

KOTRA INDUSTRIES BERHAD [199901022732 (497632-P)]

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2021
(The figures have not been audited)

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

	Note	Individual Quarter		Cumulative Quarter	
		Current Quarter Ended 30-09-2021 RM'000	Corresponding Quarter Ended 30-9-2020 RM'000	3 Months Cumulative To Date 30-09-2021 RM'000	3 Months Cumulative To Date 30-9-2020 RM'000
Revenue		51,089	34,627	51,089	34,627
Operating expenses		(36,879)	(32,153)	(36,879)	(32,153)
Other operating income		858	293	858	293
Profit from operations		15,068	2,767	15,068	2,767
Finance cost		(146)	(275)	(146)	(275)
Profit before tax		14,922	2,492	14,922	2,492
Tax expense	(B6)	(4)	(13)	(4)	(13)
Profit after tax, representing total comprehensive income for the period		14,918	2,479	14,918	2,479
Earnings per share (sen)					
(a) Basic	(B13)	10.08	1.68	10.08	1.68
(b) Diluted	(B13)	10.08	1.68	10.08	1.68

(The Condensed Consolidated Statement of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2021 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 2021
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30-09-2021	Audited As at 30-06-2021
	Note	RM '000	RM '000
ASSETS			
Non-Current Assets			
Property, plant and equipment		106,512	108,919
Investment properties		1,358	1,364
Right-of-use assets		10,960	11,248
Deferred tax assets		2,955	2,955
		121,785	124,486
Current Assets			
Inventories		38,856	34,304
Trade receivables		32,878	22,622
Other receivables, deposits and prepayments		3,473	2,347
Tax recoverable		95	82
Short term investment		58,800	52,800
Fixed deposit with licensed bank		5,300	8,350
Cash and bank balances		9,180	7,552
		148,582	128,057
TOTAL ASSETS		270,367	252,543
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		84,766	84,715
Share option reserve		99	108
Retained earnings		136,514	121,596
		221,379	206,419
Non-Current Liabilities			
Long term borrowings	(B8)	4,770	6,672
Lease liabilities		82	82
Deferred Income		1,339	1,413
		6,191	8,167
Current Liabilities			
Trade payables		19,852	14,705
Other payables and accruals		12,275	11,048
Derivative liabilities		1	3
Lease liabilities		734	973
Short term borrowings	(B8)	9,935	11,228
		42,797	37,957
Total Liabilities		48,988	46,124
TOTAL EQUITY AND LIABILITIES		270,367	252,543
Net assets per share attributable to ordinary equity holders of the parent (RM)	(B14)	1.50	1.40

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2021 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 2021
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	3 Months Ended 30-09-2021 RM '000	3 Months Ended 30-9-2020 RM '000
Cash Flows From Operating Activities		
Profit before taxation	14,922	2,492
Adjustment for:		
Reversal of impairment loss on trade receivables	(371)	-
Depreciation of property, plant and equipment and investment properties	3,379	3,749
Depreciation of right-of-use assets	288	288
Fair value (gain)/loss on derivatives financial instrument	(2)	9
Unrealised loss on foreign exchange	152	315
Amortisation of deferred income	(74)	(74)
Loss / (Gain) on disposal of property, plant and equipment	2	(14)
Interest expense	146	275
Interest income	(193)	(170)
Operating profit before working capital changes	<u>18,249</u>	<u>6,870</u>
Increase in inventories	(4,552)	(1,123)
(Increase) / Decrease in receivables	(11,087)	2,098
Increase / (Decrease) in payables	6,374	(1,164)
Cash generated from operations	<u>8,984</u>	<u>6,681</u>
Tax paid	(17)	(40)
Net cash from operating activities	<u>8,967</u>	<u>6,641</u>
Cash Flows For Investing Activities		
Interest received	193	170
Purchase of property, plant and equipment	(969)	(1,515)
Proceed from disposal of property, plant and equipment	1	14
Net cash for investing activities	<u>(775)</u>	<u>(1,331)</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	3 Months Ended 30-09-2021 RM '000	3 Months Ended 30-9-2020 RM '000
Cash Flows For Financing Activities		
Repayment of lease liabilities	(239)	(262)
Repayment of term loans	(3,195)	(3,306)
Proceeds from issuance of shares	42	1,478
Interest paid	(146)	(275)
Net cash for financing activities	<u>(3,538)</u>	<u>(2,365)</u>
Net Increase in Cash & Cash Equivalents	4,654	2,945
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(76)	(134)
Cash & Cash Equivalents at beginning of the financial period	68,702	49,326
Cash & Cash Equivalents at end of financial period	<u><u>73,280</u></u>	<u><u>52,137</u></u>
The Cash & Cash Equivalents Comprise The Following :-		
Fixed deposit with licensed bank	5,300	10,700
Short term investment	58,800	34,200
Cash and bank balances	9,180	7,237
	<u><u>73,280</u></u>	<u><u>52,137</u></u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2021 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 CHANGES IN EQUITY

	Share Capital RM '000	Non - distributable Share Option Reserve RM '000	Distributable Retained Profits RM '000	Total RM '000
As at 30 September 2021				
Balance at 1 July 2021	84,715	108	121,596	206,419
Profit after tax, representing total comprehensive income for the year	-	-	14,918	14,918
Share options exercised	51	(9)	-	42
Balance at 30 September 2021	<u>84,766</u>	<u>99</u>	<u>136,514</u>	<u>221,379</u>
As at 30 September 2020				
As at 1 July 2020	81,823	1,201	106,822	189,846
Profit after tax, representing total comprehensive expense for the year	-	-	2,479	2,479
Share options exercised	2,451	(973)	-	1,478
Balance at 30 September 2020	<u>84,274</u>	<u>228</u>	<u>109,301</u>	<u>193,803</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 2021 and the accompanying explanatory notes attached to this interim financial report)

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QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2021

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 2021 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 2021.

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 2021 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)

Amendments to MFRS 9, MFRS139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2

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 for the period under review.

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:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 3 : Reference to the Conceptual Framework	1-Jan-22
Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current	1-Jan-23
Amendments to MFRS 101 : Disclosure of Accounting Policies	1-Jan-23
Amendments to MFRS 108 : Definition of Accounting Estimates	1-Jan-23
Amendments to MFRS 112 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1-Jan-23
Amendments to MFRS 116 : Property, Plant and Equipment - Proceeds before Intended Use	1-Jan-22
Amendments to MFRS 137 : Onerous Contracts – Cost of Fulfilling a Contract	1-Jan-22
Annual Improvements to MFRS Standards 2018–2020	1-Jan-22

The adoption of the above-mentioned Malaysian Financial Reporting Standards and IC 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 were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence.

KOTRA INDUSTRIES BERHAD [199901022732 (497632-P)]QUARTERLY REPORT ON CONSOLIDATED RESULTS
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There were 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 2021 except for the issuance of 30,000 ordinary shares pursuant to the Company's Employee Share Option Scheme at the exercise price of RM1.40 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 2021 is as follows:

	Current Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Local	33,699	23,438	33,699	23,438
Export	17,390	11,189	17,390	11,189
External revenue	<u>51,089</u>	<u>34,627</u>	<u>51,089</u>	<u>34,627</u>
Local	11,736	4,704	11,736	4,704
Export	5,153	538	5,153	538
Profit from operations	<u>16,889</u>	<u>5,242</u>	<u>16,889</u>	<u>5,242</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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit from operations for reportable segments	16,889	5,242	16,889	5,242
Expenses managed on a central basis	(2,679)	(2,768)	(2,679)	(2,768)
Other operating income	858	293	858	293
Consolidated profit from operations	<u>15,068</u>	<u>2,767</u>	<u>15,068</u>	<u>2,767</u>
Finance cost	(146)	(275)	(146)	(275)
Consolidated Profit before tax	<u>14,922</u>	<u>2,492</u>	<u>14,922</u>	<u>2,492</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.

KOTRA INDUSTRIES BERHAD [199901022732 (497632-P)]QUARTERLY REPORT ON CONSOLIDATED RESULTS
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There were no changes in the composition of the Group, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, or discontinuance of 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 30-09-2021 RM'000	As at 30-09-2020 RM'000
Contracted but not provided for	1,761	1,176

A12. Significant Related Party Transactions

The Group's significant related party transactions for the current financial period ended 30 September 2021 are as follows:

	Current Quarter Ended 30 Sept		3 Months Ended 30 Sept	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Companies in which certain key management personnel have significant financial interests:				
- Lease expenses on short term leases	16	19	16	19
- Lease expenses	246	246	246	246
A company in which a close member of the family of certain key management personnel has significant financial interests:				
- (Sales)/Returns of goods	(64)	11	(64)	11

The above recurrent transactions were entered into based on normal commercial terms.

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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**

	3 Months		Changes %
	Ended 30 Sept		
	2021	2020	
	RM'000	RM'000	
Turnover	51,089	34,627	47.54%
Profit from operations	15,068	2,767	444.56%
Profit before tax	14,922	2,492	498.80%
Profit after tax (PAT)	14,918	2,479	501.77%
Net PAT margin	29.20%	7.16%	

The Group recorded an increase in turnover of 47.54% for the current period ended 30 September 2021 as compared to the corresponding 3 months ended 30 September 2020. This was attributed to an increase in tender sales to local market and increase in sales of pharmaceutical products and health supplements products to both local and export markets.

The Group recorded a profit before tax of RM14.92 million for the 3 months ended 30 September 2021 as compared to a profit before tax of RM2.49 million for the 3 months ended 30 September 2020. This is mainly due to exceptionally low sales in the quarter ended September 2020. The lockdown and the Covid-19 situation impacted our sales during that quarter. With such lower sales, our profit before tax was impacted as certain expenditure was fixed in nature.

The significantly higher sales achieved in current quarter was due to increase in sales order when the market gradually open as our customers started to replenish their stocks. In addition, there was also an increase in sales of products with better margin. This has led to the significant improvement in the profit before tax for the current quarter.

B2. Comparison with Preceding Quarter's Results

	Quarter Ended		Changes %
	30 Sept	30 Jun	
	2021	2021	
	RM'000	RM'000	
Turnover	51,089	43,475	17.51%
Profit from operations	15,068	14,482	4.05%
Profit before tax	14,922	14,305	4.31%
Profit after tax (PAT)	14,918	12,439	19.93%
Net PAT margin	29.20%	28.61%	

For the quarter ended 30 September 2021, the Group recorded an increase in revenue of 17.51% to RM51.09 million as compared to RM43.48 million in the preceding quarter. This was attributed to an increase in tender sales to local market and sales of health supplement products to local markets.

The Group recorded a profit before tax of RM14.92 million in the current quarter as compared to the profit before tax of RM14.31 million in the preceding quarter. The slight increase was mainly due to higher sales achieved in current quarter, offset by higher advertisement and promotional expenditure incurred to drive offtake at stores and to maintain brand awareness.

B3. Commentary on Prospects

The market conditions remain challenging despite the gradual reopening of the global as well as the local economic sectors following successful vaccination programme rollouts. The Group will continue to strive to deliver revenue from local and export markets, as well as pursue new tenders to utilise its available production capacity while leveraging the R&D activities for new products.

As the Covid-19 pandemic is still unabated, we remain committed to prioritise the well-being of our employees with stringent safety measures in place. At the same time, we are working closely with our suppliers and trade partners to ensure minimal supply chain disruption to our products during this period. We will continue to execute cost optimisation initiatives to deliver efficiencies and savings and strengthen our brand so as to ensure the Group is in position to benefit when recovery kicks in. The Group is also looking forward to the opening of borders so that we can further enhance our presence in the overseas markets.

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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		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current tax expense	4	13	4	13
Total tax expenses	4	13	4	13

The current tax expense for the period under review relates to the non-business income of the Group. There is no tax charge on the profit from business income due to the availability of tax incentives on double deduction for eligible expenses provided under the Promotion of Investments Act 1986 and availability of unutilised capital allowances and unabsorbed tax losses which are able to offset against taxable profits of the Group.

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	As at
	30-09-2021	30-9-2020
	RM'000	RM'000
(a) Short Term Borrowings		
<u>Secured</u>		
Term loan	9,935	13,119
	9,935	13,119
(b) Long Term Borrowings		
<u>Secured</u>		
Term loan	4,770	14,784
	4,770	14,784

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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 and other comprehensive income 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 Contracts as at 30 September 2021 are as follows:

	Contract Amount RM'000	Fair Value RM'000	
Foreign Exchange Forward Contracts			
- Less than 1 year	<u>206</u>	<u>207</u>	USD 0.049 million

These forward foreign exchange contracts were entered into to hedge against fluctuations in exchange rates. The settlement date of these contracts is in the month of October 2021.

- (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 financial period ended 30 September 2021 and up to 25 November 2021.

B11. Dividend Declared

The shareholders had on 26 November 2021, at the Company's 22nd Annual General Meeting, approved the final dividend of 7.0 sen per ordinary share in respect of the financial year ended 30 June 2021.

No dividend has been proposed in respect of the current financial period ended 30 September 2021.

B12. Profit before tax

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:				
Interest income	(193)	(170)	(193)	(170)
Other income	(228)	(250)	(228)	(250)
Depreciation of property, plant and equipment and investment properties	3,379	3,749	3,379	3,749
Depreciation of right-of-use assets	288	288	288	288
Amortisation of deferred income	(74)	(74)	(74)	(74)
Reversal of impairment loss on trade receivables	(371)	-	(371)	-
Loss/(Gain) on disposal of property, plant and equipment	2	(14)	2	(14)
Foreign exchange (gain) / loss				
- realised	(513)	(101)	(513)	(101)
- unrealised	152	315	152	315
Fair value (gain)/loss on derivatives financial instrument	(2)	9	(2)	9

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 2021.

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B13. Earnings Per Share

	Quarter		3 Months	
	Ended 30 Sept		Ended 30 Sept	
	2021	2020	2021	2020
(a) Basic Earnings Per Share				
Net Profit attributable to shareholders (RM'000)	<u>14,918</u>	<u>2,479</u>	<u>14,918</u>	<u>2,479</u>
Weighted average number of ordinary shares ('000)	<u>147,972</u>	<u>147,342</u>	<u>147,972</u>	<u>147,342</u>
Basic Earnings per share (sen)	10.08	1.68	10.08	1.68
(b) Diluted Earnings Per Share				
Net Profit attributable to shareholders (RM'000)	<u>14,918</u>	<u>2,479</u>	<u>14,918</u>	<u>2,479</u>
Weighted average number of ordinary shares ('000)	147,972	147,342	147,972	147,342
Adjustment for ESOS ('000)	<u>55</u>	<u>269</u>	<u>55</u>	<u>269</u>
	<u>148,027</u>	<u>147,611</u>	<u>148,027</u>	<u>147,611</u>
Diluted Earnings per share (sen)	10.08	1.68	10.08	1.68

B14. Net assets per share

	Unaudited	Audited
	As at	As at
	30-09-2021	30-6-2021
Number of ordinary shares issued ('000)	<u>147,974</u>	<u>147,944</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u>1.50</u>	<u>1.40</u>

B15. Audit Report

The auditors' report on the Group's annual financial statements for the year ended 30 June 2021 did not contain any qualification.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN
Secretary

Date : 26 November 2021