

Engtex Group Berhad (Company No: 536693-X)

Quarterly Report on consolidated results For the First Quarter ended 31 March 2017

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position As at 31 March 2017

	Note	As at 31 March 2017 RM'000	Audited As at 31 December 2016 RM'000
<u>ASSETS</u>			
Property, plant and equipment		379,102	378,602
Investment properties		18,333	18,439
Deferred tax assets		3,814	3,718
Total non-current assets		401,249	400,759
Property development cost		133,318	127,868
Inventories		324,988	325,436
Receivables, deposits and prepayments		323,604	334,204
Assets held for sale		5,343	9,903
Current tax assets		2,834	2,513
Cash and bank balances		70,891	49,144
Total current assets		860,978	849,068
TOTAL ASSETS		1,262,227	1,249,827
<u>EQUITY AND LIABILITIES</u>			
Share capital		176,302	156,332
Reserves		383,979	371,258
Total equity attributable to owners of the Company		560,281	527,590
Non-controlling interests		23,016	21,665
TOTAL EQUITY		583,297	549,255
<u>LIABILITIES</u>			
Loans and borrowings	B7	137,305	146,600
Deferred tax liabilities		10,868	10,868
Total non-current liabilities		148,173	157,468
Payables and accruals		141,437	152,431
Loans and borrowings	B7	374,724	378,089
Current tax liabilities		14,596	12,584
Total current liabilities		530,757	543,104
TOTAL LIABILITIES		678,930	700,572
TOTAL EQUITY AND LIABILITIES		1,262,227	1,249,827

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

Engtex Group Berhad (Company No: 536693-X)

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the financial period ended 31 March 2017**

	Note	Individual quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue		253,817	261,407	253,817	261,407
Cost of sales		(207,899)	(212,817)	(207,899)	(212,817)
Gross profit		45,918	48,590	45,918	48,590
Other operating income		9,750	1,199	9,750	1,199
Operating expenses		(25,517)	(23,697)	(25,517)	(23,697)
Finance cost		(6,062)	(5,510)	(6,062)	(5,510)
Profit before tax	B11	24,089	20,582	24,089	20,582
Tax expense	B5	(5,742)	(5,418)	(5,742)	(5,418)
Profit for the financial period		18,347	15,164	18,347	15,164
Other comprehensive (expense)/income, net of tax					
Foreign currency translation differences for foreign operations		(17)	4	(17)	4
Total other comprehensive (expense)/income for the financial period		(17)	4	(17)	4
Profit and total comprehensive income for the financial period		18,330	15,168	18,330	15,168
Profit attributable to:					
Owners of the Company		17,896	14,656	17,896	14,656
Non-controlling interests		451	508	451	508
Profit for the financial period		18,347	15,164	18,347	15,164
Total comprehensive income attributable to:					
Owners of the Company		17,879	14,660	17,879	14,660
Non-controlling interests		451	508	451	508
Profit and total comprehensive income for the financial period		18,330	15,168	18,330	15,168
Basic earnings per ordinary shares (sen)	B10	5.67	4.86	5.67	4.86
Diluted earnings per ordinary shares (sen)	B10	4.96	4.19	4.96	4.19

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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**Condensed Consolidated Statement of Changes In Equity
For the financial period ended 31 March 2017**

Note	/-----Attributable to owners of the Company-----/ /-----Non-distributable-----/ Distributable						Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000		
At 1 January 2017	156,332	5,158	(102)	(1,159)	367,361	527,590	21,665	549,255
Foreign currency translation differences for foreign operations	-	-	(17)	-	-	(17)	-	(17)
Total other comprehensive expense for the financial period	-	-	(17)	-	-	(17)	-	(17)
Profit for the financial period	-	-	-	-	17,896	17,896	451	18,347
Profit and total comprehensive income for the financial period	-	-	(17)	-	17,896	17,879	451	18,330
Issuance of shares pursuant to exercise of warrants	A6(i) 8,923	5,889	-	-	-	14,812	-	14,812
Shares issued by a subsidiary	-	-	-	-	-	-	900	900
Transfer of share premium account pursuant to Companies Act, 2016	11,047	(11,047)	-	-	-	-	-	-
At 31 March 2017	176,302	-	(119)	(1,159)	385,257	560,281	23,016	583,297

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**Condensed Consolidated Statement of Changes In Equity
For the financial period ended 31 March 2017**

Note	/-----Attributable to owners of the Company-----/ /-----Non-distributable-----/ Distributable						Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000		
At 1 January 2016	150,767	1,485	(98)	(1,136)	310,643	461,661	22,243	483,904
Foreign currency translation differences for foreign operations	-	-	4	-	-	4	-	4
Total other comprehensive income for the financial period	-	-	4	-	-	4	-	4
Profit for the financial period	-	-	-	-	14,656	14,656	508	15,164
Profit and total comprehensive income for the financial period	-	-	4	-	14,656	14,660	508	15,168
Issuance of shares pursuant to exercise of warrants	1,250	825	-	-	-	2,075	-	2,075
Shares issued by a subsidiary	-	-	-	-	-	-	100	100
At 31 March 2016	152,017	2,310	(94)	(1,136)	325,299	478,396	22,851	501,247

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

Engtex Group Berhad (Company No: 536693-X)**Condensed Consolidated Statement of Cash Flows
For the financial period ended 31 March 2017**

	Note	3 months ended	
		31 March	
		2017	2016
		RM'000	RM'000
Cash flows from operating activities			
Profit before tax		24,089	20,582
Adjustments for:			
Allowance for impairment losses on trade receivables		883	368
Allowance for impairment losses written back on trade receivables		(178)	(157)
Bad debts recovered		-	(2)
Bad debts written off		5	-
Depreciation of:			
- investment properties		106	109
- property, plant and equipment		5,325	4,748
Finance cost		6,062	5,510
Gain on disposal of:			
- assets held for sale		(7,085)	-
- property, plant and equipment		(628)	(93)
Interest income		(173)	(173)
Inventories written down		2,396	-
		<hr/>	<hr/>
Operating profit before changes in working capital		30,802	30,892
Changes in:			
Inventories		(1,920)	27,896
Receivables, deposits and prepayments		9,893	14,532
Payables and accruals		(11,045)	(16,071)
Property development cost		(4,867)	(4,734)
		<hr/>	<hr/>
Cash generated from operations		22,863	52,515
Interest paid		(358)	(372)
Net tax paid		(4,147)	(3,252)
		<hr/>	<hr/>
Net cash from operating activities		18,358	48,891
		<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(3,277)	(21,719)
Increase in pledged deposits placed with licensed banks		-	(2)
Interest received		173	173
Proceeds from disposal of:			
- assets held for sale		11,645	-
- property, plant and equipment		1,132	100
		<hr/>	<hr/>
Net cash from/(used in) investing activities		9,673	(21,448)
		<hr/>	<hr/>

Engtex Group Berhad (Company No: 536693-X)

**Condensed Consolidated Statement of Cash Flows
For the financial year period 31 March 2017**

		3 months ended 31 March	
	Note	2017 RM'000	2016 RM'000
Cash flows from financing activities			
Interest paid		(6,287)	(6,183)
Net proceeds from/(repayment of) other borrowings		21,015	(3,642)
Proceeds from:			
- issuance of shares to non-controlling interests		900	100
- issuance of shares pursuant to warrants	A6(i)	14,812	2,075
- term loans		-	5,445
- finance lease liabilities		1,412	-
Repayments of:			
- finance lease liabilities		(2,276)	(1,845)
- term loans		(15,208)	(5,069)
- revolving credit		(7,500)	-
		<hr/>	<hr/>
Net cash from/(used in) financing activities		6,868	(9,119)
		-----	-----
Net increase in cash and cash equivalents		34,899	18,324
Effect of exchange rate fluctuation on cash held		3	(17)
Cash and cash equivalents at beginning of financial period		20,691	13,163
		<hr/>	<hr/>
Cash and cash equivalents at end of financial period		55,593	31,470
		=====	=====

Notes:

Cash and cash equivalents comprise:

	As at 31 March	
	2017 RM'000	2016 RM'000
Cash and bank balances	40,270	35,848
Deposits placed with licensed banks	30,621	18,832
Bank overdrafts	(13,915)	(21,864)
	<hr/>	<hr/>
	56,976	32,816
Less: Deposits pledged	(1,383)	(1,346)
	<hr/>	<hr/>
	55,593	31,470
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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Notes to the interim financial report for the financial quarter ended 31 March 2017

A. Compliance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting and Bursa Listing Requirements

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134 – *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016. The accounting policies and methods of computation followed by the Group in this interim financial report are consistent with those adopted in the financial statements of the Group for the financial year ended 31 December 2016 except for the following:

Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations

In the current financial period ended 31 March 2017, the Group adopted the following Amendments to FRSs which are applicable to its financial statement effective for annual periods beginning on or after 1 January 2017:

- Amendments to FRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The above Amendments are expected to have no significant impact on the financial statements of the Group upon their initial application.

Malaysian Financial Reporting Standards (“MFRS Framework”)

The Group has subsidiaries which fall within the scope of IC Interpretation 15, *Agreements for the Construction of Real Estate*. Therefore, the Group and these subsidiaries are currently exempted from adopting the Malaysian Financial Reporting Standards (“MFRS”) and is referred to as a Transitioning Entity (“TE”).

The financial statements of the Group and the Company for the annual period beginning on 1 January 2018 will be prepared in accordance with MFRS issued by the Malaysian Accounting Standards Board (“MASB”) and International Financial Reporting Standards (“IFRS”).

A2. Qualification of Audit Report

The audit report of the Group’s preceding annual financial statements was reported without qualification.

A3. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors in the current financial quarter.

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A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

The business of the Group was not affected by any significant unusual items affecting assets, liabilities, equity, net income or cash flows in the current financial quarter and financial year-to-date.

A5. Material changes in estimates

There were no material changes in estimates used in reporting the current financial quarter as compared to the financial statements of the Group for the financial year ended 31 December 2016.

A6. Debt and Equity Securities

On 26 May 2016, the shareholders of the Company granted their approval for the Company's plan to repurchase its own ordinary shares at the Fifteenth Annual General Meeting held on even-date.

There were no other issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the current financial quarter and financial year-to-date, except as follows:-

(i) Issuance of new shares and warrants

During the current financial quarter, 17,844,587 warrants were exercised by the registered warrant holders to subscribe for 17,844,587 new ordinary shares at a price of RM0.83 each per ordinary share.

As at the end of the current financial quarter, 114,990,771 Warrants (2007/2017) remained unexercised.

(ii) Repurchase of treasury shares

The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. There were 1,150,000 treasury shares held at end of the current financial quarter.

A7. Dividend paid

No dividend was paid during the current financial quarter.

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A8. Operating segment information

The Group has 4 reportable segments, as described below, which are the Group's strategic business units. For each strategic business units, the Group Managing Director and the Board of Directors review management reports on at least a quarterly basis. The following summary described the operations in each of the Group reportable segments:

Wholesale and distribution	Wholesale and distribution of pipes, valves, fittings, plumbing materials, steel related products, general hardware products, construction materials and bitumen materials.
Manufacturing	Manufacture and sale of steel and ductile iron pipes and fittings, valves, manhole covers, hydrants, industrial casting products, welded wire mesh, hard-drawn wire and other related products.
Property development	Property development
Hospitality	Hotel operations

The reportable segment information for the financial period ended 31 March 2017 is as follows:

<i>Business segments</i>	Wholesale & distribution RM'000	Manufacturing RM'000	Property development RM'000	Hospitality RM'000	Total RM'000
External revenue	135,283	109,095	8,421	1,008	253,807
Inter segment revenue	23,280	32,901	-	4	56,185
Total reportable revenue	158,563	141,996	8,421	1,012	309,992
Reportable segment profit*	11,019	23,695	1,031	(410)	35,335
Reportable segment assets	457,861	468,023	221,125	91,277	1,238,286
Reportable segment liabilities	(289,385)	(245,030)	(95,486)	(36,110)	(666,011)

Reconciliation of reportable segment profit or loss for the financial period ended 31 March 2017

	RM'000
Total profit for reportable segments	35,335
Other non-reportable segment loss	(158)
Elimination of inter-segment transactions	232
Depreciation and amortisation	(5,431)
Finance costs	(6,062)
Interest income	173
Consolidated profit before tax	24,089

* Refer to profit before interest, tax, depreciation and amortisation.

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A9. Subsequent Events

There were no material subsequent events since the end of the date of the last annual reporting period until 18 May 2017, being the date not earlier than 7 days from the date of this announcement that will affect the financial results of the financial year under review.

A10. Changes in the composition of the Group

There was no change in the composition of the Group for the current financial quarter under review.

A11. Changes in contingent liabilities

As at the end of the current financial quarter, the changes in contingent liabilities as represented by the outstanding banking and credit facilities of the subsidiaries since the end of the date of the last annual reporting period are as follows:

	31 March 2017 RM'000
Corporate guarantees release from:	
- financial institutions for banking facilities granted to its subsidiaries	(14,982)
- suppliers for credit facilities granted to its subsidiaries	(3,958)
	<u>(18,940)</u>

B. Compliance with Bursa Malaysia Listing Requirements (Part A of Appendix 9B)

B1. Review of performance

	3 months ended 31 March	
	2017 RM'000	2016 RM'000
Revenue	253,817	261,407
Segment profit	35,177	30,682
Profit before tax	24,089	20,582

The declining market demand of certain metal-related trading products has mainly contributed to the decrease in revenue and operating profit before tax as compared to preceding year corresponding period. A gain on disposal of a piece of vacant industrial land located in Johor of approximately RM7.1 million during the current quarter has resulted in an improved overall profit before tax as compared to preceding year corresponding period.

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Wholesale and distribution division

The wholesale and distribution division recorded a net revenue of RM135.3 million in 2017 representing a decrease of 15.3% as compared to 2016, and contributed 53.3% of the Group's net revenue. Consequently, the division recorded a lower segment profit and profit before tax of RM11.0 million and RM6.5 million respectively, representing a decrease of 30.0% and 41.1% respectively as compared to 2016. The lower revenue and profit before tax was mainly attributed to the declining market demand in light of the volatility in international and local metal prices. The division accounted for 31.3% and 26.9% of the Group's segment profit and profit before tax respectively.

Manufacturing division

The manufacturing division recorded a net revenue of RM109.1 million in 2017 representing an increase of 11.8% as compared to 2016, and contributed 43.0% of the Group's net revenue. The higher revenue was mainly contributed from the increased delivery of mild steel concrete-lined pipe and certain steel products. The division recorded segment profit and profit before tax of RM23.7 million and RM18.6 million respectively, representing a significant increase of 46.1% and 64.1% respectively as compared to 2016. Included in the segment profit and profit before tax was a gain on disposal of a piece of vacant industrial land located in Johor of approximately RM7.1 million. The operating profit before tax excluding the gain on disposal of land of RM11.5 million as compared to RM11.3 million in the preceding year corresponding period was mainly due to increase in raw material costs. The division accounted for 67.4% and 77.0% of the Group's segment profit and profit before tax respectively.

Property development division

The division recorded a net revenue of RM8.4 million from its ongoing property development project in Kepong and contributed 3.3% to the Group's net revenue. The division recorded an improved segment profit and profit before tax of RM1.0 million, and accounted for 2.9% and 4.0% of the Group's segment profit and profit before tax respectively.

Hospitality division

The division recorded a net revenue of RM1.0 million from Avenue J hotel located in Leboh Pasar, Kuala Lumpur and Ibis Style hotel located Bandar Sri Damansara which commenced their business operations during the fourth quarter of 2016. However, the division recorded a loss before tax of RM1.5 million mainly due to lower average room rates to increase occupancy rates during the start-up period.

B2. Comparison with preceding financial quarter's results

	3 months ended	
	31/3/17	31/12/16
	RM'000	RM'000
Revenue	253,817	264,050
Profit before tax	24,089	22,071

The decrease in revenue as compared to preceding quarter ended 31 December 2016 was mainly due to the declining market demand for certain metal related trading products and lower contribution from its ongoing property development project in Kepong. However, the profit before tax increased mainly due to a gain on disposal of a piece of vacant industrial land located in Johor of approximately RM7.1 million.

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B3. Prospects

The Malaysian economy expanded by 5.6% in the first quarter of 2017. The growth was lifted by stronger domestic demand, particularly private sector spending. From the supply side, the improvement was driven mainly by the turnaround in the agriculture sector and higher growth in manufacturing and services sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.8% (4Q 2016: 1.3%). Going forward, the Malaysian economy is expected to be supported by domestic demand. The economy is on track to register higher growth in 2017. Domestic demand is projected to continue to expand. Exports are expected to benefit from the improvement in global growth. (Source: Bank Negara Malaysia: Economic and Financial Developments in Malaysia in the 1Q 2017)

The performance of the Group will continue to be affected by factors such as the volatility in the international and domestic metal prices, and the timely implementation of projects in the construction, utilities and infrastructure and property development sectors. The Group will continue to focus on expanding its existing product range for its wholesale and distribution division locally and abroad, and will improve, automate and optimise its operating capacity and continue to look for new business opportunity in its manufacturing division. The property division expects to contribute from the sale of completed residential and commercial properties in Selayang, and the ongoing property development project in Kepong. Both Avenue J hotel and Ibis Style hotel are at their start-up period and will strive to achieve higher revenue to mitigate the operating expenses. The Mercure hotel in Selayang is expected to be operational by the third quarter of 2017.

The Directors remain cautiously optimistic on the performance of the Group in the current year which is dependent on the domestic demand and global economic environment.

B4. Profit Forecast and/or Profit Guarantee

Not applicable as no profit forecast was published.

B5. Tax expense

	Individual quarter 3 months ended 31/3/17 RM'000	Cumulative quarter 3 months ended 31/3/17 RM'000
Tax expense		
- current year	4,812	4,812
Deferred tax expense		
- origination and reversal of temporary differences	(96)	(96)
Real property gain tax	1,026	1,026
	<hr/> 5,742	<hr/> 5,742
Reconciliation of tax expense		
Income tax using Malaysian tax rate	5,781	5,781
Non-deductible expenses	635	635
Tax benefits	(1,700)	(1,700)
Real property gain tax	1,026	1,026
Tax expense	<hr/> 5,742	<hr/> 5,742

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B6. Status of Corporate Proposals Announced

Acquisition of equity interest from non-controlling interest

In March 2017, the Company acquired 1,500,000 ordinary shares of RM1.00 each, representing the remaining 9% equity interest in Engtex Ductile Iron Pipe Industry Sdn. Bhd. (“EDIP”) for a total cash consideration of RM7,500,000. The acquisition is pending completion, where upon completion EDIP will become a wholly-owned subsidiary of the Group.

Except of the above, there were no other corporate proposals announced but not completed for the financial quarter under review.

B7. Group Borrowings and Debt Securities

The Group’s borrowings as at 31 March 2017 were as follows:

	Secured RM’000	Unsecured RM’000	Total RM’000
Long term			
<i>Denominated in Ringgit Malaysia</i>			
Term loans	130,734	-	130,734
Finance lease liabilities	6,571	-	6,571
	<u>137,305</u>	<u>-</u>	<u>137,305</u>
Short term			
<i>Denominated in Ringgit Malaysia</i>			
Bank overdrafts	3,141	10,774	13,915
Revolving credit	-	23,500	23,500
Bills payables	21,778	278,223	300,001
Term loans	20,265	-	20,265
Bridging loans	11,074	-	11,074
Finance lease liabilities	5,969	-	5,969
	<u>62,227</u>	<u>312,497</u>	<u>374,724</u>

B8. Changes in Material Litigation

There was no impending material litigation as at 18 May 2017, being the date not earlier than 7 days from the date of this announcement.

B9. Dividend declared

The Board does not recommend any interim dividend for the financial quarter ended 31 March 2017.

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B10. Basic and diluted earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the current financial quarter ended 31 March 2017 are based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue as follows:

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	'000	'000	'000	'000
Profit attributable to owners of the Company (RM)	17,896	14,656	17,896	14,656
Number of ordinary shares issued as at 1 January	312,665	301,534	312,665	301,534
Effects of shares repurchased	(1,150)	(1,130)	(1,150)	(1,130)
Effects of exercise of warrants	4,191	1,028	4,191	1,028
Weighted average number of ordinary shares (basic) as at 31 March	315,706	301,432	315,706	301,432
Basic earnings per ordinary share (sen)	5.67	4.86	5.67	4.86

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the current financial quarter ended 31 March 2017 are based on the profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	'000	'000	'000	'000
Profit attributable to owners of the Company (RM)	17,896	14,656	17,896	14,656
Weighted average number of ordinary shares (basic) as at 31 March	315,706	301,432	315,706	301,432
Effect of exercise of warrants	45,226	48,027	45,226	48,027
Weighted average number of ordinary shares (diluted) as at 31 March	360,932	349,459	360,932	349,459
Diluted earnings per ordinary share (sen)	4.96	4.19	4.96	4.19

Engtex Group Berhad (Company No: 536693-X)**B11. Profit before tax**

	Individual quarter 3 months ended 31/3/17 RM'000	Cumulative quarter 3 months ended 31/3/17 RM'000
Profit before tax is arrived at after charging:		
Allowance for impairment losses on trade receivables	883	883
Bad debts written off	5	5
Depreciation of:		
- investment properties	106	106
- property, plant and equipment	5,325	5,325
Finance cost	6,062	6,062
Inventories written down	2,396	2,396
and after crediting:		
Allowance for impairment losses written back on trade receivables	178	178
Gain on disposal of:		
- assets held for sale	7,085	7,085
- property, plant and equipment	628	628
Interest income	173	173
Realised gain on foreign exchange, net	309	309
Rental income:		
- land and building	373	373
- vehicles	61	61
	=====	=====

B12. Capital commitment

	31 March 2017 RM'000
Property, plant and equipment	
Contracted but not provided for	20,396
	=====

B13. Related party transactions

Significant related party transactions with companies in which certain Directors have interests for the financial period ended 31 March 2017 were as follows:

	RM'000
Sales	(1,569)
Purchases	442
Rental income	(6)
Rental expenses	685
Consultancy fee expenses	141
Interest expenses on advances given	16
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These transactions have been entered into in the normal course of business and have been established under negotiated terms.

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B14. Provision of financial assistance

Pursuant to paragraph 8.23(1) of the Listing Requirements, the amount of financial assistance provided by the Company and its subsidiaries is as follows:

	31 March 2017 RM'000	31 December 2016 RM'000
Corporate guarantees issued to :		
- financial institutions for banking facilities granted to its non wholly-owned subsidiaries	93,793	92,615
- suppliers for credit facilities granted to its non wholly-owned subsidiaries	205	119
	<u>93,998</u>	<u>92,734</u>

The above financial assistance does not have a material financial impact on the Group.

B15. Retained earnings

The retained earnings as at 31 March 2017 and 31 December 2016 are analysed as follows:

	31 March 2017 RM'000	31 December 2016 RM'000
Realised	449,081	430,830
Unrealised	(9,604)	(9,623)
	<u>439,477</u>	<u>421,207</u>
Consolidation adjustment	(54,220)	(53,846)
Total group retained earnings as per consolidated accounts	<u>385,257</u>	<u>367,361</u>