

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

**Quarterly Report on consolidated results  
For the Fourth Quarter ended 31 December 2018**  
(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position  
As at 31 December 2018**

	Note	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 1 January 2017 RM'000
<b><u>ASSETS</u></b>				
Property, plant and equipment		392,346	403,857	378,289
Investment properties		39,816	39,528	18,310
Deferred tax assets		6,576	2,846	3,404
<b>Total non-current assets</b>		<b>438,738</b>	<b>446,231</b>	<b>400,003</b>
Property under development		76,380	140,275	126,876
Inventories		416,270	334,662	324,915
Contract assets		-	14,434	10,599
Receivables, deposits and prepayments		369,292	373,542	323,605
Assets held for sale		5,197	-	9,903
Current tax assets		3,263	3,008	2,513
Cash and bank balances		54,631	111,804	49,144
<b>Total current assets</b>		<b>925,033</b>	<b>977,725</b>	<b>847,555</b>
<b>TOTAL ASSETS</b>		<b>1,363,771</b>	<b>1,423,956</b>	<b>1,247,558</b>
<b><u>EQUITY AND LIABILITIES</u></b>				
Share capital		269,934	269,934	156,332
Reserves		410,850	402,956	368,989
<b>Total equity attributable to Owners of the Company</b>		<b>680,784</b>	<b>672,890</b>	<b>525,321</b>
Non-controlling interests		19,318	19,461	21,665
<b>TOTAL EQUITY</b>		<b>700,102</b>	<b>692,351</b>	<b>546,986</b>
<b><u>LIABILITIES</u></b>				
Loans and borrowings	B7	90,900	110,766	146,600
Deferred tax liabilities		10,740	11,339	10,868
<b>Total non-current liabilities</b>		<b>101,640</b>	<b>122,105</b>	<b>157,468</b>
Contract liabilities		-	-	31
Payables and accruals		106,017	158,846	152,400
Loans and borrowings	B7	450,192	437,312	378,089
Current tax liabilities		5,820	13,342	12,584
<b>Total current liabilities</b>		<b>562,029</b>	<b>609,500</b>	<b>543,104</b>
<b>TOTAL LIABILITIES</b>		<b>663,669</b>	<b>731,605</b>	<b>700,572</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,363,771</b>	<b>1,423,956</b>	<b>1,247,558</b>
Number of ordinary shares ('000)		443,319	443,319	312,665
Net assets per share (RM)		1.58	1.56	1.75

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017, restated as elaborated in **Note A1(b)(iv)**, 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 2018**

	Note	Individual quarter 3 months ended 31 December		Cumulative quarter 12 months ended 31 December	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Revenue</b>		308,496	309,176	1,208,004	1,107,867
Cost of sales		(283,351)	(260,514)	(1,062,906)	(923,765)
<b>Gross profit</b>		25,145	48,662	145,098	184,102
Other operating income		1,420	3,901	7,726	18,256
Operating expenses		(23,564)	(24,258)	(98,853)	(96,010)
Finance cost		(8,205)	(6,495)	(31,574)	(25,491)
<b>(Loss)/Profit before tax</b>	B11	(5,204)	21,810	22,397	80,857
Tax expense	B5	(1,962)	(9,585)	(10,286)	(26,304)
<b>(Loss)/Profit for the financial year</b>		(7,166)	12,225	12,111	54,553
<b>Other comprehensive (expense)/income, net of tax</b>					
Foreign currency translation differences for foreign operations		(32)	34	-	17
<b>Total other comprehensive (expense)/ income for the financial year</b>		(32)	34	-	17
<b>(Loss)/Profit and total comprehensive (expense)/income for the financial year</b>		(7,198)	12,259	12,111	54,570
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(6,991)	11,624	12,067	52,928
Non-controlling interests		(175)	601	44	1,625
<b>(Loss)/Profit for the financial year</b>		(7,166)	12,225	12,111	54,553
<b>Total comprehensive (expense)/income attributable to:</b>					
Owners of the Company		(7,023)	11,658	12,067	52,945
Non-controlling interests		(175)	601	44	1,625
<b>(Loss)/Profit and total comprehensive (expense)/income for the financial year</b>		(7,198)	12,259	12,111	54,570
Basic and diluted (loss)/earnings per ordinary shares (sen)	B10	(1.59)	2.74	2.75	14.63

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 2017, restated as elaborated in **Note A1(b)(iii)**, 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 year ended 31 December 2018**

	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 2018, restated</b>	A1(b)(iv)	269,934	-	(85)	(3,645)	406,686	672,890	19,461	692,351
Adjustment on initial application of MFRS 9		-	-	-	-	(248)	(248)	(15)	(263)
<b>At 1 January 2018, restated</b>		269,934	-	(85)	(3,645)	406,438	672,642	19,446	692,088
Profit and total comprehensive income for the financial year		-	-	-	-	12,067	12,067	44	12,111
Dividends to owners of the Company		-	-	-	-	(3,295)	(3,295)	-	(3,295)
Dividends to non-controlling interests		-	-	-	-	-	-	(172)	(172)
Own shares acquired	A6	-	-	-	(630)	-	(630)	-	(630)
<b>At 31 December 2018</b>		<b>269,934</b>	<b>-</b>	<b>(85)</b>	<b>(4,275)</b>	<b>415,210</b>	<b>680,784</b>	<b>19,318</b>	<b>700,102</b>

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

**Condensed Consolidated Statement of Changes In Equity  
For the financial year ended 31 December 2018**

	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, restated</b>	A1(b)(iv)	156,332	5,158	(102)	(1,159)	365,092	525,321	21,665	546,986
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	A1(b)(iii)	-	-	-	-	52,928	52,928	1,625	54,553
<b>Profit and total comprehensive income for the financial year</b>		-	-	17	-	52,928	52,945	1,625	54,570
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		107,965	479	-	-	-	108,444	-	108,444
Own shares acquired		-	-	-	(2,486)	-	(2,486)	-	(2,486)
Share issued by a subsidiary		-	-	-	-	-	-	900	900
Transfer of share premium account pursuant to Companies Act 2016		5,637	(5,637)	-	-	-	-	-	-
<b>At 31 December 2017, restated</b>		269,934	-	(85)	(3,645)	406,686	672,890	19,461	692,351

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 2017, restated as elaborated in **Note A1(b)(iv)**, 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 year ended 31 December 2018**

	Note	12 months ended 31 December	
		2018 RM'000	2017 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		22,397	80,857
<i>Adjustments for:</i>			
Allowance for impairment losses on trade receivables		2,403	1,158
Allowance for impairment losses written back on trade receivables		(741)	(907)
Bad debts recovered		(30)	-
Bad debts written off		24	43
Depreciation of:			
- investment properties		812	380
- property, plant and equipment		23,823	21,625
Finance cost		31,574	25,491
Gain on disposal of:			
- assets held for sale		-	(8,389)
- investment properties		-	(191)
- property, plant and equipment		(2,319)	(1,376)
Interest income		(2,288)	(2,555)
Inventories written down		8,824	9,234
Property, plant and equipment written off		92	78
Operating profit before changes in working capital		84,571	125,448
Changes in:			
Inventories		(21,836)	(40,804)
Receivables, deposits and prepayments		1,231	(50,234)
Contract assets		14,434	(3,835)
Payables and accruals		(52,829)	6,497
Contract liabilities		-	(31)
Property under development		(4,276)	(12,436)
Cash generated from operations		21,295	24,605
Interest paid		(2,648)	(1,592)
Net tax paid		(22,392)	(25,012)
<b>Net cash used in operating activities</b>		<b>(3,745)</b>	<b>(1,999)</b>
<b>Cash flows from investing activities</b>			
Acquisition of:			
- equity interest from non-controlling interests		-	(8,190)
- property, plant and equipment		(21,984)	(44,113)
Release in pledged deposits placed with licensed banks		173	97
Interest received		2,288	2,555
Proceeds from disposal of:			
- assets held for sale		-	18,292
- investment properties		-	388
- property, plant and equipment		8,116	2,123
<b>Net cash used in investing activities</b>		<b>(11,407)</b>	<b>(28,848)</b>

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

**Condensed Consolidated Statement of Cash Flows  
For the financial year ended 31 December 2018**

	Note	12 months ended 31 December	
		2018 RM'000	2017 RM'000
<b>Cash flows from financing activities</b>			
Dividends paid to:			
- non-controlling interests		(172)	(1,032)
- owners of the Company		(3,295)	(6,841)
Interest paid		(29,351)	(24,998)
Net (repayment of)/proceeds from other borrowings		(21,727)	53,216
Proceeds from:			
- finance lease liabilities		92	3,710
- issuance of shares to a non-controlling interest		-	900
- issuance of shares pursuant to exercise of warrants		-	108,444
- revolving credit		21,548	13,400
- term loans		25,403	-
Repayments of:			
- finance lease liabilities		(6,411)	(7,710)
- term loans		(39,804)	(40,755)
Repurchase of treasury shares	A6	(630)	(2,486)
<b>Net cash (used in)/from financing activities</b>		<u>(54,347)</u>	<u>95,848</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(69,499)	65,001
Effect of exchange rate fluctuation on cash held		-	(3)
Cash and cash equivalents at the beginning of financial year		<u>85,689</u>	<u>20,691</u>
<b>Cash and cash equivalents at the end of financial year</b>		<u><u>16,190</u></u>	<u><u>85,689</u></u>

**Note:**

*Cash and cash equivalents comprise:*

	As at 31 December	
	2018 RM'000	2017 RM'000
Cash and bank balances	23,915	26,545
Deposits are placed with:		
- licensed banks	24,592	30,696
- other corporations	6,124	54,563
	<u>54,631</u>	<u>111,804</u>
Less:		
Bank overdrafts	(37,328)	(24,829)
Deposits pledged	(1,113)	(1,286)
	<u><u>16,190</u></u>	<u><u>85,689</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017, restated as elaborated in **Note A1(b)(v)**, 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 31 December 2018

#### A. Compliance with Malaysian Financial Reporting Standards (“MFRS”) 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 MFRS 134 – *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

For the periods up to and including the financial year ended 31 December 2017, the Group prepared its financial statements in accordance with FRSSs.

The financial statements of the Group for the financial year ended 31 December 2018 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*. The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017, being the transition date, and throughout all financial years presented, as if these policies had always been in effect. The impact of the transition to MFRS on the Group’s reported financial position, financial performance and cash flows, are disclosed in **Note A1(b)**.

The accounting policies and methods of computation followed by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2017 except for the following:

##### (a) Adoption of new and revised MFRSs, Amendments to MFRS and IC Interpretations

In the current financial year ended 31 December 2018, the Group adopted the following standards, amendments and interpretations which applicable to its financial statement effective for annual periods beginning on or after 1 January 2018:

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts\**
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfer of Investment Property*

\* *The Amendments is not applicable to the Group.*

The above applicable standards, amendments and interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application except as mentioned in **Note A1(b)**.

**(b) First-time adoption of MFRS and adoption of MFRS 9**

*(i) Transition from Financial Reporting Standards (“FRS”) to MFRS*

The initial application of the MFRSs are not expected to have any material financial impacts to the current period and prior period financial statements of the Group except as mentioned below:

*Capitalisation of borrowing costs in property development cost*

Under FRSs, all borrowing cost incurred subsequent to the acquisition of land can be capitalised only during periods in which activities necessary to prepare the property for its intended use are in progress. Upon transition to MFRSs, borrowing cost can be capitalised only during periods in which activities necessary to prepare the property for its intended use or sale. Accordingly, the borrowing costs previously capitalised in the development unit shall be reversed.

In preparing the opening consolidated statement of financial position at 1 January 2017, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group’s financial position, financial performance and cash flows is set out in **Note A1(b)(iii) to (v)**.

*(ii) MFRS 9, Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In the implementation of MFRS 9, the Group assesses the impact of MFRS 9 by estimating the loss rate using flow rate method.

In the previous financial years, the Group classifies and measures financial assets and liabilities based on MFRS 139 requirements. Upon adoption of MFRS 9, the Group will classify and measure financial assets and liabilities depending on the Group’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

With the adoption of MFRS 9 by following the ECL model, the impairment loss of trade receivables has increased by RM262,724 as at 1 January 2018. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus this impairment loss is adjusted to the opening retained earnings as of 1 January 2018.



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

(iii) Reconciliation of profit or loss

	Note	/----Quarter ended 31 December 2017----/			/-----Year ended 31 December 2017-----/		
		Previously stated under FRSs RM'000	Effect of transition to MFRSs RM'000	Restated under MFRSs RM'000	Previously stated under FRSs RM'000	Effect of transition to MFRSs RM'000	Restated under MFRSs RM'000
Revenue		309,176	-	309,176	1,107,867	-	1,107,867
Cost of sales	a	(260,982)	468	(260,514)	(924,321)	556	(923,765)
Gross profit		48,194	468	48,662	183,546	556	184,102
Other operating income		3,901	-	3,901	18,256	-	18,256
Operating expenses	a	(24,276)	18	(24,258)	(96,028)	18	(96,010)
Finance cost	a	(6,124)	(371)	(6,495)	(24,187)	(1,304)	(25,491)
Profit before tax		21,695	115	21,810	81,587	(730)	80,857
Tax expense	a	(9,537)	(48)	(9,585)	(26,096)	(208)	(26,304)
Profit after tax		12,158	67	12,225	55,491	(938)	54,553
Profit attributable to:							
- Owners of the Company	a	11,557	67	11,624	53,866	(938)	52,928
- Non-controlling interests		601	-	601	1,625	-	1,625
Profit for the financial period/year		12,158	67	12,225	55,491	(938)	54,553
Basic earnings per share (sen)		2.72		2.74	14.89		14.63
Diluted earnings per share (sen)		2.72		2.74	14.89		14.63

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

(iv) Reconciliation of statement of financial position and equity

	Note	/-----As at 31 December 2017-----/			/-----As at 1 January 2017-----/		
		Previously stated under FRSs RM'000	Effect of transition to MFRSs RM'000	Restated under MFRSs RM'000	Previously stated under FRSs RM'000	Effect of transition to MFRSs RM'000	Restated under MFRSs RM'000
<b><u>ASSETS</u></b>							
Property, plant and equipment	a	404,170	(313)	403,857	378,602	(313)	378,289
Investment properties	a	39,880	(352)	39,528	18,439	(129)	18,310
Deferred tax assets	a	3,368	(522)	2,846	3,718	(314)	3,404
<b>Total non-current assets</b>		<b>447,418</b>	<b>(1,187)</b>	<b>446,231</b>	<b>400,759</b>	<b>(756)</b>	<b>400,003</b>
Property under development	a	142,450	(2,175)	140,275	127,868	(992)	126,876
Inventories	a	334,507	155	334,662	325,436	(521)	324,915
Other current assets		502,788	-	502,788	395,764	-	395,764
<b>Total current assets</b>		<b>979,745</b>	<b>(2,020)</b>	<b>977,725</b>	<b>849,068</b>	<b>(1,513)</b>	<b>847,555</b>
<b>TOTAL ASSETS</b>		<b>1,427,163</b>	<b>(3,207)</b>	<b>1,423,956</b>	<b>1,249,827</b>	<b>(2,269)</b>	<b>1,247,558</b>
<b><u>EQUITY AND LIABILITIES</u></b>							
Share capital		269,934	-	269,934	156,332	-	156,332
Retained earnings		409,893	(3,207)	406,686	367,361	(2,269)	365,092
Other reserves		(3,730)	-	(3,730)	3,897	-	3,897
<b>Attributable to Owners of the Company</b>	a	<b>676,097</b>	<b>(3,207)</b>	<b>672,890</b>	<b>527,590</b>	<b>(2,269)</b>	<b>525,321</b>
Non-controlling interests		19,461	-	19,461	21,665	-	21,665
<b>TOTAL EQUITY</b>		<b>695,558</b>	<b>(3,207)</b>	<b>692,351</b>	<b>549,255</b>	<b>(2,269)</b>	<b>546,986</b>
<b>TOTAL LIABILITIES</b>		<b>731,605</b>	<b>-</b>	<b>731,605</b>	<b>700,572</b>	<b>-</b>	<b>700,572</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,427,163</b>	<b>(3,207)</b>	<b>1,423,956</b>	<b>1,249,827</b>	<b>(2,269)</b>	<b>1,247,558</b>

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

### (v) Reconciliation of cash flows

	Note	/-----As at 31 December 2017-----/		
		Previously stated under FRSs RM'000	Effect of transition to MFRSs RM'000	Restated under MFRSs RM'000
Cash flows from operating activities				
Profit before tax	a	81,587	(730)	80,857
Adjustment for:				
Finance cost	a	24,187	1,304	25,491
Depreciation of:				
- Investment properties	a	398	(18)	380
Inventories written down	a	9,663	(429)	9,234
Other non-cash items		9,486	-	9,486
		<u>125,321</u>	<u>127</u>	<u>125,448</u>
Changes in:				
Property under development	a	(12,315)	(121)	(12,436)
Inventories	a	(40,798)	(6)	(40,804)
Other working capitals		(47,603)	-	(47,603)
Cash generated from operations		<u>24,605</u>	<u>-</u>	<u>24,605</u>
Interest paid		(1,592)	-	(1,592)
Net tax paid		<u>(25,012)</u>	<u>-</u>	<u>(25,012)</u>
Net cash used in operating activities		(1,999)	-	(1,999)
Net cash used in investing activities		(28,848)	-	(28,848)
Net cash from financing activities		<u>95,848</u>	<u>-</u>	<u>95,848</u>
Net increase in cash and cash equivalents		65,001	-	65,001
Effect of exchange rate fluctuation on cash held		(3)	-	(3)
Cash and cash equivalents at beginning of financial year		<u>20,691</u>	<u>-</u>	<u>20,691</u>
Cash and cash equivalents at end of the financial year		<u>85,689</u>	<u>-</u>	<u>85,689</u>

#### Note:

- a. The MFRS adjustments comprised the reversal of borrowing costs previously capitalised under development unit.

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

### **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.

### **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 2017.

### **A6. Debt and Equity Securities**

On 24 May 2018, the shareholders of the Company granted their approval for the Company's plan to repurchase its ordinary shares at the Seventeenth Annual General Meeting held on even-date.

As of current financial year-to-date, the Company repurchased 618,500 of its issued share capital from the open market at an average price of RM1.02 per share including transactions cost. The total consideration paid was RM629,731. 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 3,954,600 treasury shares held at the end of the current financial quarter.

Other than the above, there were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the current financial quarter and financial year-to-date.

### **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	Includes wholesale and distribution of pipes, valves, fittings, plumbing materials, steel related products, general hardware products and construction materials.
Manufacturing	Includes manufacture and sale of steel and ductile iron pipes and fittings, valves, manhole covers, hydrants, industrial casting products, welded wire mesh, hard-drawn wire, steel bars and other steel related products.
Property development	Includes property development and investment activities.
Hospitality	Includes provision of rooms, food and beverage, meeting and function rooms, and other hospitality services.

The reportable segment information for the financial year ended 31 December 2018 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	690,632	498,787	9,134	9,377	1,207,930
Inter segment revenue	139,309	161,512	500	75	301,396
<b>Total reportable revenue</b>	<b>829,941</b>	<b>660,299</b>	<b>9,634</b>	<b>9,452</b>	<b>1,509,326</b>
<b>Reportable segment profit/(loss)*</b>	<b>52,262</b>	<b>29,526</b>	<b>(859)</b>	<b>(852)</b>	<b>80,077</b>
<b>Reportable segment assets</b>	<b>486,672</b>	<b>548,630</b>	<b>204,250</b>	<b>100,063</b>	<b>1,339,615</b>
<b>Reportable segment liabilities</b>	<b>(297,414)</b>	<b>(270,173)</b>	<b>(58,360)</b>	<b>(37,040)</b>	<b>(662,987)</b>

*Reconciliation of reportable segment profit or loss for the financial year ended 31 December 2018*

	<b>RM'000</b>
Total profit for reportable segments	80,077
Other non-reportable segment loss	(1,648)
Elimination of inter-segment transactions	(2,111)
Depreciation and amortisation	(24,635)
Finance costs	(31,574)
Interest income	2,288
<b>Consolidated profit before tax</b>	<b>22,397</b>

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

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### A9. Subsequent Events

There were no subsequent material events since the end of the date of the last annual reporting period until 20 February 2019, 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:

	<b>31 December 2018 RM'000</b>
Corporate guarantees release from:	
- financial institutions for banking facilities granted to its subsidiaries	(6,230)
- suppliers for credit facilities granted to its subsidiaries	(8,891)
	<u>(15,121)</u>

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

### B1. Review of performance

	<b>12 months ended 31 December</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Revenue	1,208,004	1,107,867
Segment profit	78,429	129,079
Profit before tax	22,397	80,857
Profit after tax	12,111	54,553
Profit attributable to Owners of the Company	12,067	52,928

The increase in market demand for certain metal related trading products and manufactured steel products has mainly contributed to the increase in revenue as compared to preceding year corresponding period. However, the decrease in corresponding profit before taxation was mainly due to increased procurement costs for certain metal related trading products and manufactured steel products, the operating costs of two new manufacturing plants at their start-up stages and its unsold property stocks in Kepong and Selayang. In addition, the profit before tax included gain on disposal of vacant industrial lands of approximately RM2.1 million in 2018 (2017: RM8.4 million), and net allowance for impairment losses on trade receivables of approximately RM1.2 million (2017: RM0.3 million).

On the financial position review for the year ended 31 December 2018, the Group's equity attributable to owners of the Company increased from RM672.9 million as at 31 December 2017 to RM680.8 million as at 31 December 2018, and the net assets per share of the Group for the corresponding period increased from RM1.56 to RM1.58 on the back of increased earnings. The

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

higher procurement of raw materials and trading inventories during the year in light of the high volatility in international and local metal prices and increased working capital requirement has resulted in the increase in bank borrowings, net of cash and cash equivalents, from RM436.3 million as at 31 December 2017 to RM486.5 million as at 31 December 2018. This has led to the increase in net gearing from 0.63 times as at 31 December 2017 to 0.70 times as at 31 December 2018 but the Group's financial position is at a manageable level.

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

The wholesale and distribution division recorded a net revenue of RM690.6 million in 2018 representing an increase of 12.3% as compared to 2017, and contributed 57.2% of the Group's net revenue. The division recorded a segment profit and profit before tax of RM52.3 million and RM30.1 million respectively representing a decrease of 10.4% and 22.2% respectively as compared to 2017. The decline in profit before tax notwithstanding the increase in revenue was mainly due to the increase in procurement cost for certain metal related trading products. The division accounted for 66.6% and 134.3% of the Group's segment profit and profit before tax respectively.

### ***Manufacturing division***

The manufacturing division recorded a net revenue of RM498.8 million in 2018 representing an increase of 10.1% as compared to 2017, and contributed 41.3% of the Group's net revenue. The higher revenue was mainly contributed by the increase in sale of wire mesh products, steel bars and pipes. However, the division recorded a lower segment profit and profit before tax of RM29.5 million and RM4.8 million respectively representing a decrease of 56.9% and 90.0% respectively as compared to 2017. The operating profit before tax was lower than RM41.1 million (excluding the gain on disposal of a piece of vacant industrial land of approximately RM7.1 million) in 2017 mainly due to the increase in procurement costs, the operating cost of two new manufacturing plants located in Melaka and Pahang, and stock written down of approximately RM3.4 million (2017: RM1.2 million). The division accounted for 37.6% and 21.5% of the Group's segment profit and profit before tax respectively.

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

The division recorded a net revenue of RM9.1 million (2017: RM33.9 million) from its completed Amanja project in Kepong with 58.0% sold at end of current quarter. The project was completed and obtained the certificate of completion and compliance in February 2018. The division contributed 0.8% to the Group's net revenue. The division recorded a loss before tax of RM3.8 million as compared to profit before tax of RM1.7 million in 2017 mainly due to low revenue arising from the weak property market demand and operating costs to maintain its unsold property stocks located in Kepong and Selayang.

### ***Hospitality division***

The division recorded a higher net revenue of RM9.4 million (2017: RM6.0 million) with average occupancy rate of 62.8% (2017: 55.5%). The division recorded a net losses of RM6.4 million (2017: RM5.1 million) mainly attributable to the finance cost and depreciation incurred totaling RM5.9 million (2017: RM4.6 million) during the year.

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

	3 months ended	
	31/12/18	30/9/18
	RM'000	RM'000
Revenue	308,496	315,171
(Loss)/Profit before tax	(5,204)	5,524

The decrease in revenue as compared to preceding quarter ended 30 September 2018 was mainly due to weak market demand for certain metal related trading products. In addition, the current quarter loss incurred was also mainly due to stocks written down of RM6.4 million (Q3 2018: RM1.3 million), increase in procurement cost of certain metal related trading products and manufactured steel products, and operating cost of its two new manufacturing plants at their start-up stages. There was a gain on disposal of vacant industrial lands of approximately RM2.1 million in the preceding quarter.

### B3. Prospects

The Malaysian economy grew by 4.7% in the fourth quarter of 2018 (3Q 2018: 4.4%), supported by continued expansion in domestic demand and a positive growth in net exports. . On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (3Q 2018: 1.6%). For 2018 as a whole, the economy expanded by 4.7% (2017: 5.9%). On the supply side, major sectors continued to expand, while growth in the commodity-related sectors improved. In the services sector, the wholesale and retail trade subsector remained supported by continued strength in consumer spending. In the manufacturing sector, there was slower performance in the primary and construction-related clusters amidst slowing regional demand for resource-based manufactures which included basic iron and steel products. The construction sector registered lower growth due to a moderation in the civil engineering and special trade subsectors. Growth in the non-residential sub-sector improved slightly while growth in the residential subsector remained weak amid the high number of unsold residential properties. Going forward, the Malaysian economy is expected to remain on a steady growth path. Private sector demand is expected to remain the main driver of growth amid continuing fiscal rationalisation while the external sector is likely to soften with moderating global demand. *(Source: Bank Negara Malaysia Quarterly Bulletin for Q4 2018)*

The performance of the Group was affected by factors such as the domestic demand, the volatility in the international and domestic metal prices and the delay in the implementation of projects in the construction, utilities, infrastructure and property development sectors. The outlook in the forthcoming year will remain challenging.

Notwithstanding this, the wholesale and distribution division will continue to focus on expanding its existing customer network and 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 steel mill plant in Merlimau, Melaka and a steel pipe plant in Kuantan, Pahang, both in their start-up stages to contribute recurring revenue and income. The Group is currently installing a new ductile iron pipe production line to produce pipe with diameter up to 1,200mm and this line will be operational by the second quarter of 2019 to broaden the range of product sizes in the water and sewerage sectors. The property division does not intend to launch new property development projects on its existing land bank in light of the soft property market at this juncture other than selling its remaining unsold residential and commercial properties in Kepong and Selayang. The hotel division will focus on increasing its revenue stream by increasing their average occupancy and room rates, and targeting the right customer mix to achieve higher gross operating profits to meet its finance cost and depreciation incurred.



**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 31/12/18 RM'000</b>	<b>Cumulative quarter 12 months ended 31/12/18 RM'000</b>
Tax expense		
- current year	8,382	15,210
- over provision in prior financial year	(76)	(595)
Deferred tax expense		
- origination and reversal of temporary differences	(6,344)	(4,329)
	<u>1,962</u>	<u>10,286</u>
<b>Reconciliation of tax expense</b>		
Income tax using Malaysian tax rate	(1,249)	5,375
Income not subject to tax	(469)	(1,294)
Non-deductible expenses	1,529	4,237
Tax benefits	(508)	(508)
Effect of deferred tax benefits not recognised	2,647	2,647
Over provision in prior financial year	(76)	(595)
Real property gain tax	88	424
Tax expense	<u>1,962</u>	<u>10,286</u>

**B6. Status of Corporate Proposals Announced**

There were no 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 December 2018 were as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b>Non-current</b>			
<i>Denominated in Ringgit Malaysia</i>			
Term loans	89,542	-	89,542
Finance lease liabilities	1,358	-	1,358
	<u>90,900</u>	<u>-</u>	<u>90,900</u>
<b>Current</b>			
<i>Denominated in Ringgit Malaysia</i>			
Bank overdrafts	4,804	32,524	37,328
Revolving credit	-	65,948	65,948
Bills payables	29,895	285,260	315,155
Term loans	21,509	-	21,509
Bridging loans	6,394	-	6,394
Finance lease liabilities	3,858	-	3,858
	<u>66,460</u>	<u>383,732</u>	<u>450,192</u>

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### B8. Changes in Material Litigation

There was no impending material litigation as at 20 February 2019, 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 per ordinary share totalling RM3,295,235 in respect of the year ended 31 December 2018, 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.

### B10. Basic and diluted (loss)/earnings per ordinary share

The calculation of basic and diluted (loss)/earnings per ordinary share for the current financial quarter and the financial year ended 31 December 2018 are based on the (loss)/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	
	2018	2017	2018	2017
(Loss)/Profit attributable to owners of the Company (RM'000)	(6,991)	11,624	12,067	52,928
<i>Weighted average number of ordinary shares ('000)</i>				
Number of ordinary shares issued as at 1 January	443,319	312,665	443,319	312,665
Effects of shares repurchased	(3,954)	(3,180)	(3,803)	(1,673)
Effects of exercise of warrants	-	114,630	-	50,670
Weighted average number of ordinary shares as at 31 December	439,365	424,115	439,516	361,662
Basic and diluted (loss)/earnings per ordinary share (sen)	(1.59)	2.74	2.75	14.63

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

	<b>Individual quarter 3 months ended 31/12/18 RM'000</b>	<b>Cumulative quarter 12 months ended 31/12/18 RM'000</b>
<b>(Loss)/Profit before tax is arrived at after charging:</b>		
Allowance for impairment losses on trade receivables	2,266	2,403
Bad debt written off	24	24
Depreciation of:		
- investment properties	168	812
- property, plant and equipment	5,914	23,823
Finance cost	8,401	31,574
Inventories written down	6,444	8,824
Property, plant and equipment written off	-	92
<b>and after crediting:</b>		
Allowance for impairment losses written back on trade receivables	194	741
Bad debt recovered	-	30
Gain on disposal of property, plant and equipment	48	2,319
Interest income	553	2,288
Realised gain on foreign exchange, net	213	440
Rental income:		
- land and building	237	582
- vehicles	15	175
	=====	=====

**B12. Capital commitment**

	<b>31 December 2018 RM'000</b>
<b>Property, plant and equipment</b>	
Contracted but not provided for	2,517
	=====

**B13. Related party transactions**

Significant related party transactions with companies in which certain Directors have interests for the financial period ended 31 December 2018 were as follows:

	<b>RM'000</b>
Sales	(5,001)
Purchases	10,257
Rental income	(174)
Rental expenses	2,632
Consultancy fee expenses	482
Interest expenses on advances given	19
	=====

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:

	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Corporate guarantees issued to :		
- financial institutions for banking facilities granted to its non wholly-owned subsidiaries	71,776	79,569
- suppliers for credit facilities granted to its non wholly-owned subsidiaries	412	352
	<u>72,188</u>	<u>79,921</u>

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