b>		
Interest received	52	2
Purchase of property, plant and equipment	(1,089)	(751)
Rental received	22	22
Net cash for investing activities	(1,015)	(727)

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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>30/09/17</b>	<b>30/09/16</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>Cash Flows For Financing Activities</b>		
Repayment of hire purchase payables	(142)	(133)
Repayment of term loans	(2,195)	(2,082)
Repayment of other short term borrowings	(3,589)	(4,291)
Proceeds from issuance of shares	141	52
Grant received	-	376
Interest paid	(1,224)	(1,336)
Net cash for financing activities	(7,009)	(7,414)
<b>Net (Decrease)/ Increase in Cash &amp; Cash Equivalents</b>	(1,177)	479
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	(42)	278
<b>Cash &amp; Cash Equivalents at beginning of the financial period</b>	16,898	16,276
<b>Cash &amp; Cash Equivalents at end of financial period</b>	15,679	17,033

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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
<b>As at 30 September 2017</b>					
Balance at 1 July 2017	68,293	-	6,173	67,617	142,083
Profit after tax, representing total comprehensive income for the year	-	-	-	2,301	2,301
Share options exercised	240	-	(99)	-	141
Share based payment transactions	-	-	150	-	150
Balance at 30 September 2017	<u>68,533</u>	<u>-</u>	<u>6,224</u>	<u>69,918</u>	<u>144,675</u>
<b>As at 30 September 2016</b>					
Balance at 1 July 2016	66,227	1,165	5,944	57,878	131,214
Profit after tax, representing total comprehensive expense 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>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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 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 2017.

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 2017.

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

- Amendments to MFRS 107: Disclosure Initiative
- Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to MFRS Standards 2014 - 2016 Cycles:
  - Amendments to MFRS 12: Clarification of the Scope of Standard

**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
MFRS 17 Insurance Contracts	01-Jan-21
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	01-Jan-18
IC Interpretation 23 Uncertainty Over Income Tax Treatments	01-Jan-19
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
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 140 - Transfers of Investment Property	01-Jan-18
Annual Improvements to MFRS Standards 2014 - 2016 Cycles: <ul style="list-style-type: none"> <li>• Amendments to MFRS 1: Deletion of Short-Term Exemption for First-Time Adoptions</li> <li>• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value</li> </ul>	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 30 September 2017 except for the issuance of 217,240 ordinary shares pursuant to the Company's Employee Share Option Scheme at the exercise price of RM0.65 each.

**A6. Dividend 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 2017 is as follows:-

	Local		Export		Total	
	Ended 30 Sept		Ended 30 Sept		Ended 30 Sept	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	24,778	20,798	18,399	13,095	43,177	33,893
Profit from operations	2,556	1,281	2,723	1,028	5,279	2,309

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

	Total	
	Ended 30 Sept 2017	Ended 30 Sept 2016
	RM'000	RM'000
Profit from operations for reportable segments	5,279	2,309
Expenses managed on a central basis	(2,085)	(2,085)
Other operating income	380	1,500
Consolidated profit from operations	3,574	1,724
Finance cost	(1,273)	(1,594)
Consolidated Profit before tax	2,301	130

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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 September 2017 are as follows:

	RM'000
Approved but not contracted for	7,831
Contracted but not provided for	2,714
	10,545

**A12 Significant Related Party Transactions**

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

	Quarter Ended 30 Sept 2017 RM'000	3 Months Ended 30 Sept 2017 RM'000
Companies in which certain key management personnel have significant financial interests:		
- Rental of premises paid/payable	264	264
- Royalty paid/payable	4	4
- Contract manufacturing cost paid / payable	-	-
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	(151)	(151)



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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 Quarter			3 Months		
	Ended 30 Sept		Changes %	Ended 30 Sept		Changes %
	2017 RM'000	2016 RM'000		2017 RM'000	2016 RM'000	
Turnover	43,177	33,893	27.39%	43,177	33,893	27.39%
Profit from operations	3,574	1,724	107.31%	3,574	1,724	107.31%
Profit before tax	2,301	130	1670.00%	2,301	130	1670.00%
Net profit margin	5.33%	0.38%		5.33%	0.38%	

The Group recorded an increase in turnover of 27.39% for the current period ended 30 September 2017 as compared to the corresponding 3 months ended 30 September 2016. This was mainly due to aggressive marketing efforts in local market coupled with timing difference of significant orders from overseas between the two comparative quarters.

The Group recorded a profit before tax of RM 2.30 million for the 3 months ended 30 September 2017 as compared to a profit of RM 0.13 million for the 3 months ended 30 September in the preceding year. Improvement in net profit margin was mainly derived from higher sales achieved as other expenses comprised mainly fixed cost.

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

	Quarter Ended		Changes %
	30 Sept 2017 RM'000	30 Jun 2017 RM'000	
	Turnover	43,177	
Profit from operations	3,574	3,466	3.12%
Profit before tax	2,301	1,931	19.16%
Net profit margin	5.33%	4.58%	

For the quarter ended 30 September 2017, the Group recorded an increase in revenue of 2.36% to RM43.18 million as compared to RM 42.18 million in the preceding quarter. This was mainly due to increase in sales from export markets.

The Group recorded a profit before tax of RM2.30 million in the current quarter as compared to the profit before tax of RM 1.93 million in the preceding quarter. The increase was due to increase in overseas sales and lower finance cost incurred in current quarter while others expenses remain relatively stable.

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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**

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 2017 and 30 June 2017 are analysed as follows:

	As at 30.09.2017 RM'000	As at 30.06.2017 RM'000
Realised profits	69,729	67,999
Unrealised gain / (loss)	189	(382)
Total Group retained earnings as per consolidated statement of changes in equity	69,918	67,617

**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 the end of this financial period were as follows:-

	As at 30.09.2017 RM'000	As at 30.09.2016 RM'000
(a) Short Term Borrowings		
<u>Unsecured</u>		
Bills and other trade financing liabilities		
- Denominated in Ringgit Malaysia	-	7,350
- Denominated in Euros	-	1,437
HP Creditors	-	-
Term loan	-	-
	-	8,787
<u>Secured</u>		
Bills and other trade financing liabilities		
- Denominated in Ringgit Malaysia	1,479	7,475
- Denominated in Euros	1,897	501
HP Creditors	590	554
Term loan	8,582	8,923
	12,548	17,453
	12,548	26,240
(b) Long Term Borrowings		
<u>Secured</u>		
HP Creditors	56	647
Term loan	55,215	63,536
	55,271	64,183

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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 September 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 September 2017 and up to 16 November 2017.

**B12. Dividend Declared**

The shareholders had on 23 November 2017, at the Company's 18th Annual General Meeting, approved the final dividend of 2 sen per ordinary share in respect of the financial year ended 30 June 2017. The entitlement date and payment has been fixed on 3 January 2018 and 18 January 2018, respectively.

No dividend has been proposed in respect of the current financial period ended 30 September 2017.

**B13. Profit before tax**

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000

Profit before tax is arrived at after (crediting)/charging:-

Interest income	(52)	(2)	(52)	(2)
Other income	(69)	(623)	(69)	(623)
Depreciation and amortisation	3468	3360	3468	3360
Amortisation of deferred income	(65)	(52)	(65)	(52)
Impairment loss on trade receivables	50	50	50	50
Foreign exchange (gain) / loss				
- realised	346	(373)	346	(373)
- unrealised	(189)	(439)	(189)	(439)
Fair value loss / (gain) on derivatives	-	15	-	15

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 2017.

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**B14. Profit Per Share**

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2017	2016	2017	2016
<b>(a) Basic Profit Per Share</b>				
Net Profit attributable to shareholders (RM'000)	<u>2,301</u>	<u>130</u>	<u>2,301</u>	<u>130</u>
Weighted average number of ordinary shares ('000)	<u>132,871</u>	<u>132,515</u>	<u>132,871</u>	<u>132,515</u>
Basic Profit per share (sen)	1.73	0.10	1.73	0.10
<b>(b) Diluted Profit Per Share</b>				
Net Profit attributable to shareholders (RM'000)	<u>2,301</u>	<u>130</u>	<u>2,301</u>	<u>130</u>
Weighted average number of ordinary shares ('000)	132,871	132,515	132,871	132,515
Adjustment for ESOS ('000)	<u>8,059</u>	<u>5,754</u>	<u>8,059</u>	<u>5,754</u>
	<u>140,930</u>	<u>138,269</u>	<u>140,930</u>	<u>138,269</u>
Diluted Profit per share (sen)	1.63	0.09	1.63	0.09

**B15. Audit Report**

The auditors' report of the Group's annual financial statements for the year ended 30 June 2017 did not contain any qualification.

**BY ORDER OF THE BOARD**

**CHUA SIEW CHUAN**  
 Secretary

Date : 23 November 2017