

KOTRA INDUSTRIES BERHAD (497632-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 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 31/12/17 RM'000	Corresponding Quarter Ended 31/12/16 RM'000	6 Months Cumulative To Date 31/12/17 RM'000	6 Months Cumulative To Date 31/12/16 RM'000
Revenue	46,442	45,073	89,619	78,966
Operating expenses	(41,404)	(40,169)	(81,387)	(73,838)
Other operating income	471	2,334	851	3,834
Profit from operations	5,509	7,238	9,083	8,962
Finance cost	(1,257)	(1,486)	(2,530)	(3,080)
Profit before tax	4,252	5,752	6,553	5,882
Tax expense	(44)	-	(44)	-
Profit after tax, representing total comprehensive income for the period	4,208	5,752	6,509	5,882
Profit per share (sen)				
(a) Basic	3.17	4.34	4.90	4.44
(b) Diluted	2.98	4.16	4.61	4.25

(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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 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31.12.2017 RM '000	Audited As at 30.06.2017 RM '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	147,252	151,318
Investment properties	1,455	1,467
	148,707	152,785
Current Assets		
Inventories	35,326	40,902
Trade receivables	40,656	37,272
Other receivables, deposits and prepayments	5,043	4,268
Cash and bank balances	16,044	16,898
	97,069	99,340
TOTAL ASSETS	245,776	252,125
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	68,660	68,293
Share option reserve	6,321	6,173
Retained earnings	74,126	67,617
	149,107	142,083
Non-Current Liabilities		
Long term borrowings	53,504	57,300
Deferred Income	2,444	2,205
	55,948	59,505
Current Liabilities		
Trade payables	17,461	21,712
Other payables and accruals	12,354	12,346
Provision for taxation	25	34
Short term borrowings	10,881	16,445
	40,721	50,537
Total Liabilities	96,669	110,042
TOTAL EQUITY AND LIABILITIES	245,776	252,125
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.12	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

	6 Months Ended 31/12/17 RM '000	6 Months Ended 31/12/16 RM '000
Cash Flows From Operating Activities		
Profit before taxation	6,553	5,882
Adjustment for:		
Property, plant and equipment written off	5	38
Impairment loss on trade receivables	100	100
Bad debts written off	(9)	-
Depreciation and amortisation	6,729	6,718
Fair value loss on derivatives	-	15
Unrealised loss / (gain) on foreign exchange	388	(1,983)
Impairment loss on inventories	-	588
Amortisation of deferred income	(136)	(111)
Gain on disposal of property, plant and equipment	(49)	-
Interest expense	2,532	3,080
Interest income	(147)	(6)
Rental income from investment properties	(45)	(45)
Share based payment under ESOS	299	283
Operating profit before working capital changes	16,220	14,559
Decrease / (Increase) in inventories	5,576	(5,140)
Increase in receivables	(4,488)	(2,874)
(Decrease) / Increase in payables	(4,243)	7,394
Cash generated from operations	13,065	13,939
Interest paid	(111)	(444)
Tax paid	(53)	(44)
Net cash from operating activities	12,901	13,451
Cash Flows For Investing Activities		
Interest received	147	6
Purchase of property, plant and equipment	(2,656)	(1,267)
Rental received	45	45
Proceed from disposal of property, plant and equipment	49	-
Net cash for investing activities	(2,415)	(1,216)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	6 Months	6 Months
	Ended	Ended
	31/12/17	31/12/16
	RM '000	RM '000
Cash Flows For Financing Activities		
Drawdown of Hire Purchases	300	-
Repayment of hire purchase payables	(293)	(267)
Repayment of term loans	(4,417)	(4,201)
Repayment of other short term borrowings	(4,950)	(8,953)
Proceeds from issuance of shares	216	130
Grant received	375	376
Interest paid	(2,421)	(2,636)
Net cash for financing activities	(11,190)	(15,551)
Net Decrease in Cash & Cash Equivalents	(704)	(3,316)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(150)	1,086
Cash & Cash Equivalents at beginning of the financial period	16,898	16,276
Cash & Cash Equivalents at end of financial period	16,044	14,046

(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

	← 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 December 2017					
Balance at 1 July 2017	68,293	-	6,173	67,617	142,083
Profit after tax, representing total comprehensive income for the year	-	-	-	6,509	6,509
Share options exercised	367	-	(151)	-	216
Share based payment transactions	-	-	299	-	299
Balance at 31 December 2017	<u>68,660</u>	<u>-</u>	<u>6,321</u>	<u>74,126</u>	<u>149,107</u>
As at 31 December 2016					
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	-	-	-	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>

(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
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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 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:-

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
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 9: Prepayment Features with Negative Compensation	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
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"> • Amendments to MFRS 1: Deletion of Short-Term Exemption for First-Time Adoptions • Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value 	01-Jan-18
Annual Improvements to MFRS Standards 2015 - 2017 Cycles:	01-Jan-19

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 other than MFRS 9, Financial Instruments which the Group is currently assessing the financial impact.

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 December 2017 except for the issuance of 331,640 ordinary shares pursuant to the Company's Employee Share Option Scheme at the exercise price of RM0.65 each.

A6. Dividend Paid

A final dividend of 2 sen per share in respect of the financial year ended 30 June 2017 amounting to RM 2,672,021.66 was paid on 18 January 2018.

A7. Segmental Information

The segment information in respect of the Group's operating segments for the period ended 31 December 2017 is as follows:-

	Local		Export		Total	
	Ended 31 Dec		Ended 31 Dec		Ended 31 Dec	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	46,728	40,405	42,891	38,561	89,619	78,966
Profit from operations	3,636	1,483	9,074	8,161	12,710	9,644

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

	Total	
	Ended 31 Dec	
	2017	2016
	RM'000	RM'000
Profit from operations for reportable segments	12,710	9,644
Expenses managed on a central basis	(4,478)	(4,516)
Other operating income	851	3,834
Consolidated profit from operations	9,083	8,962
Finance cost	(2,530)	(3,080)
Consolidated Profit before tax	6,553	5,882

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 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 31 December 2017 are as follows:

	RM'000
Approved but not contracted for	6,208
Contracted but not provided for	2,769
	8,977

A12 Significant Related Party Transactions

The Group's significant related party transactions in the current financial period to-date ended 31 December 2017 are as follows:

	Quarter Ended 31 Dec 2017 RM'000	6 Months Ended 31 Dec 2017 RM'000
Companies in which certain key management personnel have significant financial interests:		
- Rental of premises paid/payable	263	527
- Royalty paid/payable	3	7
- 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	(15)	(29)
- Sales of goods	(83)	(234)

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

	Current Quarter Ended 31 Dec		Changes
	2017	2016	%
	RM'000	RM'000	
Turnover	46,442	45,073	3.04%
Profit from operations	5,509	7,238	-23.89%
Profit before tax	4,252	5,752	-26.08%
Net profit margin	9.16%	12.76%	

The Group recorded an increase in turnover of 3.04% for the current quarter ended 31 December 2017 as compared to the corresponding quarter ended 31 December 2016. This was attributed to higher sales from local markets partly offset by decrease in export markets.

The Group recorded a profit before tax of RM 4.25 million for the current quarter ended 31 December 2017 as compared to a profit before tax of RM5.75 million in the preceding year. Lower net profit margin was mainly due to higher foreign exchange gain recorded in corresponding quarter of the preceding year.

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

	6 Months		Changes %
	Ended 31 Dec		
	2017 RM'000	2016 RM'000	
Turnover	89,619	78,966	13.49%
Profit from operations	9,083	8,962	1.35%
Profit before tax	6,553	5,882	11.41%
Net profit margin	<u>7.31%</u>	<u>7.45%</u>	

The Group recorded an increase in turnover of 13.49% for the current period ended 31 December 2017 as compared to the corresponding 6 months ended 31 December 2016. This was mainly due to extended and aggressive promotional efforts for both the local and export markets.

The Group recorded a profit before tax of RM 6.55 million for the 6 months ended 31 December 2017 as compared to a profit of RM 5.88 million for the 6 months ended 31 December in the preceding year. The increase was due to increase in sales from both markets, lower finance cost incurred for current period and partly offset by higher foreign exchange gain recorded in corresponding period of the preceding year.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended		Changes %
	31 Dec 2017 RM'000	30 Sept 2017 RM'000	
	Turnover	46,442	
Profit from operations	5,509	3,574	54.14%
Profit before tax	4,252	2,301	84.79%
Net profit margin	<u>9.16%</u>	<u>5.33%</u>	

For the quarter ended 31 December 2017, the Group recorded an increase in revenue of 7.56% to RM46.44 million as compared to RM 43.18 million in the preceding quarter. This was mainly due to increase in sales from export markets toward end of Dec 2017.

The Group recorded a profit before tax of RM4.25 million in the current quarter as compared to the profit before tax of RM 2.30 million in the preceding quarter. The increase in net profit margin was mainly derived from sales of better margin products.

B3. Commentary on Prospects

Although the current economic conditions are expected to remain challenging, the Group is optimistic that it will continue to be profitable for this 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 provided under the Promotion of Investments Act 1986. Deferred tax assets have not been recognised as the realisation of the deferred tax asset is not probable.

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B7. Status of Corporate Proposals

There were no corporate proposals announced by the Company as at the date of the issue of this quarterly report.

B8. Details of Group Borrowings and Debt Securities

The Group's borrowings as at the end of this financial period were as follows:-

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
(a) Short Term Borrowings		
<u>Unsecured</u>		
Bills and other trade financing liabilities		
- Denominated in Ringgit Malaysia	-	4,512
- Denominated in Euros	-	3,167
HP Creditors	-	-
Term loan	-	-
	-	7,679
<u>Secured</u>		
Bills and other trade financing liabilities		
- Denominated in Ringgit Malaysia	1,432	4,422
- Denominated in Euros	583	-
HP Creditors	599	564
Term loan	8,267	9,405
	10,881	14,391
	10,881	22,070
(b) Long Term Borrowings		
<u>Secured</u>		
HP Creditors	196	503
Term loan	53,308	60,935
	53,504	61,438
	53,504	61,438

B9. 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 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.

B10. Material Litigation

There was no material litigation since the last financial period ended 31 December 2017 and up to 6 February 2018.

B11. 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 2018.

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B12. Profit before tax

	Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:-				
Interest income	(95)	(4)	(147)	(6)
Other income	(390)	(179)	(459)	(802)
Depreciation and amortisation	3,261	3,358	6,729	6,718
Amortisation of deferred income	(71)	(59)	(136)	(111)
Bad debts written off / (recovered)	(9)	2	(9)	-
Impairment loss on trade receivables	50	50	100	100
Gain on disposal of property, plant and equipment	(49)	-	(49)	-
Property, plant and equipment written off	5	-	5	38
Impairment loss on inventories	-	588	-	588
Foreign exchange (gain) / loss				
- realised	(165)	(548)	181	(921)
- unrealised	577	(1,544)	388	(1,983)
Fair value loss on derivatives	-	-	-	15

There was no gain or loss on disposal of quoted or unquoted investment or properties nor any exceptional items for the current quarter and financial period ended 31 December 2017.

B13. Profit Per Share

	Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2017	2016	2017	2016
(a) Basic Profit Per Share				
Net Profit attributable to shareholders (RM'000)	4,208	5,752	6,509	5,882
Weighted average number of ordinary shares ('000)	132,943	132,580	132,943	132,580
Basic Profit per share (sen)	3.17	4.34	4.90	4.44
(b) Diluted Profit Per Share				
Net Profit attributable to shareholders (RM'000)	4,208	5,752	6,509	5,882
Weighted average number of ordinary shares ('000)	132,943	132,580	132,943	132,580
Adjustment for ESOS ('000)	8,274	5,817	8,274	5,817
	141,217	138,397	141,217	138,397
Diluted Profit per share (sen)	2.98	4.16	4.61	4.25

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B14. 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 : 13 February 2018