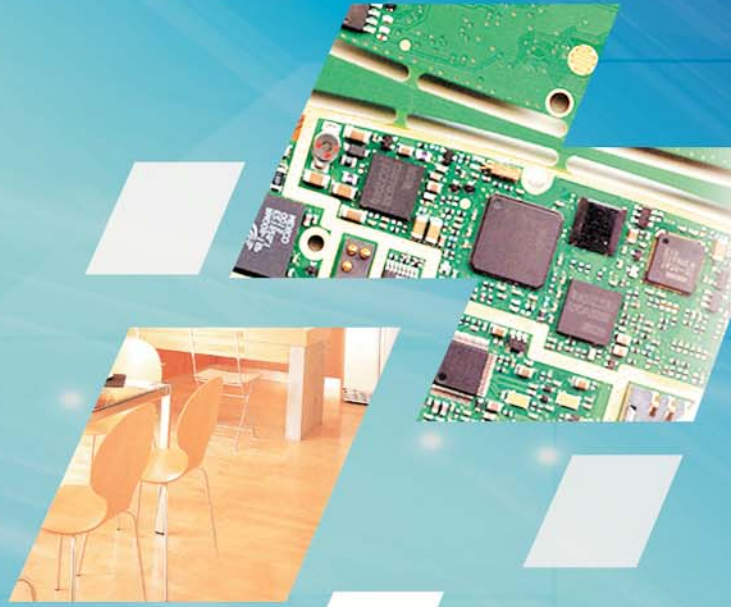




EG Industries Berhad

222897-W

Incorporated in Malaysia



Annual Report **2005**



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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the FOURTEENTH ANNUAL GENERAL MEETING of the Company will be held at Level 2, Sri Intan, Room, The City Bayview Hotel, 25-A Farquhar Street, 10200 Penang on Wednesday, 28 December, 2005 at 11:30 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 30 June 2005 and the Reports of the Directors and the Auditors thereon. Resolution 1
2. To approve the payment of Directors' Fees of RM28,000.00 for the year ended 30 June 2005. Resolution 2
3. To re-elect the following directors retiring in accordance with Article 98(1) of the Company's Articles of Association:-
 - a) TAI KENG ENG Resolution 3
 - b) KHOO BOO YEANG Resolution 4
4. To re-appoint Ernst & Young as auditors and to authorize the Directors to fix their remuneration. Resolution 5
As Special Business:-
5. Ordinary Resolution
To consider and if thought fit, to pass the following as an Ordinary Resolution:-
 "THAT subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." Resolution 6
6. Ordinary Resolution
Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature
 "THAT subject to the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and its subsidiary companies, to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 3.2 of the Circular to Shareholders dated 6 December 2005 which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiary companies on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company ("Proposed Mandate") and that such approval shall continue to be in force until:- Resolution 7
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which the ordinary resolution for the Proposed Mandate will be passed, at which time it will lapse, unless by a resolution passed at a general meeting, the authority is renewed; or
 - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143 (2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders at a general meeting,
 whichever is the earlier.
 And Further That authority be and is hereby given to the Directors of the Company and its subsidiary companies to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution.
7. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

CHAI CHURN HWA (MAICSA 0811600)

Company Secretary

Penang
6 December 2005

NOTICE OF MEETING

NOTES:

1. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy, and in the case of a corporation, a duly authorized representative to attend and vote in his stead. A proxy may but need not be a member of the Company.

The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorized.

A member who appoints two or more proxies shall specify the proportion of his shareholdings to be represented by each proxy.

The instrument appointing a proxy must be deposited at the Registered Office of the Company at Suite 18.01, 18th Floor, MWE Plaza, 8 Lebuq Farquhar, 10200 Penang not less than forty-eight (48) hours before the time fixed for holding this meeting or at any adjournment thereof.

2. Explanatory notes on Special Business

Ordinary Resolution

- Resolution 6

The proposed Resolution No. 6 is in line with the Company's expansion plan of which may involve the issue of new shares. Under the Companies Act, 1965, the Directors would have to call a general meeting to approve the issue of new shares even though the number of shares involved is less than 10% of the total issued capital. In order to avoid any delay and cost involved in convening such a general meeting, it is considered appropriate to seek the shareholders' approval for the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the total issue share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

Ordinary Resolution

- Resolution 7

The proposed Resolution No. 7 is in relation to the Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, if passed will give power to the Group to transact with the party related to the Group. Please refer to the Circular to the Shareholders dated 6 December 2005.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors who are standing for re-election at the Fourteenth Annual General Meeting of the Company:-

- **Tai Keng Eng** (Resolution 3)
- **Khoo Boo Yeang** (Resolution 4)

Profile of Directors who are standing for re-election:-

- **Tai Keng Eng**

Age	48
Nationality	Malaysian
Qualification	Form Six
Position	Executive Director
Working Experience & Occupation	General Manager, Executive Director
Date appointed to the Board	14 July 1993
Other Board Committee	Nil
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Sister of Tai Keik Hock Aunty of Tai Lee Keow
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	4

- **Khoo Boo Yeang**

Age	40
Nationality	Malaysian
Qualification	Qualified Public Accountant Member of the Malaysian Institute of Accountants Member of the Malaysian Institute of Certified Public Accountants Master in Business Administration, Heriot Watt University
Position	Independent Non-Executive Director
Working Experience & Occupation	Attached to KPMG for 9 years Served as Financial Controller in two public listed companies Management Consultant with Horwath TY Consulting Sdn Bhd
Date appointed to the Board	31 December 2001
Other Board Committee	Audit Committee Member, Chairman of Nomination Committee and Remuneration Committee Member
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Nil
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	4

Attendance at Board Meeting

Four Meetings were held during the financial year from 1 July 2004 to 30 June 2005. The details of attendance of Directors at the Board Meetings are as follows:-

Name of Directors	Date of Meetings			
	26/8/04	26/11/04	28/2/05	26/5/05
Tai Keik Hock	X	X	X	-
Tai Keng Eng	X	X	X	X
Tai Lee Keow	X	X	X	-
Nik Azalan Bin Nik A. Kadir	X	X	X	X
Dato' Rahadian Mahmud Bin Mohammad Khalil (resigned wef 25.7.05)	-	-	-	-
Khoo Boo Yeang	X	X	X	X

Place, date and time of the Fourteenth Annual General Meeting

The Fourteenth Annual General Meeting of the Company is scheduled to be held on Wednesday, 28 December 2005 at 11:30 a.m. at Level 2, Sri Intan Room, The City Bayview Hotel, 25A Lebuhr Farquhar, 10200 Penang.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**Directors' Remunerations**

The details of remuneration for Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the financial year ended 30 June 2005 are as follows:-

Aggregate remuneration categorized into components -

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	6,000	22,000	28,000
Salaries (RM)	356,480	-	356,480
Bonuses and Allowances (RM)	-	-	-
Benefits-in-kind (RM)	-	-	-
Total (RM)	362,480	22,000	384,480

The number of Directors of the Company whose total remuneration fall within the following bands -

	Executive Directors	Non-Executive Directors	Total
0 to RM50,000	1	3	4
RM50,001 to RM100,000	1	-	1
RM100,001 to RM150,000	-	-	-
RM150,001 to RM200,000	-	-	-
RM200,001 to RM250,000	1	-	1
RM250,001 to RM300,000	-	-	-

Statement of Directors' Responsibilities

Pursuant to Paragraph 15.27(a) of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 30 June 2005, the Group has used appropriate accounting policies and applied them consistently and prudently. The Directors also consider that all relevant accounting standards have been followed in the preparation of these financial statements.

Utilisation of Proceeds

During the financial year, the Company has raised RM25,005,533 through the issuance of the 5-Year 5.0% coupon Irredeemable Convertible Unsecured Loan Stock 2005/2010 and the fund will be utilized by first quarter of financial year ended 30/06/06.

Share Buybacks

During the financial year, there were no share buybacks by the Company.

Options, Warrants Or Convertible Securities

During the financial year, there were no exercise of Employee Share Option Scheme and Warrants.

American Depository Receipt (ADR) Or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**Non-audit Fees**

Nil.

Profit Estimate, Forecast Or Projection

The Company did not make any release on the profit estimate, forecast or projections for the financial year.

Profit Guarantees

During the year, there were no profit guarantees given by the Company.

Material Contracts

- (a) Conditional Sale and Purchase Agreement dated 24 March 2004 made between the Company ("the Vendor") and Piani Sdn Bhd ("the Purchaser") to dispose of the following:
- (i) 100% equity interest in Dai-Ichi comprising 5,108,000 ordinary shares of RM1.00 each for a cash consideration of RM1.00; and
 - (ii) 100% equity interest in Dynamic comprising 1,000,000 ordinary shares of RM1.00 each for a cash consideration of RM998,994; and
- (b) Conditional Sale and Purchase Agreement dated 24 March 2004 made between EG ("the Vendor") and Mr Tan Meng Hwa ("the Purchaser") to dispose of 70% equity interest in MDFI comprising 700,000 ordinary shares of RM1.00 each for a cash consideration of RM1.00 only.
- (c) Underwriting Agreement dated 8 April 2005 entered into between EG and underwriters whereby the underwriters agreed to underwrite RM15,293,770 nominal value of the RM25,005,533 nominal value of 5-year 5% irredeemable convertible unsecured loan stocks 2005/2010 issued pursuant to the renounceable rights issue ("ICULS") for an underwriting commission at a rate of 2.75% and for a managing underwriter's management fee of 0.25% of the nominal value of the ICULS to be underwritten.
- (d) Trust Deed dated 12 April 2005 constituting the ICULS.
- (e) Deed Poll dated 12 April 2005 constituting the 16,670,355 free detachable new warrants to be issued pursuant to the renounceable rights issue.
- (f) Letter of Award dated 3 December 2004 whereby SMT Technologies Sdn Bhd awarded Alcobuilt (M) Sdn Bhd the main contract for the construction and completion of an extension of a two-storey factory building to the factory building erected on Plot 102, Kawasan Perusahaan Bakar Arang, Mukim Sungai Petani, Daerah Kuala Muda, Kedah Darul Aman for a contract sum of RM6,965,131.78.

Recurrent Related Party Transactions of a Revenue or Trading Nature

Details of transactions with related parties undertaken by the Group during the year are disclosed in Note 29 of the financial statements.

Revaluation Of Landed Properties

The Company does not have a revaluation policy on landed properties.

CORPORATE INFORMATION**CHAIRMAN / MANAGING DIRECTOR**

TAI KEIK HOCK

EXECUTIVE DIRECTORS

- Non-Independent

TAI KENG ENG
TAI LEE KEOW

INDEPENDENT NON-EXECUTIVE DIRECTORS

NIK AZALAN BIN NIK A. KADIR
DATO' RAHADIAN MAHMUD BIN MOHAMMAD KHALIL
(resigned with effect from 25 July 2005)
KHOO BOO YEANG

COMPANY SECRETARY

CHAI CHURN HWA [MAICSA 0811600]

AUDIT COMMITTEE**Chairman**

NIK AZALAN BIN NIK A. KADIR
(Independent Non-Executive Director)

Members

TAI KEIK HOCK
(Non-Independent Executive Director)
KHOO BOO YEANG
(Independent Non-Executive Director)

SOLICITORS

WONG BEH & TOH

REGISTERED OFFICE

Suite 18.01, 18th Floor, MWE Plaza
8 Lebuah Farquhar
10200 Penang

Tel: 04-2637762 & 2625424
Fax: 04-2635901

REGISTRAR FOR SHARES, ICULS & WARRANTS

SYMPHONY SHARE REGISTRARS SDN BHD
Level 26, Menara Multi-Purpose
Capital Square
No.8, Jalan Munshi Abdullah
50100 Kuala Lumpur

Tel: 03-27212222
Fax: 03-27212530

AUDITORS

ERNST & YOUNG

BANKERS

HSBC BANK MALAYSIA BERHAD
SOUTHERN BANK BERHAD
AMMERCHANT BANK BERHAD
UNITED OVERSEAS BANK

STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD SECOND BOARD

PROFILE OF DIRECTORS

BOARD OF DIRECTORS

EXECUTIVE CHAIRMAN & GROUP MANAGING DIRECTOR

	TAI KEIK HOCK
Age	67
Nationality	Malaysian
Qualification	Primary School
Position	Chairman, Managing Director
Working Experience & Occupation	Businessman, Company Director
Date appointed to the Board	14 July 1993
Other Board Committee	Audit Committee Member, Remuneration Committee Member
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Brother of Tai Keng Eng Father of Tai Lee Keow
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	3

EXECUTIVE DIRECTOR

	TAI KENG ENG	TAI LEE KEOW
Age	48	39
Nationality	Malaysian	Malaysian
Qualification	Form Six	Bachelor of Commerce Degree, University of Melbourne Master of Business Administration
Position	Executive Director	Executive Director
Working Experience & Occupation	General Manager Executive Director	General Manager Executive Director
Date appointed to the Board	14 July 1993	14 July 1993
Other Board Committee	Nil	Nil
Other Directorships (in Public Companies)	Nil	Nil
Family relationships with other Directors	Sister of Tai Keik Hock Aunty of Tai Lee Keow	Daughter of Tai Keik Hock Niece of Tai Keng Eng
Conflict of interest with listed issuer	Nil	Nil
Offences convicted for the past 10 years	Nil	Nil
No. of Board Meeting attended during the financial year	4	3

PROFILE OF DIRECTORS**INDEPENDENT NON-EXECUTIVE DIRECTOR****NIK AZALAN BIN NIK A. KADIR**

Age	54
Nationality	Malaysian
Qualification	Degree in Electronics Data Processing Caulfield Institute of Technology Melbourne
Position	Independent Non-Executive Director
Working Experience & Occupation	Businessman Bank Officer
Date appointed to the Board	14 July 1993
Other Board Committee	Chairman of Audit Committee, Chairman of Remuneration Committee and Nomination Committee Member
Other Directorships (in Public Companies)	Emico Holdings Bhd
Family relationships with other Directors	Nil
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	4

KHOO BOO YEANG

Age	40
Nationality	Malaysian
Qualification	Qualified Public Accountant Member of the Malaysian Institute of Accountants Member of the Malaysian Institute of Certified Public Accountants Master in Business Administration, Heriot Watt University
Position	Independent Non-Executive Director
Working Experience & Occupation	Attached to KPMG for 9 years Served as Financial Controller in two public listed companies Management Consultant with Horwath TY Consulting Sdn Bhd
Date appointed to the Board	31 December 2001
Other Board Committee	Audit Committee Member, Chairman of Nomination Committee and Remuneration Committee Member
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Nil
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	4

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of EG Industries Berhad is pleased to report to shareholders on the manner the Company has applied the Principles, and the extent of compliance with the Best Practices as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance (the "Code").

The Board is supportive of the recommendations of the Code, which sets out the Principles and Best Practices on structures and processes that the Company may use in its operations towards achieving optimal governance framework.

The following paragraphs describe how the Company has applied the principles and complied with the best practices of the Code.

1. DIRECTORS

1.1a Composition and Balance

As at the date of this statement, the Board consists of 5 members, comprising 1 (one) Managing Director, two (2) Executive Directors and two (2) Independent Non-Executive Directors. With this Board composition, the Company complies with paragraph 15.02 of the Listing Requirements of the Bursa Malaysia Securities Berhad where at least 2 Directors or 1/3 of the Board whichever is higher, are independent Directors.

The Directors from different backgrounds and specialization collectively bring depth and diversity in experience to the Group's operations. The Independent Non-Executive Directors are independent from Management and have no relationships that could interfere with the exercise of their independent judgment. They bring to bear objective and independent judgment to the decision making of the Board and provide an effective check and balance for the Executive Directors.

The profiles of the members of the Board are set out in this Annual Report under the section named Profile of Directors.

1.1b Duties and Responsibilities

The Board is primarily responsible for:-

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identify principal risk and ensure the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations program or shareholder communications policy for the Company; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

1.2 Supply of Information

The Board has unrestricted access to timely and accurate information necessary in the furtherance of their duties. All Directors are furnished with the meeting agenda and other documents on matters requiring their consideration prior to and in advance of each meeting. The documents are comprehensive and include qualitative and quantitative information to enable the Board members to make an informed decision. Senior management is invited to attend these meetings to explain and clarify matters being tabled.

During the financial year ended 30 June 2005, the Board met 4 times where it deliberated on and considered matters relating to the Group's financial performance, significant investments, corporate development, strategic issues and business plan. Details of each Director's attendance of Board meetings are set out below.

Name of Director	No. of meetings attended
Tai Keik Hock	3
Tai Keng Eng	4
Tai Lee Keow	3
Nik Azalan Bin Nik A. Kadir	4
Dato' Rahadian Mahmud Bin Mohammad Khalil (resigned wef 25.7.2005)	-
Khoo Boo Yeang	4

All the Directors have access to the advice and services of the Company Secretary. If required, the Directors may engage independent professionals at the Group's expense, in the furtherance of their duties.

1.3 Appointments to the Board

On 28 May 2002 the Board established a Nomination Committee, the members of which are as follows:

Mr Khoo Boo Yeang – Chairman, Independent Non-Executive Director
 En Nik Azalan Bin Nik A. Kadir - Independent Non-Executive Director
 Dato' Rahadian Mahmud Bin Mohammad Khalil- Independent Non-Executive Director (resigned wef 25.7.2005)

CORPORATE GOVERNANCE STATEMENT

The duties and functions of the Nomination Committee are:-

1. Recommending to the Board, candidates for directorships to be filled;
2. Recommending to the Board, Directors to fill seats on Board Committees
3. Reviewing annually the required skills and experience and other qualities and core competencies of non-executive directors which should be brought to the Board; and
4. Assessing annually the effectiveness of the Board as a whole and the contribution of each individual Director

The decision on appointment of new Directors rests with the Board after considering the recommendations of the Nomination Committee.

During the year under review, there was one meeting held by the Nomination Committee.

1.4 Re-election of Directors

In accordance with the Company's Articles of Association, one third of the Directors shall retire from office and be eligible for re-election at the annual general meeting. Furthermore, each Director shall retire from office at least once in every three years.

Information of the Directors who will be retiring at the forthcoming Annual General Meeting is disclosed in the Statement Accompanying Notice of Annual General Meeting.

1.5 Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia. The Directors will continue to undergo further Continuous Education Program to enhance their skills and knowledge where relevant.

2. THE AUDIT COMMITTEE

The Board has on 21 July 1994 established the Audit Committee. The present Audit Committee comprises 3 members. Please refer to the Audit Committee Report for further details.

3. DIRECTORS' REMUNERATION

The remuneration of Directors is determined at levels, which will enable the Company to attract and retain Directors with the relevant experience and expertise to run the Company successfully. The remuneration of Executive Directors is structured to link rewards to corporate and individual performance.

On 28 May 2002 the Board established the Remuneration Committee which comprises the following members:

En Nik Azalan Bin Nik A. Kadir – Chairman, Independent Non-Executive Director
 Mr Khoo Boo Yeang – Independent Non-Executive Director
 Mr Tai Keik Hock – Chairman & Managing Director

The primary duty of the Remuneration Committee is to review and recommend remuneration packages of Executives Directors for Board's approval and the individual Directors are required to abstain from discussion on their own remuneration.

Details of the remuneration for Directors during the financial year ended 30 June 2005 are disclosed in the Statement Accompanying Notice of Annual General Meeting.

4. SHAREHOLDERS

4.1 Dialogue with investors

The Board recognizes the importance of timely dissemination of information to shareholders and other stakeholders. The primary tools of communication with the shareholders of the Company are through the annual report, announcements through Bursa Malaysia Securities Berhad and circulars. All queries from shareholders and members of the public received through phone calls or letters are handled by the Corporate Affairs Manager and Company Secretary. Additional information about the Company is made available at its website: <http://www.eg.com.my>

4.2 General Meeting

At the annual general meeting and extraordinary general meeting, the Chairman gives shareholders ample opportunity to participate through questions on the prospects, performance of the Group and other matters of concern addressed to the Board.

CORPORATE GOVERNANCE STATEMENT

5. ACCOUNTABILITY AND AUDIT

5.1 Financial Reporting

The Board is responsible for presenting a balanced and meaningful assessment of the Group's financial performance and prospects primarily through the annual report, financial statements and quarterly announcements of the Group's results.

The Responsibility Statement by the Directors pursuant to the Listing Requirements of Bursa Malaysia is set out on page 5.

5.2 Internal Control

The Board is ultimately responsible for the overall system of internal controls, which includes not only financial controls but also controls relating to operations, compliance and risk management. The internal control system which is designed to meet the needs of the Company and to manage risks to which the Company is exposed can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Further details relating to internal control are set out in the Statement on Internal Control on page 13 and the Audit Committee Report on pages 14 and 15.

5.3 Relationship with Auditors

The external auditor, Messrs Ernst & Young, has continued to report to members of the Company on its findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditor to meet its professional requirements.

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Board is pleased to include a statement on the state of the Group's internal controls in accordance with paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Guidance"), a publication of the task force on internal control under the auspices of Bursa Malaysia.

BOARD RESPONSIBILITY

It is the Board's view that the Group's objectives, its internal organization and the environment in which it operates continuously evolve and, as a result, the risks that it faces also change. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks that threatens the Group's continuous growth and financial viability.

The Board further believes that the Group's system of internal control and risk management practices are vital to good corporate governance. The internal controls, financial or otherwise, as embedded in the Group provide reasonable assurance regarding the achievement of the Group's objectives on :

- The effectiveness and efficiency of operations;
- Reliability and transparency of financial information;
- Compliance with laws and regulations;
- Safeguarding of the Group's assets;
- Realising the Group's strategic objectives; and
- Optimising the returns to and protecting the interest of stakeholders.

The Board acknowledges its responsibility for maintaining a sound system of internal control. However, it recognises that reviewing the Group's system of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the Board is also of the view that the Group's system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss. The concept of reasonable assurance also recognizes that the cost of control procedures should not exceed the expected benefits.

RISK MANAGEMENT FRAMEWORK

A firm of consultants was engaged by the Company in year 2004 to assist the Board in establishing a risk management framework for the Group. The risk profiles of the various operating units in the Group were compiled. Since then, major business risks and their possible impact and likelihood of crystallization have been evaluated by the key executives, reviewed and endorsed by senior management and subsequently by the Board of Directors.

AUDIT COMMITTEE & INTERNAL AUDIT

During the financial year, the Group outsourced the Internal Audit function to an independent firm of consultants to assist the Audit Committee (the "Committee") in discharging the Committee's duties with respect to the adequacy and integrity of the system of internal controls within the Group. During the financial year under review, the Internal Audit function carried out a cycle of risk-based internal audit in accordance with an internal audit plan approved by the Committee. Observations noted from internal audit were deliberated with Management and recommended action plans discussed for deployment to improve the system of internal control within the Group.

The Audit Committee, on behalf of the Board, reviews internal control issues identified and recommendations from reports prepared by the internal auditor on a regular basis.

CONCLUSION

The Board is satisfied with the ongoing process for identifying, evaluating, managing and monitoring significant risks, and is of the opinion that the existing internal control systems are adequate to address and manage the risks faced by the Group.

AUDIT COMMITTEE REPORT

Composition

Members of the Audit Committee, their respective designations and directorships are as follow:-

NIK AZALAN BIN NIK A. KADIR
Chairman, Independent Non-Executive Director

KHOO BOO YEANG
Independent Non-Executive Director

TAI KEIK HOCK
Non-Independent Executive Director

Terms of Reference

Objective

The principal objective of the Audit Committee (as a committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

Reporting Responsibility

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

Quorum

Two and the majority of members present must be independent non-executive directors.

Frequency of Meetings

Meetings shall be held not less than four times a year and as many times as the Committee deems necessary.

Rights of the Audit Committee

The Company shall ensure that wherever necessary and reasonable for the performance of the Committee's duties, the committee shall, in accordance with procedure determined by the Board of Directors and at the cost of the Company:-

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) be able to obtain independent professional or other advice; and
- f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

Functions of the Audit Committee

The functions of the Audit Committee include the following:-

- a) to recommends the appointment, to consider the audit and suitability of re-appointment of the external auditor and any questions of resignation or dismissal.
- b) to discuss with the external auditor before the commencement of audit, their audit plan, nature and scope of the audit.
- c) to discuss problems and reservations (including level of assistance given by the employees) arising from the interim and final audits and any matter the external auditor may wish to discuss (in the absence of management, where necessary).
- d) to review the external auditor's reports, its management letter and management's response.
- e) to review the quarterly and year end financial statements, prior to the approval of the Board, focusing particularly on :-
 - (i) any changes in accounting policies and practices;
 - (ii) significant adjustments arising from the audit, significant and unusual events;
 - (iii) the going concern assumption; and
 - (iv) compliance with accounting standards and other legal requirements.
- f) to review the adequacy of the scope, functions, authority and resources of the internal audit function.
- g) to review the internal audit program and results, ensuring the appropriate action is taken on the recommendations of the internal audit function.
- h) to approve any appointments or termination of the internal auditor / senior staff members of the internal audit function.
- i) to consider related party transactions and review the procedures to ensure appropriateness and adequacy.
- j) to consider the major findings of internal investigations and management's response.
- k) to consider other topics as defined by the Board from time to time.

AUDIT COMMITTEE REPORT

Summary of Activities

The Audit Committee met four times during the financial year ended 30 June 2005. Details on the attendance of each member is outlined below:-

	Date of Meetings			
	26/8/04	26/11/04	28/2/05	26/5/05
Nik Azalan Bin Nik A. Kadir - Chairman	X	X	X	X
Khoo Boo Yeang	X	X	X	X
Tai Keik Hock	X	X	X	-

In discharging its functions and duties, the Committee have considered, reviewed and discussed the followings:-

- a) the quarterly and yearly results / announcements of the Company and making relevant recommendations to the Board for approval;
- b) the unusual and significant related parties transactions;
- c) the external audit plan with the external auditors;
- d) the assistance given by the company's officers and staff to the external auditors;
- e) the findings of the external auditors and their reports;
- f) the nomination of external auditors for Board's approval;
- g) reviewed related party transactions and report the same to the Board; and
- h) reviewed the scope of internal audit function to ensure that risk-based approach is being adopted.

Summary of Activities of the Internal Audit Function

The Group has outsourced the Internal Audit function, which reports to the Audit Committee and assists the Board in monitoring and managing risks and internal control. The department carries out its duties impartially and independently of the activities reviewed. It has the principal responsibility for carrying out audits on the operations within the Group and provided general assurances to the management and Audit committee the Audit Committee approves the coming year internal audit plan during the fourth Audit committee meeting. The internal audit plan is derived based on a risk-based assessment of all units and operations, including subsidiaries. The internal audit reports highlight any deficiencies or findings which are discussed with management and relevant action plans agreed and implemented. Significant findings are presented at the Audit Committee Meetings for consideration and reporting to the Board. A follow-up audit review is also conducted to determine whether all audit recommendations are effectively implemented.

STATISTICS OF SHAREHOLDINGS AS AT 2 NOVEMBER 2005

AUTHORISED SHARE CAPITAL	:	RM200,000,000-00
PAID-UP CAPITAL	:	RM50,711,067-00
CLASS OF SHARES	:	ORDINARY SHARES OF RM1-00 EACH
VOTING RIGHTS	:	ONE VOTE PER SHARE

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.04	33	0.00
100 - 1,000	977	41.61	956,355	1.89
1,001 - 10,000	1,084	46.17	4,320,043	8.52
10,001 - 100,000	225	9.58	6,412,180	12.64
100,001 – 2,535,552 (*)	60	2.56	34,064,497	67.17
2,535,553 and above (**)	1	0.04	4,957,959	9.78
TOTAL	2,348	100.00	50,711,067	100.00

Remarks:

- * Less than 5% of issued shares
 ** 5% and above of issued shares

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest	No. of Ordinary Shares Held		%
		%	Indirect Interest	
Tai Keik Hock	2,683,715	5.29	9,549,550 (a)	18.83
Tai Keng Eng	104,920	0.21	-	-
Tai Lee Keow	2,017,379	3.98	9,549,550 (a)	18.83
Nik Azalan Bin Nik A. Kadir	236,500	0.47	-	-
Khoo Boo Yeang	-	-	-	-

(a) 9,549,550 shares held through Jupax Enterprise Sdn Bhd

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	No. Of Ordinary Shares Held		%
		%	Indirect Interest	
1. Jupax Enterprise Sdn Bhd	9,549,550	18.83	-	-
2. Giap Seng Auto Supply Sdn Bhd	3,812,714	7.52	-	-
3. Yeoh Sian Kok	3,360,747	6.63	-	-
4. Tai Keik Hock	2,683,715	5.29	9,549,550(a)	18.83
5. Tai Lee Keow	2,017,379	3.98	9,549,550(a)	18.83
6. Tai Lee See	1,454,153	2.87	3,812,714(b)	7.52
7. Eng Giat Yang @ Ng Geek Hiang	-	-	9,549,550(a)	18.83
8. Tai Lee Bee	626,126	1.23	3,812,714(b)	7.52
9. Tai Lee Sun	900,901	1.78	3,812,714(b)	7.52
10. Tai Chee Seong	587,322	1.16	3,812,714(b)	7.52

(a) 9,549,550 shares held through Jupax Enterprise Sdn Bhd
 (b) 3,812,714 shares held through Giap Seng Auto Supply Sdn Bhd

STATISTICS OF SHAREHOLDINGS AS AT 2 NOVEMBER 2005**30 LARGEST SHAREHOLDERS AS AT 2 NOVEMBER 2005**

Name	No. of shares held	%
1. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Jupax Enterprise Sdn Bhd	4,957,959	9.78
2. Mayban Nominees (Tempatan) Sdn Bhd Pledged securities account for Jupax Enterprise Sdn Bhd	2,250,000	4.44
3. Mayban Nominees (Tempatan) Sdn Bhd Pledged securities account for Giap Seng Auto Supply Sdn Bhd	2,008,785	3.96
4. RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja	2,000,000	3.94
5. EB Nominees (Tempatan) Sdn Bhd Pledged securities account for Giap Seng Auto Supply Sdn Bhd	1,803,929	3.56
6. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Keik Hock	1,700,000	3.35
7. Kuala Lumpur City Nominees (Tempatan) Sdn Bhd Pledged securities account for Mohd Isa Bin Ismail	1,604,100	3.16
8. Jupax Enterprise Sdn Bhd	1,591,591	3.14
9. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Yeoh Sian Kok	1,475,865	2.91
10. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Yeoh Sian Kok	1,411,200	2.78
11. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Lee Keow	1,410,000	2.78
12. Tai Keik Hock	983,715	1.94
13. Lembaga Tabung Haji	983,000	1.94
14. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Lee See	928,628	1.83
15. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Lee Fung	900,000	1.77
16. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Azimah Binti Aiyub Ghazali	872,000	1.72
17. Mayban Nominees (Tempatan) Sdn Bhd Pledged securities account for Jupax Enterprise Sdn Bhd	750,000	1.48
18. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Ang Poh Lay	643,900	1.27
19. Tai Lee Keow	607,379	1.20
20. Tai Chee Seong	587,322	1.16
21. Tai Lee Bee	531,126	1.05
22. Tai Lee See	525,525	1.04
23. Tai Lee Fung	524,838	1.03
24. Tai Lee Sun	500,901	0.99
25. Yeoh Sian Kok	472,973	0.93
26. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Lee Sun	400,000	0.79
27. Lee Suat Wuat	386,900	0.76
28. Dallab Capital Sdn Bhd	359,300	0.71
29. Mercury Securities Sdn Bhd	343,000	0.68
30. Koo Hong @ Ku Hong Hai	340,000	0.67

**STATISTICS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK
(ICULS) 2005/2010 HOLDERS AS AT 2 NOVEMBER 2005**

NO. OF ICULS	:	24,305,533
DATE OF ISSUE	:	17 JUNE 2005
INTEREST	:	5% PER ANNUM

Size of Holdings	No. of Holders	%	No. of ICULS	%
1 – 99	0	0.00	0	0.00
100 – 1,000	62	46.97	44,200	0.18
1,001 – 10,000	52	39.39	185,100	0.76
10,001 – 100,000	8	6.06	228,000	0.94
100,001 – 1,250,275(*)	5	3.79	2,435,446	10.02
1,250,276 and above (**)	5	3.79	21,412,787	88.10
TOTAL	132	100.00	24,305,533	100.00

Remarks:

- * Less than 5% of issued holdings
 ** 5% and above of issued holdings

DIRECTORS' ICULS HOLDINGS

Name of Directors	Direct Interest	No. of ICULS Held		%
		%	Indirect Interest	
Tai Keik Hock	1,350,000	5.55	4,840,000(a)	19.91
Tai Keng Eng	-	-	-	-
Tai Lee Keow	1,010,000	4.16	4,840,000(a)	19.91
Nik Azalan Bin Nik A. Kadir	--	-	-	-
Khoo Boo Yeang	-	-	-	-

(a) 4,840,000 ICULS held through Jupax Enterprise Sdn Bhd

SUBSTANTIAL ICULS HOLDERS

Name of Substantial ICULS Holders	Direct Interest	No. Of ICULS Held		%
		%	Indirect Interest	
1. Alliancegroup Nominees (T) Sdn Bhd	9,755,028	40.14	-	-
2. Jupax Enterprise Sdn Bhd	4,840,000	19.91	-	-
3. A.A. Anthony Securities Sdn Bhd	3,977,759	16.37	-	-
4. Yeoh Sian Kok	1,592,000	6.55	-	-
5. Tai Keik Hock	1,350,000	5.55	4,840,000(a)	19.91
6. Tai Lee Keow	1,010,000	4.16	4,840,000(a)	19.91

(a) 4,840,000 ICULS held through Jupax Enterprise Sdn Bhd

**STATISTICS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK
(ICULS) 2005/2010 HOLDERS AS AT 2 NOVEMBER 2005**
30 LARGEST ICULS HOLDERS AS AT 2 NOVEMBER 2005

Name	No. of ICULS Held	%
1. Alliancegroup Nominees (Tempatan) Sdn Bhd Alliance Merchant Bank Berhad	9,755,028	40.14
2. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Jupax Enterprise Sdn Bhd	4,840,000	19.91
3. A.A. Anthony Securities Sdn Bhd	3,977,759	16.37
4. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd For Yeoh Sian Kok	1,490,000	6.13
5. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd For Tai Keik Hock	1,350,000	5.55
6. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Lee Keow	1,010,000	4.16
7. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Lee See	726,000	2.99
8. Mercury Securities Sdn Bhd	474,746	1.95
9. Dallab Capital Sdn Bhd	122,700	0.50
10. Yeoh Sian Kok	102,000	0.42
11. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Lee Bee	63,000	0.26
12. Eu Mui @ Ee Soo Mei	52,500	0.22
13. Tan Ah Nya @ Tan Seo Kim	31,000	0.13
14. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chia Khai Huan	22,500	0.09
15. Goh Leong Chuan	18,000	0.07
16. Foong Yuen Kai Lorry Service Company Sdn Bhd	15,000	0.06
17. Choo Kim Kiong	14,000	0.06
18. Tan Teck Chong	12,000	0.05
19. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Tiam Teck	9,000	0.04
20. Tai Yeong Sheng	9,000	0.04
21. Lim Laong Eng	9,000	0.04
22. Lim Chiew Hwa	7,500	0.03
23. Mohamed A' Azam bin Shair Mohamed	7,000	0.03
24. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Michael Yong	6,500	0.03
25. Hoo Yang Hwa @ Ho Yang Hwa	6,000	0.03
26. Tan Chai Hock	6,000	0.02
27. Yap Yok Foo	5,400	0.02
28. Au Tiang Seng	5,000	0.02
29. Khu Hwa Leng	5,000	0.02
30. Lim Ah Kim	5,000	0.02

STATISTICS OF WARRANTHOLDINGS 1995/2005 AS AT 2 NOVEMBER 2005

NO. OF WARRANTS	:	8,324,462*
VOTING RIGHTS	:	ONE VOTE PER WARRANT

*The exercise price and outstanding warrants 1995/2005 have been adjusted pursuant to the issuance of RM25,005,533 nominal amount of 5 year 5 % ICULS 2005/2010 as follows:

	Before the adjustments	After the adjustments
Exercise Price of Warrants 1995/2005	RM4.80	RM3.81
Number of Warrants 1995/2005	6,659,570	8,324,462

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	21	1.66	1,056	0.01
100 – 1,000	72	5.71	36,715	0.44
1,001 – 10,000	1,046	82.88	2,872,954	34.51
10,001 – 100,000	116	9.19	3,017,387	36.25
100,001 – 416,222(*)	5	0.40	1,044,550	12.55
416,223 and above (**)	2	0.16	1,351,800	16.24
TOTAL	1,262	100.00	8,324,462	100.00

Remarks:

- * Less than 5% of issued warrants
- ** 5% and above of issued warrants

DIRECTORS' WARRANTHOLDINGS

Name of Directors	Direct Interest	No. of Warrants Held	
		%	Indirect Interest
Tai Keik Hock	956,800	11.49	-
Tai Keng Eng	-	-	-
Tai Lee Keow	182,500	2.19	-
Nik Azalan Bin Nik A. Kadir	83	0.00	-
Khoo Boo Yeang	-	-	-

SUBSTANTIAL WARRANTHOLDERS

Name of Substantial Warrants Holders	Direct Interest	No. of Warrants Held	
		%	Indirect Interest
1. Tai Keik Hock	956,800	11.49	-
2. DB (Malaysia) Nominee (Asing) Sdn Bhd BNP Paribas Nominees Singapore Pte Ltd for Victory Capital Limited	501,250	6.02	-

STATISTICS OF WARRANTHOLDINGS 1995/2005 AS AT 2 NOVEMBER 2005**30 LARGEST WARRANTHOLDERS 1995/2005 AS AT 2 NOVEMBER 2005**

Name	No. of Warrants Held	%
1. Tai Keik Hock	850,550	10.22
2. DB (Malaysia) Nominee (Asing) Sdn Bhd BNP Paribas Nominees Singapore Pte Ltd for Victory Capital Limited	501,250	6.02
3. Mayban Nominees (Asing) Sdn Bhd Nomura Singapore Limited for Ong Chek Teng	300,000	3.60
4. Teh Yee Xian	255,800	3.07
5. RHB Capital Nominees (Tempatan) Sdn Bhd Yiew Pin Tong	200,000	2.40
6. Tai Lee Keow	182,500	2.19
7. UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tai Keik Hock	106,250	1.28
8. Norjah Bt Ahmad	100,000	1.20
9. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Chung Shen	100,000	1.20
10. Tan Hung Chew	75,000	0.90
11. Tan Chee Phin	73,625	0.88
12. Hoo Lay See	70,500	0.85
13. Yap Choy	64,825	0.78
14. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Iskandar Bin Mohammad Rais	60,700	0.73
15. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Ngok Ming	60,000	0.72
16. Abdul Halim Bin Ismail	60,000	0.72
17. Goh Yoke Choo	50,100	0.60
18. Cheah Kuan Beng	50,000	0.60
19. ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Wong Wai Chong	50,000	0.60
20. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Nominees Account for Gan Ah Ying	49,250	0.59
21. Ahmad Faris Bin Awang Haji Mohd. Noor	47,400	0.57
22. Tan Sam See @ Tan Sam Gee	46,300	0.56
23. Ambank (M) Berhad Pledged Securities Account for Ong Teng Kek	46,250	0.56
24. Farhan Bin Abdul Halim	45,000	0.54
25. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Looi Lee Yee	42,500	0.51
26. Kamli Bin Mohamad	40,000	0.48
27. Wan Mohd Rizal Bin Wan Jaafar	40,000	0.48
28. Gooi Seok Keng	40,000	0.48
29. Tan Leok Kwee	37,875	0.45
30. Leong Kok Weng	37,500	0.45

STATISTICS OF WARRANTHOLDINGS 2005/2015 AS AT 2 NOVEMBER 2005

NO. OF WARRANTS	:	16,670,355
VOTING RIGHTS	:	ONE VOTE PER WARRANT

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	4	1.63	200	0.00
100 – 1,000	69	28.16	37,798	0.23
1,001 – 10,000	106	43.27	538,766	3.23
10,001 – 100,000	55	22.45	1,877,930	11.27
100,001 – 833,516(*)	6	2.45	1,687,034	10.12
833,517 and above (**)	5	2.04	12,528,627	75.16
TOTAL	245	100.00	16,670,355	100.00

Remarks:

- * Less than 5% of issued warrants
 ** 5% and above of issued warrants

DIRECTORS' WARRANTHOLDINGS

Name of Directors	Direct Interest	No. of Warrants Held		%
		%	Indirect Interest	
Tai Keik Hock	900,000	5.40	3,226,668(a)	19.36
Tai Keng Eng	-	-	-	-
Tai Lee Keow	673,334	4.04	3,226,668(a)	19.36
Nik Azalan Bin Nik A. Kadir	-	-	-	-
Khoo Boo Yeang	-	-	-	-

(a) 3,226,668 warrants held through Jupax Enterprise Sdn Bhd

SUBSTANTIAL WARRANTHOLDERS

Name of Substantial Warrants Holders	Direct Interest	No. of Warrants Held		%
		%	Indirect Interest	
1. Alliance Merchant Bank	6,503,352	39.01	-	-
2. Jupax Enterprise Sdn Bhd	3,226,668	19.36	-	-
3. Yeoh Sian Kok	1,061,334	6.37	-	-
4. A.A. Anthony Securities Sdn Bhd	905,273	5.43	-	-
5. Tai Keik Hock	900,000	5.40	3,226,668 (a)	19.36
6. Tai Lee Keow	673,334	4.04	3,226,668 (a)	19.36

(a) 3,226,668 warrants held through Jupax Enterprise Sdn Bhd

STATISTICS OF WARRANTHOLDINGS 2005/2015 AS AT 2 NOVEMBER 2005**30 LARGEST WARRANTHOLDERS 2005/2015 AS AT 2 NOVEMBER 2005**

Name	No. of Warrants Held	%
1. Alliancegroup Nominees (Tempatan) Sdn Bhd Alliance Merchant Bank Berhad	6,503,352	39.01
2. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Jupax Enterprise Sdn Bhd	3,226,668	19.36
3. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd For Yeoh Sian Kok	993,334	5.96
4. A.A. Anthony Securities Sdn Bhd.	905,273	5.43
5. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd For Tai Keik Hock	900,000	5.40
6. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Lee Keow	673,334	4.04
7. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Lee See	484,000	2.90
8. Public Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Wong Khong Ling	199,000	1.19
9. Tan Phee Mun @ Tan Phui Mun	117,000	0.70
10. Pang Swee Chien	111,700	0.67
11. Koh Keah Kwang	102,000	0.61
12. Chong Loke Chen	100,000	0.60
13. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Jok Kuwi	82,000	0.49
14. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Hock Keng	80,000	0.48
15. Ng Ngow @ Ng Soo Har	70,000	0.42
16. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Soon Heng	68,000	0.41
17. Yeoh Sian Kok	68,000	0.41
18. Dallab Capital Sdn Bhd	66,800	0.40
19. Lim Poh Hock	60,000	0.36
20. Ng Ah Chung	58,000	0.35
21. Kho Chin Ling	55,000	0.33
22. Mercury Securities Sdn Bhd	50,130	0.30
23. Law Hieng Bing	46,800	0.28
24. Kong Sook Fun	46,500	0.28
25. Chua Vin Teck	46,000	0.28
26. Yang On Siang	45,000	0.27
27. Chin Swee Sang	43,000	0.26
28. Fong Tuck Seng	42,000	0.25
29. Low Lay Eng	42,000	0.25
30. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Tai Lee Bee	42,000	0.25

GROUP STRUCTURE



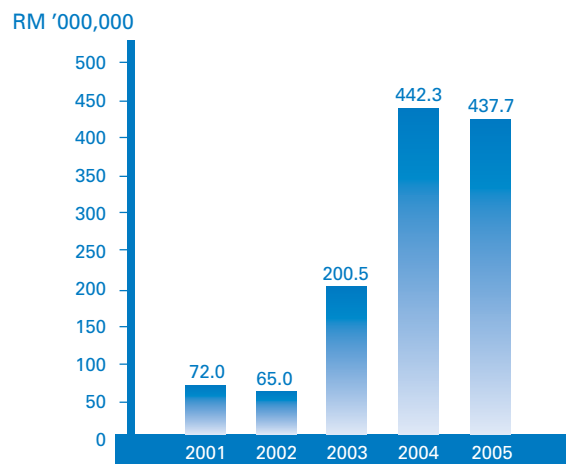
FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

Year ended June 30	2001	2002	2003	2004	2005
Revenue	72.0	65.0	200.5	442.3	437.7
Shareholders' Fund	7.1	(0.1)	35.9	51.9	80.2
Profit/(Loss) Before Tax	(11.4)	(5.2)	(3.7)	14.1*	9.0

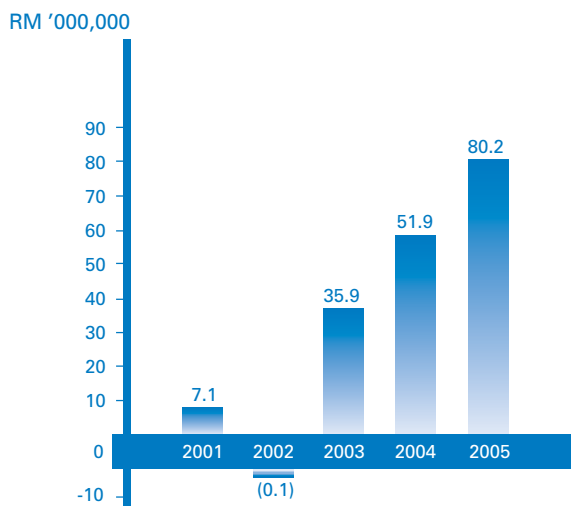
* Includes gain from disposal of loss making subsidiaries of RM13.4 million

Amount in RM '000,000

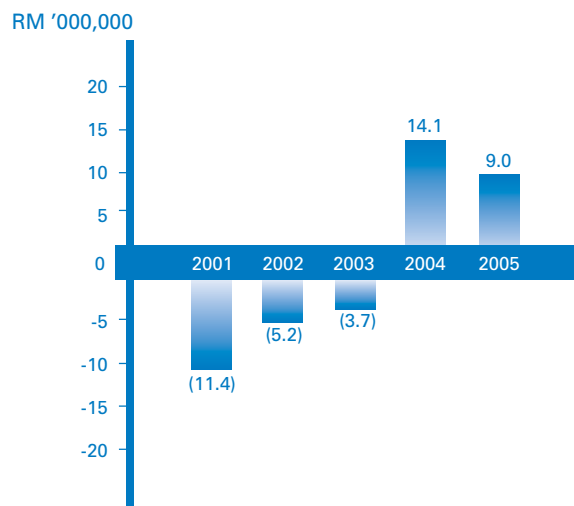
REVENUE



SHAREHOLDERS' FUND



PROFIT/(LOSS) BEFORE TAX



LIST OF PROPERTIES HELD BY THE GROUP

<i>Location</i>	<i>Age of Building</i>	<i>Date of Last Revaluation/ (Acquisition)</i>	<i>Area (sq. ft.)</i>	<i>Existing Use</i>	<i>Tenure</i>	<i>Net Book Value As at 30/06/05 (RM)</i>
KEDAH						
Lot No. 23, 24, 26 & 31, Kawasan Perusahaan Kuala Ketil, Mukim of Tawar, District of Baling, Kedah	-	28/04/03	466,917	Vacant Land	Leasehold (60 years)	1,462,371
Lot No. 25 & 32 Kawasan Perusahaan Kuala Ketil, Mukim of Tawar, District of Baling, Kedah	6	28/04/03	209,154	Factory, Office Building & Warehouse	Leasehold (60 years)	3,419,931
H.S.(M) 343/89 P.T.No.8543, Mukim Sg. Pasir, Daerah Kuala Muda Kedah	12	27/09/04	174,240	Factory, Office Building & Warehouse	Sub-leasehold (08/10/2088)	5,675,230
Lot 2, 8 & 16 Mukim of Bujang Daerah Kuala Muda Kedah	-	28/09/05	4,216,741	Vacant Land	Freehold	3,366,122

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 30 June 2005.

FINANCIAL PERFORMANCE

For the financial year under review, the Group recorded a turnover of RM437.6 million as compared to RM442.3 million in the preceding year. The decrease in turnover was due to no more contribution of sales from the loss making subsidiaries that had been disposed in financial year 2004 ("former subsidiaries"). The former subsidiaries contributed about RM44.3 million of preceding year sales. The profit before tax was RM9.0 million as compared to a profit before tax of RM14.0 in the previous year. The preceding year profit before tax included the extraordinary gain of RM13.4 million from the disposal of former subsidiaries.

REVIEW OF OPERATIONS

The financial year 2005 has been a challenging year with the world continuously facing political and economic uncertainties. The rising of oil prices that has resulted in the increase of raw material costs has intensified the competition of electronics/ electrical industry. Confronted with the rising material and operating cost and price competitive, strategies emphasized on products differentiation, improving productivity, cost control and operational efficiency continued to be implemented in order to stay competitive in the market. During the year under review, the Electronics Manufacturing Services ("EMS") division contributed 97% of the Group's turnover while the parquet flooring division contributed 3% of the Group's turnover. The parquet flooring division has also started to contribute positively to the Group's bottom line.

CORPORATE DEVELOPMENT

During the year, the Company had completed the rights issue of RM25,005,533 nominal value of 5-year 5% irredeemable convertible unsecured loan stocks 2005/2010 ("ICULS") at 100% of its nominal value together with 16,670,355 detachable warrants ("Warrants B"). The ICULS and Warrants B had been listed on 24 June 2005. However the Proposed Private placement ("PP") of 5,001,100 new ordinary shares of RM1.00 each in EG is still outstanding due to the present share market condition which does not favour the Company. The Company also implemented the Employee Share Option Scheme on 18 April 2005 and it is still pending for price fixing and allocation to eligible employees. The funds raised from the ICULS were used for repayment of the bank borrowings, to expand and upgrade the production facilities of the subsidiaries and for working capital purpose.

FUTURE OUTLOOK

For the EMS division, the Group has made considerable investment in strengthening its capacities and capabilities. The Group would like to leverage on this by enhancing the existing customer base by continue focusing on two major industries which are data storage industry and telecommunication industry. Both of these industries have proven track record of high demand consumption yearly. In addition, they have replacement market due to continuous upgrade of personal computer and peripherals, introduction of new technology mobile phone and smart phone capabilities to the market. The Group will also improve the utilization of its production capacities, in order to bring an improved performance in financial year ending 30 June 2006. The Group will continue to expedite the growth and expansion of EMS division in order to become the biggest local EMS company in Malaysia.

The newly incorporated subsidiary – EG Wireless Sdn Bhd is to undertake the manufacturing activities of the wireless electronics and telecommunication products had obtained the pioneer status from MITI and the company had commenced operation with effective from 1 October 2005.

For the parquet flooring division, the Group plans to increase contribution from overseas and local sales by adding more wood-related products such as solid parquet, outdoor decking, skirting and furniture, and also will promote its own brand name more extensively overseas.

The Group will venture into Thailand through the setting up of a subsidiary company in Bangkok for the provision of EMS for electronics/ electrical and telecommunication products. This will enable the Group to support its existing customer who also has facilities in Thailand and also to explore new business opportunities in Thailand.

The central driving force in our Group corporate strategy is profit growth. To achieve this, we will continue to increase operational efficiency and productivity of our business in order to create value for our shareholders.

DIVIDEND

No dividend was declared for the year.

APPRECIATION

On behalf of the Board of Directors, I wish to thank my fellow Directors, Employees, Shareholders, Customers, Suppliers, Financiers, Professionals and all those who have given the Group their continued commitment, dedication, contributions and support during the financial year ended 30 June 2005. I would also like to take this opportunity to thank Dato' Mahmud bin Mohammad Khalil who has resigned from the Board on 25 July 2005, for his contribution to the Group.

TAI KEIK HOCK

Chairman

6 December 2005

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit after taxation	8,534,681	9,857,865
Minority interest	(569,900)	-
Net profit for the year	<u>7,964,781</u>	<u>9,857,865</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 4 to the financial statements.

SHARE CAPITAL

During the year, the Company increased its authorised share capital from 100,000,000 ordinary shares of RM1.00 each to 200,000,000 ordinary shares of RM1.00 each by way of the creation of an additional 100,000,000 ordinary shares of RM1.00 each.

IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

On 17 June 2005, the Company issued RM25,005,533 nominal value of RM1.00 each 5 year 5% irredeemable convertible unsecured loan stocks 2005/2010 ("ICULS") to settle its overdraft facilities and to provide additional working capital for the Group's operations.

The salient features of ICULS are as mentioned in Note 25 to the financial statements.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tai Keik Hock
 Tai Keng Eng
 Tai Lee Keow
 Nik Azalan bin Nik A. Kadir
 Khoo Boo Yeang
 Dato' Rahadian Mahmud bin Mohammad Khalil (Resigned on 25/7/2005)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or warrants or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors shown in the Group financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except for certain directors who are deemed to derive a benefit by virtue of the related party transactions as disclosed in Note 29 to the financial statements.

DIRECTORS' REPORT**DIRECTORS' INTERESTS**

According to the register of directors shareholding, the interests of directors in office at the end of the financial year had in shares, stock options, warrants or ICULS in the Company or its subsidiary companies during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			30 June 2005
	1 July 2004	Acquired	Sold	
The Company				
Direct interest:				
Tai Keik Hock	2,683,715	-	-	2,683,715
Tai Keng Eng	104,920	-	-	104,920
Tai Lee Keow	2,017,379	-	-	2,017,379
Nik Azalan bin Nik A. Kadir	236,500	-	-	236,500
Indirect interest:				
Tai Keik Hock	13,362,264	-	-	13,362,264
Tai Lee Keow	9,549,550	-	-	9,549,550

Messrs Tai Keik Hock and Tai Lee Keow by virtue of their substantial interest in the shares of the Company are also deemed to have a substantial interest in the shares of the subsidiaries to the extent the Company has an interest.

	Number of Warrants 1995/2005			30 June 2005
	1 July 2004	Bought	Sold	
The Company				
Direct interest:				
Tai Keik Hock	1,363,600	-	398,800	964,800
Tai Lee Keow	146,000	-	-	146,000
Nik Azalan bin Nik A. Kadir	16,666	-	-	16,666

	Number of Warrants 2005/2015			30 June 2005
	1 July 2004	Allotted	Sold	
The Company				
Direct interest				
Tai Keik Hock	-	900,000	-	900,000
Tai Lee Keow	-	673,334	-	673,334
Indirect interest				
Tai Keik Hock	-	3,226,668	-	3,226,668
Tai Lee Keow	-	3,226,668	-	3,226,668

	Number of RM1 nominal value of 5% ICULS 2005/2010			30 June 2005
	1 July 2004	Allotted	Sold	
The Company				
Direct interest				
Tai Keik Hock	-	1,350,000	-	1,350,000
Tai Lee Keow	-	1,010,000	-	1,010,000
Indirect interest				
Tai Keik Hock	-	4,840,000	-	4,840,000
Tai Lee Keow	-	4,840,000	-	4,840,000

DIRECTORS' REPORT

WARRANTS

As at the end of the financial year, the Company has the following outstanding warrants:

Warrants	Exercise price(s) per ordinary share	Expiry date	Number of warrants outstanding as of 30/6/2005
Warrants 1995/2005	RM3.81	14/12/2005	8,324,462
Warrants 2005/2015	RM1.00	16/6/2015	16,670,355

Warrants 2005/2015 were issued on 17 June 2005 in conjunction with the issuance of RM25,005,533 nominal value of 5 year 5% ICULS 2005/2010. The warrants entitle the holders to subscribe for new ordinary shares in the Company on the basis of one new ordinary share of RM1.00 each for every warrant held at an exercise price of RM1.00 per ordinary share within 10 years from the date of the issue of the warrant. The exercise price of the warrants is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll created on 12 April 2005.

The exercise price and outstanding warrants 1995/2005 have been adjusted pursuant to the issuance of RM25,005,533 nominal amount of 5 year 5% ICULS 2005/2010 as follows:

	Before the adjustments	After the adjustments
Exercise Price of Warrants 1995/2005	RM4.80	RM3.81
Number of Warrants 1995/2005	6,659,570	8,324,462

EMPLOYEES' SHARE OPTIONS SCHEME ("ESOS")

The Company implemented an ESOS which is governed by the bye-laws approved by the shareholders at the Extraordinary General Meeting held on 6 December 2004.

There was no ESOS granted during the financial year.

The salient features and other terms of the ESOS are disclosed in Note 27 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- it necessary to write off any bad debts or the amount of provision for doubtful debts in the Group and in the Company inadequate to any substantial extent;
 - the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements and consolidated financial statements misleading.
- (e) As at the date of this report, there does not exist:
- any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT**OTHER STATUTORY INFORMATION (CONTD.)**

- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year for which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

TAI KEIK HOCK

TAI LEE KEOW

Kedah, Malaysia
Date: 26 October 2005

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, TAI KEIK HOCK and TAI LEE KEOW, being two of the directors of EG INDUSTRIES BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 64 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors:

TAI KEIK HOCK

TAI LEE KEOW

Kedah, Malaysia
Date: 26 October 2005

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, LOW SOOK HAN, being the officer primarily responsible for the financial management of EG INDUSTRIES BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 64 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed LOW SOOK HAN at
Sungai Petani in the state of Kedah
on 26 October 2005

LOW SOOK HAN

Before me,

Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS OF EG INDUSTRIES BERHAD

We have audited the financial statements set out on pages 34 to 64. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - i) the financial position of the Group and of the Company as at 30 June 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 9 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF : 0039
Chartered Accountants

OO BOON BENG
1939/12/06 (J)
Partner

Penang, Malaysia
Date: 26 October 2005

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	3	437,645,762	442,263,908	10,965,924	1,298,184
Cost of sales		(425,320,141)	(433,355,591)	-	-
Gross profit		12,325,621	8,908,317	10,965,924	1,298,184
Other operating income		5,569,769	15,593,453	1,467,000	214,355
Other operating expenses		(634,230)	(997,842)	-	(363,611)
Administration and general expenses		(5,335,853)	(4,879,802)	(1,726,680)	(180,333)
Selling and distribution expenses		(1,234,725)	(1,931,585)	-	-
Profit from operations	4	10,690,582	16,692,541	10,706,244	968,595
Finance cost	5	(1,647,966)	(2,623,785)	(906,308)	(1,123,062)
Profit/(Loss) before taxation		9,042,616	14,068,756	9,799,936	(154,467)
Taxation	6	(507,935)	(1,029,480)	57,929	(97,261)
Profit/(Loss) after taxation		8,534,681	13,039,276	9,857,865	(251,728)
Minority interests		(569,900)	-	-	-
Net profit/(loss) for the year		7,964,781	13,039,276	9,857,865	(251,728)
Earnings per ordinary share (sen)	7				
- Basic		16	26		
- Diluted		9	23		

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS AS AT 30 JUNE 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	8	39,220,705	33,635,658	1,462,372	1,489,621
Investment in subsidiaries	9	-	-	46,238,261	40,808,259
Investments	10	368,237	868,237	368,237	368,237
Goodwill on consolidation	11	10,781,902	11,416,130	-	-
Deferred tax asset	22	1,401,741	-	1,401,741	-
		<u>51,772,585</u>	<u>45,920,025</u>	<u>49,470,611</u>	<u>42,666,117</u>
CURRENT ASSETS					
Inventories	12	25,858,155	14,910,127	-	-
Trade receivables	13	9,637,971	13,053,728	-	-
Other receivables	14	15,688,965	1,915,705	13,909	1,645,700
Tax recoverable		153,406	94,221	153,405	94,221
Amount due by subsidiaries	15	-	-	21,522,604	15,864,493
Fixed deposits with licensed banks	16	20,732,628	3,410,000	8,852,628	-
Cash and bank balances		4,907,428	2,584,632	8,835	495
		<u>76,978,553</u>	<u>35,968,413</u>	<u>30,551,381</u>	<u>17,604,909</u>
CURRENT LIABILITIES					
Trade payables	17	1,169,532	1,585,707	-	-
Other payables	18	6,922,191	2,369,223	479,898	252,058
Amount due to a subsidiary	15	-	-	-	2,787,738
Taxation		230,766	371,031	-	-
Short term borrowings	19	21,437,325	16,888,556	1,202,194	12,834,658
		<u>29,759,814</u>	<u>21,214,517</u>	<u>1,682,092</u>	<u>15,874,454</u>
NET CURRENT ASSETS		<u>47,218,739</u>	<u>14,753,896</u>	<u>28,869,289</u>	<u>1,730,455</u>
		<u>98,991,324</u>	<u>60,673,921</u>	<u>78,339,900</u>	<u>44,396,572</u>
FINANCED BY:					
Share capital	20	50,011,067	50,011,067	50,011,067	50,011,067
Reserves	21	30,139,671	1,893,449	24,524,811	(5,614,495)
Shareholders' equity		<u>80,150,738</u>	<u>51,904,516</u>	<u>74,535,878</u>	<u>44,396,572</u>
Long term liabilities	19	18,270,686	8,769,405	3,804,022	-
Minority interests		569,900	-	-	-
		<u>98,991,324</u>	<u>60,673,921</u>	<u>78,339,900</u>	<u>44,396,572</u>

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2005

Group	Share capital RM	← Non-distributable →		Accumulated loss RM	Total RM
		Capital reserve RM	Share premium RM		
At 1 July 2003	47,011,067	-	16,357,095	(27,502,922)	35,865,240
Issue of shares	3,000,000	-	-	-	3,000,000
Profit after tax for the year	-	-	-	13,039,276	13,039,276
At 30 June 2004	<u>50,011,067</u>	<u>-</u>	<u>16,357,095</u>	<u>(14,463,646)</u>	<u>51,904,516</u>
At 1 July 2004	50,011,067	-	16,357,095	(14,463,646)	51,904,516
Issue of ICULS (equity component)	-	21,401,058	-	-	21,401,058
Expenses incurred on issue of ICULS	-	-	(1,119,617)	-	(1,119,617)
Profit after tax for the year	-	-	-	7,964,781	7,964,781
At 30 June 2005	<u>50,011,067</u>	<u>21,401,058</u>	<u>15,237,478</u>	<u>(6,498,865)</u>	<u>80,150,738</u>
Company					
At 1 July 2003	47,011,067	-	16,357,095	(21,719,862)	41,648,300
Issue of ordinary shares	3,000,000	-	-	-	3,000,000
Loss after tax for the year	-	-	-	(251,728)	(251,728)
At 30 June 2004	<u>50,011,067</u>	<u>-</u>	<u>16,357,095</u>	<u>(21,971,590)</u>	<u>44,396,572</u>
At 1 July 2004	50,011,067	-	16,357,095	(21,971,590)	44,396,572
Issue of ICULS (equity component)	-	21,401,058	-	-	21,401,058
Expenses incurred on issue of ICULS	-	-	(1,119,617)	-	(1,119,617)
Profit after tax for the year	-	-	-	9,857,865	9,857,865
At 30 June 2005	<u>50,011,067</u>	<u>21,401,058</u>	<u>15,237,478</u>	<u>(12,113,725)</u>	<u>74,535,878</u>

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	9,042,616	14,068,756	9,799,936	(154,467)
Adjustments for:				
Amortisation of goodwill on consolidation	634,228	634,230	-	-
Depreciation	6,472,173	7,898,613	27,249	27,249
Interest expense	1,520,614	2,385,155	902,255	1,122,245
Loss on disposal of investment in subsidiaries	-	-	-	231,998
Provision for doubtful debts	1,191,319	29,572	1,191,319	-
Provision for impairment loss in value of other investments	-	131,613	-	131,613
Provision for impairment loss in value of investments written back	-	(65,506)	-	(65,506)
Provision for impairment loss in value of investments in a subsidiary written back	-	-	(1,430,000)	-
Provision for inventories obsolescence	-	2,012	-	-
Amortisation of reserve on consolidation	-	(194,874)	-	-
Dividend income	(7,867)	(24,640)	(10,007,867)	(24,640)
Gain on disposal of property, plant and equipment	(36,135)	(1,363,412)	-	-
Gain on disposal of investment in subsidiaries	-	(13,143,074)	-	-
Gain on disposal of quoted investments	(30,973)	(148,849)	-	(148,849)
Gain on redemption of bonds	(37,000)	-	(37,000)	-
Interest income	(66,896)	(41,223)	(958,057)	(1,273,544)
Provision for retirement benefits written back	-	(851,080)	-	-
Operating profit/(loss) before working capital changes carried forward	18,682,079	9,317,293	(512,165)	(153,901)
Increase in inventories	(10,948,028)	(6,048,218)	-	-
(Increase)/Decrease in trade and other receivables	(11,548,822)	(845,742)	440,472	(1,644,700)
Decrease/(Increase) in trade and other payables	4,136,793	202,597	227,841	(3,906)
Increase in amount due by subsidiaries	-	-	(5,658,111)	(697,614)
Decrease in amount due to a subsidiary	-	-	(2,787,738)	(324,289)
Cash generated from/(used in) operations	322,022	2,625,930	(8,289,701)	(2,824,410)
Retirement benefits paid	-	(21,204)	-	-
Interest paid	(1,520,614)	(2,385,155)	(902,255)	(1,122,245)
Income tax paid	(706,302)	(271,651)	(173)	-
Net cash used in operating activities	(1,904,894)	(52,080)	(9,192,129)	(3,946,655)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(12,057,220)	(6,617,390)	-	-
Purchase of quoted unit trusts	-	(500,000)	-	-
Interest received	66,896	41,223	958,057	1,273,544
Dividends received (net)	6,784	18,581	10,006,784	18,581
Proceeds from disposal of property, plant and equipment	36,135	5,779,013	-	-
Proceeds from disposal of investment in subsidiaries	-	1,274,528	-	998,996
Proceeds from disposal of quoted investments	530,973	649,779	-	649,779
Proceeds from redemption of bonds	37,000	-	37,000	-
Subscription of shares in a subsidiary	-	-	(4,000,000)	-
Acquisition of subsidiary (Note 9.1)	-	-	(2)	-
Net cash (used in)/from investing activities	(11,379,432)	645,734	7,001,839	2,940,900

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Withdrawal of fixed deposits pledged	30,000	60,647	-	-
Net drawdown of bankers' acceptances	3,589,000	385,000	-	-
Net drawdown of revolving credits	13,500,000	2,750,000	-	-
Repayment of bankers' acceptances	-	(1,053,000)	-	-
Repayment of bills payable	-	(2,806,000)	-	-
Payment of hire purchase creditors	(22,674)	(20,785)	-	-
Proceeds from issuance of shares	-	3,000,000	-	3,000,000
Net proceeds from issuance of ICULS	23,885,916	-	23,885,916	-
Drawdown of loan	6,971,596	14,746,038	-	13,833,653
Repayment of term loans	(14,959,862)	(3,184,390)	(12,834,658)	(998,995)
Net cash from financing activities	<u>32,993,976</u>	<u>13,877,510</u>	<u>11,051,258</u>	<u>15,834,658</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,709,650	14,471,164	8,860,968	14,828,903
CASH AND CASH EQUIVALENTS AT 1 JULY	5,225,300	(9,245,864)	495	(14,828,408)
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>24,934,950</u>	<u>5,225,300</u>	<u>8,861,463</u>	<u>495</u>
Fixed deposits with licensed banks	20,732,628	3,410,000	8,852,628	-
Cash and bank balances	4,907,428	2,584,632	8,835	495
Bank overdrafts	(425,106)	(459,332)	-	-
	<u>25,214,950</u>	<u>5,535,300</u>	<u>8,861,463</u>	<u>495</u>
Fixed deposits pledged	(280,000)	(310,000)	-	-
	<u>24,934,950</u>	<u>5,225,300</u>	<u>8,861,463</u>	<u>495</u>

During the year, the group acquired property, plant and equipment with an aggregate cost of RM12,057,220 (2004: RM6,685,390) which were financed as follows:

	Group	
	2005 RM	2004 RM
Cash	12,057,220	6,617,390
Hire purchase plan	-	68,000
	<u>12,057,220</u>	<u>6,685,390</u>

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

1. CORPORATE INFORMATION

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Second Board of the Bursa Malaysia Securities Berhad.

The principal place of business is located at Lot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 October 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interests in the consolidated balance sheet consist of the minority share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minority share of movements in the acquiree's equity since then.

(c) Goodwill on Consolidation

Goodwill or reserve on consolidation represents the difference between the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill or reserve on consolidation is stated at cost less accumulated amortisation and impairment losses and is amortised or credited on a straight-line basis over its estimated useful life of 20 years.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives based on the original cost or subsequent valuation.

The annual rates used are:

Buildings	2%
Plant and machinery	10%
Furniture & fittings	10% - 33%
Office equipment	10% - 33%
Tools and equipment	10% - 20%
Motor vehicles	20%
Renovation	10%

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**(d) Property, Plant and Equipment and Depreciation (Contd.)**

Freehold land and capital work-in-progress are not depreciated. Leasehold land are amortised over the unexpired lease periods of between 45 to 56 years.

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to accumulated loss.

(e) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of the net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(f) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statement.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value after due provision is made for any obsolete or slow moving items. Cost of raw materials, packing materials and consumables is determined on the first-in first-out basis while direct labour and manufacturing overheads for work-in-progress and finished goods is determined on the average cost basis. Cost of raw materials consists of the original purchase cost plus the cost of bringing the inventories to their present location.

Cost of finished goods and work-in-progress includes cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and the estimated costs to make the sale.

(h) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

i. Hire Purchase

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance cost and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognized as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(d).

ii. Operating Lease

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**(i) Provisions for Liabilities**

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date are as follows:

	2005 RM	2004 RM
EURO Dollar	5.15	4.595
New Taiwan Dollar	-	0.1118
Singapore Dollar	2.33	2.270
United States Dollar	3.82	3.800

(k) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, by the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case deferred tax is included in the resulting goodwill or negative goodwill.

(l) Employee Benefits**i. Short Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

iii. Equity Compensation Benefits

The Company's Employees' Share Options Scheme ("ESOS") allows eligible employees of the Group to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

(m) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

i. Other Non-Current Investments

Non-current investments other than investments in subsidiaries, are stated at cost less impairment losses.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

ii. Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases and decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

iii. Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

iv. Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

v. Interest-Bearing Borrowings

Interest-bearing bank borrowings and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset.

For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as an expense in the income statement in the year in which they are incurred.

vi. Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

vii. Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

In accordance with the principal terms of issuance, ICULS as issued by the Company are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt. The differences between the proceeds of issue of the ICULS and the fair value assigned to the liability component, representing the conversion option is included in the shareholders' equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption whilst the value of the equity component is not adjusted in subsequent years. Attributable transaction costs are apportioned and deductible directly from the liability and equity component based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible loan stocks to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**(n) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably.

i. Sale of Goods

Revenue relating to sale of goods is recognised net of discounts upon the transfer of risks and rewards.

ii. Interest Income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

iii. Dividend Income

Dividend income is recognised when the right to receive payment is established.

iv. Rental Income

Revenue from rental are recognised on an accrual basis.

(o) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

3. REVENUE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sale of goods	437,625,487	442,234,756	-	-
Dividend income	7,867	24,640	10,007,867	24,640
Interest income	12,408	4,512	958,057	1,273,544
	<u>437,645,762</u>	<u>442,263,908</u>	<u>10,965,924</u>	<u>1,298,184</u>

4. PROFIT FROM OPERATIONS

Profit from operations is stated:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
After charging:				
Auditors' remuneration				
- current year	61,775	90,725	17,000	17,850
- underprovision in prior year	19,308	18,975	3,150	6,300
Amortisation of goodwill	634,228	634,230	-	-
Depreciation	6,472,173	7,898,613	27,249	27,249
Directors'				
- fees (current year)	28,000	29,000	28,000	29,000
- fees (overprovided in prior year)	(8,000)	-	(8,000)	-
- other emoluments	694,210	880,828	240,000	-
Foreign exchange loss	-	13,255	-	-
Loss on disposal of investment in subsidiaries	-	-	-	231,998
Preliminary expenses written off	2,000	-	-	-
Provision for doubtful debts	1,191,319	29,572	1,191,319	-
Provision for inventories obsolescence	-	2,012	-	-
Provision for impairment loss in value of investments	-	131,613	-	131,613
Rental of equipment	977,279	2,178,799	-	-
Rental of premises	113,030	194,769	20,000	-

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

4. PROFIT FROM OPERATIONS (CONTD.)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
and crediting:				
Amortisation of reserve on consolidation	-	194,874	-	-
Gross dividends received from				
- investments quoted in Malaysia	7,867	24,640	7,867	24,640
- a subsidiary	-	-	10,000,000	-
Gain on redemption of Bonds	37,000	-	37,000	-
Gain on disposal of property, plant and equipment	36,135	1,363,412	-	-
Gain on disposal of investments in subsidiaries	-	13,143,074	-	-
Gain on disposal of quoted investments	30,973	148,849	-	148,849
Interest income	66,896	41,223	958,057	1,273,544
Provision for retirement benefits written back	-	851,080	-	-
Provision for impairment loss in value of quoted investments written back	-	65,506	-	65,506
Provision for impairment loss in value of investments in a subsidiary written back	-	-	1,430,000	-
Realised gain on foreign exchange	113,983	394,394	-	-
Rental income	-	36,000	-	-
Waiver of interest incurred in previous years	2,124,704	-	-	-
	<u>2,124,704</u>	<u>-</u>	<u>-</u>	<u>-</u>

5. FINANCE COST

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Included herein:				
Interest expense on borrowings	1,520,614	2,385,155	902,255	1,122,245
	<u>1,520,614</u>	<u>2,385,155</u>	<u>902,255</u>	<u>1,122,245</u>

6. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Based on results for the year:				
Current	594,256	754,313	4,256	45,300
Deferred	-	(6,000)	-	-
	<u>594,256</u>	<u>748,313</u>	<u>4,256</u>	<u>45,300</u>
(Over)/Underprovision in prior year	(86,321)	281,167	(62,185)	51,961
	<u>507,935</u>	<u>1,029,480</u>	<u>(57,929)</u>	<u>97,261</u>

The tax charge for the Company is in respect of non tax-exempt dividend income and interest income received.

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

Group	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit/(Loss) before taxation	<u>9,042,616</u>	<u>14,068,756</u>	<u>9,799,936</u>	<u>(154,467)</u>
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	2,531,932	3,935,995	2,743,982	(43,251)
Expenses not deductible for tax purposes	710,559	282,250	471,034	88,551
Income not subject to tax	(21,032)	(3,739,970)	(3,210,760)	-
Deferred tax assets not recognised on current year business loss	-	2,057,741	-	-
Deferred tax assets recognised on:				
- reinvestment allowance	(185,155)	-	-	-
- unutilised business loss	(109,000)	-	-	-
Balance carried forward	<u>2,927,304</u>	<u>2,536,016</u>	<u>4,256</u>	<u>45,300</u>

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**6. TAXATION (Contd.)**

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Balance brought forward	2,927,304	2,536,016	4,256	45,300
Utilisation of current year reinvestment allowance	(791,414)	(68,338)	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,541,634)	(1,719,365)	-	-
(Over)/Underprovision in prior years	(86,321)	281,167	(62,185)	51,961
Tax expense for the year	<u>507,935</u>	<u>1,029,480</u>	<u>(57,929)</u>	<u>97,261</u>

	Group	
	2005 RM	2004 RM
Tax savings recognised during the year arising from:		
Utilisation of current year tax losses	-	453,000
Utilisation of capital allowances brought forward	<u>1,444,000</u>	<u>-</u>
Tax losses are analysed as follows:		
Unabsorbed tax losses	4,052,000	2,432,000
Unabsorbed capital allowances	5,785,000	12,503,000
Unutilised reinvestment allowances	<u>11,480,000</u>	<u>12,955,000</u>

The unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose.

7. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share is based on the Group's profit after taxation and minority interests of RM7,964,781 (2004: RM13,039,276) and 50,011,067 (2004: 49,221,450) number of ordinary shares during the year.

The calculation of diluted earnings per ordinary share is based on the Group's profit after taxation and minority interests and after adjusting for savings on interest arising from ICULS of RM8,864,980 (2004: RM13,039,276) and 101,069,736 (2004: 55,881,020) number of ordinary shares during the year after adjusting for the dilutive effects of all potential ordinary shares, i.e. unconverted warrants, ESOS and ICULS.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

8. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building RM	Short term leasehold land and buildings RM		Long term leasehold land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office Equipment RM	Tools and equipment RM	Motor vehicles RM	Factory renovation RM	Building in progress RM	Total RM
		RM	RM									
Cost												
At 1 July 2004	3,304,433	6,876,440	5,579,796	66,276,500	578,553	1,540,614	2,354,546	945,234	936,060	-	-	88,392,176
Additions	61,689	-	-	4,408,641	3,707	253,851	42,580	49,350	123,686	7,113,716	-	12,057,220
Disposals/Written off	-	-	-	(699,271)	-	-	-	(63,500)	-	-	-	(762,771)
At 30 June 2005	3,366,122	6,876,440	5,579,796	69,985,870	582,260	1,794,465	2,397,126	931,084	1,059,746	7,113,716	-	99,686,625
Accumulated Depreciation and Impairment Losses												
At 1 July 2004	-	1,071,933	590,968	48,781,283	434,982	815,265	1,957,266	516,066	588,755	-	-	54,756,518
Charge for the year	-	129,277	106,524	5,691,265	37,433	172,687	144,047	114,245	76,695	-	-	6,472,173
Disposals/Written off	-	-	-	(699,271)	-	-	-	(63,500)	-	-	-	(762,771)
At 30 June 2005	-	1,201,210	697,492	53,773,277	472,415	987,952	2,101,313	566,811	665,450	-	-	60,465,920
Net book value												
At 30 June 2005	3,366,122	5,675,230	4,882,304	16,212,593	109,845	806,513	295,813	364,273	394,296	7,113,716	-	39,220,705
At 30 June 2004	3,304,433	5,804,507	4,988,828	17,495,217	143,571	725,349	397,280	429,168	347,305	-	-	33,635,658
Depreciation charge for 2004	9,236	281,763	185,078	6,495,473	105,267	193,505	414,062	124,236	89,993	-	-	7,898,613

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

8. PROPERTY, PLANT AND EQUIPMENT (Contd.)

Company	Long term leasehold land RM
Cost	
At 1 July 2004/30 June 2005	1,634,949
Accumulated Depreciation	
At 1 July 2004	145,328
Charge for the year	27,249
At 30 June 2005	172,577
Net Book Value	
At 30 June 2005	1,462,372
At 30 June 2004	1,489,621
Depreciation charge for 2004	27,249

- 8.1** The master title of the long term leasehold land has been forwarded to the relevant State Authorities for subdivision into separate title deeds. As at to-date, the Group and the Company have yet to receive the title deeds from the relevant State Authorities.
- 8.2** Motor vehicles of the Group with a net book value of RM75,810 (2004: RM102,503) are held in trust by the directors and a third party on behalf of certain subsidiaries.
- 8.3** A motor vehicle of the Group with a net book value of RM59,377 (2004: RM79,170) is acquired under the instalment purchase plan.
- 8.4** The following property, plant and equipment are charged as securities to financial institutions for bank borrowings obtained as disclosed in Notes 19 and 26 to the financial statements:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At Net Book Value				
Freehold land	3,366,122	1,579,089	-	-
Short and long term leasehold land and buildings	10,557,534	10,793,335	1,462,372	1,489,621
Plant and machinery	16,212,593	17,495,218	-	-
Tools and equipment	295,813	397,281	-	-
Furniture and fittings	109,845	143,570	-	-
Office equipment	806,513	725,348	-	-
Motor vehicles	364,273	429,168	-	-
Factory renovation	394,296	347,305	-	-
Building in progress	7,113,716	-	-	-
	<u>39,220,705</u>	<u>31,910,314</u>	<u>1,462,372</u>	<u>1,489,621</u>

The Company's long term leasehold land had been discharged on 8 August 2005.

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	49,858,261	45,858,259
Accumulated impairment losses	(3,620,000)	(5,050,000)
	<u>46,238,261</u>	<u>40,808,259</u>

During the financial year, the Company acquired 100% equity interest in EG Wireless Sdn. Bhd. a company incorporated in Malaysia for a total consideration of RM2.00.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

9. INVESTMENT IN SUBSIDIARIES (CONTD.)

Details of the subsidiaries are as follows:

Name	Country Incorporation	Equity Interest Held (%)		Principal activities
		2005	2004	
Direct Interest				
Mastimber Industries Sdn. Bhd.	Malaysia	90.5	84	Manufacture and sale of 2-layer solid wood parquet flooring
SMT Technologies Sdn. Bhd.	Malaysia	100	100	Provision of original/design manufacturer (OEM/ODM) for electronic manufacturing services (EMS) industries
EG Wireless Sdn. Bhd. *	Malaysia	100	-	Dormant
Indirect Interest				
Glisten Knight Sdn. Bhd. *	Malaysia	100	100	Investment holding company

* Not audited by Ernst & Young

9.1 The effect of the acquisition on the financial position of the Group as at 30 June 2005 is as follows:

	2005 RM	2004 RM
Revenue	-	-
Operating costs	(3,225)	-
Net profit	<u>(3,225)</u>	<u>-</u>

The effect of the acquisition on the financial position of the Group as at 30 June 2005 is as follows:

	2005 RM	2004 RM
Cash and bank balances	1,944	-
Other payables	(5,167)	-
	<u>(3,223)</u>	<u>-</u>

The fair value of the asset acquired from the acquisition of the subsidiary is as follows:

	2005 RM	2004 RM
Net asset acquired:		
Cash and bank balances	2	-
Fair value of total asset	<u>2</u>	<u>-</u>
Group's share of net assets	2	-
Goodwill on acquisition	-	-
Total consideration	<u>2</u>	<u>-</u>
Satisfied by:		
Cash	2	-
Shares issued	<u>-</u>	<u>-</u>
	<u>2</u>	<u>-</u>
Net cash outflow arising on acquisition:		
Cash consideration	2	-
Cash and cash equivalents of the subsidiary acquired	<u>(2)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

9. INVESTMENT IN SUBSIDIARIES (CONTD.)

- 9.2 On 24 March 2004, the company entered into conditional Sale and Purchase Agreement to dispose of its entire equity interests in Dai-ichi Electronics (M) Sdn. Bhd., Dynamic Electronics (M) Sdn. Bhd., and Mastimber Door & Furniture Industries Sdn. Bhd. for a total consideration of RM998,996.

The disposals had the following effects on the Group's financial results for the year ended 30 June 2004:

	2005 RM	2004 RM
Revenue	-	49,348,167
Loss from operations	-	(5,303,855)
Net loss for the year	-	(6,243,826)
Property, plant and equipment	-	11,954,547
Inventories	-	5,546,913
Trade and other receivables	-	3,866,317
Tax recoverable	-	78,587
Fixed deposits with a licensed bank	-	1,759
Cash and bank balances	-	14,633
Trade and other payables	-	(15,945,826)
Tax payable	-	(10)
Short term borrowings	-	(15,328,165)
Long term liabilities	-	(352,972)
Deferred taxation (Note 22)	-	(226,000)
Group's share of net assets	-	(10,390,217)
Reserve on acquisition (Note 11)	-	(1,753,861)
Gain on disposal to the Group	-	13,143,074
Total consideration	-	998,996
Disposal proceeds settled by:		
Cash	-	998,996

The disposal of subsidiaries had the following effects on the financial results of the Group:

	2005 RM	2004 RM
Cash consideration	-	998,996
Cash and cash equivalents disposed	-	275,532
Proceeds from disposal of investment in subsidiaries	-	1,274,528

10. INVESTMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Quoted unit trust, at cost	-	500,000	-	-
Quoted shares, at cost	655,747	655,747	655,747	655,747
	655,747	1,155,747	655,747	655,747
Accumulated impairment losses	(491,510)	(491,510)	(491,510)	(491,510)
	164,237	664,237	164,237	164,237
Unquoted shares, at cost	300,000	300,000	300,000	300,000
Accumulated impairment losses	(96,000)	(96,000)	(96,000)	(96,000)
	204,000	204,000	204,000	204,000
	368,237	868,237	368,237	368,237
Market value at 30 June:				
Quoted shares	152,275	164,238	152,275	164,238
Quoted bonds, loan stocks and warrants	-	484,000	-	-
	152,275	648,238	152,275	164,238

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**11. GOODWILL ON CONSOLIDATION**

	Group	
	2005 RM	2004 RM
As at 1 July	11,416,130	10,101,625
Amortisation of goodwill	(634,228)	(634,230)
Amortisation of reserve on consolidation	-	194,874
On disposal of subsidiaries (Note 9)	-	1,753,861
	10,781,902	11,416,130

12. INVENTORIES

	Group	
	2005 RM	2004 RM
Cost		
Raw materials	15,434,181	4,889,468
Work-in-progress	6,918,668	5,682,546
Finished goods	3,329,325	2,472,183
Consumables	146,246	274,106
Packing materials	29,735	34,106
	25,858,155	13,352,409
Net realisable value		
Work-in-progress	-	467,544
Finished goods	-	1,090,174
	25,858,155	14,910,127

All inventories are pledged as securities to a licensed bank for bank borrowings granted to the subsidiaries.

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM399,470,597 (2004: RM398,332,686).

13. TRADE RECEIVABLES

	Group	
	2005 RM	2004 RM
Trade receivables	9,637,971	13,053,728

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has significant concentration of credit risk that may arise from exposures to two debtors which represents approximately 55% of the total trade receivables as at 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**14. OTHER RECEIVABLES**

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables	16,708,966	4,302,751	1,191,319	4,288,451
Provision for doubtful debts	(1,191,319)	(2,643,751)	(1,191,319)	(2,643,751)
	<u>15,517,647</u>	<u>1,659,000</u>	<u>-</u>	<u>1,644,700</u>
Deposits	36,910	40,360	1,000	1,000
Prepayments	134,408	216,345	12,909	-
	<u>15,688,965</u>	<u>1,915,705</u>	<u>13,909</u>	<u>1,645,700</u>

Included in other debtors of the Group are as follows:

- (i) amount due from a third party of RM11,949,129 (2004: Nil) in respect of raw materials purchased which are borne by the third party due to non cancellation of purchase orders; and
- (ii) amount due from a third party of RM3,155,542 (2004: Nil) for design fees borne by them.

The Group has significant concentration of credit risk that may arise from exposures to two debtors amounting to RM15,104,671 (2004: Nil) as at 30 June 2005.

15. AMOUNTS DUE BY/(TO) SUBSIDIARIES

The amounts due by/(to) subsidiaries are trade and non trade related and unsecured with no fixed terms of repayment. Interest is charged at the rates ranging from 4% to 7.75% (2004: 7.75%) per annum.

16. FIXED DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits	280,000	310,000	-	-
Repo	20,452,628	3,100,000	8,852,628	-
	<u>20,732,628</u>	<u>3,410,000</u>	<u>8,852,628</u>	<u>-</u>

Included herein are fixed deposits amounting to RM280,000 (2004: RM310,000) which are registered in the name of certain directors of the subsidiaries and are pledged to the financial institutions as securities for bank guarantees issued to third parties on behalf of the subsidiaries.

The range of interest rates earned and maturities of deposits at the balance sheet date were as follows:

	Interest rate - % per annum			
	Group		Company	
	2005	2004	2005	2004
Fixed deposits	3 - 3.7	3.2 - 4	-	-
Repo	<u>2.35 - 2.6</u>	<u>2.6</u>	<u>2.6</u>	<u>-</u>

	Maturities			
	Group		Company	
	2005	2004	2005	2004
Fixed deposits	150 days to 365 days	105 days to 365 days	-	-
Repo	<u>4 - 7 days</u>	<u>7 days</u>	<u>4 days</u>	<u>-</u>

17. TRADE PAYABLES

	Group	
	2005 RM	2004 RM
Trade payables	<u>1,169,532</u>	<u>1,585,707</u>

The Group's normal trade credit terms range from 30 to 90 days.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

18. OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Accruals	1,402,981	850,236	72,755	36,350
Amount due to a director	87,953	23,200	41,000	20,000
Other payables	5,431,257	1,495,787	366,143	195,708
	<u>6,922,191</u>	<u>2,369,223</u>	<u>479,898</u>	<u>252,058</u>

Included in other payables of the Group is design fee amounting to RM3,231,436 (2004: RM Nil) owing to a related party.

19. BORROWINGS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	425,106	459,332	-	-
Bankers' acceptances	3,974,000	385,000	-	-
Revolving credits	14,500,000	1,000,000	-	-
Term loans	1,313,350	15,021,550	-	12,834,658
Hire purchase payables	22,675	22,674	-	-
	<u>20,235,131</u>	<u>16,888,556</u>	<u>-</u>	<u>12,834,658</u>
Unsecured:				
ICULS (liability component) (Note 25)	1,202,194	-	1,202,194	-
	<u>21,437,325</u>	<u>16,888,556</u>	<u>1,202,194</u>	<u>12,834,658</u>
Long Term Borrowings				
Secured:				
Hire purchase payables	1,865	24,540	-	-
Revolving credit	8,000,000	8,000,000	-	-
Term loans	6,464,799	744,865	-	-
	<u>14,466,664</u>	<u>8,769,405</u>	<u>-</u>	<u>-</u>
Unsecured:				
ICULS (liability component) (Note 25)	3,804,022	-	3,804,022	-
	<u>18,270,686</u>	<u>8,769,405</u>	<u>3,804,022</u>	<u>-</u>
Total Borrowings				
Bank overdrafts	425,106	459,332	-	12,834,658
Bankers' acceptances	3,974,000	385,000	-	-
Revolving credits	22,500,000	9,000,000	-	-
Term loans	7,778,149	15,766,415	-	-
Hire purchase payables	24,540	47,214	-	-
	<u>34,701,795</u>	<u>25,657,961</u>	<u>-</u>	<u>12,834,658</u>
Unsecured:				
ICULS (liability component) (Note 25)	5,006,216	-	5,006,216	-
	<u>39,708,011</u>	<u>25,657,961</u>	<u>5,006,216</u>	<u>12,834,658</u>
Maturity of borrowings (excluding hire purchase payables)				
Within 1 year	21,414,650	16,865,882	1,202,194	12,834,658
More than 1 year and less than 2 years	10,989,427	8,744,865	1,071,911	-
More than 2 years and less than 5 years	6,399,623	-	2,732,111	-
5 years or more	879,771	-	-	-
	<u>39,683,471</u>	<u>25,610,747</u>	<u>5,006,216</u>	<u>12,834,658</u>

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

19. BORROWINGS (CONTD.)

	Group		Company	
	2005 % per annum	2004 % per annum	2005 % per annum	2004 % per annum
Bank overdrafts	7.25%	7.00%-8.00%	-	-
Revolving credits	4.40% - 7.65%	3.75%-7.65%	-	-
Bankers' acceptances	4.02% - 4.22%	2.75%-4.25%	-	-
Term loans	6.35% - 7.50%	8.00%-8.30%	-	8.00%

The secured portion of the bank borrowings (except hire purchase payable) are secured by way of :

- (i) a debenture creating fixed and floating charges over all the assets of the subsidiaries;
- (ii) a legal charge over a subsidiary's freehold land;
- (iii) legal charges over the leasehold land and buildings of the subsidiaries;
- (iv) first fixed legal charge over a subsidiary's plant and machinery; and
- (v) joint and several guarantee by the directors of a subsidiary.

19.1 Hire purchase payables

	Group	
	2005 RM	2004 RM
Minimum lease payments:		
Not later than 1 year	24,912	24,912
Later than 1 year and not later than 2 years	1,865	24,912
Later than 2 years and not later than 5 years	-	2,052
	<u>26,777</u>	<u>51,876</u>
For future finance charges	(2,237)	(4,662)
	<u>24,540</u>	<u>47,214</u>
Present value of hire purchase liabilities:		
Not later than 1 year	22,675	22,674
Later than 1 year and not later than 2 years	1,865	22,675
Later than 2 years and not later than 5 years	-	1,865
	<u>24,540</u>	<u>47,214</u>
Analysed as:		
Due within 12 months	22,675	22,674
Due after 12 months	1,865	24,540
	<u>24,540</u>	<u>47,214</u>

The hire purchase liabilities bore interest at the balance sheet date of 3.28% (2004: 3.29%) per annum.

19.2 Term Loans

The term loans are repayable by monthly instalments of RM13,960, RM62,500 and RM83,333 each over a period of 96 months, 48 months and 60 months respectively.

20. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2005	2004	2005 RM	2004 RM
Authorised:				
At 1 July	100,000,000	100,000,000	100,000,000	100,000,000
Created during the year	100,000,000	-	100,000,000	-
At 30 June	<u>200,000,000</u>	<u>100,000,000</u>	<u>200,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
At 1 July	50,011,067	47,011,067	50,011,067	47,011,067
Issued during the year	-	3,000,000	-	3,000,000
At 30 June	<u>50,011,067</u>	<u>50,011,067</u>	<u>50,011,067</u>	<u>50,011,067</u>

In conjunction with the issuance of RM25,005,533 nominal value of 5 year 5% ICULS as disclosed in Note 25 to the financial statements, the Company increased its authorised share capital from RM100,000,000 to RM200,000,000 by way of the creation of an additional 100,000,000 ordinary shares of RM1.00 each.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

21. RESERVES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Accumulated loss	(6,498,865)	(14,463,646)	(12,113,725)	(21,971,590)
Non-distributable:				
Share premium	15,237,478	16,357,095	15,237,478	16,357,095
Capital reserve				
- ICULS (equity component) (Note 25)	21,401,058	-	21,401,058	-
	<u>30,139,671</u>	<u>1,893,449</u>	<u>24,524,811</u>	<u>(5,614,495)</u>

22. DEFERRED TAX

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 July	-	232,000	-	-
Recognised in income statement	-	(6,000)	-	-
Disposal of subsidiaries (Note 9)	-	(226,000)	-	-
Credited to equity:				
ICULS (equity component)(Note 25)	1,401,741	-	1,401,741	-
At 30 June	<u>1,401,741</u>	<u>-</u>	<u>1,401,741</u>	<u>-</u>
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	3,289,119	3,015,299	-	-
Deferred tax assets	(1,887,378)	(3,015,299)	1,401,741	-
	<u>1,401,741</u>	<u>-</u>	<u>1,401,741</u>	<u>-</u>

Deferred Tax Liabilities of the Group:

	At 1 July 2004	Recognised in Income Statements	Disposal of subsidiaries	At 30 June 2005
Capital allowances	3,433,964	(144,845)	-	3,289,119
	At 1 July 2003	Recognised in Income Statements	Disposal of subsidiaries	At 30 June 2004
Capital allowances	4,431,081	(280,117)	(717,000)	3,433,964
Fair value adjustments	232,000	(6,000)	(226,000)	-
	<u>4,663,081</u>	<u>(286,117)</u>	<u>(943,000)</u>	<u>3,433,964</u>

Deferred Tax Assets of the Group:

	At 1 July 2004	Recognised in Income Statements	Credited to equity	Disposal of subsidiaries	At 30 June 2005
Unutilised reinvestment allowance	(1,374,964)	(185,155)	-	-	(1,560,119)
Unabsorbed capital allowances	(2,059,000)	439,000	-	-	(1,620,000)
Unutilised tax losses	-	(109,000)	-	-	(109,000)
ICULS (equity component)	-	-	1,401,741	-	1,401,741
	<u>(3,433,964)</u>	<u>144,845</u>	<u>1,401,741</u>	<u>-</u>	<u>(1,887,378)</u>

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

22. DEFERRED TAX (CONTD.)

	At 1 July 2003	Recognised in Income Statements	Disposal of subsidiaries	At 30 June 2004
Trade receivables	(48,000)	(8,000)	56,000	-
Unutilised business losses	(584,000)	190,000	394,000	-
Unutilised reinvestment allowance	(1,648,081)	273,117	-	(1,374,964)
Unabsorbed capital allowances	(2,151,000)	(175,000)	267,000	(2,059,000)
	<u>(4,431,081)</u>	<u>280,117</u>	<u>717,000</u>	<u>(3,433,964)</u>

Deferred Tax Assets of the Company:

	At 1 July 2004	Credited to equity	At 30 June 2005
ICULS (equity component)	-	1,401,741	1,401,741

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2005 RM	2004 RM
Unutilised business losses	3,664,000	2,432,000
Unutilised reinvestment allowance	5,931,000	9,536,000
Unabsorbed capital allowances	-	5,154,000
	<u>9,595,000</u>	<u>17,122,000</u>

23. NUMBER OF EMPLOYEES AND STAFF COSTS

	Group	
	2005 RM	2004 RM
Wages and salaries	9,510,445	14,980,598
Social security costs	99,971	840,673
Pension costs - defined contribution plans	903,675	703,742
Other staff related expenses	1,955,788	4,197,079
	<u>12,469,879</u>	<u>20,722,092</u>

Staff cost include executive directors' emoluments of RM694,210 (2004: RM880,828).

The number of employees in the Group at the end of the financial year was 948 (2004: 1,362).

The Company does not have any employee and hence no staff cost was incurred in 2005 and 2004.

24. WARRANTS

As at the end of the financial year, the Company has the following outstanding warrants:

Warrants	Exercise price(s) per ordinary share	Expiry date	Number of warrants outstanding as of 30/6/2005
Warrants 1995/2005	RM3.81	14/12/2005	8,324,462
Warrants 2005/2015	RM1.00	16/6/2015	16,670,355

Warrants 2005/2015 were issued on 17 June 2005 in conjunction with the issuance of RM25,005,533 nominal value of 5 year 5% ICULS 2005/2010. The warrants entitle the holders to subscribe for new ordinary shares in the Company on the basis of one new ordinary share of RM1.00 each for every warrant held at an exercise price of RM1.00 per ordinary share within 10 years from the date of the issue of the warrant. The exercise price of the warrants is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll created on 12 April 2005.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**24. WARRANTS (CONTD.)**

The exercise price and outstanding warrants 1995/2005 have been adjusted pursuant to the issuance of RM25,005,533 nominal amount of 5 year 5% ICULS 2005/2010 as follows:

	Before the adjustments	After the adjustments
Exercise Price of Warrants 1995/2005	RM4.80	RM3.81
Number of Warrants 1995/2005	<u>6,659,570</u>	<u>8,324,462</u>

25. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

On 17 June 2005, the Company issued RM25,005,533 nominal value of 5 year 5% ICULS at 100% of its nominal value, together with 16,670,355 free detachable new warrants on the basis of RM3.00 nominal value of ICULS with two new warrants for every six existing original shares of RM1.00 each held in the Company.

The main features of the ICULS are as follows:

- (a) The ICULS are in multiples of RM1.00 and constituted by a Trust Deed dated 12 April 2005 made between the Company and the Trustee for the holders of the ICULS;
- (b) The ICULS will be convertible into new ordinary shares in the Company at any time from the date of issue of the ICULS until the maturity date on 16 June 2010;
- (c) Upon conversion of the ICULS into new ordinary shares, such shares shall rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of conversion of the ICULS; and
- (d) The interest on ICULS is payable semi-annually in arrears.

The ICULS have been split between the liability component and the equity component, representing the fair value of the conversion option. The ICULS are accounted for in the balance sheets of the Group and of the Company as follows:

	Group and Company		Total RM
	Equity component RM	Liability component RM	
At the date of Issuance of ICULS			
- nominal value	19,999,317	5,006,216	25,005,533
- deferred tax asset	<u>1,401,741</u>	-	<u>1,401,741</u>
At 30 June 2005	<u>21,401,058</u>	<u>5,006,216</u>	<u>26,407,274</u>

The liability component at 30 June 2005 is further analysed as follows:

	RM
Within 1 year	1,202,194
After 1 year and not later than 5 years	<u>3,804,022</u>
	<u>5,006,216</u>

Interest expense on the ICULS is calculated on the effective yield basis by applying a coupon interest rate of 8% which is assumed to be equivalent to the prevailing market interest rate for non-convertible loan stocks at the date of issue.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**26. CONTINGENT LIABILITIES (UNSECURED)**

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Corporate guarantees given to financial institutions for banking facilities granted to				
- the subsidiaries	-	-	26,471,596	11,304,621
- Companies with common directors	-	15,720,540	-	15,720,540
	<u>-</u>	<u>15,720,540</u>	<u>26,471,596</u>	<u>27,025,161</u>

27. EMPLOYEES' SHARE OPTIONS SCHEME ("ESOS")

The Company implemented an ESOS which is governed by the bye-laws approved by the shareholders at Extraordinary General Meetings held on 6 December 2004.

The salient features of the ESOS are as follows:

- (i) Employees of the Group (including executive directors) who have attained the age of 18 years and above, have been confirmed in the employment of the Group and are employed full time by and on the payroll of any company in the Group are eligible to participate in the ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Options Committee appointed by the Board of Directors.

In the case of executive directors, major shareholders and/or persons connected with an executive director or major shareholders of the Company, their specific entitlement under the Scheme shall be approved by the shareholders of the Company in a general meeting.
- (ii) The total number of shares to be offered shall not exceed in aggregate 15% of the total issued and paid-up share capital of the Company (or such maximum percentage as allowable by the relevant authorities) at any point of time during the tenure of the ESOS, which shall be in force for a period of five years.
- (iii) Not more than 50% (or such percentage as allowable by the relevant authorities) of new shares of the Company available under the Scheme should be allocated in aggregate to the director and senior management of the Group and not more than 10% (or such percentage as allowable by the relevant authorities) of new shares of the Company available under the Scheme should be allocated to any individual director or employee who, either singly or collectively through persons connected with him, holds 20% or more in the issued and paid-up share capital of the Company.
- (iv) The option price for each share shall be subject to a discount of not more than 10% from the 5 day weighted average market price of the shares of the Company immediately preceding the offer date, or the par value of the shares of the Company of RM1, whichever is the higher.
- (v) No option shall be granted for less than 100 shares to any eligible employee and shall always be in multiples of 100 shares.
- (vi) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company before the expiry of five years from the date of the offer or such shorter period as may be specified in such offer.
- (vii) The new shares to be issued upon any exercise of the option shall, upon allotment and issuance, rank pari passu in all respects with the existing shares of the Company save and except that the new shares will not be entitled to any dividends, rights, allotments and/ or other distributions where the entitlement date precedes the date of allotment of the new shares. The option shall not carry any rights to vote at any general meeting of the Company.
- (viii) The eligible employees of the Group who have been granted options shall not sell, transfer, assign or charge the new ordinary shares of the Company obtained through the exercise of the options offered to him under the ESOS from the date of offer of such options.

There was no ESOS granted during the financial year.

The shareholders have also at the Extraordinary General Meeting held on 6 December 2004 approved to offer stock options to the directors of the Company and its subsidiaries as follows:

Maximum percentage (%) of the total number of ordinary shares of RM1.00 each in the Company available under the Employee Share Option Scheme offered to each eligible director

Tai Keik Hock	8%
Tai Keng Eng	8%
Tai Lee Keow	8%
Tai Lee See	8%
Yeoh Sian Kok	8%
Tan Bak Seng	8%
Tai Yeong Sheng	8%

As at 30 June 2005, the Company has yet to grant any ESOS to the above directors.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

28. COMMITMENTS

	Group	
	2005 RM	2004 RM
Capital commitments:		
Contracted but not provided for	230,238	-
Non-Cancellable Operating Lease Commitments:		
Future minimum lease rental payables		
Not later than 1 year	977,279	977,279
Later than 1 year and not later than 5 years	-	977,279
	977,279	1,954,558
	1,207,517	1,954,558

Operating lease payments represent rental payable by a subsidiary for use of plant and machineries. The leases are negotiated at a fixed rental for a period of 3 years.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

Group	Amount outstanding as at		Amount outstanding as at	
	2005 RM	30/6/2005 RM	2004 RM	30/6/2004 RM
Advances to a company connected by a common director				
- Dai-Ichi Electronics (M) Sdn. Bhd.	906,364	336,364	-	-
Sales to a company in which certain directors have an interest				
- Dallab Sdn. Bhd.	25,967,208	441,245	-	-
- Exzone Plastics Manufacturers Sdn. Bhd.	-	-	11,621,928	7,061,226
Purchases from a company in which certain directors have an interest				
- Exzone Plastics Manufacturers Sdn. Bhd.	338,880	84,922	17,971,855	10,000,877
Tooling and non-recurring engineering cost charged to a company in which certain directors have an interest				
- Dallab Inc. Sdn. Bhd.	143,148	112,558	-	-
Design fees charged by a company in which certain directors have an interest				
- Dallab Inc Sdn. Bhd.	3,231,436	3,231,436	-	-
Waiver of interest to companies connected by a common director				
- Dai-Ichi Electronics (M) Sdn. Bhd.	45,950	-	-	-
- Dynamic Electronics (M) Sdn. Bhd.	213,659	-	-	-

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)**

Company	Amount outstanding as at		Amount outstanding as at	
	2005 RM	30/6/2005 RM	2004 RM	30/6/2004 RM
Gross dividend received from a subsidiary				
- SMT Technologies Sdn Bhd	10,000,000	-	-	-
Interest receivable from a subsidiary				
- Mastimber Industries Sdn. Bhd.	945,649	945,649	1,159,532	1,159,532
Interest payable to a subsidiary				
- SMT Technologies Sdn Bhd	398,420	398,420	-	-
Advances given to a subsidiary				
- Mastimber Industries Sdn. Bhd.	837,166	837,166	5,021,658	5,021,658
Advances received from a subsidiary				
- SMT Technologies Sdn. Bhd.	11,521,609	-	2,787,738	2,787,738
Waiver of interest to companies connected by a common director				
- Dai-Ichi Electronics (M) Sdn. Bhd.	45,950	-	-	-
- Dynamic Electronics (M) Sdn. Bhd.	213,659	-	-	-
Waiver of interest to a subsidiary				
- Mastimber Industries Sdn. Bhd.	2,124,704	-	-	-

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

The related parties above which the Group has transacted with during the financial year are deemed to be related by virtue of the following related parties connected with the directors:

- (i) Ms Tai Lee Keow is also a director of Dai-Ichi Electronics (M) Sdn. Bhd. and Dynamic Electronics (M) Sdn. Bhd.;
- (ii) Mr. Yeoh Sian Kok and Ms Tai Lee See are directors and substantial shareholders of Dallab Sdn. Bhd. and Dallab Inc. Sdn. Bhd.; and
- (iii) Madam Tai Keng Eng is a director of the company and is the spouse of the director and major shareholder of Exzone Plastics Manufacturers Sdn. Bhd., Mr. Teh Lian Hock.

30. FINANCIAL INSTRUMENTS**(a) Financial Risk Management Objectives and Policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts; the Group had no substantial long term interest-bearing assets as at 30 June 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at bank.

The information on maturity dates and effective interest rate of financial assets and liabilities are disclosed in their respective notes.

(c) Foreign Exchange Risk

The Group is exposed to various foreign currencies, mainly EURO Dollar, Hong Kong Dollar, Singapore Dollar and United States Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than the functional currency of the operating entities are kept to an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**30. FINANCIAL INSTRUMENTS (CONTD.)**

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in its functional currency are as follows:

Functional Currency of the Group	2005 Ringgit Malaysia RM	2004 Ringgit Malaysia RM
Trade receivables		
EURO Dollar	1,105,089	1,473,584
United States Dollar	5,014,359	3,136,990
Other receivables		
United States Dollar	11,949,129	-
Cash and bank balances		
United States Dollar	544,110	98,805
Trade payables		
EURO Dollar	1,975	417,645
Singapore Dollar	506	-
United States Dollar	803,257	146,218
Other payables		
EURO Dollar	38,035	19,529
Singapore Dollar	1,761	2,129
Hong Kong Dollar	7,901	-
United States Dollar	1,179,307	248,630

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

(e) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments other than those disclosed on Note 13 and 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

30. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheet of the Group and of the Company as at the end of the financial year are represented as follows:

Financial assets	Note	Group		Company	
		Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
At 30 June 2005					
Non-current unquoted shares	10	204,000	*	204,000	*
Amounts due from subsidiaries	15	-	-	21,522,604	#
Marketable securities	10	<u>164,237</u>	<u>152,275</u>	<u>164,237</u>	<u>152,275</u>
At 30 June 2004					
Non-current unquoted shares	10	204,000	*	204,000	*
Amounts due from subsidiaries	15	-	-	15,864,493	#
Marketable securities	10	<u>664,237</u>	<u>648,238</u>	<u>164,237</u>	<u>164,238</u>
Financial liabilities					
At 30 June 2005					
Term loans	19	7,778,149	6,994,258	-	-
Hire purchase payable	19	24,540	24,487	-	-
ICULS	25	<u>25,005,533</u>	<u>25,005,533</u>	<u>25,005,533</u>	<u>25,005,533</u>
At 30 June 2004					
Amounts due to a subsidiary	15	-	-	2,787,738	#
Term loans	19	15,766,415	15,766,415	12,834,658	12,834,658
Hire purchase payable	19	<u>47,214</u>	<u>45,621</u>	<u>-</u>	<u>-</u>

* It is not practical to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

It is also not practical to estimate the fair values of amounts due to/from subsidiaries due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs.

The nominal notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at the end of the financial year are:

	Note	Group		Company	
		Nominal notional amount RM	Net fair value RM	Nominal notional amount RM	Net fair value RM
At 30 June 2005					
Contingent liabilities	26	<u>-</u>	<u>**</u>	<u>26,471,596</u>	<u>**</u>
At 30 June 2004					
Contingent liabilities	26	<u>15,720,540</u>	<u>**</u>	<u>27,025,161</u>	<u>**</u>

** It is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

i. Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

ii. Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

31. OTHER SIGNIFICANT EVENT

Further to the announcement made on 20 April 2004 for the proposed private placement of up to 10% of the issued and paid-up capital of the Company or up to a maximum of 5,001,100 new ordinary share of RM1.00 each, the Company announced on 10 December 2004 to fix the issue price per share for the private placement at RM2.30 each. The private placement is to be completed by 27 October 2005.

The issue price per share for the private placement was subsequently reduced from RM2.30 to RM1.00 each on 5 October 2005 as disclosed in Note 33 to the financial statements.

32. SEGMENT INFORMATION

During the financial year, the Group principally operates in Malaysia in the following main industry segments:

Industry Segment	Description
Manufacturing	Provision of electronic manufacturing services Manufacturing and sales of solid wood parquet

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from these obtainable in transactions with unrelated parties.

2005	Provision of electronic manufacturing services RM	Solid wood parquet RM	Total RM	Elimination/ adjustment RM	Consolidated RM
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REVENUE AND EXPENSES

Revenue

External sales	425,554,110	12,071,377	437,625,487	-	437,625,487
Inter company sales	-	-	-	-	-
Unallocated revenue	425,554,110	12,071,377	437,625,487	-	437,625,487
Total revenue					20,275
					<u>437,645,762</u>

Results

Segment results	7,780,053	5,164,696			12,944,749
Unallocated expenses					(2,254,167)
Profit from operations					<u>10,690,582</u>
Finance cost					(1,647,966)
Taxation					(507,935)
Profit after taxation					<u>8,534,681</u>
Minority interests					(569,900)
Net profit for the year					<u>7,964,781</u>

ASSETS AND LIABILITIES

Segment assets	82,837,009	19,502,232			102,339,241
Unallocated assets					26,411,897
Consolidated total assets					<u>128,751,138</u>
Segment liabilities	6,621,639	980,679			7,602,318
Unallocated liabilities					40,428,182
Consolidated total liabilities					<u>48,030,500</u>

OTHER INFORMATION	Provision of electronic manufacturing services RM	Solid wood parquet RM	Corporate RM	Consolidated RM
Capital expenditure	11,907,451	88,080	61,689	12,057,220
Depreciation	5,061,520	1,383,404	27,249	6,472,173
Provision for doubtful debts	-	-	1,191,319	1,191,319

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

32. SEGMENT INFORMATION (CONTD.)

Analysis by three major business segments:

2004	Speaker system RM	Provision of electronic manufacturing services RM	Solid wood parquet RM	Total RM	Elimination/ adjustment RM	Consolidated RM
REVENUE AND EXPENSES						
Revenue						
External sales	44,323,167	385,726,571	12,185,018	442,234,756	-	442,234,756
Inter company sales	5,025,000	-	-	5,025,000	(5,025,000)	-
	49,348,167	385,726,571	12,185,018	447,259,756	(5,025,000)	442,234,756
Unallocated revenue				-		29,152
Total revenue						<u>442,263,908</u>
Results						
Segment results	(5,333,402)	7,632,720	1,688,255			3,987,573
Unallocated income						12,704,968
Profit from operations						16,692,541
Finance cost						(2,623,785)
Taxation						(1,029,480)
Net profit for the year						<u>13,039,276</u>
ASSETS AND LIABILITIES						
Segment assets	-	45,125,879	19,502,232	18,442,920		63,568,799
Unallocated assets						18,319,639
Consolidated total assets						<u>81,888,438</u>
Segment liabilities	-	1,713,235	980,679	1,983,477		3,696,712
Unallocated liabilities						26,287,210
Consolidated total liabilities						<u>29,983,922</u>
OTHER INFORMATION						
		Speaker system RM	Provision of electronic manufacturing services RM	Solid wood parquet RM	Corporate RM	Consolidated RM
Capital expenditure		92,552	4,933,129	12,620	1,579,089	6,617,390
Depreciation		1,160,326	5,326,479	1,384,559	27,249	7,898,613
Provision for doubtful debts		29,572	-	-	-	29,572
Provision for impairment loss in value of other investments		-	-	-	131,613	131,613
Provision for impairment loss in value of investments written back		-	-	-	(65,506)	(65,506)
Provision for retirement benefits written back		(851,080)	-	-	-	(851,080)

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005**32. SEGMENT INFORMATION (CONTD.)****(a) Primary Reporting Format - Business Segment**

Segment results represent segment revenue less segment expenses. Unallocated expenses represent corporate operating and administrative expenses, rental and interest income.

Segment assets consist primarily of property, plant and equipment, inventories, receivables, cash and bank balances and other investments. Segment liabilities comprise mainly of payables and exclude items such as interest bearing borrowings and taxation. Unallocated liabilities consist of interest bearing borrowings and deferred taxation.

Capital expenditure comprise additions to property, plant and equipment.

(b) Secondary Reporting Format - Geographical Segments

The Group's operations are mainly located in Malaysia. The customers are located in Malaysia and Europe as shown below:

	Total Revenue from External Customers	
	2005 RM	2004 RM
Malaysia	425,574,385	433,199,043
Hong Kong	-	3,636
Europe	12,071,377	9,061,229
Consolidated	<u>437,645,762</u>	<u>442,263,908</u>

33. SUBSEQUENT EVENTS

Subsequent to the year end, the following events took place:

- (i) the issued and fully paid-up share capital of the Company was increased from RM50,011,067 to RM50,711,067 by the allotments of 700,000 ordinary shares of RM1.00 each at par arising from the conversion of RM700,000 nominal value of 5 year 5% ICULS into new ordinary share in the Company; and
- (ii) the issue price per share for the private placement was reduced from RM2.30 to RM1.00 each.

PROXY FORM

NO. OF SHARES

I/We _____ I.C. No. _____

of _____

being a member/members of EG INDUSTRIES BERHAD do hereby appoint Mr / Mrs / Ms _____

I.C. No. _____ of _____

or failing him the Chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Level 2, Sri Intan Room, City Bayview Hotel, 25-A Farquhar Street, 10200 Penang on Wednesday, 28 December 2005 at 11:30 a.m. and at any adjournment thereof.

In case of vote taken by a show of hands, my/our proxy shall vote on my/our behalf.

Please indicate with an 'X' in the spaces provided below how you wish your votes to be cast on the resolutions specified in the Notice of Meeting.

	Ordinary Resolutions	For	Against
1.	Adoption of Reports and Audited Financial Statements		
2.	Payment of Directors' Fees		
3.	Re-election of Director, TAI KENG ENG		
4.	Re-election of Director, KHOO BOO YEANG		
5.	Re-appointment of Auditors, ERNST & YOUNG		
6.	Authority pertaining to Section 132D of the Companies Act, 1965		
7.	Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature		

Subject to any voting instruction given, the proxy/proxies will vote, or abstain from voting, on the resolutions as he may thinks fit.

Signed this _____ day of _____, 2005.

Signature: _____

NOTES:

1. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy, and in the case of a corporation, a duly authorized representative to attend and vote in his stead. A proxy may but need not be a member of the Company.

The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorized.

A member who appoints two or more proxies shall specify the proportion of his shareholdings to be represented by each proxy.

The instrument appointing a proxy must be deposited at the Registered Office of the Company at Suite 18.01, 18th Floor, MWE Plaza, 8 Lebuhr Farquhar, 10200 Penang not less than forty-eight (48) hours before the time fixed for holding this meeting or at any adjournment thereof.

2. Explanatory notes on Special Business

Ordinary Resolution
• Resolution 6

The proposed Resolution No. 6 is in line with the Company's expansion plan which may involve the issue of new shares. Under the Companies Act, 1965, the Directors would have to call a general meeting to approve the issue of new shares even though the number of shares involved is less than 10% of the total issued capital. In order to avoid any delay and cost involved in convening such a general meeting, it is considered appropriate to seek the shareholders' approval for the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the total issued capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

Ordinary Resolution
• Resolution 7

The proposed Resolution No. 7 is in relation to the Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, if passed will give power to the Group to transact with the party related to the Group. Please refer to the Circular to the Shareholders dated 6 December 2005.

Fold along this line

Stamp

The Secretary
EG INDUSTRIES BERHAD (222897-W)
c/o **SYMPHONY INCORPORATIONS SDN. BHD.**
Suite 18-01, 18th Floor, MWE Plaza,
8, Lebuhr Farquhar,
10200 Penang.

Fold along this line

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E-mail: eg@eg.com.my
Website: <http://www.eg.com.my>