



EG INDUSTRIES BERHAD

(222897-W)

(Incorporated in Malaysia)

Interim Financial Statements For The Financial Period Ended

31 March 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 MARCH 2017

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
		3 months ended		9 months ended	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
		RM'000	RM'000	RM'000	RM'000
Revenue		253,138	152,471	747,545	552,326
Operating profit		15,678	13,347	50,378	42,063
Interest income		88	174	261	312
Interest expense		(2,961)	(2,882)	(8,556)	(8,013)
Depreciation & amortisation		(6,833)	(6,145)	(20,355)	(18,814)
Profit before taxation		5,972	4,494	21,728	15,548
Income tax expense	B5	(695)	(300)	(1,700)	(1,000)
Profit for the period		5,277	4,194	20,028	14,548
Other comprehensive income for the period					
Foreign currency translation difference for foreign operations		617	(4,134)	11,110	14,472
Fair value of available-for-sale financial assets		1,188	649	3,066	209
		1,805	(3,485)	14,176	14,681
Total other comprehensive income for the period		7,082	709	34,204	29,229
Profit attributable to:					
Owners of the Company		5,277	4,194	20,028	14,549
Non-controlling Interest		-	-	-	(1)
Profit for the period		5,277	4,194	20,028	14,548
Total comprehensive income attributable to:					
Owners of the Company		7,082	709	34,204	29,230
Non-controlling Interest		-	-	-	(1)
Total comprehensive income for the period		7,082	709	34,204	29,229
Basic earnings per ordinary share (sen)	B13	2.50	2.84	9.48	9.84
Diluted earnings per ordinary share (sen)	B13	1.96	2.04	7.45	7.08

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 MARCH 2017**

	Note	Unaudited as at 31.03.2017 RM'000	Audited as at 30.06.2016 RM'000
Assets			
Property, plant and equipment		151,930	151,216
Investment property		4,676	1,405
Other investments		8,090	5,024
Intangible asset		21,392	12,729
Total non-current assets		186,088	170,374
Inventories		131,159	124,359
Trade and other receivables		308,172	273,258
Current tax assets		327	603
Fixed deposits with licensed banks		15,331	9,812
Cash and bank balances		31,063	39,334
Total current assets		486,052	447,366
Total assets		672,140	617,740
Equity			
Share capital		105,782	105,782
Reserves		163,853	129,658
Total equity attributable to shareholders of the Company		269,635	235,440
Non-controlling interests		(762)	(762)
Total equity		268,873	234,678
Liabilities			
Provision for retirement benefit		239	215
Borrowings	B9	19,230	15,162
Deferred tax liabilities		1,052	1,057
Total non-current liabilities		20,521	16,434
Trade and other payables		167,470	170,950
Borrowings	B9	214,476	194,878
Provisions		800	800
Total current liabilities		382,746	366,628
Total liabilities		403,267	383,062
Total equity and liabilities		672,140	617,740
Net assets per ordinary share (RM)		1.27	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 THIRD QUARTER ENDED 31 MARCH 2017**

	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		
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	-	-	-	14,472	-	-	-	-	-	14,472	-	14,472
Fair value of available-for-sale financial assets	-	-	209	-	-	-	-	-	-	209	-	209
Total other comprehensive income for the period	-	-	209	14,472	-	-	-	-	-	14,681	-	14,681
Profit/ (loss) for the period	-	-	-	-	-	-	-	-	14,549	14,549	(1)	14,548
Total comprehensive income/(expense) for the year	-	-	209	14,472	-	-	-	-	14,549	29,230	(1)	29,229
Par Value Reduction	(38,558)	-	-	-	-	-	28,866	-	9,692	-	-	-
Treasury shares acquired	-	-	-	-	-	(8)	-	-	-	(8)	-	(8)
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	(8)	28,866	-	9,692	72,977	-	72,977
At 31 March 2016 (Restated)	105,782	-	(1,164)	21,481	20,932	(128)	28,866	-	66,691	246,654	(761)	245,893
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	-	-	-	11,110	-	-	-	-	-	11,110	-	11,110
Fair value of available-for-sale financial assets	-	-	3,066	-	-	-	-	-	-	3,066	-	3,066
Total other comprehensive income for the period	-	-	3,066	11,110	-	-	-	-	-	14,176	-	14,176
Profit for the period	-	-	-	-	-	-	-	-	20,028	20,028	-	20,028
Total comprehensive income for the period	-	-	3,066	11,110	-	-	-	-	20,028	34,204	-	34,204
Treasury shares acquired	-	-	-	-	-	(9)	-	-	-	(9)	-	(9)
Total transactions with owners of the Company	-	-	-	-	-	(9)	-	-	-	(9)	-	(9)
At 31 March 2017	105,782	22,268	1,194	19,602	20,932	(137)	28,462	(22,268)	93,800	269,635	(762)	268,873

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 THIRD QUARTER ENDED 31 MARCH 2017**

	Unaudited 31.03.2017 RM'000	Unaudited 31.03.2016 RM'000
OPERATING ACTIVITIES		
Profit before tax	21,728	15,548
Adjustments for:		
Amortisation of intangible assets	224	39
Depreciation of investment property	23	410
Depreciation of property, plant and equipment	20,108	18,365
Dividend income	(1)	(3)
Interest expenses	8,556	8,013
Interest income	(261)	(312)
(Gain) / Loss on disposal of property, plant and equipment	(297)	8
Provision of retirement benefit	-	27
Provision of warranties	-	(667)
Operating profit before working capital changes	50,080	41,428
Increase in inventories	(6,800)	(28,469)
Increase in trade and other receivables	(22,606)	(37,153)
Decrease in trade and other payables	7,453	3,008
Cash generated from / (used in) operations	28,127	(21,186)
Dividend received	1	3
Income taxes paid	(1,424)	(633)
Net cash generated from / (used in) operating activities	26,704	(21,816)
Cash flow from investing activities		
Acquisition of intangible assets	(8,887)	-
Acquisition of investment property	(3,294)	-
Acquisition of property, plant and equipment	(20,532)	(16,753)
Acquisition of treasury shares	(9)	(8)
Interest income	261	312
Private Placement	-	15,365
Proceeds from disposal of property, plant & equipment	-	10
Rights issue with warrants	-	57,620
Net cash (used in) / generated from investing activities	(32,461)	56,546
Cash flows from financing activities		
Interest paid	(8,556)	(8,013)
Net drawdown of bank borrowing	19,776	(9,950)
Placement of pledged deposits	(5,518)	2,174
Net cash generated from / (used in) financing activities	5,702	(15,789)
Net (decrease) / increase in cash and cash equivalents	(55)	18,941
Cash and cash equivalents at beginning of the period	37,352	39,056
Effect of exchange rates on cash and cash equivalents	(214)	1,604
Cash and cash equivalents at end of the period	37,083	59,601
Cash and cash equivalents comprise the following :		
Cash and bank balances	31,063	56,870
Fixed deposits with licensed banks	6,020	2,731
	37,083	59,601

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. MFRS 134 – 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 at 31 March 2017, the number of outstanding ordinary shares of RM0.50 each in issue is 211,563,992. The Company held 304,000 of its shares as at 31 March 2017. The number of outstanding ordinary shares of RM0.50 each in issue after the set-off is 211,259,992.

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 March 2017.

A9. Segmental Reporting

The segment analysis for the Group's results for the current financial quarter ended 31 March 2017 as follows:

Current Year-to-date	Turnover	Profit before Taxation	Total Assets
Segment for the Group	RM'000	RM'000	RM'000
Electronic Manufacturing Services	747,498	23,461	631,303
Others	47	(1,733)	40,837
Total	747,545	21,728	672,140

A10. Valuation of Property, Plant and Equipment

There were no valuation of property, plant and equipment during the current financial quarter ended 31 March 2017.



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 March 2017.

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 March 2017, 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 (“Q3 2017”) and the preceding correspondence quarter (“Q3 2016”)

The Group recorded revenue of RM253.1 million for the current quarter ended 31 March 2017, an increase of 66.0% as compared to RM152.5 million recorded in the previous year corresponding quarter. The increase in revenue was mainly driven by higher customer’s demand for consumer electronics products.

Group’s profit before tax for the current quarter was RM5.97 million, an increase of 32.9% as compared to RM4.49 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 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 35.3% to RM747.5 million compared to the last year corresponding period of RM552.3 million. The increase in revenue was mainly driven by higher customer’s demand for consumer electronics products.

The Group’s profit before tax in the current financial year-to-date increased to RM21.7 million from RM15.5 million which was mainly due to higher sales generated, offset by the increased of labour cost due to revision of minimum wage rate and net foreign exchange loss during the financial period under review.

B2. Variation of Results against Preceding Quarter

Description	3 rd Quarter 2017 RM’000	2 nd Quarter 2017 RM’000	Increase/ (Decrease)	
			RM’000	%
Revenue	253,138	259,701	(6,563)	-2.5%
Profit before tax	5,972	8,209	(2,237)	-27.3%

Revenue for the current quarter was approximately RM253.1 million, decreased by RM6.6 million or 2.5% as compared to the immediate preceding quarter. The decrease in revenue was mainly due to seasonal low volume for consumer electronics products. Correspondingly, Group’s profit before tax decreased by RM2.2 million or 27.3% during the quarter under review.

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.

B3. Prospect (continued)

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	
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
Current tax expense	695	300	1,700	1,000
Tax expenses	695	300	1,700	1,000

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 March 2017, 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 March 2017 are as follows:

	As at 31/03/2017 RM'000	As at 31/12/2016 RM'000
(a) Secured:		
Term Loan	12,228	13,108
Trade Financing	192,913	189,971
Trust Receipt	19,369	22,183
Hire Purchase Payable	9,196	10,407
	233,706	235,669
(b) Current	214,476	215,680
Non-current	19,230	19,989
	233,706	235,669
(c) Denominated in Malaysia Ringgit	89,196	44,445
Denominated in US Dollar	120,909	125,914
Denominated in Thai Baht	23,601	65,310
	233,706	235,669

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	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
Net profit attributable to owners of the Company (RM'000)	5,277	4,194	20,028	14,549
Weighted average number of ordinary shares outstanding ('000)	211,266	147,788	211,266	147,788
Basic earnings per ordinary share (sen)	2.50	2.84	9.48	9.84

	Individual Quarter Ended		Cumulative Quarter Ended	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
Net profit attributable to owners of the Company (RM'000)	5,277	4,194	20,028	14,549
Weighted average number of ordinary shares outstanding ('000)	211,266	147,788	211,266	147,788
Adjusted for:				
Full exercise of warrants ('000)	57,621	57,621	57,621	57,621
Adjusted weighted average number of ordinary shares ('000)	268,887	205,409	268,887	205,409
Diluted earnings per ordinary share (sen)	1.96	2.04	7.45	7.08

B14. Notes to the Statement of Profit or Loss and Other Comprehensive Income

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

	Individual Quarter Ended		Cumulative Quarter Ended	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortization	6,833	6,145	20,355	18,814
Interest expense	2,961	2,882	8,556	8,013
Interest income	(88)	(174)	(261)	(312)
Net foreign exchange loss	1,717	56	2,339	1,648
(Gain) / Loss on disposal of plant and equipment	(297)	8	(297)	8

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	
	31/03/2017	31/03/2016
	RM'000	RM'000
Total retained earnings of the Group		
- Realised	89,891	65,810
- Unrealised	3,098	1,743
	92,989	67,553
Less: Consolidation adjustments	811	(862)
Total retained earnings	93,800	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 31/03/17	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

31 May 2017