

KOTRA INDUSTRIES BERHAD [199901022732 (497632-P)]QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2022

(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 31-12-22 RM'000	Corresponding Quarter Ended 31-12-21 RM'000	6 Months Cumulative To Date 31-12-22 RM'000	6 Months Cumulative To Date 31-12-21 RM'000
Revenue		62,251	52,817	127,003	103,906
Operating expenses		(45,014)	(39,576)	(93,477)	(76,455)
Other operating income/(expenses)		(636)	782	1,486	1,640
Profit from operations		16,601	14,023	35,012	29,091
Finance cost		(47)	(114)	(107)	(260)
Profit before tax		16,554	13,909	34,905	28,831
Tax expense	(B6)	(143)	(5)	(254)	(9)
Profit after tax, representing total comprehensive income for the period		<u>16,411</u>	<u>13,904</u>	<u>34,651</u>	<u>28,822</u>
Earnings per share (sen)					
(a) Basic	(B12)	11.09	9.40	23.41	19.48
(b) Diluted	(B12)	11.09	9.39	23.41	19.47

(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 2022 and the accompanying explanatory notes attached to this interim financial report)

KOTRA INDUSTRIES BERHAD [199901022732 (497632-P)]

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2022

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 31-12-2022	Audited As at 30-06-2022
	Note	RM '000	RM '000
ASSETS			
Non-Current Assets			
Property, plant and equipment		110,482	99,154
Investment properties		1,325	1,338
Right-of-use assets		10,481	11,054
Deferred tax assets		6,970	6,970
		129,258	118,516
Current Assets			
Inventories		50,825	45,699
Trade receivables		38,165	35,124
Other receivables, deposits and prepayments		3,730	9,852
Tax recoverable		73	246
Short term investment		945	945
Fixed deposit with licensed bank		84,631	65,500
Cash and bank balances		5,538	23,271
		183,907	180,637
TOTAL ASSETS		313,165	299,153
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		84,786	84,766
Share option reserve		91	99
Retained earnings		170,248	159,275
		255,125	244,140
Non-Current Liabilities			
Lease liabilities		82	82
Deferred Income		971	1,118
		1,053	1,200
Current Liabilities			
Trade payables		24,522	18,553
Other payables and accruals		29,033	27,609
Derivative liabilities		-	15
Lease liabilities		486	965
Short term borrowings	(B8)	2,946	6,671
		56,987	53,813
Total Liabilities		58,040	55,013
TOTAL EQUITY AND LIABILITIES		313,165	299,153
Net assets per share attributable to ordinary equity holders of the parent (RM)			
	(B13)	1.72	1.65

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2022 and the accompanying explanatory notes attached to this interim financial report)

KOTRA INDUSTRIES BERHAD [199901022732 (497632-P)]QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2022

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	6 Months Ended 31-12-22 RM '000	6 Months Ended 31-12-21 RM '000
Cash Flows From Operating Activities		
Profit before taxation	34,905	28,831
Adjustment for:		
Reversal of impairment loss on trade receivables	-	(603)
Depreciation of property, plant and equipment and investment properties	6,785	6,754
Depreciation of right-of-use assets	573	576
Fair value gain on derivatives financial instrument	(15)	(11)
Unrealised loss on foreign exchange	1,236	215
Inventories written down	1,959	157
Amortisation of deferred income	(147)	(148)
Gain on disposal of property, plant and equipment	-	2
Interest expense	107	260
Interest income	(1,069)	(484)
Operating profit before working capital changes	<u>44,334</u>	<u>35,549</u>
Increase in inventories	(7,085)	(10,162)
Decrease / (Increase) in receivables	1,731	(8,343)
Increase in payables	<u>7,393</u>	<u>5,529</u>
Cash generated from operations	46,373	22,573
Tax paid	<u>(81)</u>	<u>(41)</u>
Net cash from operating activities	<u>46,292</u>	<u>22,532</u>
Cash Flows For Investing Activities		
Interest received	1,069	484
Purchase of property, plant and equipment	(17,239)	(667)
Proceeds from disposal of property, plant and equipment	-	1
Net cash for investing activities	<u>(16,170)</u>	<u>(182)</u>

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FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2022
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	6 Months Ended 31-12-22 RM '000	6 Months Ended 31-12-21 RM '000
Cash Flows For Financing Activities		
Dividend paid	(23,678)	(10,358)
Repayment of lease liabilities	(479)	(479)
Repayment of term loans	(3,725)	(5,950)
Proceeds from issuance of shares	12	42
Interest paid	(107)	(260)
Net cash for financing activities	<u>(27,977)</u>	<u>(17,005)</u>
Net Increase in Cash & Cash Equivalents	2,145	5,345
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(747)	(109)
Cash & Cash Equivalents at beginning of the financial period	89,716	68,702
Cash & Cash Equivalents at end of financial period	<u><u>91,114</u></u>	<u><u>73,938</u></u>
The Cash & Cash Equivalents Comprise The Following :-		
Fixed deposits with licensed bank	84,631	3,600
Short term investment	945	53,800
Cash and bank balances	5,538	16,538
	<u><u>91,114</u></u>	<u><u>73,938</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 2022 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 31 December 2022				
Balance at 1 July 2022	84,766	99	159,275	244,140
Profit after tax, representing total comprehensive income for the year	-	-	34,651	34,651
Dividend paid	-	-	(23,678)	(23,678)
Share options exercised	20	(8)	-	12
Balance at 31 December 2022	<u>84,786</u>	<u>91</u>	<u>170,248</u>	<u>255,125</u>
As at 31 December 2021				
As at 1 July 2021	84,715	108	121,596	206,419
Profit after tax, representing total comprehensive expense for the year	-	-	28,822	28,822
Dividend paid	-	-	(10,358)	(10,358)
Share options exercised	51	(9)	-	42
Balance at 31 December 2021	<u>84,766</u>	<u>99</u>	<u>140,060</u>	<u>224,925</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 2022 and the accompanying explanatory notes attached to this interim financial report)

KOTRA INDUSTRIES BERHAD [199901022732 (497632-P)]

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2022

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 31 December 2022 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 2022.

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 2022 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 3 : Reference to the Conceptual Framework

Amendments to MFRS 116 : Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137 : Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018–2020

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 MFRS16: Lease Liability in a Sale and Leaseback

01-Jan-24

Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current

01-Jan-24

Amendments to MFRS 101 : Non-current liabilities with covenants

01-Jan-24

Amendments to MFRS 101 : Disclosure of Accounting Policies

01-Jan-23

Amendments to MFRS 108 : Definition of Accounting Estimates

01-Jan-23

Amendments to MFRS 112 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction

01-Jan-23

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 the assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2022

A4. Changes in Estimates

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 31 December 2022 except for the issuance of 17,600 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 16.0 sen per ordinary share in respect of the financial year ended 30 June 2022 amounting to RM23,678,733 was paid on 8 December 2022.

A7. Segmental Information

The segment information in respect of the Group's operating segments for the period ended 31 December 2022 is as follows:

	Current Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Local	39,251	31,956	85,706	65,655
Export	23,000	20,861	41,297	38,251
External revenue	<u>62,251</u>	<u>52,817</u>	<u>127,003</u>	<u>103,906</u>
Local	13,678	11,005	27,493	22,741
Export	7,701	5,398	13,647	10,551
Profit from operations	<u>21,379</u>	<u>16,403</u>	<u>41,140</u>	<u>33,292</u>

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

	Current Quarter		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit from operations for reportable segments	21,379	16,403	41,140	33,292
Expenses managed on a central basis	(4,142)	(3,162)	(7,614)	(5,841)
Other operating income	(636)	782	1,486	1,640
Consolidated profit from operations	<u>16,601</u>	<u>14,023</u>	<u>35,012</u>	<u>29,091</u>
Finance cost	(47)	(114)	(107)	(260)
Consolidated Profit before tax	<u>16,554</u>	<u>13,909</u>	<u>34,905</u>	<u>28,831</u>

A8. Events After the Interim Period

There were no material events after the quarter ended 31 December 2022 and up to 23 February 2023 that have not been reflected in these financial statements.

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, or discontinuance of 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 are as follows:

	As at 31-12-22 RM'000	As at 31-12-21 RM'000
Contracted but not provided for	42,002	12,368

A12. Significant Related Party Transactions

The Group's significant related party transactions for the current financial period ended 31 December 2022 are as follows:

	Current Quarter Ended 31 Dec		6 Months Ended 31 Dec	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Companies in which certain key management personnel have significant financial interests:				
- Lease payment on short term leases	12	16	27	32
- Lease payment for right-of-use asset	246	246	492	492
A company in which a close member of the family of certain key management personnel has significant financial interests:				
- Sales of goods	(104)	(134)	(260)	(198)

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

(a) Performance of the current quarter against the preceding year corresponding quarter

	Current Quarter Ended 31 Dec		Changes %
	2022 RM'000	2021 RM'000	
Turnover	62,251	52,817	17.86%
Profit from operations	16,601	14,023	18.38%
Profit before tax	16,554	13,909	19.02%
Profit after tax (PAT)	16,411	13,904	18.03%
Net PAT margin	<u>26.36%</u>	<u>26.32%</u>	

The Group recorded an increase in turnover of 17.86% for the current quarter ended 31 December 2022 as compared to the corresponding quarter ended 31 December 2021. This was attributed mainly to the sales of pharmaceutical products in the local market and also the increase of export sales.

The higher sales achieved for pharmaceutical products in current quarter was due to a surge in demand for medication mainly from local markets, where there were major shortages of various prescriptions as compared to the preceding year.

The Group recorded a profit before tax of RM16.55 million for current quarter ended 31 December 2022 as compared to a profit before tax of RM13.91 million in corresponding quarter of the preceding year. The better results were attributed to the higher sales achieved in current quarter.

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

	6 Months Ended 31 Dec		Changes %
	2022 RM'000	2021 RM'000	
Turnover	127,003	103,906	22.23%
Profit from operations	35,012	29,091	20.35%
Profit before tax	34,905	28,831	21.07%
Profit after tax (PAT)	34,651	28,822	20.22%
Net PAT margin	<u>27.28%</u>	<u>27.74%</u>	

The Group recorded an increase in turnover of 22.23% for the current period ended 31 December 2022 as compared to the corresponding 6 months ended 31 December 2021. This was mainly due to increase in sales of pharmaceutical products to local market and also the increase of export sales. The significantly higher sales achieved was due to increase in demand for medication from local market, where there were major shortages of various prescriptions as compared to the preceding year.

The Group recorded a profit before tax of RM34.91 million for the 6 months ended 31 December 2022 as compared to a profit before tax of RM28.83 million for the 6 months ended 31 December 2021. The increase was mainly due to higher sales achieved for the period, offset by higher foreign exchange loss in addition to increase in advertisement and promotional expenditure incurred for brand awareness.

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B2. Comparison with Preceding Quarter's Results

	Quarter Ended		Changes %
	31 Dec 2022	30 Sept 2022	
	RM'000	RM'000	
Turnover	62,251	64,752	-3.86%
Profit from operations	16,601	18,411	-9.83%
Profit before tax	16,554	18,351	-9.79%
Profit after tax (PAT)	16,411	18,240	-10.03%
Net PAT margin	26.36%	28.17%	

For the quarter ended 31 December 2022, the Group recorded a decrease in revenue of 3.86% to RM62.25 million as compared to RM64.75 million in the preceding quarter. This was mainly due to decrease in sales of pharmaceutical products in the local market, offset by higher sales of pharmaceutical products to the overseas market.

The Group recorded a profit before tax of RM16.55 million in the current quarter as compared to the profit before tax of RM18.35 million in the preceding quarter, in tandem with lower revenue generated for the quarter under review. The decrease was also due to foreign exchange loss during the quarter.

B3. Current Year Prospects

The Russo-Ukrainian war, various geopolitical tension, inflation and hikes in interest rates by major central banks globally have caused economic uncertainty. The ongoing global supply chain disruption has also resulted in procurement bottlenecks, with the costs of materials and logistics continuing to rise.

Whilst the Group managed to bring in encouraging results for the financial period ended 31 December 2022, the Board continues to exercise vigilance in decision-making and takes steps to monitor and review the Group's strategic plans periodically so as to create sustainable value for shareholders.

Based on prevailing market sentiments and sustained demand for the Group's products, the Board is of the view that the operations of the Group will remain profitable for the financial year ending 30 June 2023.

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		6 Months	
	Ended 31 Dec		Ended 31 Dec	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current tax expense	143	5	254	9
Total tax expenses	143	5	254	9

The current income 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 to offset against taxable profits of the Group.

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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 31-12-22 RM'000	As at 31-12-21 RM'000
(a) Short Term Borrowings		
<u>Secured</u>		
Term loan	2,946	9,004
	2,946	9,004
(b) Long Term Borrowings		
<u>Secured</u>		
Term loan	-	2,946
	-	2,946
	-	2,946

B9. Material Litigation

There was no material litigation since the financial period ended 31 December 2022 and up to 23 February 2023.

B10. Dividend Declared

The Board of Directors declares an interim single tier dividend of 10.0 sen per ordinary share in respect of the financial year ending 30 June 2023, amounting to approximately RM 14.8 million. The entitlement date and payment date for the interim dividend are 14 March 2023 and 23 March 2023 respectively.

B11. Profit before tax

	Quarter Ended 31 Dec		6 Months Ended 31 Dec	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:				
Interest income	(601)	(291)	(1,069)	(484)
Other income	(153)	(73)	(254)	(301)
Depreciation of property, plant and equipment and investment properties	3,393	3,375	6,785	6,754
Depreciation of right-of-use assets	286	288	573	576
Amortisation of deferred income	(73)	(74)	(147)	(148)
Reversal of impairment loss on trade receivables	-	(232)	-	(603)
Gain on disposal of property, plant and equipment	-	-	-	2
Provision for/(write back of) inventories obsolescence	(819)	(442)	1,959	(285)
Foreign exchange (gain) / loss				
- realised	(389)	(400)	(795)	(913)
- unrealised	2,294	63	1,236	215
Fair value gain on derivatives financial instrument	-	(9)	(15)	(11)

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 2022.

KOTRA INDUSTRIES BERHAD [199901022732 (497632-P)]QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2022**B12. Earnings Per Share**

	Quarter		6 Months	
	Ended 31 Dec	Ended 31 Dec	Ended 31 Dec	Ended 31 Dec
	2022	2021	2022	2021
(a) Basic Earnings Per Share				
Net Profit attributable to shareholders (RM'000)	16,411	13,904	34,651	28,822
Weighted average number of ordinary shares ('000)	147,988	147,972	147,988	147,972
Basic Earnings per share (sen)	11.09	9.40	23.41	19.48
(b) Diluted Earnings Per Share				
Net Profit attributable to shareholders (RM'000)	16,411	13,904	34,651	28,822
Weighted average number of ordinary shares ('000)	147,988	147,972	147,988	147,972
Adjustment for ESOS ('000)	53	56	53	56
	148,041	148,028	148,041	148,028
Diluted Earnings per share (sen)	11.09	9.39	23.41	19.47

B13. Net assets per share

	Unaudited	Audited
	As at	As at
	31-12-22	30-6-2022
Number of ordinary shares issued ('000)	147,992	147,974
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.72	1.65

B14. Audit Report

The auditors' report on the Group's annual financial statements for the year ended 30 June 2022 did not contain any qualification.

BY ORDER OF THE BOARD**CHUA SIEW CHUAN**
Secretary

Date : 24 February 2023