

Engtex Group Berhad (Company No: 536693-X)

Quarterly Report on consolidated results For the Fourth Quarter ended 31 December 2017

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position As at 31 December 2017

	Note	As at 31 December 2017 RM'000	Audited As at 31 December 2016 RM'000
<u>ASSETS</u>			
Property, plant and equipment		404,170	378,602
Investment properties		39,880	18,439
Deferred tax assets		3,368	3,718
Total non-current assets		447,418	400,759
Property development cost		141,985	127,868
Inventories		332,803	325,436
Receivables, deposits and prepayments		389,443	334,204
Assets held for sale		-	9,903
Available-for-sale financial asset		54,563	-
Current tax assets		2,793	2,513
Cash and bank balances		57,250	49,144
Total current assets		978,837	849,068
TOTAL ASSETS		1,426,255	1,249,827
<u>EQUITY AND LIABILITIES</u>			
Share capital		269,934	156,332
Reserves		406,744	371,258
Total equity attributable to Owners of the Company		676,678	527,590
Non-controlling interests		19,341	21,665
TOTAL EQUITY		696,019	549,255
<u>LIABILITIES</u>			
Loans and borrowings	B7	110,766	146,600
Deferred tax liabilities		10,946	10,868
Total non-current liabilities		121,712	157,468
Payables and accruals		170,820	152,431
Loans and borrowings	B7	424,650	378,089
Current tax liabilities		13,054	12,584
Total current liabilities		608,524	543,104
TOTAL LIABILITIES		730,236	700,572
TOTAL EQUITY AND LIABILITIES		1,426,255	1,249,827
Number of ordinary shares ('000)		443,319	312,665
Net assets per share (RM)		1.57	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 year ended 31 December 2017**

	Note	Individual quarter 3 months ended 31 December		Cumulative quarter 12 months ended 31 December	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue		309,727	264,050	1,108,418	1,074,316
Cost of sales		(259,520)	(213,531)	(922,859)	(874,990)
Gross profit		50,207	50,519	185,559	199,326
Other operating income		3,900	4,650	18,255	8,677
Operating expenses		(26,294)	(27,657)	(98,046)	(98,135)
Finance cost		(6,124)	(5,441)	(24,187)	(22,923)
Profit before tax	B11	21,689	22,071	81,581	86,945
Tax expense	B5	(9,070)	(9,253)	(25,629)	(25,398)
Profit for the financial year		12,619	12,818	55,952	61,547
Other comprehensive income/(expense), net of tax					
Foreign currency translation differences for foreign operations		34	(4)	17	(4)
Total other comprehensive income/ (expense) for the financial year		34	(4)	17	(4)
Profit and total comprehensive income for the financial year		12,653	12,814	55,969	61,543
Profit attributable to:					
Owners of the Company		12,138	12,298	54,447	59,190
Non-controlling interests		481	520	1,505	2,357
Profit for the financial year		12,619	12,818	55,952	61,547
Total comprehensive income attributable to:					
Owners of the Company		12,172	12,294	54,464	59,186
Non-controlling interests		481	520	1,505	2,357
Profit and total comprehensive income for the financial year		12,653	12,814	55,969	61,543
Basic earnings per ordinary shares (sen)	B10	2.86	3.96	15.05	19.43
Diluted earnings per ordinary shares (sen)	B10	2.86	3.49	15.05	16.98

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 year ended 31 December 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			
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 income for the financial year		-	-	17	-	-	17	-	17
Profit for the financial year		-	-	-	-	54,447	54,447	1,505	55,952
Profit and total comprehensive income for the financial year		-	-	17	-	54,447	54,464	1,505	55,969
Acquisition of equity interest from non-controlling interest		-	-	-	-	(4,493)	(4,493)	(3,697)	(8,190)
Dividends to owners of the Company		-	-	-	-	(6,841)	(6,841)	-	(6,841)
Dividends to non-controlling interests		-	-	-	-	-	-	(1,032)	(1,032)
Issuance of shares pursuant to exercise of warrants	A6(i)	107,965	479	-	-	-	108,444	-	108,444
Own shares acquired	A6(ii)	-	-	-	(2,486)	-	(2,486)	-	(2,486)
Shares issued by a subsidiary		-	-	-	-	-	-	900	900
Transfer of share premium account pursuant to Companies Act, 2016		5,637	(5,637)	-	-	-	-	-	-
At 31 December 2017		269,934	-	(85)	(3,645)	410,474	676,678	19,341	696,019

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**Condensed Consolidated Statement of Changes In Equity
For the financial year ended 31 December 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 expense for the financial year	-	-	(4)	-	-	(4)	-	(4)
Profit for the financial year	-	-	-	-	59,190	59,190	2,357	61,547
Profit and total comprehensive income for the financial year	-	-	(4)	-	59,190	59,186	2,357	61,543
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	5,565	3,673	-	-	-	9,238	-	9,238
Own shares acquired	-	-	-	(23)	-	(23)	-	(23)
Shares issued by a subsidiary	-	-	-	-	-	-	100	100
At 31 December 2016	156,332	5,158	(102)	(1,159)	367,361	527,590	21,665	549,255

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.

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**Condensed Consolidated Statement of Cash Flows
For the financial year ended 31 December 2017**

	Note	12 months ended	
		2017	2016
		RM'000	RM'000
Cash flows from operating activities			
Profit before tax		81,581	86,945
Adjustments for:			
Allowance for impairment losses on trade receivables		1,157	2,369
Allowance for impairment losses written back on trade receivables		(907)	(373)
Bad debts recovered		-	(2)
Bad debts written off		43	-
Depreciation of:			
- investment properties		398	409
- property, plant and equipment		21,626	19,051
Dividend income		(376)	-
Finance cost		24,187	22,923
Loss/(Gain) on disposal of:			
- available-for-sale financial asset		9	-
- assets held for sale		(8,389)	-
- property, plant and equipment		(1,377)	(393)
- investment properties		(191)	(157)
Impairment loss on investment properties		3,165	-
Interest income		(2,178)	(1,305)
Inventories written down		6,498	6,891
Property, plant and equipment written off		78	4
Reversal of liquidated ascertained damages		-	(917)
		<hr/>	<hr/>
Operating profit before changes in working capital		125,324	135,445
Changes in:			
Inventories		(39,094)	(57,451)
Receivables, deposits and prepayments		(55,535)	500
Payables and accruals		18,440	1,852
Property development cost		(12,050)	(14,410)
		<hr/>	<hr/>
Cash generated from operations		37,085	65,936
Interest paid		(1,592)	(1,711)
Net tax paid		(25,011)	(19,398)
		<hr/>	<hr/>
Net cash from operating activities		10,482	44,827
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**Condensed Consolidated Statement of Cash Flows
For the financial year ended 31 December 2017**

	Note	12 months ended 31 December	
		2017 RM'000	2016 RM'000
Cash flows from investing activities			
Acquisition of:			
- available-for-sale financial asset		(72,715)	-
- equity interest from non-controlling interests		(8,190)	(2,650)
- property, plant and equipment		(44,113)	(45,101)
Dividend received		376	-
Interest received		2,178	1,305
Proceeds from disposal of:			
- assets held for sale		18,292	-
- available-for-sale financial asset		18,143	-
- investment properties		388	608
- property, plant and equipment		2,123	1,061
Released from/(Increase in) pledged deposits placed with licensed banks		97	(39)
		(83,421)	(44,816)
Net cash used in investing activities		(83,421)	(44,816)
Cash flows from financing activities			
Dividends paid to:			
- non-controlling interests		(1,032)	(585)
- owners of the Company		(6,841)	(2,272)
Interest paid		(24,798)	(25,405)
Net repayment from other borrowings		40,554	15,729
Proceeds from:			
- finance lease liabilities		3,710	-
- issuance of shares to non-controlling interests		900	100
- issuance of shares pursuant to warrants	A6(i)	108,444	9,238
- term loans		-	25,161
- revolving credit		13,400	19,000
Repayments of:			
- finance lease liabilities		(7,710)	(7,102)
- term loans		(40,755)	(26,341)
Repurchase of treasury shares	A6(ii)	(2,486)	(23)
		83,386	7,500
Net cash used in financing activities		83,386	7,500
Net increase in cash and cash equivalents		10,447	7,511
Effect of exchange rate fluctuation on cash held		(3)	17
Cash and cash equivalents at beginning of financial year		20,691	13,163
Cash and cash equivalents at end of financial year		31,135	20,691

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**Condensed Consolidated Statement of Cash Flows
For the financial year ended 31 December 2017**

Notes:

Cash and cash equivalents comprise:

	As at 31 December	
	2017 RM'000	2016 RM'000
Cash and bank balances	26,554	30,466
Deposits placed with licensed banks	30,696	18,678
Bank overdrafts	(24,829)	(27,070)
	<hr/>	<hr/>
	32,421	22,074
Less: Deposits pledged	(1,286)	(1,383)
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	31,135	20,691
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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 December 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 year ended 31 December 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 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, 61,714,866 warrants were exercised by the registered warrant holders to subscribe for 61,714,866 new ordinary shares at a price of RM0.83 each per ordinary share.

During the current financial year to date, 130,654,659 warrants were exercised by the registered warrant holders to subscribe for 130,654,659 new ordinary shares at a price of RM0.83 each per ordinary share.

On 25 October 2017, all the remaining unexercised warrants expired and ceased to be exercised thereafter.

(ii) Repurchase of treasury shares

During the current financial quarter, the Company repurchased 1,400,000 of its issued share capital from the open market at an average price of RM1.12 per share including transactions cost. The total consideration paid was RM1,568,134.

During the current financial year to date, the Company repurchased 2,186,100 of its issued share capital from the open market at an average price of RM1.14 per share including transactions cost. The total consideration paid was RM2,485,564. 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 3,336,100 treasury shares held at end of the current financial year.

A7. Dividend paid

The approved first interim single tier dividend of 0.75 sen per share totalling RM3,299,875 in respect of the financial year ended 31 December 2017 was paid on 29 December 2017 to depositors whose names in the Record of Depositors on 15 December 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 year ended 31 December 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	615,050	452,866	34,478	5,999	1,108,393
Inter segment revenue	55,605	113,098	-	-	168,703
Total reportable revenue	670,655	565,964	34,478	5,999	1,277,096
Reportable segment profit/(loss)*	58,695	67,222	3,450	(662)	128,705
Reportable segment assets	532,038	543,508	221,905	104,485	1,401,936
Reportable segment liabilities	(295,455)	(303,466)	(84,187)	(35,117)	(718,225)

Reconciliation of reportable segment profit or loss for the financial year ended 31 December 2017

	RM'000
Total profit for reportable segments	128,705
Other non-reportable segment loss	(1,568)
Elimination of inter-segment transactions	(1,523)
Depreciation and amortisation	(22,024)
Finance costs	(24,187)
Interest income	2,178
Consolidated profit before tax	81,581

* 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 20 February 2018, 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 December 2017 RM'000
Corporate guarantees release from:	
- financial institutions for banking facilities granted to its subsidiaries	10,178
- suppliers for credit facilities granted to its subsidiaries	5,751
	<u>15,929</u>

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

B1. Review of performance

	12 months ended 31 December	
	2017 RM'000	2016 RM'000
Revenue	1,108,418	1,074,316
Segment profit	127,137	129,013
Profit before tax	81,581	86,945
Profit after tax	55,952	61,547
Profit attributable to Owners of the Company	54,447	59,190

The sustainable growth in certain manufactured steel products has mainly contributed to the increase in revenue as compared to preceding year corresponding period, whilst the decrease in corresponding profit before tax was mainly contributed by the decline in market demand for certain metal-related trading products. Inventories written down for the year totaled RM6.5 million (2016: RM6.9 million) mainly to provide for slow moving trading inventories. As elaborated in Note A6(i) above, the Company raised RM108.4 million from the exercise of warrants during the current financial year to-date. 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, fund for working capital requirements and place in available-for-sale financial asset. Consequently, the Group's equity attributable to owners of the Company increased by RM149.1 million to RM676.7 million in 2017 on the back of enlarged share capital following the conversion of warrants which was completed during the current quarter, and higher earnings. The Group's financial position continued to be reinforced as net gearing reduced to 0.61 time in 2017 as compared to 0.86 time in 2016 and this enables the Group to have better flexibility in cash flow management as well as providing a sturdier base to weather the challenging year ahead.

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Wholesale and distribution division

The wholesale and distribution division recorded a net revenue of RM615.0 million in 2017 representing a decrease of 7.1% as compared to 2016, and contributed 55.5% of the Group's net revenue. Consequently, the division recorded a lower segment profit and profit before tax of RM58.7 million and RM38.7 million respectively, representing a decrease of 9.2% and 13.8% respectively as compared to 2016. The lower revenue and profit before tax was mainly attributed to the overall decline in market demand in light of the volatility in international and domestic metal prices. The division accounted for 46.2% and 47.4% of the Group's segment profit and profit before tax respectively.

Manufacturing division

The manufacturing division recorded a net revenue of RM452.9 million in 2017 representing an increase of 19.9% as compared to 2016, and contributed 40.9% 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 RM67.2 million and RM47.0 million respectively, representing an increase of 7.9% and 12.2% respectively as compared to 2016. The operating profit before tax (excluding the gain on disposal of land of approximately RM7.1 million) of RM39.9 million was marginally lower as compared to RM41.9 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 52.9% and 57.6% of the Group's segment profit and profit before tax respectively.

Property development division

The division recorded a net revenue of RM34.5 million from its ongoing Amanja property development project in Kepong and contributed 3.1% to the Group's net revenue. The division recorded an improved segment profit and profit before tax of RM3.5 million and RM3.7 million respectively which accounted for 2.7% and 4.6% of the Group's segment profit and profit before tax respectively. The Amanja project which has gross development value of approximately RM168.9 million is 95% completed with unbilled sales totalling RM18.3 million.

Hospitality division

The division recorded a net revenue of RM6.0 million from Avenue J hotel located in Leboh Pasar, Kuala Lumpur, Ibis Style hotel located at Bandar Sri Damansara, both completed their first year of business operations, and Mercure Hotel located at Selayang which commenced its business operation during the current quarter. During these start-up periods, the division recorded a loss before tax of RM5.2 million mainly due to promotional room rates offered.

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B2. Comparison with preceding financial quarter's results

	3 months ended	
	31/12/17	30/9/17
	RM'000	RM'000
Revenue	309,727	260,141
Profit before tax	21,689	15,399

The increase in revenue and profit before tax as compared to preceding quarter ended 30 September 2017 was mainly due to the rebound in market demand for certain metal related trading products and certain manufactured steel products in tandem with the volatility in international and domestic metal prices.

B3. Prospects

The global economy continued to expand at a strong pace in the fourth quarter of 2017. Most major and emerging market economies registered growth rates which are close to the performance seen in the third quarter of 2017. In the advanced economies, growth was mainly driven by continued expansion in private consumption and improvements in investment activity. Growth in Asia continued to benefit from the expansion in global economic activity. PR China recorded sustained growth as the improvements in exports complemented the expansion in domestic demand, offsetting some of the impact from ongoing economic reforms. In other Asian economies, robust exports coincided with continued growth in domestic economic activity. Policy support and higher infrastructure spending accompanied resilient expansions in domestic demand. The Malaysian economy grew by 5.9% in the fourth quarter of 2017. Private sector demand continued to be the primary driver of growth, with further support from the external sector. From the supply side, all economic sectors continued to expand except for the mining sector. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (3Q 2017: 1.8%). For the year as a whole, the economy recorded a growth of 5.9% (2016: 4.2%). Headline inflation moderated to 3.5% in 4Q 2017 (3Q 2017: 3.6%) due mainly to lower inflation in the housing, water, electricity and gas and transport categories. For 2017 as a whole, headline inflation averaged at 3.7% (2016: 2.1%). Going forward, the Malaysian economy is expected to remain favourable in 2018, with domestic demand continuing to be the key driver of growth. The expected faster expansion in global growth would continue to benefit Malaysia's exports, with positive spillovers to the domestic economic activity. (Source: Bank Negara Malaysia: Economic and Financial Developments in Malaysia in the 4Q 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 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, optimise and expand its operating capacity and continue to look for new business opportunity. The Group has invested in a new steel pipe plant in Kuantan, Pahang and a steel mill plant in Merlimau, Melaka which will be operational by the second quarter of 2018, and is expanding its existing ductile iron pipe production line to produce pipe of up to 1,200mm in diameter. The property division expects to contribute from the sale of unsold residential and commercial properties in Selayang, and the ongoing property development project in Kepong which has obtained the certificate of completion and compliance in February 2018. Both Avenue J hotel and Ibis Style hotel have completed their first year of business operations and will strive to achieve higher revenue. The Mercure hotel in Selayang commenced its business operation during the fourth quarter of 2017 and will incur start-up operating expenses and lower revenue due to promotional rates offered.

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

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B4. Profit Forecast and/or Profit Guarantee

Not applicable as no profit forecast was published.

B5. Tax expense

	Individual quarter 3 months ended 31/12/17 RM'000	Cumulative quarter 12 months ended 31/12/17 RM'000
Tax expense		
- current year	8,238	23,931
- under/(over) provision in prior financial year	18	(73)
Deferred tax expense	808	428
- origination and reversal of temporary differences		
Real property gain tax	6	1,343
	<u>9,070</u>	<u>25,629</u>
Reconciliation of tax expense		
Income tax using Malaysian tax rate	5,205	19,579
Non-deductible expenses	9,490	12,479
Tax benefits	(5,601)	(7,627)
Utilisation of previously unrecognised deferred tax benefits	(48)	(72)
Real property gain tax	6	1,343
Under/(Over) provision in prior financial year	18	(73)
Tax expense	<u>9,070</u>	<u>25,629</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.

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

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B7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 December 2017 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Long term			
<i>Denominated in Ringgit Malaysia</i>			
Term loans	106,280	-	106,280
Finance lease liabilities	4,486	-	4,486
	<u>110,766</u>	<u>-</u>	<u>110,766</u>
Short term			
<i>Denominated in Ringgit Malaysia</i>			
Bank overdrafts	1,834	22,995	24,829
Revolving credit	-	44,400	44,400
Bills payables	28,325	281,974	310,299
Term loans	19,172	-	19,172
Bridging loans	20,315	-	20,315
Finance lease liabilities	5,635	-	5,635
	<u>75,281</u>	<u>349,369</u>	<u>424,650</u>

B8. Changes in Material Litigation

There was no impending material litigation as at 20 February 2018, being the date not earlier than 7 days from the date of this announcement.

B9. Dividend declared

The Directors recommend a final single tier dividend of 0.75 sen totalling RM3,299,875 in respect of the year ended 31 December 2017, which is subject to the approval by our shareholders at the forthcoming Annual General Meeting. This proposed dividend has not been included in the financial statements.

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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 December 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		12 months ended	
	31 December		31 December	
	2017	2016	2017	2016
	'000	'000	'000	'000
Profit attributable to owners of the Company (RM)	12,138	12,298	54,447	59,190
Number of ordinary shares issued as at 1 January	311,515	301,534	311,515	301,534
Effects of shares repurchased	(2,030)	(1,143)	(523)	(1,137)
Effects of exercise of warrants	114,630	10,074	50,670	4,229
Weighted average number of ordinary shares (basic) as at 31 December	424,115	310,465	361,662	304,626
Basic earnings per ordinary share (sen)	2.86	3.96	15.05	19.43

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the current financial quarter ended 31 December 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		12 months ended	
	31 December		31 December	
	2017	2016	2017	2016
	'000	'000	'000	'000
Profit attributable to owners of the Company (RM)	12,138	12,298	54,447	59,190
Weighted average number of ordinary shares (basic) as at 31 December	424,115	310,465	361,662	304,626
Effect of exercise of warrants	-	42,049	-	43,884
Weighted average number of ordinary shares (diluted) as at 31 December	424,115	352,514	361,662	348,510
Diluted earnings per ordinary share (sen)	2.86	3.49	15.05	16.98

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B11. Profit before tax

	Individual quarter 3 months ended 31/12/17 RM'000	Cumulative quarter 12 months ended 31/12/17 RM'000
Profit before tax is arrived at after charging:		
Allowance for impairment losses on trade receivables	202	1,157
Bad debts written off	10	43
Depreciation of:		
- investment properties	81	398
- property, plant and equipment	5,672	21,626
Finance cost	6,124	24,187
Impairment loss on investment properties	3,165	3,165
Inventories written down	5,448	6,498
(Gain)/Loss on disposal of available-for-sale financial asset	(1)	9
Property, plant and equipment written off	-	78
and after crediting:		
Allowance for impairment losses written back on trade receivables	150	907
Dividend income	323	376
Gain on disposal of:		
- assets held for sale	-	8,389
- investment properties	191	191
- property, plant and equipment	550	1,377
Interest income	1,522	2,178
Realised (loss)/gain on foreign exchange, net	(32)	283
Rental income:		
- land and building	518	2,271
- vehicles	44	209
	=====	=====

B12. Capital commitment

	31 December 2017 RM'000
Property, plant and equipment	
Contracted but not provided for	11,368
	=====

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 year ended 31 December 2017 were as follows:

	RM'000
Sales	(5,413)
Purchases	2,787
Rental income	(41)
Rental expenses	2,674
Consultancy fee expenses	447
Interest expenses on advances given	64
	=====

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:

	31 December 2017 RM'000	31 December 2016 RM'000
Corporate guarantees issued to :		
- financial institutions for banking facilities granted to its non wholly-owned subsidiaries	79,569	92,615
- suppliers for credit facilities granted to its non wholly-owned subsidiaries	352	119
	<u>79,921</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 December 2017 and 31 December 2016 are analysed as follows:

	31 December 2017 RM'000	31 December 2016 RM'000
Realised	478,408	430,830
Unrealised	(10,692)	(9,623)
	<u>467,716</u>	<u>421,207</u>
Consolidation adjustment	(57,242)	(53,846)
Total group retained earnings as per consolidated accounts	<u>410,474</u>	<u>367,361</u>