

## Engtex Group Berhad (Company No: 536693-X)

### Quarterly Report on consolidated results For the Third Quarter ended 30 September 2017

(The figures have not been audited)

### Condensed Consolidated Statement of Financial Position As at 30 September 2017

	Note	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
<b><u>ASSETS</u></b>			
Property, plant and equipment		395,641	378,602
Investment properties		17,925	18,439
Deferred tax assets		4,099	3,718
<b>Total non-current assets</b>		<b>417,665</b>	<b>400,759</b>
Property development cost		142,483	127,868
Inventories		323,934	325,436
Receivables, deposits and prepayments		334,425	334,204
Assets held for sale		197	9,903
Available-for-sale financial asset		3,540	-
Current tax assets		3,359	2,513
Cash and bank balances		50,306	49,144
<b>Total current assets</b>		<b>858,244</b>	<b>849,068</b>
<b>TOTAL ASSETS</b>		<b>1,275,909</b>	<b>1,249,827</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
Share capital		218,710	156,332
Reserves		399,441	371,258
<b>Total equity attributable to Owners of the Company</b>		<b>618,151</b>	<b>527,590</b>
Non-controlling interests		18,860	21,665
<b>TOTAL EQUITY</b>		<b>637,011</b>	<b>549,255</b>
<b><u>LIABILITIES</u></b>			
Loans and borrowings	B7	115,838	146,600
Deferred tax liabilities		10,868	10,868
<b>Total non-current liabilities</b>		<b>126,706</b>	<b>157,468</b>
Payables and accruals		147,701	152,431
Loans and borrowings	B7	354,929	378,089
Current tax liabilities		9,562	12,584
<b>Total current liabilities</b>		<b>512,192</b>	<b>543,104</b>
<b>TOTAL LIABILITIES</b>		<b>638,898</b>	<b>700,572</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,275,909</b>	<b>1,249,827</b>
Number of ordinary shares ('000)		381,605	312,665
Net assets per share (RM)		1.67	1.76

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 30 September 2017**

	Note	Individual quarter 3 months ended 30 September		Cumulative quarter 9 months ended 30 September	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Revenue</b>		260,141	251,733	798,691	810,266
Cost of sales		(216,863)	(207,725)	(663,339)	(661,459)
<b>Gross profit</b>		43,278	44,008	135,352	148,807
Other operating income		1,685	1,819	14,355	4,027
Operating expenses		(23,578)	(23,843)	(71,752)	(70,478)
Finance cost		(5,986)	(6,067)	(18,063)	(17,482)
<b>Profit before tax</b>	B11	15,399	15,917	59,892	64,874
Tax expense	B5	(4,238)	(4,096)	(16,559)	(16,145)
<b>Profit for the financial period</b>		11,161	11,821	43,333	48,729
<b>Other comprehensive expense, net of tax</b>					
Foreign currency translation differences for foreign operations		-	(4)	(17)	-
<b>Total other comprehensive expense for the financial period</b>		-	(4)	(17)	-
<b>Profit and total comprehensive income for the financial period</b>		11,161	11,817	43,316	48,729
<b>Profit attributable to:</b>					
Owners of the Company		10,806	11,470	42,309	46,892
Non-controlling interests		355	351	1,024	1,837
<b>Profit for the financial period</b>		11,161	11,821	43,333	48,729
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		10,806	11,466	42,292	46,892
Non-controlling interests		355	351	1,024	1,837
<b>Profit and total comprehensive income for the financial period</b>		11,161	11,817	43,316	48,729
Basic earnings per ordinary shares (sen)	B10	2.96	3.78	12.42	15.49
Diluted earnings per ordinary shares (sen)	B10	2.80	3.24	11.49	13.28

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.

**Engtex Group Berhad (Company No: 536693-X)**

**Condensed Consolidated Statement of Changes In Equity  
For the financial period ended 30 September 2017**

	Note	/-----Attributable to owners of the Company-----/ /-----Non-distributable-----/ Distributable					Total RM'000	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			
<b>At 1 January 2017</b>		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		-	-	-	-	42,309	42,309	1,024	43,333
<b>Profit and total comprehensive income for the financial period</b>		-	-	(17)	-	42,309	42,292	1,024	43,316
Acquisition of equity interest from non-controlling interest		-	-	-	-	(4,492)	(4,492)	(3,697)	(8,189)
Dividends to owners of the Company	A7	-	-	-	-	(3,541)	(3,541)	-	(3,541)
Dividends to non-controlling interests		-	-	-	-	-	-	(1,032)	(1,032)
Issuance of shares pursuant to exercise of warrants	A6(i)	56,741	479	-	-	-	57,220	-	57,220
Own shares acquired	A6(ii)	-	-	-	(918)	-	(918)	-	(918)
Shares issued by a subsidiary		-	-	-	-	-	-	900	900
Transfer of share premium account pursuant to Companies Act, 2016		5,637	(5,637)	-	-	-	-	-	-
<b>At 30 September 2017</b>		<b>218,710</b>	<b>-</b>	<b>(119)</b>	<b>(2,077)</b>	<b>401,637</b>	<b>618,151</b>	<b>18,860</b>	<b>637,011</b>

**Engtex Group Berhad (Company No: 536693-X)**

**Condensed Consolidated Statement of Changes In Equity  
For the financial period ended 30 September 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		
<b>At 1 January 2016</b>	150,767	1,485	(98)	(1,136)	310,643	461,661	22,243	483,904
<b>Profit and total comprehensive income for the financial period</b>	-	-	-	-	46,892	46,892	1,837	48,729
Acquisition of equity interest from non-controlling interest	-	-	-	-	(200)	(200)	(2,450)	(2,650)
Dividends to owners of the Company	-	-	-	-	(2,272)	(2,272)	-	(2,272)
Dividends to non-controlling interests	-	-	-	-	-	-	(585)	(585)
Issuance of shares pursuant to exercise of warrants	2,788	1,840	-	-	-	4,628	-	4,628
Own shares acquired	-	-	-	(12)	-	(12)	-	(12)
Shares issued by a subsidiary	-	-	-	-	-	-	100	100
<b>At 30 September 2016</b>	<b>153,555</b>	<b>3,325</b>	<b>(98)</b>	<b>(1,148)</b>	<b>355,063</b>	<b>510,697</b>	<b>21,145</b>	<b>531,842</b>

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 30 September 2017**

		<b>9 months ended 30 September</b>	
	<b>Note</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Cash flows from operating activities</b>			
Profit before tax		59,892	64,874
Adjustments for:			
Allowance for impairment losses on trade receivables		955	1,285
Allowance for impairment losses written back on trade receivables		(757)	(364)
Bad debts recovered		-	(2)
Bad debts written off		33	-
Depreciation of:			
- investment properties		317	326
- property, plant and equipment		15,954	14,221
Dividend income		(53)	-
Finance cost		18,063	17,482
(Gain)/Loss on disposal of:			
- available-for-sale financial asset		10	-
- assets held for sale		(8,389)	-
- property, plant and equipment		(827)	(366)
Interest income		(656)	(394)
Inventories written down		1,050	3,800
Property, plant and equipment written off		78	1
		<hr/>	<hr/>
Operating profit before changes in working capital		85,670	100,863
Changes in:			
Inventories		480	(8,628)
Receivables, deposits and prepayments		(449)	17,673
Payables and accruals		(4,781)	(14,869)
Property development cost		(13,089)	(9,264)
		<hr/>	<hr/>
Cash generated from operations		67,831	85,775
Interest paid		(1,175)	(1,215)
Net tax paid		(20,808)	(15,572)
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		<b>45,848</b>	<b>68,988</b>
		<hr/>	<hr/>

**Engtex Group Berhad (Company No: 536693-X)**

**Condensed Consolidated Statement of Cash Flows  
For the financial period 30 September 2017**

		<b>9 months ended 30 September</b>	
	<b>Note</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Cash flows from investing activities</b>			
Acquisition of:			
- available-for-sale financial asset		(14,793)	-
- equity interest from non-controlling interests		(8,189)	(2,650)
- property, plant and equipment		(31,692)	(35,045)
Dividend received		53	-
Increase in pledged deposits placed with licensed banks		(7)	(7)
Interest received		656	394
Proceeds from disposal of:			
- assets held for sale		18,292	-
- available-for-sale financial asset		11,243	-
- property, plant and equipment		1,476	1,001
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(22,961)</b>	<b>(36,307)</b>
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from financing activities</b>			
Dividends paid to:			
- non-controlling interests		(1,032)	(585)
- owners of the Company	A7	(3,541)	(2,272)
Interest paid		(18,550)	(19,410)
Net (repayment)/proceeds from other borrowings		(29,380)	3,613
Proceeds from:			
- finance lease liabilities		3,711	-
- issuance of shares to non-controlling interests		900	100
- issuance of shares pursuant to warrants	A6(i)	57,220	4,628
- term loans		-	24,304
- revolving credit		18,000	-
Repayments of:			
- finance lease liabilities		(6,069)	(5,557)
- term loans		(36,139)	(21,215)
Repurchase of treasury shares	A6(ii)	(918)	(12)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		<b>(15,798)</b>	<b>(16,406)</b>
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net increase in cash and cash equivalents</b>		<b>7,089</b>	<b>16,275</b>
Effect of exchange rate fluctuation on cash held		3	-
Cash and cash equivalents at beginning of financial period		20,691	13,163
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of financial period</b>		<b>27,783</b>	<b>29,438</b>
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

**Engtex Group Berhad (Company No: 536693-X)**

**Condensed Consolidated Statement of Cash Flows  
For the financial period 30 September 2017**

*Notes:*

*Cash and cash equivalents comprise:*

	<b>As at 30 September</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Cash and bank balances	28,522	28,843
Deposits placed with licensed banks	21,784	23,784
Bank overdrafts	(21,133)	(21,838)
	-----	-----
	29,173	30,789
Less: Deposits pledged	(1,390)	(1,351)
	-----	-----
	27,783	29,438
	=====	=====

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.

## Engtex Group Berhad (Company No: 536693-X)

### Notes to the interim financial report for the financial quarter ended 30 September 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 30 September 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.



## **Engtex Group Berhad (Company No: 536693-X)**

### **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 25 May 2017, the shareholders of the Company granted their approval for the Company's plan to repurchase its own ordinary shares at the Sixteenth 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, 25,964,191 warrants were exercised by the registered warrant holders to subscribe for 25,964,191 new ordinary shares at a price of RM0.83 each per ordinary share.

During the current financial period to date, 68,939,793 warrants were exercised by the registered warrant holders to subscribe for 68,939,793 new ordinary shares at a price of RM0.83 each per ordinary share.

As at the end of the current financial quarter, 63,895,565 Warrants (2007/2017) remained unexercised.

#### **(ii) Repurchase of treasury shares**

During the current financial quarter, the Company repurchased 776,100 of its issued share capital from the open market at an average price of RM1.16 per share including transactions cost. The total consideration paid was RM903,825.

During the current financial period to date, the Company repurchased 786,100 of its issued share capital from the open market at an average price of RM1.17 per share including transactions cost. The total consideration paid was RM917,429. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

There were 1,936,100 treasury shares held at end of the current financial quarter.

### **A7. Dividend paid**

The approved single tier dividend of 1.00 sen per share totalling RM3,541,352 in respect of the financial year ended 31 December 2016 was paid on 3 July 2017 to depositors whose names in the Record of Depositors on 22 June 2017.

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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 30 September 2017 is as follows:

<i>Business segments</i>	<b>Wholesale &amp; distribution RM'000</b>	<b>Manufacturing RM'000</b>	<b>Property development RM'000</b>	<b>Hospitality RM'000</b>	<b>Total RM'000</b>
External revenue	446,026	322,909	25,724	4,007	798,666
Inter segment revenue	48,360	88,555	-	-	136,915
<b>Total reportable revenue</b>	<b>494,386</b>	<b>411,464</b>	<b>25,724</b>	<b>4,007</b>	<b>935,581</b>
<b>Reportable segment profit/(loss)*</b>	<b>44,144</b>	<b>49,979</b>	<b>2,487</b>	<b>(486)</b>	<b>96,124</b>
<b>Reportable segment assets</b>	<b>446,846</b>	<b>480,590</b>	<b>227,417</b>	<b>102,141</b>	<b>1,256,994</b>
<b>Reportable segment liabilities</b>	<b>(252,789)</b>	<b>(247,670)</b>	<b>(90,853)</b>	<b>(35,678)</b>	<b>(626,990)</b>

*Reconciliation of reportable segment profit or loss for the financial period ended 30 September 2017*

	<b>RM'000</b>
Total profit for reportable segments	96,124
Other non-reportable segment loss	(948)
Elimination of inter-segment transactions	(1,606)
Depreciation and amortisation	(16,271)
Finance costs	(18,063)
Interest income	656
<b>Consolidated profit before tax</b>	<b>59,892</b>

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

## Engtex Group Berhad (Company No: 536693-X)

### A9. Subsequent Events

There were no material subsequent events since the end of the date of the last annual reporting period until 16 November 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

In September 2017, Engtex Sdn Berhad, a wholly-owned subsidiary of the Company acquired 6,000 ordinary shares of RM1.00 each in Mega Alliance Builder Supplies Sdn. Bhd. (“MABS”) representing the remaining 6% equity interest in MABS for a total cash consideration of RM689,694. Subsequent to the acquisition, MABS became a wholly-owned subsidiary of the Group.

Other than the above, 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:

	<b>30 September 2017 RM'000</b>
Corporate guarantees release from:	
- financial institutions for banking facilities granted to its subsidiaries	(54,083)
- suppliers for credit facilities granted to its subsidiaries	(3,157)
	<u>(57,240)</u>

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

### B1. Review of performance

	<b>9 months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	798,691	810,266
Segment profit	95,176	97,767
Profit before tax	59,892	64,874
Profit attributable to Owners of the Company	42,292	46,892

The continued softening market demand of certain metal-related trading products in light of the volatility in international and local metal prices has mainly contributed to the decrease in revenue and profit before tax as compared to preceding year corresponding period.

As elaborated in Note A6(i) above, the Company raised RM57.22 million from the exercise of warrants during the current financial period to-date as compared to RM4.63 million in the preceding year corresponding period. The proceeds were utilised to retire bank borrowings, bridge the construction cost of property development project in Kepong, part finance the investment in a new steel pipe plant in Kuantan and a new steel mill in Melaka, and fund for working capital requirements. Consequently, the Group's equity attributable to owners of the Company increased by RM90.56 million to RM618.15 million in 2017 mainly on higher earnings

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as well as enlarged share capital following the conversion of warrants. The Group's financial position continued to be reinforced as net gearing reduced to 0.66 time in 2017 as compared to 0.83 time in 2016 arising from the decrease in total bank borrowings which were mainly used to finance working capital requirements from RM493.83 million in 2016 to RM470.77 million in 2017 as well as the enlarged share capital. This enables better flexibility in cash flow management as well as providing a sturdier base to weather the challenging year ahead.

### ***Wholesale and distribution division***

The wholesale and distribution division recorded a net revenue of RM446.0 million in 2017 representing a decrease of 13.2% as compared to 2016, and contributed 55.8% of the Group's net revenue. Consequently, the division recorded a lower segment profit and profit before tax of RM44.1 million and RM27.5 million respectively, representing a decrease of 15.3% and 23.7% respectively as compared to 2016. The lower revenue and profit before tax was mainly attributed to the continued softening market demand in light of the volatility in international and local metal prices. The division accounted for 46.4% and 45.9% of the Group's segment profit and profit before tax respectively.

### ***Manufacturing division***

The manufacturing division recorded a net revenue of RM322.9 million in 2017 representing an increase of 16.8% as compared to 2016, and contributed 40.4% of the Group's net revenue. The higher revenue was mainly contributed from the increased sale of mild steel concrete-lined pipe and certain steel products. The division recorded segment profit and profit before tax of RM50.0 million and RM34.9 million respectively, representing an increase of 6.4% and 10.4% respectively as compared to 2016. The operating profit before tax (excluding the gain on disposal of land) of RM27.8 million was lower as compared to RM31.6 million in the preceding year corresponding period mainly due to increased market price competition and the increase in raw material costs. The division accounted for 52.5% and 58.3% of the Group's segment profit and profit before tax respectively.

### ***Property development division***

The division recorded a net revenue of RM25.7 million from its ongoing Amanja property development project in Kepong and contributed 3.2% to the Group's net revenue. The division recorded an improved segment profit and profit before tax of RM2.5 million and RM2.8 million respectively which accounted for 2.6% and 4.7% of the Group's segment profit and profit before tax respectively. The Amanja project which has gross development value of approximately RM171.4 million is 88% completed with unbilled sales totalling RM22.2 million.

### ***Hospitality division***

The division recorded a net revenue of RM4.0 million from Avenue J hotel located in Leboh Pasar, Kuala Lumpur and Ibis Style hotel located Bandar Sri Damansara, both are in their first year of business operations. During these start-up periods, the division recorded a loss before tax of RM3.5 million mainly due to promotional room rates offered.

## Engtex Group Berhad (Company No: 536693-X)

### B2. Comparison with preceding financial quarter's results

	3 months ended	
	30/9/17	30/6/17
	RM'000	RM'000
Revenue	260,141	284,733
Profit before tax	15,399	20,404

The decrease in revenue and profit before tax as compared to preceding quarter ended 30 June 2017 was mainly due to the softening market demand for certain metal related trading products, and the effect of gain on disposal of a piece of vacant industrial land of approximately RM1.3 million in the preceding quarter.

### B3. Prospects

Global economic activity continued to expand in the third quarter of 2017 with sustained growth in the advanced economies supported by private consumption and investment. This continued to provide support to global demand, as imports from the advanced economies expanded further. Domestic demand in China remained supportive of growth and global trade, albeit at a marginally more moderate pace. As a result, Asia continued to benefit from these favourable external developments, augmenting the strength in domestic demand. The Malaysian economy grew at a faster pace of 6.2% in the third quarter of 2017 (2Q 2017: 5.8%). Growth continued to be driven by domestic demand, particularly private sector spending. From the supply side, the improvement was broadly-based across all sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.8% (2Q 2017: 1.3%). Given the continued strong performance in the third quarter, the Malaysian economy is on course to register growth that is close to the upper range of the official projection of 5.2% to 5.7% in 2017. Domestic demand is expected to support this expansion. On the external front, exports will continue to benefit from the favourable global demand conditions. *(Source: Bank Negara Malaysia: Economic and Financial Developments in Malaysia in the Q3 2017)*

In the Malaysian Budget 2018, the Government has allocated RM1.4 billion for non-revenue water programme and RM6.5 billion allocated for rural development.

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 wholesale and distribution division will continue to focus on expanding its existing product range and sourcing for new products locally and abroad.

The manufacturing division will improve, automate and optimise its operating capacity and continue to look for new business opportunity. The Group is currently investing in a new steel pipe plant in Kuantan, Pahang and a steel mill plant in Merlimau, Melaka which will be operational by the first quarter of 2018.

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 which targets for completion by end of this year.

Both Avenue J hotel and Ibis Style hotel are into their first year of business operations and will target to achieve higher revenue. The Mercure hotel in Selayang commenced its business operation in October 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.

## Engtex Group Berhad (Company No: 536693-X)

### B4. Profit Forecast and/or Profit Guarantee

Not applicable as no profit forecast was published.

### B5. Tax expense

	<b>Individual quarter 3 months ended 30/9/17 RM'000</b>	<b>Cumulative quarter 9 months ended 30/9/17 RM'000</b>
Tax expense		
- current year	4,490	15,693
- over provision in prior financial year	(91)	(91)
Deferred tax expense		
- origination and reversal of temporary differences	(121)	(380)
Real property gain tax	(40)	1,337
	<u>4,238</u>	<u>16,559</u>
<b>Reconciliation of tax expense</b>		
Income tax using Malaysian tax rate	3,696	14,374
Income not subject to tax	(13)	(2,026)
Non-deductible expenses	710	2,989
Tax benefits	(24)	(24)
Real property gain tax	(40)	1,337
Over provision in prior financial year	(91)	(91)
Tax expense	<u>4,238</u>	<u>16,559</u>

### B6. Status of Corporate Proposals Announced

#### Expiry and last date for the exercise of Warrants 2007/2017 (“Warrants”)

Pursuant to the terms and conditions stipulated in the Deed Poll dated 7 September 2007 governing Warrants, the exercise rights of the Warrants expired at 5.00 pm on 25 October 2017. The last date and time for trading of the Warrants was on 6 October 2017 at 5.00pm. The Warrants were suspended from trading on Bursa Malaysia with effect from 9.00 am on 26 October 2017 until 5.00 pm on the expiry date. The Warrants which were not exercised by 5.00 pm on the expiry date will lapse and become null and void. The Warrants were removed from the Official List of Bursa Malaysia with effect from 9.00 am on 24 October 2017.

Subsequent to 30 September 2017 until the expiry of the Warrants, a total of 61,714,866 new ordinary shares were issued pursuant to the conversion of Warrants which is equivalent to approximately RM51,223,339.

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

## Engtex Group Berhad (Company No: 536693-X)

### B7. Group Borrowings and Debt Securities

The Group's borrowings as at 30 September 2017 were as follows:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Long term</b>			
<i>Denominated in Ringgit Malaysia</i>			
Term loans	111,267	-	111,267
Finance lease liabilities	4,571	-	4,571
	<u>115,838</u>	<u>-</u>	<u>115,838</u>
<b>Short term</b>			
<i>Denominated in Ringgit Malaysia</i>			
Bank overdrafts	2,309	18,824	21,133
Revolving credit	-	49,000	49,000
Bills payables	14,915	226,403	241,318
Term loans	18,801	-	18,801
Bridging loans	19,362	-	19,362
Finance lease liabilities	5,315	-	5,315
	<u>60,702</u>	<u>294,227</u>	<u>354,929</u>

### B8. Changes in Material Litigation

There was no impending material litigation as at 16 November 2017, being the date not earlier than 7 days from the date of this announcement.

### B9. Dividend declared

The Board declared an interim single-tier dividend of 0.75 sen per share in respect of the financial year ending 31 December 2017 with the entitlement date and payable date to be determined in due course.

## Engtex Group Berhad (Company No: 536693-X)

### 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 30 September 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		9 months ended	
	30 September		30 September	
	2017	2016	2017	2016
	'000	'000	'000	'000
Profit attributable to owners of the Company (RM)	10,806	11,470	42,309	46,892
Number of ordinary shares issued as at 1 January	312,665	301,534	312,665	301,534
Effects of shares repurchased	(1,192)	(1,140)	(1,165)	(1,134)
Effects of exercise of warrants	53,222	3,258	29,116	2,265
Weighted average number of ordinary shares (basic) as at 30 September	364,695	303,652	340,616	302,665
Basic earnings per ordinary share (sen)	2.96	3.78	12.42	15.49

#### Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the current financial quarter ended 30 September 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		9 months ended	
	30 September		30 September	
	2017	2016	2017	2016
	'000	'000	'000	'000
Profit attributable to owners of the Company (RM)	10,806	11,470	42,309	46,892
Weighted average number of ordinary shares (basic) as at 30 September	364,695	303,652	340,616	302,665
Effect of exercise of warrants	21,136	50,175	27,536	50,529
Weighted average number of ordinary shares (diluted) as at 30 September	385,831	353,827	368,152	353,194
Diluted earnings per ordinary share (sen)	2.80	3.24	11.49	13.28



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

	<b>Individual quarter 3 months ended 30/9/17 RM'000</b>	<b>Cumulative quarter 9 months ended 30/9/17 RM'000</b>
<b>Profit before tax is arrived at after charging:</b>		
Allowance for impairment losses on trade receivables	72	955
Bad debts written off	22	33
Depreciation of:		
- investment properties	105	317
- property, plant and equipment	5,291	15,954
Finance cost	5,986	18,063
Inventories written (back)/down	(850)	1,050
Loss on disposal of available-for-sale financial asset	10	10
Property, plant and equipment written off	5	78
<b>and after crediting:</b>		
Allowance for impairment losses written back on trade receivables	168	757
Dividend income	53	53
Gain on disposal of:		
- assets held for sale	-	8,389
- property, plant and equipment	183	827
Interest income	373	656
Realised (loss)/gain on foreign exchange, net	(2)	315
Rental income:		
- land and building	544	1,753
- vehicles	42	165
	=====	=====

**B12. Capital commitment**

	<b>30 September 2017 RM'000</b>
<b>Property, plant and equipment</b>	
Contracted but not provided for	12,771
	=====

## Engtex Group Berhad (Company No: 536693-X)

### B13. Related party transactions

Significant related party transactions with companies in which certain Directors have interests for the financial period ended 30 September 2017 were as follows:

	<b>RM'000</b>
Sales	(3,847)
Purchases	1,866
Rental income	(35)
Rental expenses	2,013
Consultancy fee expenses	343
Interest expenses on advances given	48
	=====

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

### 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:

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Corporate guarantees issued to :		
- financial institutions for banking facilities granted to its non wholly-owned subsidiaries	76,033	92,615
- suppliers for credit facilities granted to its non wholly-owned subsidiaries	172	119
	<u>76,205</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 30 September 2017 and 31 December 2016 are analysed as follows:

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Realised	470,251	430,830
Unrealised	(9,600)	(9,623)
	<u>460,651</u>	<u>421,207</u>
Consolidation adjustment	(59,014)	(53,846)
Total group retained earnings as per consolidated accounts	<u>401,637</u>	<u>367,361</u>