

**KOTRA INDUSTRIES BERHAD [ 199901022732 (497632-P) ]**

QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019

(The figures have not been audited)

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30-09-19 RM'000	Corresponding Quarter Ended 30-09-18 RM'000	3 Months Cumulative To Date 30-09-19 RM'000	3 Months Cumulative To Date 30-09-18 RM'000
Revenue	39,568	47,013	39,568	47,013
Operating expenses	(34,932)	(41,840)	(34,932)	(41,840)
Other operating income	948	1,134	948	1,134
Profit from operations	5,584	6,307	5,584	6,307
Finance cost	(403)	(611)	(403)	(611)
Profit before tax	5,181	5,696	5,181	5,696
Tax expense	(45)	(23)	(45)	(23)
Profit after tax, representing total comprehensive income for the period	5,136	5,673	5,136	5,673
Earnings per share (sen)				
(a) Basic	3.68	4.25	3.68	4.25
(b) Diluted	3.62	4.00	3.62	4.00

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to this interim financial report)

**KOTRA INDUSTRIES BERHAD [ 199901022732 (497632-P) ]**

QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		Unaudited As at 30/09/2019	Audited As at 30/06/2019
	Note	RM '000	RM '000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		129,630	143,001
Investment properties		1,409	1,415
Right-of-use assets		11,330	-
Deferred tax assets		1,034	1,034
		<u>143,403</u>	<u>145,450</u>
<b>Current Assets</b>			
Derivative assets		-	12
Inventories		37,534	38,323
Trade receivables		29,324	31,781
Other receivables, deposits and prepayments		2,372	2,121
Fixed deposit with licensed bank		19,530	21,685
Cash and bank balances		11,481	7,070
		<u>100,241</u>	<u>100,992</u>
<b>TOTAL ASSETS</b>		<u><u>243,644</u></u>	<u><u>246,442</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		80,256	80,115
Share option reserve		1,814	1,870
Retained earnings		95,311	90,175
		<u>177,381</u>	<u>172,160</u>
<b>Non-Current Liabilities</b>			
Long term borrowings	( B8 )	28,028	31,444
Deferred Income		1,929	2,002
		<u>29,957</u>	<u>33,446</u>
<b>Current Liabilities</b>			
Trade payables		11,506	17,564
Other payables and accruals		10,815	10,180
Derivative liabilities		4	-
Lease liabilities		806	-
Current tax liabilities		102	89
Short term borrowings	( B8 )	13,073	13,003
		<u>36,306</u>	<u>40,836</u>
<b>Total Liabilities</b>		<u>66,263</u>	<u>74,282</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>243,644</u></u>	<u><u>246,442</u></u>
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>			
		<u>1.23</u>	<u>1.20</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to this interim financial report)

**KOTRA INDUSTRIES BERHAD [ 199901022732 (497632-P) ]**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

	<b>3 Months Ended 30-09-19 RM '000</b>	<b>3 Months Ended 30-09-18 RM '000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	5,181	5,696
Adjustment for:		
Property, plant and equipment written off	46	-
Reversal of impairment loss on trade receivables	-	(153)
Bad debts written off	-	(1)
Depreciation of property, plant and equipment and investment properties	3,669	3,390
Depreciation of right-of-use assets	287	-
Fair value loss on derivatives financial instrument	16	-
Government grant received	-	(163)
Unrealised gain on foreign exchange	(88)	(127)
Amortisation of deferred income	(73)	(73)
Gain on disposal of property, plant and equipment	(1)	(1)
Interest expense	403	611
Interest income	(190)	(91)
Rental income from investment properties	(8)	(22)
Share based payment under ESOS	2	9
Operating profit before working capital changes	<u>9,244</u>	<u>9,075</u>
Decrease in inventories	789	1,716
Decrease / (Increase) in receivables	2,297	(3,954)
(Decrease) / Increase in payables	<u>(5,423)</u>	<u>987</u>
Cash generated from operations	<u>6,907</u>	<u>7,824</u>
Tax paid	(32)	(38)
Net cash from operating activities	<u>6,875</u>	<u>7,786</u>
<b>Cash Flows For Investing Activities</b>		
Interest received	190	91
Purchase of property, plant and equipment	(914)	(828)
Rental received	8	22
Proceed from disposal of property, plant and equipment	2	1
Net cash for investing activities	<u>(714)</u>	<u>(714)</u>

**KOTRA INDUSTRIES BERHAD (497632-P)**  
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**FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019**  
(The figures have not been audited)

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

	<b>3 Months Ended 30-09-19 RM '000</b>	<b>3 Months Ended 30-09-18 RM '000</b>
<b>Cash Flows For Financing Activities</b>		
Repayment of hire purchase payables	(24)	(174)
Repayment of lease liabilities	(236)	-
Repayment of term loans	(3,322)	(3,144)
Repayment of other short term borrowings	-	(287)
Proceeds from issuance of shares	83	356
Government grant received	-	163
Interest paid	(403)	(611)
Net cash for financing activities	(3,902)	(3,697)
<b>Net Increase in Cash &amp; Cash Equivalents</b>	2,259	3,375
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	(3)	50
<b>Cash &amp; Cash Equivalents at beginning of the financial period</b>	28,755	20,876
<b>Cash &amp; Cash Equivalents at end of financial period</b>	31,011	24,301
<b>The Cash &amp; Cash Equivalents Comprise The Following :-</b>		
Fixed deposit with licensed bank	19,530	13,570
Cash and bank balances	11,481	10,731
	31,011	24,301

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to this interim financial report)

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FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share Capital RM '000	Non - distributable Share Option Reserve RM '000	Distributable Retained Profits RM '000	Total RM '000
<b>As at 30 September 2019</b>				
Balance at 1 July 2019	80,115	1,870	90,175	172,160
Profit after tax, representing total comprehensive income for the year	-	-	5,136	5,136
Share options exercised	141	(58)	-	83
Share based payment transactions	-	2	-	2
Balance at 30 September 2019	<u>80,256</u>	<u>1,814</u>	<u>95,311</u>	<u>177,381</u>
<b>As at 30 September 2018</b>				
Balance as 30 June 2018, as previously reported	68,660	6,572	78,022	153,254
Effect of MRFS 9 adoption	-	-	(1,414)	(1,414)
As at 1 July 2018 (Restated)	<u>68,660</u>	<u>6,572</u>	<u>76,608</u>	<u>151,840</u>
Profit after tax, representing total comprehensive expense for the year	-	-	5,673	5,673
Share options exercised	606	(250)	-	356
Share based payment transactions	-	9	-	9
Balance at 30 September 2018	<u>69,266</u>	<u>6,331</u>	<u>82,281</u>	<u>157,878</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 2019 and the accompanying explanatory notes attached to this interim financial report)

# KOTRA INDUSTRIES BERHAD [ 199901022732 (497632-P) ]

QUARTERLY REPORT ON CONSOLIDATED RESULTS  
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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 Main Market Listing Requirements. The figures for the cumulative period in the current quarter to 30 September 2019 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 2019.

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 2019 except for those mentioned in paragraph A1.1 below.

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

MFRSs and IC Interpretations (Including The Consequential Amendments)

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9 : Prepayment Features with Negative Compensation

Amendments to MFRS 119 : Plan Amendment, Curtailment or Settlement

Annual Improvements to MFRS Standards 2015 - 2017 Cycles

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements other than as disclosed below :

#### MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaced the previous guidance on lease accounting. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their lease assets and the related lease obligations in the statement of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively. The right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method.

The Group adopted MFRS 16 using modified retrospective method and comparatives are not restated.

In summary, the impact of adopting MFRS 16 to opening balances is as follows:

Statement of financial position

1 July 2019

	Impact of changes in accounting policies		
	As previously Reported	MFRS 16 Adjustments	After Adjustments
	RM 000	RM 000	RM 000
<b>Assets</b>			
Right-of-use assets	-	11,617	11,617
Property, Plant and Equipment	143,001	(10,575)	132,426
Impact to assets	143,001	1,042	144,043
<b>Liabilities</b>			
Current Lease liabilities	-	(1,042)	(1,042)
Impact to liabilities	-	(1,042)	(1,042)

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**A1.2** The Group has not applied in advance the following Malaysian Financial Reporting 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 17 Insurance Contracts	01-Jan-21
Amendments to MFRS 3: Definition of a Business	01-Jan-20
Amendments to MFRS 9, MFRS 139 AND MFRS 7: Interest Rate Benchmark Reform	01-Jan-20
Amendments to MFRS 101 and MFRS 108 : Definition of material	01-Jan-20
Amendments to References to the Conceptual Framework in MFRS Standards	01-Jan-20

The adoption of the above-mentioned Malaysian Financial Reporting Standards and interpretations (including the consequential amendments, if any), insofar as they are applicable to the Group, 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.

**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 2019 except for the issuance of 128,000 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.

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**A7. Segmental Information**

The segment information in respect of the Group's operating segments for the period ended 30 September 2019 is as follows:

	Current Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Local	23,506	26,567	23,506	26,567
Export	16,062	20,446	16,062	20,446
External revenue	<u>39,568</u>	<u>47,013</u>	<u>39,568</u>	<u>47,013</u>
Local	5,156	6,044	5,156	6,044
Export	2,364	1,861	2,364	1,861
Profit from operations	<u>7,520</u>	<u>7,905</u>	<u>7,520</u>	<u>7,905</u>

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

	Current Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit from operations for reportable segments	7,520	7,905	7,520	7,905
Expenses managed on a central basis	(2,884)	(2,732)	(2,884)	(2,732)
Other operating income	948	1,134	948	1,134
Consolidated profit from operations	<u>5,584</u>	<u>6,307</u>	<u>5,584</u>	<u>6,307</u>
Finance cost	(403)	(611)	(403)	(611)
Consolidated Profit before tax	<u>5,181</u>	<u>5,696</u>	<u>5,181</u>	<u>5,696</u>

**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 are as follows:

	As at	As at
	30-09-19	30-09-18
	RM'000	RM'000
Contracted but not provided for	<u>872</u>	<u>3,941</u>



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**A12 Significant Related Party Transactions**

The Group's significant related party transactions in the current financial period ended 30 September 2019 are as follows:

	Current Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Companies in which certain key management personnel have significant financial interests:				
- Rental of premises paid/payable	263	263	263	263
- 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 paid/payable	2	2	2	2
- Rental of premises received/receivable	-	(14)	-	(14)
- Sales of goods	(140)	(162)	(140)	(162)

**B. Explanatory Notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad****B1. Review of the Performance of the Group**

	3 Months		Changes %
	Ended 30 Sept		
	2019	2018	
	RM'000	RM'000	
Turnover	39,568	47,013	-15.84%
Profit from operations	5,584	6,307	-11.46%
Profit before tax	5,181	5,696	-9.04%
Profit after tax (PAT)	5,136	5,673	-9.47%
Net PAT margin	12.98%	12.07%	

The Group recorded a decrease in turnover of 15.84% for the current quarter ended 30 September 2019 as compared to the corresponding quarter ended 30 September 2018. This was attributed to lower contract manufacturing orders in the current quarter and lower sales of health supplement products to export markets.

The Group recorded a profit before tax of RM5.18 million for the current quarter ended 30 September 2019 as compared to a profit before tax of RM5.70 million in corresponding quarter of the preceding year. The decrease in profit before tax was mainly due to decrease in sales offset by lower advertisement & promotional expenses incurred in current quarter.

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	Quarter Ended		Changes %
	30 Sept 2019 RM'000	30 Jun 2019 RM'000	
Turnover	39,568	39,802	-0.59%
Profit from operations	5,584	6,159	-9.34%
Profit before tax	5,181	5,583	-7.20%
Profit after tax (PAT)	5,136	6,525	-21.29%
Net PAT margin	12.98%	16.39%	

For the quarter ended 30 September 2019, the Group recorded a decrease in revenue of 0.59% to RM39.57 million as compared to RM39.80 million in the preceding quarter. This was mainly due to decrease in sales of pharmaceutical products to export markets and tender supply to local markets, offset by higher sales achieved for pharmaceutical products in local markets.

The Group recorded a profit before tax of RM5.18 million in the current quarter as compared to the profit before tax of RM5.58 million in the preceding quarter. Decrease in net profit margin in current quarter as compared to preceding quarter was mainly due to higher advertisement and promotional expenses incurred in current quarter.

**B3. Commentary on Prospects**

As the current economic conditions remain challenging, going into the new financial year, the Group will continue to strive to increase its revenue 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.

The Board is of the view that the Group will remain profitable for the rest of the financial year ending 30 June 2020 permitted on the economic conditions remaining relatively unchanged.

**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 Ended 30 Sept		3 Months Ended 30 Sept	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:				
- Current tax expense	45	23	45	23
Total tax expenses	45	23	45	23

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.

**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.

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**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 30-09-19 RM'000	As at 30-09-18 RM'000
(a) Short Term Borrowings		
<u>Secured</u>		
HP Creditors	104	157
Term loan	12,969	12,702
	<u>13,073</u>	<u>12,859</u>
(b) Long Term Borrowings		
<u>Secured</u>		
HP Creditors	18	121
Term loan	28,010	41,117
	<u>28,028</u>	<u>41,238</u>

**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 statement of profit or loss at each reporting date. Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

The outstanding Forward Foreign Exchange Contract as at 30 September 2019 are as follows:

	Contract Amount RM'000	Fair Value RM'000	
Foreign Exchange Forward Contracts			
- Less than 1 year	<u>2,023</u>	<u>2,027</u>	USD 0.484 million

These forward foreign exchange contracts were entered into to hedge against fluctuations in exchange rates. The settlement dates of these contracts range from October 2019 to December 2019.

(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 30 September 2019 and up to 27 November 2019.

**B11. Dividend Declared**

A final dividend of 4.4 sen per ordinary share in respect of the financial year ended 30 June 2019 will be proposed for shareholders' approval at 20th Annual General Meeting of the Company .

No dividend has been proposed in respect of the current financial period ended 30 September 2019.

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**B12. Profit before tax**

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:				
Interest income	(190)	(91)	(190)	(91)
Other income	(240)	(255)	(240)	(255)
Depreciation of property, plant and equipment and Investment Properties	3,669	3,390	3,669	3,390
Depreciation of right-of-use assets	287	-	287	-
Amortisation of deferred income	(73)	(73)	(73)	(73)
Bad debts written off	-	(1)	-	(1)
Rental income from investment properties	(8)	(22)	(8)	(22)
Reversal of impairment loss on trade receivables	-	(153)	-	(153)
Gain on disposal of property, plant and equipment	(1)	(1)	(1)	(1)
Property, plant and equipment written off	46	-	46	-
Foreign exchange gain				
- realised	(348)	(400)	(348)	(400)
- unrealised	(88)	(127)	(88)	(127)
Fair value loss on derivatives financial instrument	16	-	16	-
Government grant received	-	(163)	-	(163)

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 30 September 2019.

**B13. Earnings Per Share**

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2019	2018	2019	2018
<b>(a) Basic Earnings Per Share</b>				
Net Profit attributable to shareholders (RM'000)	5,136	5,673	5,136	5,673
Weighted average number of ordinary shares ('000)	139,473	133,438	139,473	133,438
Basic Earnings per share (sen)	3.68	4.25	3.68	4.25
<b>(b) Diluted Earnings Per Share</b>				
Net Profit attributable to shareholders (RM'000)	5,136	5,673	5,136	5,673
Weighted average number of ordinary shares ('000)	139,473	133,438	139,473	133,438
Adjustment for ESOS ('000)	2,323	8,495	2,323	8,495
	141,796	141,933	141,796	141,933
Diluted Earnings per share (sen)	3.62	4.00	3.62	4.00

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**B14. Audit Report**

The auditors' report of the Group's annual financial statements for the year ended 30 June 2019 did not contain any qualification.

**BY ORDER OF THE BOARD**

**CHUA SIEW CHUAN**  
Secretary

Date : 28 November 2019