



EG INDUSTRIES BERHAD

(222897-W)

(Incorporated in Malaysia)

Interim Financial Statements For The Financial Period Ended

31 December 2016

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
		<u>3 months ended</u>		<u>6 months ended</u>	
		<u>31.12.2016</u>	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue		259,701	208,978	494,407	399,855
Operating profit		16,961	12,947	34,700	28,716
Interest income		122	121	173	138
Interest expense		(2,740)	(2,663)	(5,595)	(5,131)
Depreciation & amortisation		(6,134)	(4,689)	(13,522)	(12,669)
Profit before taxation		8,209	5,716	15,756	11,054
Income tax expense	B5	(605)	(400)	(1,005)	(700)
Profit for the period		7,604	5,316	14,751	10,354
Other comprehensive income for the period					
Foreign currency translation difference for foreign operations		4,612	(3,336)	10,493	18,606
Fair value of available-for-sale financial assets		2,576	(111)	1,878	(440)
		7,188	(3,447)	12,371	18,166
Total comprehensive income for the period		14,792	1,869	27,122	28,520
Profit/(Loss) attributable to:					
Owners of the Company		7,603	5,316	14,751	10,355
Non-controlling Interest		1	-	-	(1)
Profit for the period		7,604	5,316	14,751	10,354
Total comprehensive income attributable to:					
Owners of the Company		14,791	1,870	27,122	28,521
Non-controlling Interest		1	(1)	-	(1)
Total comprehensive income for the period		14,792	1,869	27,122	28,520
Basic earnings per ordinary share (sen)	B13	3.60	4.57	6.98	8.90
Diluted earnings per ordinary share (sen)	B13	2.83	3.05	5.49	5.95

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's audited Financial Statements as at 30 June 2016. The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2016**

	Note	Unaudited as at 31.12.2016 RM'000	Audited as at 30.06.2016 RM'000
Assets			
Property, plant and equipment		156,163	151,216
Investment property		3,217	1,405
Other investments		6,902	5,024
Intangible asset		12,590	12,729
Deferred tax assets		47	-
Total non-current assets		178,919	170,374
Inventories		128,582	124,359
Trade and other receivables		308,184	273,258
Current tax assets		622	603
Fixed deposits with licensed banks		14,629	9,812
Cash and bank balances		49,642	39,334
Total current assets		501,659	447,366
Total assets		680,578	617,740
Equity			
Share capital		105,782	105,782
Reserves		156,776	129,658
Total equity attributable to shareholders of the Company		262,558	235,440
Non-controlling interests		(762)	(762)
Total equity		261,796	234,678
Liabilities			
Provision for retirement benefit		235	215
Borrowings	B9	19,989	15,162
Deferred tax liabilities		1,100	1,057
Total non-current liabilities		21,324	16,434
Trade and other payables		180,978	170,950
Borrowings	B9	215,680	194,878
Provisions		800	800
Current tax liabilities		-	-
Total current liabilities		397,458	366,628
Total liabilities		418,782	383,062
Total equity and liabilities		680,578	617,740
Net assets per ordinary share (RM)		1.24	1.11

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited Financial Statements as at 30 June 2016. The accompanying notes are an integral part of this Statement of Financial Position.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

	← Non-distributable →								Distributable		Minority Interest RM'000	Total equity RM'000
	Share capital RM'000	Warrant reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Share premium RM'000	Treasury shares RM'000	Capital reserve RM'000	Other reserve RM'000	Retained profit RM'000	Total RM'000		
Balance as at 1 July 2015 (Restated)	77,117	-	(1,373)	7,009	15,170	(120)	-	-	46,644	144,447	(760)	143,687
Foreign currency translation differences for foreign operations	-	-	-	18,606	-	-	-	-	-	18,606	-	18,606
Fair value of available-for-sale financial assets	-	-	(440)	-	-	-	-	-	-	(440)	-	(440)
Total other comprehensive income/(loss) for the period	-	-	(440)	18,606	-	-	-	-	-	18,166	-	18,166
Profit/ (loss) for the period	-	-	-	-	-	-	-	-	10,355	10,355	(1)	10,354
Total comprehensive income/(expense) for the year	-	-	(440)	18,606	-	-	-	-	10,355	28,521	(1)	28,520
Par Value Reduction	(38,558)	-	-	-	-	-	28,866	-	9,692	-	-	-
Treasury shares acquired	-	-	-	-	-	(3)	-	-	-	(3)	-	(3)
Issue of ordinary shares pursuant to Rights Issue with Warrants	57,620	-	-	-	-	-	-	-	-	57,620	-	57,620
Issue of ordinary shares pursuant to Private Placement	9,603	-	-	-	5,762	-	-	-	-	15,365	-	15,365
Total transactions with owners of the Company	28,665	-	-	-	5,762	(3)	28,866	-	9,692	72,982	-	72,982
Balance as at 31 December 2015 (Restated)	105,782	-	(1,813)	25,615	20,932	(123)	28,866	-	66,691	245,950	(761)	245,189
Balance as at 1 July 2016	105,782	22,268	(1,872)	8,492	20,932	(128)	28,462	(22,268)	73,772	235,440	(762)	234,678
Foreign currency translation differences for foreign operations	-	-	-	10,493	-	-	-	-	-	10,493	-	10,493
Realisation of fair value gain from available-for- sale financial assets to profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Fair value of available-for-sale financial assets	-	-	1,878	-	-	-	-	-	-	1,878	-	1,878
Total other comprehensive income for the period	-	-	1,878	10,493	-	-	-	-	-	12,371	-	12,371
Profit/ (loss) for the period	-	-	-	-	-	-	-	-	14,751	14,751	-	14,751
Total comprehensive income for the period	-	-	1,878	10,493	-	-	-	-	14,751	27,122	-	27,122
Treasury shares acquired	-	-	-	-	-	(4)	-	-	-	(4)	-	(4)
Total transactions with owners of the Company	-	-	-	-	-	(4)	-	-	-	(4)	-	(4)
Balance as at 31 December 2016	105,782	22,268	6	18,985	20,932	(132)	28,462	(22,268)	88,523	262,558	(762)	261,796

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited Financial Statements as at 30 June 2016. The accompanying notes are integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

	Unaudited 31.12.2016 RM'000	Unaudited 31.12.2015 RM'000
OPERATING ACTIVITIES		
Profit before tax	15,756	11,054
Adjustments for:		
Depreciation of property, plant and equipment	13,280	12,233
Depreciation of investment property	13	410
Amortisation of intangible assets	229	26
Interest expenses	5,595	5,131
Gain on disposal of property, plant and equipment	(300)	-
Provision of retirement benefit	-	18
Interest income	(173)	(138)
Dividend income	(1)	(3)
Operating profit before working capital changes	34,399	28,731
(Increase)/Decrease in inventories	(4,223)	(23,099)
(Increase)/Decrease in trade and other receivables	(24,594)	(9,231)
Increase/(Decrease) in trade and other payables	15,316	(14,677)
Cash generated from operations	20,898	(18,276)
Dividend received	1	3
Income taxes paid	(1,020)	(72)
Net cash from operating activities	19,879	(18,345)
Cash flow from investing activities		
Acquisition of property, plant and equipment	(17,927)	(10,319)
Acquisition of treasury shares	(4)	(3)
Acquisition of intangible assets	(90)	-
Acquisition of investment property	(1,825)	-
Rights issue with warrants	-	57,620
Private Placement	-	15,365
Interest income	173	138
	(19,673)	62,801
Cash flows from/(used in) financing activities		
Interest paid	(5,595)	(5,131)
Net drawdown of bank borrowing	22,683	(6,057)
Placement of pledged deposits	(4,817)	(38)
	12,271	(11,226)
Net increase in cash and cash equivalents	12,477	33,230
Cash and cash equivalents at beginning of the period	37,352	39,056
Effect of exchange rates on cash and cash equivalents	(187)	2,203
Cash and cash equivalents at end of the period	49,642	74,489
Cash and cash equivalents comprise the following :		
Cash and bank balances	49,642	28,911
Fixed deposits with licensed banks	-	45,578
	49,642	74,489

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements as at 30 June 2016. The accompanying notes are an integral part of this statement.

NOTES TO THE INTERIM FINANCIAL STATEMENTS**A. FRS134 – Interim Financial Reporting****A1. Basis Preparation**

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 and Appendix 9B of the Listing Requirements.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2016. These explanatory notes, attached to the condensed consolidated interim financial statements, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2016. The audited financial statements of the Group as at and for the year ended 30 June 2016 were prepared under Malaysian Financial Reporting Standards (MFRSs).

A2. Significant Accounting policies

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the year ended 30 June 2016 except for the adoption of the following new and revised MFRSs:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transaction*
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

The Directors anticipate that the abovementioned Standards will be adopted in the annual financial statements of the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group in the period of initial application.

A3. Audit Report

The auditors’ report of the Group’s financial statements for the year ended 30 June 2016 was not subject to any qualification.

A4. Seasonal or Cyclical Factors

The business operations of the Group are subject to seasonal or cyclical factors that are common in the industry in which the Group operates in.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no exceptional items that occurred during the current financial quarter under review which affect the assets, liabilities, equity, net income or cash flows of the Group except for those disclosed in Note B14.

A6. Material changes in Estimates

There was no material changes in estimates used in the preparation of the financial statements in the current financial quarter as compared to the preceding corresponding financial quarter.

A7. Issuance of Equity or Debt Securities

As of 31 December 2016, the number of outstanding ordinary shares of RM0.50 each in issue is 211,563,992. The Company held 299,000 of its shares as of 31 December 2016. The number of outstanding ordinary shares of RM0.50 each in issue after the set-off is 211,264,992.

Other than the above, there were no issuance and repayment of equity and debts securities, share cancellations and resale of treasury sales during the current financial quarter.

A8. Dividend Paid

No dividend has been paid for the current financial quarter ended 31 December 2016.

A9. Segmental Reporting

The segment analysis for the Group's results for the current financial quarter ended 31 December 2016 as follows:

Current Year-to-date Segment for the Group	Turnover RM'000	Profit before Taxation RM'000	Total Assets RM'000
Electronic Manufacturing Services	494,375	17,376	648,724
Others	32	(1,620)	31,854
Total	494,407	15,756	680,578

A10. Valuation of Property, Plant and Equipment

There were no valuation of property, plant and equipment during the current financial quarter ended 31 December 2016.

A11. Material Subsequent Events

On 15 February 2017, an announcement was made by M&A Securities Sdn. Bhd. that the Company proposes to undertake the following proposals:

- (i) a renounceable rights issue of up to 67,296,172 Redeemable Convertible Preference Shares (“RCPS”) at an indicative issue price of RM0.95 per RCPS on the basis of 1 RCPS for every 4 existing EGIB Shares held on the Entitlement Date;
- (ii) a bonus issue of up to 67,296,172 Bonus Shares on the basis of 1 Bonus Share for every RCPS subscribed under the Proposed Rights Issue; and
- (iii) proposed amendments to the Memorandum and Articles of Association of the Company to facilitate the issuance of RCPS

(“Collectively referred to as the “proposals”)

Barring any unforeseen circumstances, the Proposals are expected to be completed in the first half of 2017.

Save as disclosed above, there were no material events or transactions subsequent to the end of current financial quarter ended 31 December 2016.

A12. Changes in the Composition of the Group

There were no changes in the composition of the group for the current financial quarter and financial period to date.

A13. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or contingent assets as at the end of the current financial quarter.

A14. Capital Commitments

As at 31 December 2016, the Group has no material capital commitment in respect of property, plant and equipment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
B. ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS
B1. Review of Performance
Comparison between the current quarter (“Q2 2017”) and the preceding correspondence quarter (“Q2 2016”)

The Group recorded revenue of RM259.7 million for the current quarter ended 31 December 2016, an increase of 24.3% as compared to RM209.0 million recorded in the previous year corresponding quarter. The increase in revenue was mainly driven by higher customer’s demand for consumer electronics products due to year-end holiday seasons.

Group’s profit before tax for the current quarter was RM8.21 million, an increase of 43.6% as compared to RM5.72 million recorded in the previous year corresponding quarter. Overall, the better performance was achieved on back of higher sales, offset by higher labour cost due to revision of minimum wage rate and increase in number of contract workers with higher wage rate for production ramp up during the quarter under review.

Comparison between the current financial year-to-date and the preceding correspondence financial year-to-date

In the financial year-to-date under review, the Group’s revenue increased by 23.6% to RM494.4 million compared to the last year corresponding period of RM399.9 million. The increase in revenue was mainly driven by higher customer’s demand for consumer electronics products due to year-end holiday seasons.

The Group’s profit before tax in the current financial year-to-date increased to RM15.8 million from RM11.1 million which was mainly due to higher sales generated, offset by the increased of labour cost due to revision of minimum wage rate and increase in number of contract workers with higher wage rate for production ramp up during the quarter under review.

B2. Variation of Results against Preceding Quarter

Description	2 nd Quarter 2017 RM’000	1 st Quarter 2017 RM’000	Increase/ (Decrease)	
			RM’000	%
Revenue	259,701	234,706	24,995	10.6%
Profit before tax	8,209	7,547	662	8.8%

Revenue for the current quarter was approximately RM259.7 million, increased by RM25.0 million or 10.6% as compared to the immediate preceding quarter. The increase was mainly driven by higher customer’s demand for consumer electronics products due to year-end holiday seasons. Correspondingly, Group’s profit before tax increased by RM0.7 million or 8.8% during the current quarter on the back of higher sales, offset by the increased of labour cost due to revision of minimum wage rate and increase in number of contract workers with higher wage rate for production ramp up.

B3. Prospect

Moving into financial year 2017, the Group expects to face increasing challenges due to the prevailing economic uncertainties resulting in greater degree of volatility in the overall customer orders.

In light of these challenges, the Group will continue its focus on moving up the value-chain by offering one-stop electronic manufacturing services (EMS) solutions including design and development services to strengthen its position as a one-stop vertically-integrated EMS provider.

During the last financial year 2016, the Group has invested approximately RM30 million in capital expenditure to enhance the plant capacity and capabilities. Moving forward, the Group intends to embark on its next growth phase as a vertically-integrated EMS provider by further strengthening its product mix to have more revenue contribution from the box-build segment and at the same time widen its overall revenue base aimed at achieve greater economies of scale and improve efficiency of its capital resources to enhance its competitive edge.

In addition, the Group is committed to enhance its operational and cost efficiencies by taking prudent measures to achieve satisfactory results.

Barring any unforeseen circumstances and adverse external economic factors, the Board of Directors is of the view that the Group's financial performance for the financial year ending 30 June 2017 will remain positive.

B4. Variance on Forecast Profit / Shortfall in Profit Guarantee

The Group did not issue any profit forecast/ profit guarantee for the current financial quarter.

B5. Taxation

	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Current tax expense	605	400	1,005	700
Tax expenses	605	400	1,005	700

The effective tax rate of the Group for the current quarter and year to date is lower than the statutory income tax rate mainly due to the availability of reinvestment allowance by a subsidiary and a foreign subsidiary was granted promotional privileges under the Investment Promotional Act B.E. 2520 for a period of 8 years.

B6. Profit/ (Loss) on Sale of Unquoted Investment and /or Property

There was no sale of unquoted investments or properties during the current financial period under review.

B7. Purchase or Disposal of Quoted Securities Other Than Securities in Existing Subsidiaries and Associated Company

During the current financial period ended 31 December 2016, there was no purchase or disposal of quoted securities.

B8. Status of Uncompleted Corporate Announcement
(i) Proposed Listing of SMT Industries Co., Ltd (“SMTI”)

On 25 March 2016, an announcement was made by M&A Securities Sdn. Bhd. that the Company proposes to undertake the listing of SMTI, a wholly owned subsidiary of EGIB on the Market for Alternative Investment (“Mai Market”) of the Stock Exchange of Thailand (“Proposed Listing”). The Company will engage several advisers to undertake the Proposed Listing and announcement will be made upon finalization of appointment at a later date.

The Proposed Listing is still in progress.

Save as disclosed above, there were no other corporate proposals announced but not completed during the quarter under review.

B9. Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2016 are as follows:

	As at 31/12/2016 RM’000	As at 30/09/2016 RM’000
(a) Secured:		
Term Loan	13,108	10,761
Trade Financing	189,971	186,683
Trust Receipt	22,183	14,315
Hire Purchase Payable	10,407	10,333
	235,669	222,092
(b) Current	215,680	204,867
Non-current	19,989	17,225
	235,669	222,092
(c) Denominated in Malaysia Ringgit	44,445	46,484
Denominated in US Dollar	125,914	118,031
Denominated in Thai Baht	65,310	57,577
	235,669	222,092

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at date of this report.

B11. Changes in Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the Board does not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

B12. Dividend

No dividend has been recommended or declared for current quarter and current financial period under review.

B13. Earnings Per Ordinary Share

The basic earnings per share for the current financial quarter and financial period have been calculated by dividing the net profit attributable to owners of the Company for the financial quarter and financial period by weighted average number of ordinary shares in issue during the financial quarter and financial period.

	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net profit attributable to owners of the Company (RM'000)	7,603	5,316	14,751	10,355
Weighted average number of ordinary shares outstanding ('000)	211,267	116,391	211,267	116,391
Basic earnings per ordinary share (sen)	3.60	4.57	6.98	8.90

	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net profit attributable to owners of the Company (RM'000)	7,603	5,316	14,751	10,355
Weighted average number of ordinary shares outstanding ('000)	211,267	116,391	211,267	116,391
Adjusted for:				
Full exercise of warrants ('000)	57,621	57,621	57,621	57,621
Adjusted weighted average number of ordinary shares ('000)	268,888	174,012	268,888	174,012
Diluted earnings per ordinary share (sen)	2.83	3.05	5.49	5.95

B14. Notes to the Statement of Comprehensive Income

Profit before tax is stated after charging / (crediting):

	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortization	6,134	4,689	13,522	12,669
Interest expense	2,740	2,663	5,595	5,131
Interest income	(122)	(121)	(173)	(138)
Net foreign exchange loss / (gain)	146	790	622	1,592

B15. Realised or Unrealised Profits of the Group

The following analysis of realised and unrealised profit of the Group is prepared in accordance with Guidance on Special Matter No. 1. Determination of Realised and Unrealised Profits in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Cumulative Quarter Ended	
	31/12/2016	31/12/2015
	RM'000	RM'000
Total retained earnings of the Group		
- Realised	90,549	65,638
- Unrealised	(2,722)	2,032
	87,827	67,670
Less: Consolidation adjustments	696	(979)
Total retained earnings	88,523	66,691

The disclosure of realised and unrealised retained earnings above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purposes.

B16. Utilisation of Proceeds raised from Rights Issue and Private Placement

- (i) On 11 November 2015, the Company has completed the renounceable Rights Issue of 115,241,392 new ordinary shares of RM0.50 each in EG Industries Berhad ("EG") (Rights Shares) together with 57,620,696 free detachable warrants (Warrants) on the basis of three (3) Rights Shares for every two (2) existing ordinary shares of RM0.50 each held on 12 October 2015 together with one (1) Warrant for every two (2) Rights Shares subscribed at an issue price of RM0.50 per Rights Share ("Rights Issue with Warrants").

The details and status of the utilisation of proceeds of RM57.62 million from the Rights Issue with Warrants are as follows:

Details	Proposed Utilisation	Actual Utilisation 31/12/16	Intended Timeframe of Utilisation
	RM'000	RM'000	(from 11 Nov 2015)
Repayment of bank borrowings	2,960	2,960	Within 6 months
Purchase and upgrade of machinery	16,000	16,000	Within 24 months
Expansion and upgrade of factory	20,000	12,457	Within 12 months
Purchase of inventory such as electronic component, printed circuit board and plastic resin	5,000	5,000	Within 12 months
Acquisition of new businesses or assets	8,000	-	Within 24 months
Working capital	3,660	3,660	Within 12 months
Expenses relating to the Proposals	2,000	2,000	Immediately
	57,620	42,077	

BY ORDER OF THE BOARD

KANG PANG KIANG
GROUP CHIEF EXECUTIVE OFFICER/ EXECUTIVE DIRECTOR

24 FEBRUARY 2017