



EG INDUSTRIES BERHAD

(222897-W)
(Incorporated in Malaysia)

Interim Financial Statements For The Financial Period Ended

30 September 2017


**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

| | Note | Individual Quarter | | Changes % | Cumulative Quarter | | Changes % |
|--|------|---------------------------|-----------------------|--------------|---------------------------|-----------------------|--------------|
| | | Unaudited | Unaudited | | Unaudited | Unaudited | |
| | | 3 months ended | 3 months ended | | 3 months ended | 3 months ended | |
| | | 30.09.2017 | 30.09.2016 | | 30.09.2017 | 30.09.2016 | |
| | | RM'000 | RM'000 | | RM'000 | RM'000 | |
| Revenue | | 247,914 | 234,706 | 5.6 | 247,914 | 234,706 | 5.6 |
| Operating profit | | 18,113 | 17,739 | 2.1 | 18,113 | 17,739 | 2.1 |
| Interest income | | 91 | 51 | 78.4 | 91 | 51 | 78.4 |
| Interest expense | | (2,160) | (2,855) | (24.3) | (2,160) | (2,855) | (24.3) |
| Depreciation & amortisation | | (8,358) | (7,388) | 13.1 | (8,358) | (7,388) | 13.1 |
| Profit before tax | | 7,686 | 7,547 | 1.8 | 7,686 | 7,547 | 1.8 |
| Tax expense | B6 | (50) | (400) | (87.5) | (50) | (400) | (87.5) |
| Profit for the period | | 7,636 | 7,147 | 6.8 | 7,636 | 7,147 | 6.8 |
| Other comprehensive income for the period | | | | | | | |
| Foreign currency translation difference for foreign operations | | 2,206 | 5,881 | (62.5) | 2,206 | 5,881 | (62.5) |
| Fair value of available-for-sale financial assets | | (29) | (698) | (95.8) | (29) | (698) | (95.8) |
| | | 2,177 | 5,183 | (58.0) | 2,177 | 5,183 | (58.0) |
| Total other comprehensive income for the period | | 9,813 | 12,330 | (20.4) | 9,813 | 12,330 | (20.4) |
| Profit attributable to: | | | | | | | |
| Owners of the Company | | 7,636 | 7,148 | 6.8 | 7,636 | 7,148 | 6.8 |
| Non-controlling Interest | | - | (1) | (100.0) | - | (1) | (100.0) |
| Profit for the period | | 7,636 | 7,147 | 6.8 | 7,636 | 7,147 | 6.8 |
| Total comprehensive income attributable to: | | | | | | | |
| Owners of the Company | | 9,813 | 12,331 | (20.4) | 9,813 | 12,331 | (20.4) |
| Non-controlling Interest | | - | (1) | (100.0) | - | (1) | (100.0) |
| Total comprehensive income for the period | | 9,813 | 12,330 | (20.4) | 9,813 | 12,330 | (20.4) |
| Basic earnings per ordinary share (sen) | B15 | 3.61 | 3.38 | | 3.61 | 3.38 | |
| Diluted earnings per ordinary share (sen) | B15 | 2.84 | 2.66 | | 2.84 | 2.66 | |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's audited Financial Statements as at 30 June 2017. The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

| | Note | Unaudited as at 30.09.2017 RM'000 | Audited as at 30.06.2017 RM'000 |
|---|------|--|--|
| Assets | | | |
| Property, plant and equipment | | 180,655 | 184,464 |
| Investment property | | 3,187 | 3,197 |
| Other investments | | 7,925 | 7,954 |
| Intangible asset | | 20,882 | 21,173 |
| Deferred tax assets | | 1,223 | 772 |
| Total non-current assets | | 213,872 | 217,560 |
| Inventories | | 134,191 | 130,082 |
| Trade and other receivables | B7 | 234,344 | 307,400 |
| Current tax assets | | 653 | 705 |
| Fixed deposits with licensed banks | | 18,539 | 15,481 |
| Cash and bank balances | | 53,724 | 17,979 |
| Total current assets | | 441,451 | 471,647 |
| Total assets | | 655,323 | 689,207 |
| Equity | | | |
| Share capital | | 126,714 | 126,714 |
| Treasury shares | | - | (137) |
| Reserves | | 146,408 | 136,999 |
| Total equity attributable to shareholders of the Company | | 273,122 | 263,576 |
| Non-controlling interests | | (262) | (762) |
| Total equity | | 272,860 | 262,814 |
| Liabilities | | | |
| Provision for retirement benefit | | 330 | 322 |
| Loans and borrowings | B11 | 11,124 | 14,193 |
| Deferred tax liabilities | | 121 | 121 |
| Total non-current liabilities | | 11,575 | 14,636 |
| Trade and other payables | | 166,656 | 209,357 |
| Loans and borrowings | B11 | 203,432 | 201,600 |
| Provisions | | 800 | 800 |
| Total current liabilities | | 370,888 | 411,757 |
| Total liabilities | | 382,463 | 426,393 |
| Total equity and liabilities | | 655,323 | 689,207 |
| Net assets per ordinary share (RM) | | 1.29 | 1.25 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited Financial Statements as at 30 June 2017. The accompanying notes are an integral part of this Statement of Financial Position.


Interim Financial Statements for the Financial Period Ended 30 September 2017

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

| | | Non-distributable | | | | | Distributable | | | | | | |
|---|---|-------------------------|---------------------------|---------------------------|------------------------------|-------------------------------|-------------------------|---------------------------|-------------------------|---------------------------|-----------------|-----------------------------|------------------------|
| | | Share capital RM'000 | Treasury shares RM'000 | Warrant reserve RM'000 | Fair value reserve RM'000 | Translation reserve RM'000 | Share premium RM'000 | Capital reserve RM'000 | Other reserve RM'000 | Retained profit RM'000 | Total RM'000 | Minority Interest RM'000 | Total equity RM'000 |
| At 1 July 2017 | # | 126,714 | (137) | 22,628 | 1,058 | 11,457 | - | 28,462 | (22,628) | 96,022 | 263,576 | (762) | 262,814 |
| Foreign currency translation differences for foreign operations | | - | - | - | - | 2,206 | - | - | - | - | 2,206 | - | 2,206 |
| Fair value of available-for-sale financial assets | | - | - | - | (29) | - | - | - | - | - | (29) | - | (29) |
| Total other comprehensive income for the period | | - | - | - | (29) | 2,206 | - | - | - | - | 2,177 | - | 2,177 |
| Profit for the period | | - | - | - | - | - | - | - | - | 7,636 | 7,636 | - | 7,636 |
| Total comprehensive income for the period | | - | - | - | (29) | 2,206 | - | - | - | 7,636 | 9,813 | - | 9,813 |
| Resale of treasury shares | | - | 137 | - | - | - | - | 96 | - | - | 233 | - | 233 |
| Dilution of interest arising from acquisition of additional equity interest in a subsidiary | | - | - | - | - | - | - | - | - | (500) | (500) | 500 | - |
| Total transactions with owners of the Company | | - | 137 | - | - | - | - | 96 | - | (500) | (267) | 500 | 233 |
| At 30 September 2017 | | 126,714 | - | 22,628 | 1,029 | 13,663 | - | 28,558 | (22,628) | 103,158 | 273,122 | (262) | 272,860 |
| At 1 July 2016 | | 105,782 | (128) | 22,628 | (1,872) | 8,492 | 20,932 | 28,462 | (22,628) | 73,772 | 235,440 | (762) | 234,678 |
| Foreign currency translation differences for foreign operations | | - | - | - | - | 5,881 | - | - | - | - | 5,881 | - | 5,881 |
| Fair value of available-for-sale financial assets | | - | - | - | (698) | - | - | - | - | - | (698) | - | (698) |
| Total other comprehensive income for the period | | - | - | - | (698) | 5,881 | - | - | - | - | 5,183 | - | 5,183 |
| Profit/ (loss) for the period | | - | - | - | - | - | - | - | - | 7,148 | 7,148 | (1) | 7,147 |
| Total comprehensive (expense)/income for the year | | - | - | - | (698) | 5,881 | - | - | - | 7,148 | 12,331 | (1) | 12,330 |
| Treasury shares acquired | | - | (4) | - | - | - | - | - | - | - | (4) | - | (4) |
| Total transactions with owners of the Company | | - | (4) | - | - | - | - | - | - | - | (4) | - | (4) |
| At 30 September 2016 | | 105,782 | (132) | 22,628 | (2,570) | 14,373 | 20,932 | 28,462 | (22,628) | 80,920 | 247,767 | (763) | 247,004 |

Note:

With the introduction of the Companies Act, 2016 (the "Act") effective 31st January 2017, the concept of authorised share capital and par value of share capital has been abolished. Consequently, balances within the share premium account have been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the new Act. Notwithstanding this provision, the Company has elected to utilise its share premium account for purposes stipulated in Section 618(3) of the Act for a transitional period of 24 months from 31st January 2017.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited Financial Statements as at 30 June 2017. The accompanying notes are integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

| | Unaudited 30.09.2017 RM'000 | Unaudited 30.09.2016 RM'000 |
|---|--|--|
| Cash flow from operating activities | | |
| Profit before tax | 7,686 | 7,547 |
| Adjustments for: | | |
| Amortisation of intangible assets | 299 | 28 |
| Depreciation of investment property | 10 | 5 |
| Depreciation of property, plant and equipment | 8,049 | 7,355 |
| Interest expenses | 2,160 | 2,855 |
| Interest income | (91) | (51) |
| Gain on disposal of property, plant and equipment | (1) | (210) |
| Reversal of impairment loss on plant and equipment | (713) | - |
| Operating profit before working capital changes | 17,399 | 17,529 |
| Increase in inventories | (5,603) | (2,425) |
| Decrease / (Increase) in trade and other receivables | 70,197 | (18,267) |
| (Decrease) / Increase in trade and other payables | (36,453) | 11,783 |
| Cash generated from operations | 45,540 | 8,620 |
| Tax paid | (448) | (280) |
| Net cash generated from operating activities | 45,092 | 8,340 |
| Cash flow from investing activities | | |
| Acquisition of intangible assets | - | (238) |
| Acquisition of property, plant and equipment | (1,483) | (9,793) |
| Acquisition of treasury shares | - | (4) |
| Interest income | 91 | 51 |
| Proceeds from resale of treasury shares | 233 | - |
| Net cash used in investing activities | (1,159) | (9,984) |
| Cash flows from financing activities | | |
| Interest paid | (2,160) | (2,855) |
| (Repayment)/ Net drawdown of bank borrowing | (779) | 12,736 |
| Repayment of finance lease liabilities | (1,256) | - |
| Repayment of term loans | (852) | - |
| Placement of pledged deposits | (3,058) | (4,807) |
| Net cash (used in)/generated from financing activities | (8,105) | 5,074 |
| Net increase in cash and cash equivalents | 35,828 | 3,430 |
| Cash and cash equivalents at beginning of the period | 17,976 | 37,352 |
| Effect of exchange rates on cash and cash equivalents | (83) | (47) |
| Cash and cash equivalents at end of the period | 53,721 | 40,735 |
| Cash and cash equivalents comprise the following : | | |
| Cash and bank balances | 53,724 | 40,735 |
| Bank overdrafts | (3) | - |
| | 53,721 | 40,735 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements as at 30 June 2017. The accompanying notes are an integral part of this statement.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS****A. MFRS 134 – Interim Financial Reporting****A1. Basis of Preparation**

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) 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 2017. 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 2017. The audited financial statements of the Group as at and for the year ended 30 June 2017 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 2017 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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- 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 – Transfers of Investment Property*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty Over Income Tax Treatments*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*



A2. Significant Accounting policies (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 2017 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 are no unusual items affecting assets, liabilities, equity, net income, and cash flows for the period under review.

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 30 September 2017, the number of outstanding ordinary shares of RM0.50 each in issue is 211,563,992.

During the current financial quarter ended 30 September 2017, the Company has disposed 304,000 of its treasury shares in the open market for a total net consideration of RM232,426.74. After the disposals, the Company has no longer held any treasury shares.

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

A8. Dividend Paid

No dividend has been paid for the current financial quarter ended 30 September 2017.

**Interim Financial Statements for the Financial Period Ended 30 September 2017**

(The figures have not been audited)

A9. Segmental Reporting

The segment analysis for the Group's results for the current financial quarter ended 30 September 2017 as follows:

| Segment for the Group | Individual Quarter Ended | | | Cumulative Quarter Ended | | |
|-------------------------------------|--------------------------|----------------------|-------------|--------------------------|----------------------|-------------|
| | 30.09.2017 RM'000 | 30.09.2016 RM'000 | Change % | 30.09.2017 RM'000 | 30.09.2016 RM'000 | Change % |
| Segment revenue | | | | | | |
| - Electronic Manufacturing Services | 247,821 | 234,706 | 5.6 | 247,821 | 234,706 | 5.6 |
| - Other | 93 | - | 100.0 | 93 | - | 100.0 |
| Total Segment Revenue | 247,914 | 234,706 | 5.6 | 247,914 | 234,706 | 5.6 |
| Segment Result | | | | | | |
| - Electronic Manufacturing Services | 7,919 | 8,284 | (4.4) | 7,919 | 8,284 | (4.4) |
| - Other | (233) | (737) | (68.4) | (233) | (737) | (68.4) |
| Profit before tax | 7,686 | 7,547 | 1.8 | 7,686 | 7,547 | 1.8 |
| Segment assets | | | | | | |
| - Electronic Manufacturing Services | 610,572 | 622,360 | (1.9) | 610,572 | 622,360 | (1.9) |
| - Other | 44,751 | 25,704 | 74.1 | 44,751 | 25,704 | 74.1 |
| | 655,323 | 648,064 | 1.1 | 655,323 | 648,064 | 1.1 |

A10. Valuation of Property, Plant and Equipment

There were no valuation of property, plant and equipment during the current financial quarter ended 30 September 2017.

A11. Material Subsequent Events

Subsequent to the end of the current financial quarter, the Company has completed the corporate exercises and 52,890,970 Redeemable Convertible Preference Shares together with 52,890,970 Bonus Shares issued pursuant to the Rights Issue and Bonus Issue respectively, and 11,342,586 additional Warrants-C issued pursuant to the Rights Adjustments were listed on 19 October 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 30 September 2017, the Group has no material capital commitment in respect of property, plant and equipment.

**A15. Related party transactions**

Significant related party transactions of the Group are as follows: -

Transactions with companies in which certain Directors have a substantial financial interest

| | Unaudited As at 30.09.2017 RM'000 | Audited As at 30.06.2017 RM'000 |
|---------------------------|--|--|
| Purchase of raw materials | (396) | (2,871) |
| Purchase of tooling | (16) | (119) |

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

A16. Fair Value

The Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

| | Fair value of financial instruments carried at fair value | | Fair value of financial instruments not carried at fair value | | Total fair value | Carrying Amount |
|-------------------------------|--|-------------------------|--|-------------------------|-----------------------------|----------------------------|
| | Level 1 RM'000 | Total RM'000 | Level 3 RM'000 | Total RM'000 | RM'000 | RM'000 |
| 30.09.2017 | | | | | | |
| Financial asset | | | | | | |
| Quoted shares | 7,925 | 7,925 | - | - | 7,925 | 7,925 |
| Financial liabilities | | | | | | |
| Term loans – variable rate | - | - | (10,446) | (10,446) | (10,446) | (10,446) |
| Finance lease liabilities | - | - | (10,092) | (10,092) | (10,092) | (10,382) |
| | - | - | (20,538) | (20,538) | (20,538) | (20,828) |

**A16. Fair Value (continued)**

| | Fair value of financial instruments carried at fair value | | Fair value of financial instruments not carried at fair value | | Total fair value | Carrying Amount |
|------------------------------|---|--------|---|----------|------------------|-----------------|
| | Level 1 | Total | Level 3 | Total | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 30.06.2017 | | | | | | |
| Financial asset | | | | | | |
| Quoted shares | 7,954 | 7,954 | - | - | 7,954 | 7,954 |
| Financial liabilities | | | | | | |
| Term loans – variable rate | - | - | (11,251) | (11,251) | (11,251) | (11,251) |
| Finance lease liabilities | - | - | (11,927) | (11,927) | (11,927) | (11,637) |
| | - | - | (23,178) | (23,178) | (23,178) | (22,888) |

There have been no transfers between any levels during the current quarter under review and the comparative period.

B. ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

Comparison between the current quarter (“Q1 2018”) and the preceding correspondence quarter (“Q1 2017”)

The Group recorded revenue of RM247.9 million for the current quarter ended 30 September 2017, an increase of 5.6% as compared to RM234.7 million recorded in the previous year corresponding quarter. The increase was mainly attributable to higher sales volume for both consumer electronic and data storage products.

Group's profit before tax for the current quarter grew 1.8% to RM7.69 million from RM7.55 million in previous year corresponding quarter on the back of higher revenue. The increase in profit before tax was partially offset by higher administrative expenses arising from corporate exercise expenses in relation to issuance of redeemable convertible preference shares and bonus issue, higher depreciation expenses incurred and weakening of US Dollar against Malaysia Ringgit during the current quarter.

B2. Variation of Results against Preceding Quarter

| Description | 1 st Quarter 2018 RM'000 | 4 th Quarter 2017 RM'000 | Increase/ (Decrease) | |
|-------------------|--|--|----------------------|--------|
| | | | RM'000 | % |
| Revenue | 247,914 | 260,785 | (12,871) | (4.9%) |
| Profit before tax | 7,686 | 621 | 7,065 | >100% |
| Profit after tax | 7,636 | 2,222 | 5,414 | >100% |

Revenue for the current quarter was approximately RM247.9 million, decreased by RM12.9 million or 4.9% as compared to the immediate preceding quarter. The decrease of revenue was mainly due to drop in average volume for data storage products, offset by increased demand for consumer electronic products. However, Group's profit before tax increased by RM7.1 million during the quarter under review mainly due to favourable product mix with higher margins generated from the sales of consumer electronics products.

**B3. Prospect**

Moving into financial year 2018, the Group expects to face increasing challenges on the overall macro economy such as increase of raw material pricing and longer delivery lead-time due to global shortage of passive electronic components and fluctuation of US Dollar against Malaysia Ringgit.

In light of these challenges, the Group will continuously develop new products, and maintained preference for outsourced manufacturing in order to be cost-efficient. Besides, the Group's has obtained approval from MIDA in year 2016 to set up its International Procurement Hub ("IPC") in Sungai Petani, Kedah. The Group is in the midst of construction of the IPC hub and expects to begin its IPC operations in December 2017. With the commencement of IPC operations, the Group is expected to obtain more competitive raw material prices through larger scale of procurement activities to maintain its competitiveness in global Electronic Manufacturing Services ("EMS") market. The Group borrowings are mainly denominated in foreign currencies, namely US Dollar (USD) and the Thai Baht (THB), the appreciation of the USD and THB or depreciation of the Malaysian Ringgit will have an impact on the Group. However, the Group has mitigated this risk by having a natural hedge because the Group's EMS services are primarily for the export market and hence are denominated in USD or THB.

In the previous financial year, the Group has invested approximately RM50 million in capital expenditure to strengthen its development and technical capabilities; increase of plant capacity to cater for higher customer demand and bid for new projects. The Group will continue its efforts to strengthen its product mix to have more revenue contribution from its vertical integrated EMS for consumer electronics products and widen the revenue base in order to improve efficiency of its capital resources deployed for better product margins. In addition, the Group is committed to enhance its operational, cost and process efficiencies 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 2018 will remain positive.

B4. Statement of the Board of Directors' opinion on achievement of forecast or target

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

B5. Variance on Forecast Profit / Shortfall in Profit Guarantee

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

B6. Tax Expense

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|---------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax expense | 500 | 400 | 500 | 400 |
| Deferred tax income | (450) | - | (450) | - |
| Tax expense | 50 | 400 | 50 | 400 |

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.

**B7. Trade Receivables**

The trade receivables of the Group were as follows:

| | Unaudited As at 30.09.2017 RM'000 | Audited As at 30.06.2017 RM'000 |
|-----------|--|--|
| Trade | 198,639 | 284,254 |
| Non-trade | 35,705 | 23,146 |
| | 234,344 | 307,400 |

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

| | As at 30.09.2017 RM'000 | As at 30.06.2017 RM'000 |
|----------------------------|--|--|
| Not past due | 157,933 | 214,667 |
| Past due 1 - 30 days | 32,383 | 61,732 |
| Past due 31 - 60 days | 5,169 | 6,629 |
| Past due 61 - 90 days | 3,112 | 433 |
| Past due more than 90 days | 41 | 793 |
| | 198,639 | 284,254 |

B8. 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.

B9. Purchase or Disposal of Quoted Securities Other Than Securities in Existing Subsidiaries and Associated Company

During the current financial quarter ended 30 September 2017, there was no purchase or disposal of quoted securities.

B10. Status of Uncompleted Corporate Announcement**(a) 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.

**B10. Status of Uncompleted Corporate Announcement (continued)****(b) Right Issue**

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”)

The right issue is completed on 19 October 2017.

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

B11. Group Borrowings and Debt Securities

Total Group borrowings as at 30 September 2017 are as follows:

| | As at 30.09.2017 RM'000 | As at 30.06.2017 RM'000 |
|-------------------------------------|-------------------------------|-------------------------------|
| (a) Secured: | | |
| Bank overdrafts | 3 | 3 |
| Bankers' acceptances | 136,811 | 155,824 |
| Term Loan | 10,446 | 11,251 |
| Trade Financing | 38,704 | 26,986 |
| Trust Receipt | 18,210 | 10,092 |
| Hire Purchase Payable | 10,382 | 11,637 |
| | <u>214,556</u> | <u>215,793</u> |
| (b) Current | 203,432 | 201,600 |
| Non-current | 11,124 | 14,193 |
| | <u>214,556</u> | <u>215,793</u> |
| (c) Denominated in Malaysia Ringgit | 46,040 | 49,869 |
| Denominated in US Dollar | 109,736 | 99,668 |
| Denominated in Thai Baht | 58,780 | 66,256 |
| | <u>214,556</u> | <u>215,793</u> |

B12. Off Balance Sheet Financial Instruments

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

**B13. 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.

B14. Dividend

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

B15. 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 | |
|---|---------------------------------|-------------------|---------------------------------|-------------------|
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| Net profit attributable to owners of the Company (RM'000) | 7,636 | 7,148 | 7,636 | 7,148 |
| Weighted average number of ordinary shares outstanding ('000) | 211,334 | 211,269 | 211,334 | 211,269 |
| Basic earnings per ordinary share (sen) | 3.61 | 3.38 | 3.61 | 3.38 |
| Net profit attributable to owners of the Company (RM'000) | 7,636 | 7,148 | 7,636 | 7,148 |
| Weighted average number of ordinary shares outstanding ('000) | 211,334 | 211,269 | 211,334 | 211,269 |
| Adjusted for: | | | | |
| Full exercise of warrants ('000) | 57,621 | 57,621 | 57,621 | 57,621 |
| Adjusted weighted average number of ordinary shares ('000) | 268,985 | 268,890 | 268,985 | 268,890 |
| Diluted earnings per ordinary share (sen) | 2.84 | 2.66 | 2.84 | 2.66 |

B16. 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 | |
|---|---------------------------------|-------------------|---------------------------------|-------------------|
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation and amortization | 8,358 | 7,388 | 8,358 | 7,388 |
| Interest expense | 2,160 | 2,855 | 2,160 | 2,855 |
| Interest income | (91) | (51) | (91) | (51) |
| Net foreign exchange loss | 401 | 476 | 401 | 476 |
| Gain on disposal of property, plant and equipment | (1) | (210) | (1) | (210) |

**B17. 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 | |
|--------------------------------------|---------------------------------|-------------------|
| | 30.09.2017 | 30.06.2017 |
| | RM'000 | RM'000 |
| Total retained earnings of the Group | | |
| - Realised | 102,650 | 95,865 |
| - Unrealised | 163 | (562) |
| | 102,813 | 95,303 |
| Less: Consolidation adjustments | 345 | 719 |
| Total retained earnings | 103,158 | 96,022 |

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.

B18. Utilisation of Proceeds raised from The Completed 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 RM'000 | Actual Utilisation 30.09.17 RM'000 | Intended Timeframe of Utilisation (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 | 17,463 | 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 | 47,083 | |



BY ORDER OF THE BOARD

KANG PANG KIANG
GROUP CHIEF EXECUTIVE OFFICER/ EXECUTIVE DIRECTOR

27 NOVEMBER 2017