EG Industries Berhad

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ANNUAL REPORT

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the SIXTEENTH ANNUAL GENERAL MEETING of the Company will be held at Level 2, Sri Intan Room, Bayview Hotel Georgetown Penang (formerly known as The City Bayview Hotel, Penang), 25-A Farquhar Street, 10200 Penang on Monday, 31 December 2007 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 2007 and the Reports of the Directors and the Auditors thereon. Resolution 1

2. To approve the payment of Directors' Fees of RM30,500.00 for the year ended 30 June 2007. 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 KEIK HOCK Resolution 3
   b) TAI KENG ENG Resolution 4

4. To re-elect the following director retiring in accordance with Article 105 of the Company's Articles of Association :-

   a) ANDREW SU MENG KIT Resolution 5

5. To re-appoint Ernst & Young as auditors and to authorize the Directors to fix their remuneration. Resolution 6

As Special Business:-

6. Ordinary Resolution

   To consider and if thought fit, to pass the following as an Ordinary Resolutions :-

   "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 7

7. Ordinary Resolution Resolution 8

   Proposed renewal of 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 Part A Section 3.2 of the Circular to Shareholders dated 6 December 2007 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:-

   (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."

8. Special Resolution — Resolution 9

Proposed amendments to the Articles of Association

"THAT the alteration, modifications and/or additions to the Articles of Association of the Company as set out in Part B of the Circular to Shareholders of the Company dated 6 December 2007 be and is hereby approved."

9. 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 2007

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, No. 8, Lebuh 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 Resolutions
   - Resolution 7

   The proposed Resolution No. 7 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 issue shared 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.

   - Resolution 8

   The proposed Resolution No. 8 is in relation to the Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, if passed will renew the power given to the Group to transact with the parties related to the Group. Please refer to Part A of the Circular to Shareholders dated 6 December 2007.

   Special Resolution
   - Resolution 9

   The proposed Resolution No. 9, if passed will result in the Company's Articles of Association being amended to be in line with the recent amendments to the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to Part B of the Circular to Shareholders dated 6 December 2007.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

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

• TAI KEIK HOCK	(Resolution 3)
• TAI KENG ENG	(Resolution 4)
• ANDREW SU MENG KIT	(Resolution 5)

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

- **Tai Keik Hock**

Age	69
Nationality	Malaysian
Qualification	Secondary 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 and 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

- **Tai Keng Eng**

Age	50
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

- **Andrew Su Meng Kit**

Age	36
Nationality	Malaysian
Qualification	Qualified Public Accountant Member of the Malaysian Institute of Accountants Member of the Malaysian Institute of Certified Public Accountants
Position	Independent Non-Executive Director
Working Experience & Occupation	Served as Financial Controller for a subsidiary of a multi-national company listed in Australia. General Manager and Executive Director in a wood based furniture product manufacturing company. Director of Corporate Finance of a merchant bank and now is the Chief Executive Officer of Rhythm Consolidated Berhad.
Date appointed to the Board	2 March 2007
Other Board Committee	Audit Committee Member, Chairman of Nomination Committee and Remuneration Committee Member
Other Directorships (in Public Companies)	Mexter Technology Berhad
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	1

Attendance at Board Meeting

Four Meetings were held during the financial year from 1 July 2006 to 30 June 2007. The details of attendance of Directors at the Board Meetings are as follows:-

Name of Directors	Date of Meetings			
	29/8/06	25/11/06	23/2/07	23/5/07
Tai Keik Hock	X	√	√	√
Tai Keng Eng	√	√	√	√
Tai Lee Keow	√	√	√	√
Nik Azalan Bin Nik A. Kadir	√	√	√	√
Andrew Su Meng Kit (Appointed on 2-3-2007)	X	X	X	√
Khoo Boo Yeang (Resigned on 25-6-2007)	√	√	√	X

Place, date and time of the Sixteenth Annual General Meeting

The Sixteenth Annual General Meeting of the Company is scheduled to be held on Monday, 31 December 2007 at 11:30 a.m. at Level 2, Sri Intan Room, Bayview Hotel Georgetown Penang (formerly known as The City Bayview Hotel, Penang), 25-A Farquhar Street, 10200 Penang.

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 2007 are as follows:-

Aggregate remuneration categorized into components -

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	6,000	24,500	30,500
Salaries (RM)	401,280	-	401,280
Bonuses and Allowances (RM)	170,000	-	170,000
Benefits-in-kind (RM)	-	-	-
Total (RM)	577,280	24,500	601,780

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	-	3	3
RM50,001 to RM100,000	2	-	2
RM100,001 to RM150,000	-	-	-
RM150,001 to RM200,000	-	-	-
RM200,001 to RM250,000	-	-	-
RM250,001 to RM300,000	-	-	-
RM300,001 to RM350,000	-	-	-
RM350,001 to RM400,000	-	-	-
RM400,001 to RM450,000	1	-	1

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.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING(contd.)

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 30 June 2007, 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, there were no proceeds raised by the company.

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 and conversion of Irredeemable Convertible Unsecured Loan Stocks.

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.

Non-audit Fees

Nil.

Profit Estimate, Forecast Or Projection

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

Profit Guarantees

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

Material Contracts

Nil.

Contract Relating To Loans

During the year, there were no contracts relating to loans entered into by the Company including the interests of major shareholders and/or directors.

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 30 to the financial statements.

Revaluation Of Landed Properties

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

CORPORATE INFORMATION

EXECUTIVE 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
ANDREW SU MENG KIT (appointed on 2 March 2007)
KHOO BOO YEANG (resigned on 25 June 2007)

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)
ANDREW SU MENG KIT (appointed on 2 March 2007)
(Independent Non-Executive Director)
KHOO BOO YEANG (resigned on 25 June 2007)
(Independent Non-Executive Director)

REGISTERED OFFICE

Suite 18.01, 18th Floor, MWE Plaza
No. 8 Lebuh Farquhar
10200 Penang

Tel: 04-263 7762 & 262 5424
Fax: 04-263 5901

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 : 03-2721 2222
Fax : 03-2721 2530

AUDITORS

ERNST & YOUNG

BANKERS

UNITED OVERSEAS BANK BERHAD
CIMB BANK BERHAD

STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD SECOND BOARD

PROFILE OF DIRECTORS

EXECUTIVE CHAIRMAN & GROUP MANAGING DIRECTOR

	TAI KEIK HOCK
Age	69
Nationality	Malaysian
Qualification	Secondary 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 and 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	50	41
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	4

INDEPENDENT NON-EXECUTIVE DIRECTOR

	NIK AZALAN BIN NIK A. KADIR
Age	56
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

	ANDREW SU MENG KIT
Age	36
Nationality	Malaysian
Qualification	Qualified Public Accountant Member of the Malaysian Institute of Accountants Member of the Malaysian Institute of Certified Public Accountants
Position	Independent Non-Executive Director
Working Experience & Occupation	Served as Financial Controller for a subsidiary of a multi-national company listed in Australia. General Manager and Executive Director in a wood based furniture product manufacturing company. Director of Corporate Finance of a merchant bank and now is the Chief Executive Officer of Rhythm Consolidated Berhad.
Date appointed to the Board	2 March 2007
Other Board Committee	Audit Committee Member, Chairman of Nomination Committee and Remuneration Committee Member
Other Directorships (in Public Companies)	Mexter Technology Berhad
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	1

CORPORATE GOVERNANCE STATEMENT

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;
- Identifying principal risks and ensuring 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 2007, 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 Directors	No. of meetings attended
Tai Keik Hock	3
Tai Keng Eng	4
Tai Lee Keow	4
Nik Azalan Bin Nik A. Kadir	4
Khoo Boo Yeang (Resigned on 25-6-2007)	3
Andrew Su Meng Kit (Appointed on 2-3-2007)	1

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

The Nomination Committee comprises the following members :-

Mr Khoo Boo Yeang – Chairman, Independent Non-Executive Director
(Resigned on 25-6-2007)
Mr Andrew Su Meng Kit – Chairman, Independent Non-Executive Director
(Appointed on 2-3-2007)
En Nik Azalan Bin Nik A. Kadir - Independent Non-Executive Director

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 were two meetings 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 Program 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.

The Remuneration Committee comprises the following members : -

En Nik Azalan Bin Nik A. Kadir – Chairman, Independent Non-Executive Director
Mr Khoo Boo Yeang – Independent Non-Executive Director (Resigned on 25-6-2007)
Mr Andrew Su Meng Kit – Independent Non-Executive Director (Appointed on 2-3-2007)
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 the Board's approval and the individual Director is required to abstain from discussion on his/her own remuneration.

Details of the remuneration for Directors during the financial year ended 30 June 2007 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.

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

ANDREW SU MENG KIT (Appointed on 2 March 2007)
Independent Non-Executive Director

KHOO BOO YEANG (Resigned on 25 June 2007)
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 recommend the appointment, to consider the audit and suitability of re-appointment of the external auditors and any questions of resignation or dismissal.
b) to discuss with the external auditors 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 auditors may wish to discuss (in the absence of management, where necessary).
d) to review the external auditors' 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.

Summary of Activities

The Audit Committee met four times during the financial year ended 30 June 2007. Details on the attendance of each member are outlined below:-

	Date of Meetings			
	29/8/06	25/11/06	23/2/07	23/5/07
Nik Azalan Bin Nik A. Kadir - Chairman	√	√	√	√
Andrew Su Meng Kit (Appointed on 2-3-2007)	X	X	X	√
Khoo Boo Yeang (Resigned on 25-6-2007)	√	√	√	X
Tai Keik Hock	X	√	√	√

In discharging its functions and duties, the Committee has considered, reviewed and discussed the following :-

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 in 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 1 NOVEMBER 2007

AUTHORISED SHARE CAPITAL	:	RM200,000,000-00
PAID-UP CAPITAL	:	RM51,685,813-00
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	3	0.11	122	0.00
100 – 1,000	842	30.82	819,855	1.59
1,001 – 10,000	1,396	51.10	6,296,948	12.18
10,001 – 100,000	427	15.63	12,652,106	24.48
100,001 – 2,584,289 (*)	63	2.31	26,958,823	52.16
2,584,290 and above (**)	1	0.04	4,957,959	9.59
TOTAL	**2,732**	**100.00**	**51,685,813**	**100.00**

Remarks:

* Less than 5% of issued shares

** 5% and above of issued shares

DIRECTORS' SHAREHOLDINGS

	No. of Ordinary Shares Held			
Name of Directors	**Direct Interest**	**%**	**Indirect Interest**	**%**
Tai Keik Hock	2,683,715	5.19	6,549,550 [a]	12.67
Tai Keng Eng	104,920	0.20	-	-
Tai Lee Keow	1,410,079	2.73	6,549,550 [a]	12.67
Nik Azalan Bin Nik A. Kadir	206,500	0.40	-	-
Andrew Su Meng Kit (Appointed on 2-3-2007)	-	-	-	-
Khoo Boo Yeang (Resigned on 25-6-2007)	-	-	-	-

(a) 6,549,550 shares held through Jupax Enterprise Sdn Bhd

SUBSTANTIAL SHAREHOLDERS

	No. Of Ordinary Shares Held			
Name of Substantial Shareholders	**Direct Interest**	**%**	**Indirect Interest**	**%**
1. Jupax Enterprise Sdn Bhd	6,549,550	12.67	-	-
2. Giap Seng Auto Supply Sdn Bhd	3,812,714	7.38	-	-
3. Yeoh Sian Kok	3,360,747	6.50	-	-
4. Tai Keik Hock	2,683,715	5.19	6,549,550[a]	12.67
5. Tai Lee See	1,454,153	2.81	3,812,714[b]	7.38
6. Tai Lee Keow	1,410,079	2.73	6,549,550[a]	12.67
7. Eng Giat Yang @ Ng Geek Hiang	-	-	6,549,550[a]	12.67
8. Tai Lee Sun	900,901	1.74	3,812,714[b]	7.38
9. Tai Chee Seong	587,322	1.14	3,812,714[b]	7.38
10. Tai Lee Bee	105,126	0.20	3,812,714[b]	7.38

(a) 6,549,550 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 1 NOVEMBER 2007 (contd.)

30 LARGEST SHAREHOLDERS AS AT 1 NOVEMBER 2007

	Name	No. of Shares Held	%
1.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn Bhd for Jupax Enterprise Sdn. Bhd.	4,957,959	9.59
2.	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Giap Seng Auto Supply Sdn. Bhd.	2,008,785	3.89
3.	EB Nominees (Tempatan) Sendirian Berhad Pledged securities account for Giap Seng Auto Supply Sdn. Bhd.	1,803,929	3.49
4.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Keik Hock	1,700,000	3.29
5.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Yeoh Sian Kok	1,611,200	3.12
6.	Jupax Enterprise Sdn. Bhd.	1,591,591	3.08
7.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Yeoh Sian Kok	1,475,865	2.86
8.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Keow	1,410,000	2.73
9.	EB Nominees (Tempatan) Sendirian Berhad Pledged securities account for Tai Keik Hock	980,000	1.90
10.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee See	928,628	1.80
11.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Fung	900,000	1.74
12.	CIMSEC Nominees (Asing) Sdn. Bhd. CIMB For Dominguez Hills Corporation Ltd.	872,000	1.69
13.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Ang Poh Lay	826,100	1.60
14.	Tai Chee Seong	587,322	1.14
15.	Tai Lee See	525,525	1.02
16.	Tai Lee Fung	513,338	0.99
17.	Tai Lee Sun	500,901	0.97
18.	A.A. Anthony Securities Sdn. Bhd.	475,000	0.92
19.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Sun	400,000	0.77
20.	Lee Suat Wuat	386,900	0.75
21.	Dallab Capital Sdn Bhd	359,300	0.70
22.	Koo Hong @ Ku Hong Hai	340,000	0.66
23.	OSK Nominees (Tempatan) Sdn. Berhad Pledged securities account for Mohd Isa Bin Ismail	293,700	0.57
24.	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Lim Chiew Hwa	280,000	0.54
25.	Yeoh Sian Kok	272,973	0.53
26.	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Cheah Saw An	262,400	0.51
27.	Ooi Chieng Sim	250,000	0.48
28.	Lye Kuan Fong	247,270	0.48
29.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Chong Bui Ling	244,000	0.47
30.	Cheah Lang Kang	240,270	0.46

STATISTICS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (ICULS) 2005/2010 HOLDINGS AS AT 1 NOVEMBER 2007

NO. OF ICULS	:	23,330,787
DATE OF ISSUE	:	17 JUNE 2005
INTEREST	:	5% PER ANNUM

Size of Holdings	No. of Holders	%	No. of ICULS	%
1 – 99	5	3.88	150	0.00
100 – 1,000	59	45.74	42,700	0.18
1,001 – 10,000	47	36.43	172,150	0.74
10,001 – 100,000	8	6.20	242,200	1.04
100,001 – 1,166,538 (*)	5	3.88	2,438,559	10.45
1,166,539 and above (**)	5	3.88	20,435,028	87.59
TOTAL	**129**	**100.00**	**23,330,787**	**100.00**

Remarks:

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

DIRECTORS' ICULS HOLDINGS

	No. of ICULS Held			
Name of Directors	**Direct Interest**	**%**	**Indirect Interest**	**%**
Tai Keik Hock	1,350,000	5.79	4,840,000[(a)]	20.75
Tai Keng Eng	-	-	-	-
Tai Lee Keow	1,010,000	4.33	4,840,000[(a)]	20.75
Nik Azalan Bin Nik A. Kadir	-	-	-	-
Andrew Su Meng Kit (Appointed on 2-3-2007)	-	-	-	-
Khoo Boo Yeang (Resigned on 25-6-2007)	-	-	-	-

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

SUBSTANTIAL ICULS HOLDERS

	No. Of ICULS Held			
Name of Substantial ICULS Holders	**Direct Interest**	**%**	**Indirect Interest**	**%**
1. Alliance Investment Bank Berhad	9,755,028	41.81	-	-
2. Jupax Enterprise Sdn Bhd	4,840,000	20.75	-	-
3. Timeless Image Sdn. Bhd.	3,000,000	12.86	-	-
4. Yeoh Sian Kok	1,490,000	6.39	-	-
5. Tai Keik Hock	1,350,000	5.79	4,840,000[(a)]	20.75
6. Tai Lee Keow	1,010,000	4.33	4,840,000[(a)]	20.75
7. Eng Giat Yang @ Ng Geek Hiang	-	-	4,840,000[(a)]	20.75

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

STATISTICS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (ICULS) 2005/2010 HOLDINGS AS AT 1 NOVEMBER 2007 (contd.)

30 LARGEST ICULS HOLDERS AS AT 1 NOVEMBER 2007

	Name	No. of ICULS Held	%
1.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Alliance Investment Bank Berhad	9,755,028	41.81
2.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Jupax Enterprise Sdn. Bhd.	4,840,000	20.75
3.	Timeless Image Sdn. Bhd.	3,000,000	12.86
4.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn Bhd for Yeoh Sian Kok	1,490,000	6.39
5.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Keik Hock	1,350,000	5.79
6.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn Bhd for Tai Lee Keow	1,010,000	4.33
7.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee See	726,000	3.11
8.	A.A. Anthony Securities Sdn. Bhd.	477,859	2.05
9.	Dallab Capital Sdn. Bhd.	122,700	0.53
10.	Yeoh Sian Kok	102,000	0.44
11.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Bee	63,000	0.27
12.	Eu Mui @ Ee Soo Mei	52,500	0.23
13.	PM Nominees (Tempatan) Sdn. Bhd. PCB Asset Management Sdn. Bhd. for Mary Tan @ Tan Hui Ngoh	42,000	0.18
14.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chia Khai Huan	22,500	0.10
15.	Goh Leong Chuan	18,000	0.08
16.	HLG Nominee (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Boon Chen	15,200	0.07
17.	Foong Yuen Kai Lorry Service Company Sdn. Bhd.	15,000	0.06
18.	Choo Kim Kiong	14,000	0.06
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.	Tan Ah Nya @ Tan Seo Kim	7,000	0.03
24.	Khor Yeow Peng @ Khor Yau Peng	7,000	0.03
25.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Michael Yong	6,500	0.03
26.	Yap Yok Foo	5,400	0.02
27.	Khu Hwa Leng	5,000	0.02
28.	Lim Ah Kim	5,000	0.02
29.	Fong Kim Sing	5,000	0.02
30.	Chong Kem Yee	5,000	0.02

STATISTICS OF WARRANTS
2005/2015 HOLDINGS AS AT 1 NOVEMBER 2007

NO. OF WARRANTS : 16,670,355

VOTING RIGHTS : ONE VOTE PER WARRANT

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	11	4.00	530	0.00
100 – 1,000	65	23.64	37,165	0.22
1,001 – 10,000	122	44.36	659,999	3.96
10,001 – 100,000	65	23.64	2,126,400	12.76
100,001 – 833,516(*)	8	2.91	2,222,907	13.33
833,517 and above (**)	4	1.45	11,623,354	69.72
TOTAL	**275**	**100.00**	**16,670,355**	**100.00**

Remarks:
* Less than 5% of issued warrants
** 5% and above of issued warrants

DIRECTORS' WARRANTS HOLDINGS

	No. of Warrants Held			
Name of Directors	**Direct Interest**	**%**	**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	-	-	-	-
Andrew Su Meng Kit (Appointed on 2-3-2007)	-	-	-	-
Khoo Boo Yeang (Resigned on 25-6-2007)	-	-	-	-

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

SUBSTANTIAL WARRANTS HOLDERS

	No. Of Warrants Held			
Name of Substantial Warrants Holders	**Direct Interest**	**%**	**Indirect Interest**	**%**
1. Alliance Investment Bank Berhad	6,503,352	39.01	-	-
2. Jupax Enterprise Sdn Bhd	3,226,668	19.36	-	-
3. Yeoh Sian Kok	993,334	5.96	-	-
4. Tai Keik Hock	900,000	5.40	3,226,668 [(a)]	19.36
5. Tai Lee Keow	673,334	4.04	3,226,668 [(a)]	19.36
6. Eng Giat Yang @ Ng Geek Hiang	-	-	3,226,668 [(a)]	19.36

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

30 LARGEST WARRANTS HOLDERS 2005/2015 AS AT 1 NOVEMBER 2007

	Name	No. of Warrants Held	%
1.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Alliance Investment 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.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Keik Hock	900,000	5.40
5.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Keow	673,334	4.04
6.	A.A. Anthony Securities Sdn. Bhd.	521,273	3.13
7.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee See	484,000	2.90
8.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Soon Heng	131,000	0.79
9.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Jok Kuwi	105,600	0.63
10.	Koh Keah Kwang	104,000	0.62
11.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ooi May Fong	102,700	0.62
12.	Tan Phee Mun @ Tan Phui Mun	101,000	0.61
13.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chua Hock Keng	100,000	0.60
14.	Loo Hong Kiat	100,000	0.60
15.	Ng Ah Chung	85,100	0.51
16.	Yeoh Sian Kok	68,000	0.41
17.	Dallab Capital Sdn. Bhd.	66,800	0.40
18.	Lim Poh Hock	63,000	0.38
19.	Fong Tuck Seng	59,000	0.35
20.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Vincent Phua Chee Ee	55,000	0.33
21.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Fong Tuck Seng	55,000	0.33
22.	Goh Jok Kuwi	53,500	0.32
23.	Chong Chye Neo	50,000	0.30
24.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Louis Tay Chee Siong	50,000	0.30
25.	Sim Kim Pin	50,000	0.30
26.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Foo Sai Heng	50,000	0.30
27.	Chua Vin Teck	46,000	0.28
28.	Go Yee Fooi	45,000	0.27
29.	Tan Heng Lam	45,000	0.27
30.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Bee	42,000	0.25

GROUP STRUCTURE

EG INDUSTRIES BERHAD
(222897-W)

TM

EG WIRELESS SDN BHD
(665423-W)
100%

SMT TECHNOLOGIES SDN BHD
(279566-X)
100%

- **GLISTEN KNIGHT SDN BHD**
  (354564-D)
  100%

SMT INDUSTRIES CO., LTD. (THAILAND)
(0255549000227)
100%

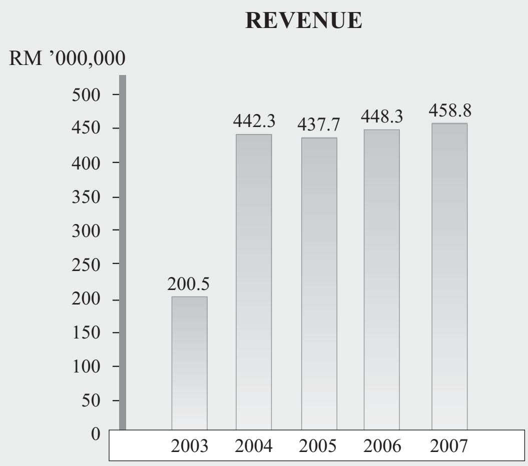
MASTIMBER INDUSTRIES SDN BHD
(418438-V)
90.50%

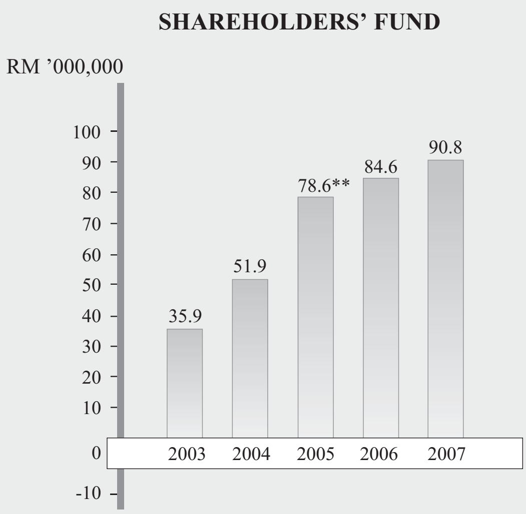
GROUP FINANCIAL HIGHLIGHTS

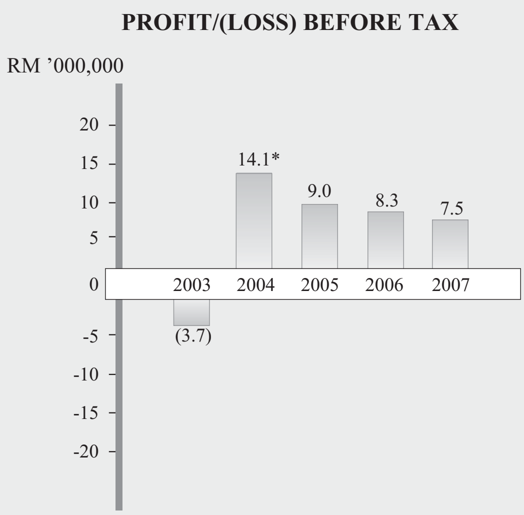
Year ended June 30	2003	2004	2005	2006	2007
Revenue	200.5	442.3	437.7	448.3	458.8
Shareholders' Fund	35.9	51.9	78.6**	84.6	90.8
Profit/(Loss) Before Tax	(3.7)	14.1*	9.0	8.3	7.5

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

Amount in RM '000,000







LIST OF PROPERTIES HELD BY THE GROUP

Location	*Age of Building*	*Date of Last Revaluation/ (Acquisition)*	*Area (sq. ft.)*	*Existing Use*	*Tenure*	Net Book Value As at 30/06/07 *(RM)*
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)	1,407,874
Lot No. 25 & 32 Kawasan Perusahaan Kuala Ketil, Mukim of Tawar, District of Baling, Kedah	8	28/04/03	209,154	Factory, Office Building & Warehouse	Leasehold (60 years)	3,267,047
H.S.(M) 343/89 P.T.No.8543, Mukim Sg. Pasir, Daerah Kuala Muda Kedah	14	01/06/06	174,240	Factory, Office Building & Warehouse	Sub-leasehold (08/10/2088)	13,276,963
Lot 2, 8 & 16 Mukim of Bujang Daerah Kuala Muda Kedah	-	28/09/05	4,216,741	Vacant Land	Freehold	3,473,345
H.S. (M) 90/1983 No. P.T. Plot 35 Mukim Sg. Pasir Tempat Bakar Arang, Kedah	-	09/05/03	121,968	Vacant Land	Sub-leasehold (09/01/2044)	679,870
Plot 122 304 Industrial Park Tha Tum District Srimahapho Prachinburi Thailand	-	-	172,223	Factory, Office Building & Warehouse (construction in progress)	Freehold	5,595,740

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 2007.

FINANCIAL OVERVIEW

For the financial year under review, the Group recorded a turnover of RM458.8 million as compared to RM448.3 million in the preceding year. The profit before tax was RM7.5 million as compared to a profit before tax of RM8.3 in the preceding year. Reducing of profit margin was mainly due to the additional capital investment for manufacturing machineries and upgrade of plant facilities for new customer. Recent appreciation of Ringgit Malaysia versus US dollar also affects the Company bottom line as majority of the export are still in US dollar dominant.

CORPORATE DEVELOPMENT

The Company does not have new corporate exercise during the financial year. There was no new issuance of shares from conversion of ICULS 2005/2010. The new wholly owned subsidiary in Bangkok, Thailand – SMT Industries Co.,Ltd, which will provide the Electronics Manufacturing Services ("EMS") for computer peripheral, telecommunication, consumer electronic/electrical and automotive industrial products industries in Thailand, will start production in the first quarter of calendar year 2008.

FUTURE OUTLOOK

Despite the uncertainties in the US economy, subprime mortgage issues, depreciating US dollar coupled with escalating oil prices, the Group remains optimistic and confident of the long term prospects of the EMS industry. The Group will continue to focus 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. The replacement market for the consumption and demand are huge and encouraging but require much higher manufacturing efficiency to ascertain the profitability due to drastic depreciation of US dollars. The Group wishes to see if the US dollar will stabilise in order to provide a more healthy financial system for EMS providers in Malaysia.

The Group has recently entered into the high end consumer electronics market such as vacuum cleaner machine manufacturing and medical industries blood diagnostic laboratory equipment. The Group believes both of these industries will provide better profit margin to the Group as these are non commodity products and require higher product reliability, test and measurement manufacturing facilities.

Due to some political issues in Thailand, the plant in Thailand is facing some delay in construction and is expected to be completed by the first quarter of calendar year 2008. The plant is expected to contribute to the bottom line of the Group in Financial Year 2009.

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. The Group will continue to participate in more international furniture shows to enhance its effort to penetrate into more countries.

CORPORATE SOCIAL RESPONSIBILITY

In line with the Malaysia Code on Corporate Governance, the Group Corporate Social Responsibility objective is to be a responsible corporate citizen contributing to society and the development of the country as a whole. During the year, the Group had started to implement the ISO14000 which is one of the environment management systems; the Group has also started using lead free materials in its production. For the employee of the Company, the Group has an Employee Welfare Committee which continuously organising various activities for them. In addition to that, the Group also provides canteen subsidy, hostel and the related facilities to the local, as well as foreign workers.

DIVIDEND

No dividend was declared for the year.

APPRECIATION

On behalf of the Board of Directors, I would like to welcome the new Independent Non-Executive Director, Mr Andrew Su Meng Kit, who joined us on 2 March 2007; and also to express our sincere gratitude to Dr Khoo Boo Yeang, who resigned on 25 June 2007, for his valuable contribution to the Group while he was on the Board.

I wish to extend our appreciation to our management team and employees of the Group for their contribution. Their effective execution of the Group's strategies through sheer hard work, commitment and team work in a demanding and challenging business environment have certainly contributed much to the success of the Group.

Our sincere gratitude to my fellow directors, our 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 30th June 2007.

TAI KEIK HOCK
Chairman

6 December 2007

FINANCIAL STATEMENTS

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 2007.

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 11 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 for the year	5,570,015	3,219,517
Attributable to:		
Equity holders of the Company	5,528,092	3,219,517
Minority interests	41,923	-
	5,570,015	3,219,517

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

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 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
Andrew Su Meng Kit (Appointed on 2/3/2007)
Khoo Boo Yeang (Resigned on 25/6/2007)

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 the director is a member or with a company in which the director has a substantial financial interest, except as disclosed in Note 30 to the financial statements.

DIRECTORS' INTERESTS

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

The Company	Number of ordinary shares of RM1 each 1 July 2006	Bought	Sold	30 June 2007
Direct interest				
Tai Keik Hock	2,683,715	-	-	2,683,715
Tai Keng Eng	104,920	-	-	104,920
Tai Lee Keow	2,017,379	-	591,500	1,425,879
Nik Azalan bin Nik A. Kadir	206,500	-	-	206,500
Indirect interest				
Tai Keik Hock	9,549,550	-	1,438,900	8,110,650
Tai Lee Keow	9,549,550	-	1,438,900	8,110,650

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

The Company	Number of Warrants 2005/2015 1 July 2006	Bought	Sold	30 June 2007
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

The Company	Number of RM1 nominal value of 5% ICULS 2005/2010 1 July 2006	Bought	Sold	30 June 2007
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

WARRANTS

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

Warrants	Exercise price per ordinary share	Expiry date	Number of warrants outstanding as at 30/6/2007
Warrants 2005/2015	RM1.00	16/6/2015	16,670,355

WARRANTS (CONTD.)

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.

EMPLOYEES' SHARE OPTIONS SCHEME ("ESOS")

The Company implemented an ESOS which is governed by the bye-laws approved by the shareholders at the Extraodinary 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 28 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:

  (i) 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 no provision for doubtful debts was necessary; and

  (ii) 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:

  (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of these accounts; and

  (ii) 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:

  (i) 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

  (ii) any contingent liabilityof the Group or of the Company which has arisen since the end of the financial year other than those disclosed in Note 34 to the financial statements.

(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 on behalf of the Board in accordance with a resolution of the directors dated 30 Oct 2007.

TAI KEIK HOCK

TAI LEE KEOW

Kedah, Malaysia
Date: 30 October 2007

STATEMENT BY DIRECTORS
STATUTORY DECLARATION

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 33 to 76 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 Oct 2007.

TAI KEIK HOCK

TAI LEE KEOW

Kedah, Malaysia
Date: 30 October 2007

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

I, TAI KEIK HOCK, being the director primarily responsible for the financial management of EG INDUSTRIES BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 76 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 TAI KEIK HOCK
at Sungai Petani in the state of Kedah
on 30 October 2007

TAI KEIK HOCK

Before me,

Ishak B. Yaakub
No. K041
Commissioner for Oaths

REPORT OF THE AUDITORS

REPORT OF THE AUDITORS TO THE MEMBERS OF
EG INDUSTRIES BERHAD
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 33 to 76. 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 Financial Reporting 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 2007 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 11 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' reports 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

LIM ENG HUAT
2403/04/09 (J)
Partner

Penang, Malaysia
Date: 30 October 2007

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

		Group		Company	
		2007	**2006**	**2007**	**2006**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	3	458,816,311	448,382,581	63,714	90,853
Cost of sales		(443,656,382)	(431,816,383)	-	-
Gross profit		15,159,929	16,566,198	63,714	90,853
Other income		75,512	103,825	-	-
Administration and general expenses		(5,834,334)	(4,692,424)	(782,708)	(579,078)
Selling and distribution expenses		(1,133,264)	(1,178,044)	-	-
Other expenses		1,984,204	(418,828)	4,728,621	708,964
Operating profit	4	10,252,047	10,380,727	4,009,627	220,739
Finance costs	5	(2,756,978)	(2,083,665)	(308,301)	(359,592)
Profit/(Loss) before tax		7,495,069	8,297,062	3,701,326	(138,853)
Income tax expense	8	(1,925,054)	(2,452,861)	(481,809)	(326,836)
Profit/(Loss) for the year		5,570,015	5,844,201	3,219,517	(465,689)
Attributable to:					
Equity holders of the Company		5,528,092	5,699,712	3,219,517	(465,689)
Minority interests		41,923	144,489	-	-
Profit/(Loss) for the year		5,570,015	5,844,201	3,219,517	(465,689)
Earnings per ordinary share (sen)					
- Basic	9	11	11		
- Diluted	9	6	6		

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

BALANCE SHEETS

AS AT 30 JUNE 2007

		Group		Company	
		2007	2006	2007	2006
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10	88,111,673	65,751,474	1,412,298	1,440,391
Investments in subsidiaries	11	-	-	55,206,262	48,005,012
Investments	12	442,701	368,237	442,701	368,237
Goodwill on consolidation	13	10,147,672	10,147,672	-	-
Deferred tax assets	22	805,863	1,074,905	805,863	1,074,905
		99,507,909	77,342,288	57,867,124	50,888,545
CURRENT ASSETS					
Inventories	14	27,735,053	25,494,457	-	-
Trade receivables	15	13,903,185	13,093,929	-	-
Other receivables	16	5,833,168	8,888,810	89,410	79,810
Tax recoverable		267,280	543,225	6,768	355,551
Amounts due by a related party		41,708	-	-	-
Amounts due by subsidiaries	17	-	-	24,947,435	27,285,940
Fixed deposits with licensed banks	18	-	5,580,000	-	-
Cash and bank balances		1,007,828	2,663,371	229,872	103,304
		48,788,222	56,263,792	25,273,485	27,824,605
TOTAL ASSETS		148,296,131	133,606,080	83,140,609	78,713,150

AS AT 30 JUNE 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	19	51,685,813	51,685,813	51,685,813	51,685,813
Reserves	20	38,399,785	32,871,693	25,871,068	22,651,551
		90,085,598	84,557,506	77,556,881	74,337,364
Minority interests		756,312	714,389	-	-
Total equity		90,841,910	85,271,895	77,556,881	74,337,364
NON-CURRENT LIABILITIES					
Long term borrowings	21	21,535,909	16,640,939	1,900,538	2,759,578
Deferred tax liabilities	22	4,897,618	3,533,144	-	-
		26,433,527	20,174,083	1,900,538	2,759,578
CURRENT LIABILITIES					
Trade payables	23	1,195,390	1,456,945	-	-
Other payables	24	5,087,792	3,159,053	117,639	80,357
Amount due to a subsidiary	17	-	-	2,485,422	455,722
Short term borrowings	21	24,737,512	23,544,104	1,080,129	1,080,129
		31,020,694	28,160,102	3,683,190	1,616,208
Total liabilities		57,454,221	48,334,185	5,583,728	4,375,786
TOTAL EQUITY AND LIABILITIES		148,296,131	133,606,080	83,140,609	78,713,150

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Attributable to equity holders of the Company						
		Non-distributable					
	Share capital RM	Capital reserve RM	Share premium RM	(Accumulated loss)/ Retained earnings RM	Total RM	Minority interests RM	Total equity RM
Group							
At 1 July 2005	50,011,067	21,401,058	15,237,478	(8,058,984)	78,590,619	569,900	79,160,519
Issue of ICULS - Conversion of ICULS	1,674,746	(1,340,407)	-	-	334,339	-	334,339
Expenses incurred on issue of ICULS	-	-	(67,164)	-	(67,164)	-	(67,164)
Profit for the year, representing total recognised income and expense for the year	-	-	-	5,699,712	5,699,712	144,489	5,844,201
At 30 June 2006	51,685,813	20,060,651	15,170,314	(2,359,272)	84,557,506	714,389	85,271,895
At 1 July 2006	51,685,813	20,060,651	15,170,314	(2,359,272)	84,557,506	714,389	85,271,895
Profit for the year, representing total recognised income and expense for the year	-	-	-	5,528,092	5,528,092	41,923	5,570,015
At 30 June 2007	51,685,813	20,060,651	15,170,314	3,168,820	90,085,598	756,312	90,841,910

		Non-distributable			
Company	Share capital RM	Capital reserve RM	Share premium RM	Accumulated loss RM	Total RM
At 1 July 2005	50,011,067	21,401,058	15,237,478	(12,113,725)	74,535,878
Issue of ICULS - Conversion of ICULS	1,674,746	(1,340,407)	-	-	334,339
Expenses incurred on issue of ICULS	-	-	(67,164)	-	(67,164)
Loss for the year, representing total recognised income and expense for the year	-	-	-	(465,689)	(465,689)
At 30 June 2006	51,685,813	20,060,651	15,170,314	(12,579,414)	74,337,364
At 1 July 2006	51,685,813	20,060,651	15,170,314	(12,579,414)	74,337,364
Profit for the year, representing total recognised income and expense for the year	-	-	-	3,219,517	3,219,517
At 30 June 2007	51,685,813	20,060,651	15,170,314	(9,359,897)	77,556,881

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	7,495,069	8,297,062	3,701,326	(138,853)
Adjustments for:				
Amortisation of goodwill on consolidation	-	634,230	-	-
Depreciation	9,837,634	6,104,445	28,092	27,881
Interest expense	2,731,689	1,865,563	307,498	358,825
Provision for impairment loss in value of investments in a subsidiary written back	-	-	(2,996,000)	(624,000)
Provision for impairment loss in value of investments written back	(201,463)	-	(201,463)	-
Dividend income	(15,407)	(11,857)	(15,407)	(11,857)
Loss on disposal of property, plant and equipment	730	-	-	-
Gain on disposal of quoted investments	(1,747,062)	-	(1,747,062)	-
Interest income	(75,819)	(134,821)	(307)	(30,996)
Operating profit/(loss) before working capital changes	18,025,371	16,754,622	(923,323)	(419,000)
(Increase)/Decrease in inventories	(2,240,597)	363,698	-	-
Decrease/(Increase) in trade and other receivables	2,204,676	3,344,197	(9,600)	(65,901)
Increase/(Decrease) in trade and other payables	1,667,183	(3,475,723)	37,281	(399,541)
Decrease/(Increase) in amounts due by subsidiaries	-	-	2,338,506	(5,763,336)
Increase in amount due to a subsidiary	-	-	2,029,700	455,722
Cash generated from/(used in) operations	19,656,633	16,986,794	3,472,564	(6,192,056)
Interest paid	(3,590,729)	(2,697,733)	(1,166,538)	(1,190,995)
Income tax (paid)/refund	(15,589)	(773,587)	136,016	(202,146)
Net cash from/(used in) operating activities carried forward	16,050,315	13,515,474	2,442,042	(7,585,197)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(32,179,623)	(32,635,214)	-	(5,900)
Interest received	75,819	134,821	307	30,996
Dividends received (net)	15,407	11,857	15,407	11,857
Proceeds from disposal of property, plant and equipment	5,000	-	-	-
Proceeds from disposal of investments	1,874,062	-	1,874,062	-
Acquisition of a subsidiary (Note 11.1)	-	-	-	(1,042,753)
Purchase of additional shares in subsidiaries	-	-	(4,205,250)	(99,998)
Net cash used in investing activities	(30,209,335)	(32,488,536)	(2,315,474)	(1,105,798)
Balance carried forward	(14,159,020)	(18,973,062)	126,568	(8,690,995)

CASH FLOW STATEMENTS (contd.)

FOR THE YEAR ENDED 30 JUNE 2007

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Balance brought forward	(14,159,020)	(18,973,062)	126,568	(8,690,995)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net drawdown of credit refinancing	153,000	-	-	-
Net drawdown of trust receipts	32,115	-	-	-
Withdrawal of fixed deposit	280,000	-	-	-
Net drawdown of bankers' acceptances	1,655,000	1,728,000	-	-
Net drawdown/(repayment) of revolving credits	4,000,000	(1,500,000)	-	-
Payment of hire purchase creditors	(1,865)	(22,675)	-	-
Drawdown of loan	3,546,985	1,028,404	-	-
Repayment of term loans	(1,867,269)	(1,007,676)	-	-
Expenses incurred on issue of ICULS transferred to share premium	-	(67,164)	-	(67,164)
Net cash from/(used in) financing activities	7,797,966	158,889	-	(67,164)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,361,054)	(18,814,173)	126,568	(8,758,159)
CASH AND CASH EQUIVALENTS AT 1 JULY	6,120,777	24,934,950	103,304	8,861,463
CASH AND CASH EQUIVALENTS AT 30 JUNE	(240,277)	6,120,777	229,872	103,304

CASH AND CASH EQUIVALENTS AT 30 JUNE

Fixed deposits with licensed banks	-	5,580,000	-	-
Cash and bank balances	1,007,828	2,663,371	229,872	103,304
Bank overdrafts	(1,248,105)	(1,842,594)	-	-
	(240,277)	6,400,777	229,872	103,304
Fixed deposits pledged	-	(280,000)	-	-
	(240,277)	6,120,777	229,872	103,304

Note

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM32,203,565 (2006: RM32,635,214) and RM Nil (2006: RM5,900) respectively which were financed as follows:

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Cash	32,179,623	32,635,214	-	5,900
Hire purchase plan	23,942	-	-	-
	32,203,565	32,635,214	-	5,900

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

1. CORPORATE INFORMATION

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 principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 11 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 October 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

ii. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

ii. Basis of Consolidation (Contd.)

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then

(b) Intangible Assets

i. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

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

Leasehold land are amortised over the unexpired lease periods of between 45 to 56 years.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(d) Impairment of Non-financial Assets

The carrying amount of assets, other than inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(e) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and an appropriate proportion of manufacturing overheads based on normal operating capacity.

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

(f) 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 recognised directly in 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(f) Financial Instruments (Contd.)

i. Cash and Cash Equivalents

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

ii. 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 net disposal proceeds and its carrying amount is recognised in profit or loss.

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 the fair value of the consideration to be paid in the future for goods and services received.

Payables to related companies are recognised at cost.

v. Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

vi. Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

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 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 stock to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(g) 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. Finance Leases

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 the 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 costs 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 recognised 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 in accordance with that for depreciable property, plant and equipment as described in Note 2.2 (c).

ii. Operating Leases

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

(h) Borrowing 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(i) 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, using the liability method. 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 temporary 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 the 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 period 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 as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) Provisions

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(k) Employee Benefits

i. Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. 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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”).

iii. Share-based Compensation

The Group’s Employee Share Options Scheme (“ESOS”), an equity-settled, share-based compensation plan, allows the Group’s employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(l) Foreign Currencies

i. Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company’s functional currency.

ii. Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

ii. Foreign Currency Transactions (Contd.)

transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in a foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

iii. Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

(b) Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Sale of Goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii. Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

iii. Dividend Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) Revenue Recognition (Contd.)

iv. Management fee

Management fees are recognised when the services are rendered.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The MASB has issued a number of new and revised FRSs and Interpretations that are effective for financial periods beginning on or after 1 January 2006. The Group has early adopted FRS 124: Related Party Disclosure for the financial year beginning 1 July 2006.

Except for the changes in accounting policies and their effects as discussed below, the new and revised FRS and Interpretations above do not have any other significant impact on the financial statements of the Group and the Company:

(a) FRS 2 : Share-based Payment

Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. The Group and the Company recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

The Group has applied FRS 2 in accordance with its transitional provisions and this change has no impact on the consolidated financial statements and the Company's financial statements.

(b) FRS 3: Business Combinations

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

i. Goodwill

Prior to 1 July 2006, goodwill was amortised on a straight-line basis over its estimated life of 20 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 July 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 July 2006 amounting to RM2,536,920 against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 July 2006 of RM10,147,672 ceased to be amortised thereafter.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2006 or prior periods. The effects on the consolidated balance sheet as at 30 June 2007 and the consolidated income statement for the year ended 30 June 2007 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. This change has no impact on the Company's financial statements.

(c) FRS 101: Presentation of Financial Statements

Prior to 1 July 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the consolidated statement of changes in equity. The revised FRS 101 also requires disclosure, on

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(c) FRS 101: Presentation of Financial Statements (Contd.)

the face of the consolidated statement of changes in equity, total recognised income and expense for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

This change in presentation has been applied retrospectively and as disclosed in Note 2.3 (e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 30 June 2007 are set out in Note 2.3(d)(i). This change in presentation has no impact on the consolidated income statement for the year ended 30 June 2007 and the Company's financial statements.

(d) Summary of Effects of Adopting New and Revised FRSs on the Current Year's Financial Statements

The following tables provide estimates of the extent to which each of the line items in the balance sheet and income statement for the year ended 30 June 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on Balance Sheet of the Group as at 30 June 2007

	Increase/(Decrease)		
Description of Change	**FRS 3 Note 2.3(b)(i) RM**	**FRS 101 Note 2.3(c) RM**	**Total RM**
Group			
Goodwill	634,230	-	634,230
Retained earnings	634,230	-	634,230
Total equity	-	756,312	756,312

(ii) Effects on Income Statement for the year ended 30 June 2007

Description of change	**FRS 3 Note 2.3(b)(i) RM**
Group	
Other expenses	(634,230)
Profit for the year	634,230

(e) Restatement of Comparatives

The following comparative amount of the balance sheet of the Group has been restated as a result of adopting the new and revised FRSs:

Description of change	**Previously stated RM**	**Increase FRS 101 Note 2.3(c) RM**	**Restated Total RM**
Group			
Total equity	84,557,506	714,389	85,271,895

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Interpretations Issued But Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 117: Leases	1 October 2006
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
FRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119_{2004}: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Asset	1 July 2007

The above FRSs, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the following:

(a) FRS 112 : Income Taxes

The Group and the Company do not recognise deferred tax assets on unutilised reinvestment allowances as required by paragraph 36 of FRS 112_{2004} Income Taxes. Under the revised FRS 112: Income Taxes, the Group and the Company will have to recognise deferred tax assets on such unutilised reinvestment allowances to the extent that it is probable that future taxable profit will be available against which the unutilised reinvestment allowances can be utilised. Early adoption of this revised FRS would have resulted in deferred tax assets on unutilised reinvestment allowances amounting to approximately RM10,962,000 being recognised in the financial statements of the Group for the year ended 30 June 2007.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 117 and FRS 139.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

There are no critical judgements made by management in the process of applying the Group’s accounting policies that has significant effect on the amounts recognised in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements (Contd.)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Depreciation of Plant and Machinery

The cost of plant and machinery for the manufacture of electronic components is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 3 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

ii. Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 30 June 2007 is RM10,147,672 (2006: RM10,147,672). Further details are disclosed in Note 13.

iii. Deferred Tax Assets

Deferred tax assets are recognised for unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM1,144,000 (2006: RM1,454,000) and the unrecognised tax losses and capital allowances of the Group was RM1,563,000 (2006: RM2,071,000).

3. REVENUE

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Sale of goods	458,800,597	448,339,728	-	-
Dividend income	15,407	11,857	15,407	11,857
Interest income	307	30,996	307	30,996
Management fee received	-	-	48,000	48,000
	458,816,311	448,382,581	63,714	90,853

4. OPERATING PROFIT

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Operating profit is stated:				
After charging:				
Auditors' remuneration				
- current year	99,600	81,500	30,000	20,000
- underprovision in prior years	41,600	9,156	15,000	4,756
Amortisation of goodwill	-	634,230	-	-
Depreciation	9,837,634	6,104,445	28,092	27,881
Directors' fees				
- current year	30,500	26,000	30,500	26,000
- overprovision in prior year	-	(5,000)	-	(5,000)
Directors' remuneration	751,615	632,000	240,000	240,000
Director's other emoluments	170,000	-	170,000	-
Realised loss on foreign exchange	80,195	62,038	-	-
Rental of equipment	2,301,304	763,961	-	-
Rental of premises	96,163	87,878	-	16,000
Unrealised loss on foreign			-	
exchange	354,029	88,383	215,904	-
Loss on disposal of property, plant and equipment	730	-	-	-
and crediting:				
Gross dividends received from investments quoted in Malaysia	15,407	11,857	15,407	11,857
Gain on disposal of quoted investments	1,747,062	-	1,747,062	-
Interest income	75,819	134,821	307	30,996
Provision for impairment loss in value of investments in a subsidiary written back	-	-	2,996,000	624,000
Provision for impairment loss in value of investments written back	201,463	-	201,463	-
Realised gain on foreign exchange	87,011	28,538	-	-
Unrealised gain on foreign exchange	379,785	88,395	-	84,964

5. FINANCE COSTS

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Included herein are:				
Interest expense on:				
Bank borrowings	2,479,915	1,504,501	-	-
Hire purchase liabilities	159	2,237	-	-
Irredeemable convertible unsecured loan stocks	307,498	358,825	307,498	358,825
Total interest expense	2,787,572	1,865,563	307,498	358,825
Less : Interest expense capitalised in work in progress	55,883	-	-	-
Net interest expense	2,731,689	1,865,563	307,498	358,825

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Wages and salaries	13,025,731	10,442,951	410,000	240,000
Social security contribution	236,834	145,683	-	-
Contributions to defined contribution plan	1,003,375	980,046	-	-
Other staff related expenses	1,423,695	1,755,083	-	-
	15,689,635	13,323,763	410,000	240,000

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM921,615 (2006: RM632,000) and RM410,000 (2006: RM240,000) respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries and bonus	384,000	312,000	240,000	240,000
Fees	6,000	6,000	6,000	6,000
Other emoluments	170,000	-	170,000	-
Benefits-in-kind	-	-	-	-
	560,000	318,000	416,000	246,000
Non-executive:				
Fees	24,500	20,000	24,500	20,000
Other emoluments	-	-	-	-
	24,500	20,000	24,500	20,000
Directors of Subsidiaries				
Executive:				
Salaries and bonus	367,615	320,000	-	-
Fees	-	-	-	-
Benefits-in-kind	-	-	-	-
	367,615	320,000	-	-
Total	952,115	658,000	440,500	266,000
Total excluding benefits-in-kind	952,115	658,000	440,500	266,000
Analysis excluding benefits-in-kind				
Total executive directors' remuneration excluding benefits-in-kind, directors' fees and other emoluments (Note 4)	751,615	632,000	240,000	240,000
Directors' fees (Note 4)	30,500	26,000	30,500	26,000
Director's other emoluments (Note 4)	170,000	-	170,000	-
Total directors' remuneration excluding benefits-in-kind	952,115	658,000	440,500	266,000

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2007	2006
Executive directors:		
RM50,001 - RM100,000	2	2
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	-
Above RM250,000	1	1
Non-executive directors:		
Below RM50,000	3	2

8. INCOME TAX EXPENSE

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Current income tax:				
- current tax	86,162	159,000	-	-
- under/(over)provision in prior years	205,376	(6,000)	212,767	-
	291,538	153,000	212,767	-
Deferred tax:				
- relating to origination and reversal of temporary differences	1,483,358	1,971,805	-	-
- relating to crystallisation of deferred tax assets	269,042	326,836	269,042	326,836
- relating to reduction in tax rate	(126,454)	(4,246)	-	-
Underprovision in prior years				
- deferred tax	7,570	5,466	-	-
	1,633,516	2,299,861	269,042	326,836
	1,925,054	2,452,861	481,809	326,836

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 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008. The computation of deferred tax as at 30 June 2007 has reflected this changes.

A reconciliation of income tax expense applicable to profit/(loss) before tax 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 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Profit/(Loss) before tax	7,495,069	8,297,062	3,701,326	(138,853)
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	2,023,519	2,323,178	999,358	(38,879)
Difference in tax rate	(126,454)	(4,246)	-	-
Expenses not deductible for tax purposes	67,624	607,322	-	38,879
Income not subject to tax	(217,946)	-	(999,358)	-
Deferred tax relating to ICULS	269,042	326,836	269,042	326,836
Deferred tax assets recognised on unutilised tax losses	(122,000)	(444,000)	-	-
Utilisation of reinvestment allowances	(181,677)	(355,695)	-	-
Under/(Over)provision in prior years				
- income tax	205,376	(6,000)	212,767	-
- deferred tax	7,570	5,466	-	-
Tax expense for the year	1,925,054	2,452,861	481,809	326,836

8. INCOME TAX EXPENSE (CONTD.)

	Group	
	2007	2006
	RM	RM
Tax savings recognised during the year arising from:		
Utilisation of capital allowances brought forward	393,000	720,000
Tax losses are analysed as follows:		
Unutilised tax losses	4,412,000	4,052,000
Unabsorbed capital allowances	1,739,000	3,208,000

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the subsidiaries are subject to no substantial changes in shareholdings of the subsidiaries under Section 44(5A) and (5B) and Paragraph 75(A) and 75(B) of Schedule 3 of the Income Tax Act, 1967 respectively.

9. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share is based on the Group's profit for the year attributable to equity holders of the Company of RM5,528,092 (2006: RM5,699,712) and 51,685,813 (2006: 50,796,599) weighted average number of ordinary shares during the year.

The calculation of diluted earnings per ordinary share is based on the Group's profit for the year attributable to equity holders of the Company and after adjusting for savings on interest arising from ICULS of RM5,835,590 (2006: RM6,058,537) and 99,439,827 (2006: 98,417,230) weighted average 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.

10. 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	Capital work-in-progress RM	Total RM
At 30 June 2007											
Cost											
At 1 July 2006	4,102,967	15,003,459	5,579,796	88,701,029	604,863	2,389,287	2,484,527	1,067,584	2,554,758	9,828,319	132,316,589
Additions	50,248	-	-	23,210,381	2,830	85,260	3,584,201	163,643	26,289	5,080,713	32,203,565
Disposals	-	-	-	(118,850)	-	(4,048)	(12,212)	-	-	-	(135,110)
Reclassification	-	-	-	9,281,417	-	-	-	-	-	(9,281,417)	-
At 30 June 2007	4,153,215	15,003,459	5,579,796	121,073,977	607,693	2,470,499	6,056,516	1,231,227	2,581,047	5,627,615	164,385,044
Accumulated depreciation											
At 1 July 2006	-	1,444,431	801,183	58,918,554	510,745	1,251,538	2,175,793	698,401	764,470	-	66,565,115
Charge for the year	-	282,065	103,691	8,374,814	34,182	288,008	403,662	148,211	203,001	-	9,837,634
Disposals	-	-	-	(118,850)	-	(2,213)	(8,315)	-	-	-	(129,378)
At 30 June 2007	-	1,726,496	904,874	67,174,518	544,927	1,537,333	2,571,140	846,612	967,471	-	76,273,371
Net carrying amount											
At 30 June 2007	4,153,215	13,276,963	4,674,922	53,899,459	62,766	933,166	3,485,376	384,615	1,613,576	5,627,615	88,111,673

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	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	Capital work-in-progress RM	Total RM
Group											
At 30 June 2006											
Cost											
At 1 July 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
Additions	736,845	-	-	18,719,359	22,603	595,872	87,401	136,500	1,495,012	10,841,622	32,635,214
Disposals/Write off	-	-	-	(4,200)	-	(1,050)	-	-	-	-	(5,250)
Reclassification	-	8,127,019	-	-	-	-	-	-	-	(8,127,019)	-
At 30 June 2006	4,102,967	15,003,459	5,579,796	88,701,029	604,863	2,389,287	2,484,527	1,067,584	2,554,758	9,828,319	132,316,589
Accumulated depreciation											
At 1 July 2005	-	1,201,210	697,492	53,773,277	472,415	987,952	2,101,313	566,811	665,450	-	60,465,920
Charge for the year	-	243,221	103,691	5,149,477	38,330	264,636	74,480	131,590	99,020	-	6,104,445
Disposals/Write off	-	-	-	(4,200)	-	(1,050)	-	-	-	-	(5,250)
At 30 June 2006	-	1,444,431	801,183	58,918,554	510,745	1,251,538	2,175,793	698,401	764,470	-	66,565,115
Net carrying amount											
At 30 June 2006	4,102,967	13,559,028	4,778,613	29,782,475	94,118	1,137,749	308,734	369,183	1,790,288	9,828,319	65,751,474

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	Long term leasehold land RM	Office equipment RM	Total RM
At 30 June 2007			
Cost			
At 1 July 2006 / 30 June 2007	1,634,949	5,900	1,640,849
Accumulated depreciation			
At 1 July 2006	199,827	632	200,459
Charge for the year	27,249	843	28,092
At 30 June 2007	227,076	1,475	228,551
Net carrying amount			
At 30 June 2007	1,407,873	4,425	1,412,298
At 30 June 2006			
Cost			
At 1 July 2005	1,634,949	-	1,634,949
Addition	-	5,900	5,900
At 30 June 2006	1,634,949	5,900	1,640,849
Accumulated depreciation			
At 1 July 2005	172,577	-	172,577
Charge for the year	27,249	632	27,881
At 30 June 2006	199,826	632	200,458
Net carrying amount			
At 30 June 2006	1,435,123	5,268	1,440,391

10.1 Motor vehicles of the Group with a net book value of RM210,125 (2006: RM136,918) are held in trust by the directors and a third party on behalf of certain subsidiaries.

10.2 A motor vehicle of the Group with a net book value of RM42,916 (2006: RM39,585) is acquired under the instalment purchase plan.

10.3 The following property, plant and equipment are charged as securities to financial institutions for the bank borrowings as disclosed in Note 21 to the financial statements:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At net carrying amount				
Freehold land	4,153,215	4,102,967	-	-
Short and long term leasehold land and buildings	16,544,010	16,902,518	-	-
Plant and machinery	53,899,459	29,782,475	-	-
Furniture and fittings	61,532	92,524	-	-
Office equipment	926,240	1,132,481	-	-
Tools and equipment	3,485,376	308,734	-	-
Motor vehicles	384,615	369,183	-	-
Factory renovation	1,613,576	1,790,288	-	-
Capital work in progress	5,627,615	9,281,417	-	-
	86,695,638	63,762,587	-	-

11. INVESTMENTS IN SUBSIDIARIES

	Company 2007 RM	Company 2006 RM
Unquoted shares, at cost	55,206,262	51,001,012
Accumulated impairment losses	-	(2,996,000)
	55,206,262	48,005,012

Details of the subsidiaries are as follows:

Name	Country of incorporation	Equity interest held (%) 2007	Equity interest held (%) 2006	Principal activities
Direct interest				
SMT Technologies Sdn. Bhd.	Malaysia	100	100	Provision of Electronic Manufacturing Services (EMS) for computer peripheral, telecommunication and consumer electronic/electrical products industries.
Mastimber Industries Sdn. Bhd.	Malaysia	90.5	90.5	Manufacture and sale of 2-layer solid wood parquet flooring
Direct interest				
EG Wireless Sdn. Bhd. *	Malaysia	100	100	Original Equipment Manufacturer/Original Design Manufacturer (OEM/ODM) in complete box built wireless technologies products.
SMT Industries Co., Ltd *	Thailand	100	100	Provision of Electronic Manufacturing Services (EMS) for computer peripheral, telecommunication, consumer electronic/electrical and automotive industrial products industries in Thailand-currently dormant.
Indirect interest				
Glisten Knight Sdn. Bhd. *	Malaysia	100	100	Investment holding company.

* Not audited by Ernst & Young

11.1 The effect of the acquisition on the financial results of the Group from the date of acquisition to 30 June 2007 is as follows:

	2007 RM	2006 RM
Revenue	-	-
Operating expenses	-	(212,282)
Loss for the year	-	(212,282)

The effect of the acquisition on the financial position of the Group as at 30 June 2007 is as follows:

	2007 RM	2006 RM
Other receivables	-	865
Cash and bank balances	-	30,643
Other payables	-	(25,392)
	-	6,116

11. INVESTMENTS IN SUBSIDIARIES (CONTD.)

11.1 The fair value of the net assets acquired from the acquisition of the subsidiary is as follows:

	2007 RM	2006 RM
Net assets acquired:		
Cash and bank balances	-	1,042,753
Fair value of total asset	-	1,042,753
Group's share of net assets	-	1,042,753
Goodwill on acquisition	-	-
Total consideration	-	1,042,753
Satisfied by:		
Cash	-	1,042,753
Shares issued	-	-
	-	1,042,753
Net cash outflow arising on acquisition:		
Cash consideration	-	1,042,753
Cash and cash equivalents of the subsidiary acquired	-	(1,042,753)
	-	-

12. INVESTMENTS

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Quoted shares, at cost	726,448	655,747	726,448	655,747
Accumulated impairment losses	(283,747)	(491,510)	(283,747)	(491,510)
	442,701	164,237	442,701	164,237
Unquoted shares, at cost	-	300,000	-	300,000
Accumulated impairment losses	-	(96,000)	-	(96,000)
	-	204,000	-	204,000
	442,701	368,237	442,701	368,237
Market value at 30 June:				
Quoted shares	3,628,579	230,735	3,628,579	230,735

13. GOODWILL ON CONSOLIDATION

Group	Goodwill RM
Cost	
At 1 July 2005	12,684,592
Arising from acquisition of subsidiaries	-
Write off	-
At 30 June 2006 and 1 July 2006	12,684,592
Effects of adopting FRS 3 {Note 2.3(b)(i)}	(2,536,920)
Write off	-
At 30 June 2007	10,147,672
Accumulated amortisation	
At 1 July 2005	1,902,690
Amortisation (Note 4)	634,230
At 30 June 2006 and 1 July 2006	2,536,920
Effects of adopting FRS 3 {Note 2.3(b)(i)}	(2,536,920)
At 30 June 2007	-
Net carrying amount	
At 30 June 2006	10,147,672
At 30 June 2007	10,147,672

13. GOODWILL ON CONSOLIDATION (CONTD.)

(a) Impairment loss recognised

During the year, the Group carried out a review of the recoverable amount of its goodwill. The review has not led to the recognition of any impairment loss during the year.

(b) Impairment tests on goodwill

The recoverable amount of goodwill as at the end of the financial year was determined based on a value in use calculation by discounting the future cash flows generated from the continuing use of the cash-generating unit ("CGU") and was based on the following assumptions:

(i) Pre-tax cash flow projections based on the most recent financial budgets approved by management covering a five year period.

(ii) Pre-tax discount rate of 8.25% was applied in determining the recoverable amount of CGU. The discount rate was estimated based on the Group's weighted average cost of debts.

(iii) The selling price used to calculate the cash inflows from operations was determined after taking into consideration price trends of the industries which the CGU is exposed to.

(c) Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five year period.

Discount rate is estimated at 8.25% per annum throughout the calculation period.

(d) Sensitivity to changes in assumptions

Barring any unforeseen circumstances, the management believes that no reasonably possible change in the above assumptions would cause the net carrying amount of goodwill to materially exceed its recoverable amount.

14. INVENTORIES

	Group	
	2007	**2006**
	RM	**RM**
Cost:		
Raw materials	11,578,672	11,942,591
Work-in-progress	11,257,472	7,791,254
Finished goods	4,774,478	5,616,206
Consumables	99,376	123,606
Packing materials	25,055	20,800
	27,735,053	25,494,457

All inventories are pledged to a licensed bank as securities for the bank borrowings disclosed in Note 21 to the financial statements.

15. TRADE RECEIVABLES

	Group	
	2007	**2006**
	RM	**RM**
Trade receivables	13,903,185	13,093,929

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

The Group has a significant concentration of credit risk that may arise from exposures to a group of debtors which represents approximately 55% (2006: 55%) of the total trade receivables as at 30 June 2007.

16. OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Other receivables	5,420,829	8,612,722	85,410	75,810
Deposits	112,651	23,020	2,000	2,000
Prepayments	299,688	253,068	2,000	2,000
	5,833,168	8,888,810	89,410	79,810

Included in other receivables of the Group are amount due from a third party of RM4,903,993 (2006: RM7,593,538) in respect of raw materials purchased which are borne by the third party due to the cancellation of its purchase orders.

The Group has a significant concentration of credit risk that may arise from exposure to a debtor amounting to RM4,903,993 (2006: RM7,593,538) as at 30 June 2007.

17. AMOUNTS DUE BY/(TO) SUBSIDIARIES

The amounts due by/(to) subsidiaries are trade and non trade related, interest free, unsecured with no fixed terms of repayment.

18. FIXED DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Deposits with:				
Licensed banks	-	5,580,000	-	-

Included herein are fixed deposits amounting to RM Nil (2006: RM280,000) 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	
	2007	2006	2007	2006
	RM	RM	RM	RM
Fixed deposits	-	3 - 3.7	-	-
Repo	-	2.45 - 3.7	-	-

	Maturities		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Fixed deposits	-	150 days to 365 days	-	-
Repo	-	2 - 7 days	-	-

19. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised:				
At 30 June	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid:				
At 1 July	51,685,813	50,011,067	51,685,813	50,011,067
Issued during the year:				
- Conversion of ICULS	-	1,674,746	-	1,674,746
At 30 June	51,685,813	51,685,813	51,685,813	51,685,813

20. RESERVES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Retained earnings/(Accumulated loss)	3,168,820	(2,359,272)	(9,359,897)	(12,579,414)
Non-distributable:				
Share premium	15,170,314	15,170,314	15,170,314	15,170,314
Capital reserve				
- ICULS (equity component) (Note 26)	20,060,651	20,060,651	20,060,651	20,060,651
	38,399,785	32,871,693	25,871,068	22,651,551

21. BORROWINGS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	1,248,105	1,842,594	-	-
Bankers' acceptances	7,357,000	5,702,000	-	-
Revolving credits	11,000,000	13,000,000	-	-
Export credit refinancing	153,000	-	-	-
Trust receipts	32,114	-	-	-
Term loans	3,859,566	1,917,516	-	-
Hire purchase payables (Note 21.1)	7,598	1,865	-	-
	23,657,383	22,463,975	-	-
Unsecured:				
ICULS (liability component) (Note 26)	1,080,129	1,080,129	1,080,129	1,080,129
	24,737,512	23,544,104	1,080,129	1,080,129

21. BORROWINGS (CONTD.)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Long Term Borrowings				
Secured:				
Revolving credits	14,000,000	8,000,000	-	-
Term loans	5,619,028	5,881,361	-	-
Hire purchase payables (Note 21.1)	16,343	-	-	-
	19,635,371	13,881,361	-	-
Unsecured:				
ICULS (liability component) (Note 26)	1,900,538	2,759,578	1,900,538	2,759,578
	21,535,909	16,640,939	1,900,538	2,759,578
Total Borrowings				
Bank overdrafts	1,248,105	1,842,594	-	-
Bankers' acceptances	7,357,000	5,702,000	-	-
Revolving credits	25,000,000	21,000,000	-	-
Export credit refinancing	153,000	-	-	-
Trust receipts	32,114	-	-	-
Term loans	9,478,594	7,798,877	-	-
Hire purchase payables (Note 21.1)	23,941	1,865	-	-
	43,292,754	36,345,336	-	-
Unsecured:				
ICULS (liability component) (Note 26)	2,980,667	3,839,707	2,980,667	3,839,707
	46,273,421	40,185,043	2,980,667	3,839,707
Maturity of borrowings (excluding hire purchase payables)				
Within 1 year	24,729,914	23,542,239	1,080,129	1,080,129
More than 1 year and less than 2 years	18,427,691	11,277,303	1,000,119	1,000,119
More than 2 years and less than 5 years	3,091,875	4,946,951	900,419	1,759,459
5 years or more	-	416,685	-	-
	46,249,480	40,183,178	2,980,667	3,839,707

	Group		Company	
	2007 % per annum	2006 % per annum	2007 % per annum	2006 % per annum
Bank overdrafts	8.00%-8.25%	8.00%-8.25%	-	-
Bankers' acceptances	5.15%-5.65%	5.15%-5.65%	-	-
Revolving credits	5.40%-5.90%	5.40%-5.90%	-	-
Export credit refinancing	4.50%	-	-	-
Trust receipts	8.25%	-	-	-
Term loans	6.35%-8.00%	6.35%-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;
(v) joint and several guarantee by the directors of a subsidiary; and
(vi) corporate guarantee by the Company.

21. BORROWINGS (CONTD.)

21.1 Hire Purchase Payables

	Group 2007 RM	Group 2006 RM
Minimum lease payments		
Not later than 1 year	9,164	1,865
Later than 1 year and not later than 2 years	9,164	-
Later than 2 years and not later than 5 years	8,400	-
	26,728	1,865
Future finance charges	(2,787)	-
	23,941	1,865
Present value of hire purchase liabilities		
Not later than 1 year	7,598	1,865
Later than 1 year and not later than 2 years	8,235	-
Later than 2 years and not later than 5 years	8,108	-
	23,941	1,865
Analysed as		
Due within 12 months	7,598	1,865
Due after 12 months	16,343	-
	23,941	1,865

The hire purchase liabilities bore interest at the balance sheet date of 4% (2006: 3.29%) per annum.

21.2 Term Loans

The term loans are repayable as follows

(a) Monthly instalments of RM13,960, RM62,500 and RM83,333 each over a period of 96 months, 48 months and 60 months respectively; and

(b) Quarterly instalments of RM458,513 each over 16 instalments.

22. DEFERRED TAX

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
At 1 July	2,458,239	158,378	(1,074,905)	(1,401,741)
Recognised in income statement	1,633,516	2,299,861	269,042	326,836
At 30 June	4,091,755	2,458,239	(805,863)	(1,074,905)
Presented after appropriate offsetting as follows:				
Deferred tax assets	(805,863)	(1,074,905)	(805,863)	(1,074,905)
Deferred tax liabilities	4,897,618	3,533,144	-	-
	4,091,755	2,458,239	(805,863)	(1,074,905)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group

	At 1 July 2006 RM	Recognised in income statements RM	At 30 June 2007 RM
Unabsorbed capital allowances	(840,000)	426,000	(414,000)
Unutilised tax losses	(614,000)	(116,000)	(730,000)
ICULS (equity component)	(1,074,905)	269,042	(805,863)
	(2,528,905)	579,042	(1,949,863)

22. DEFERRED TAX (CONTD.)

Deferred tax assets of the Group

	At 1 July 2005 RM	Recognised in income statements RM	At 30 June 2006 RM
Unabsorbed capital allowances	(1,620,000)	780,000	(840,000)
Unutilised tax losses	(109,000)	(505,000)	(614,000)
ICULS (equity component)	(1,401,741)	326,836	(1,074,905)
	(3,130,741)	601,836	(2,528,905)

Deferred tax asset of the Company

	At 1 July 2006 RM	Recognised in income statements RM	At 30 June 2007 RM
ICULS (equity component)	(1,074,905)	269,042	(805,863)

	At 1 July 2005 RM	Credited to equity RM	At 30 June 2006 RM
ICULS (equity component)	(1,401,741)	326,836	(1,074,905)

Deferred tax liabilities of the Group

	At 1 July 2006 RM	Recognised in income statements RM	At 30 June 2007 RM
Property, plant and equipment	4,987,144	1,054,474	6,041,618

	At 1 July 2005 RM	Recognised in income statements RM	At 30 June 2006 RM
Property, plant and equipment	3,289,119	1,698,025	4,987,144

Deferred tax asset has not been recognised in respect of the following item:

	Group 2007 RM	2006 RM
Unutilised tax losses	1,563,000	2,071,000

As at 30 June 2007, the Group has unutilised reinvestment allowances carried forward amounting to approximately RM40,599,000 (2006: RM26,824,000) which can be used to offset against future taxable profit, subject to agreement with the Inland Revenue Board.

23 TRADE PAYABLES

	Group	
	2007	2006
	RM	RM
Trade payables	1,195,390	1,456,945

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

24. OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Accruals	1,584,804	1,612,841	40,600	45,600
Amounts due to directors	43,394	32,182	26,000	17,000
Other payables	3,459,594	1,514,030	51,039	17,757
	5,087,792	3,159,053	117,639	80,357

25. WARRANTS

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

Warrants	Exercise price per ordinary share	Expiry date	Number of warrants outstanding as at 30/6/2007
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.

26. IREEDEEMABLE 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.

26. IREEDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") (CONTD.)

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

	Group and Company		
	Equity component RM	Liability component RM	Total RM
At 1 July 2006	20,060,651	3,839,707	23,900,358
Interest paid	-	(1,166,538)	(1,166,538)
Interest expense	-	307,498	307,498
	20,060,651	2,980,667	23,041,318
Effect of conversion	-	-	-
At 30 June 2007	20,060,651	2,980,667	23,041,318
Analysis at 30 June 2007			
- carrying value			23,847,181
- deferred tax asset			(805,863)
			23,041,318

The liability component at 30 June 2007 is further analysed as follows:

	2007 RM	2006 RM
Within 1 year	1,080,129	1,080,129
After 1 year and not later than 5 years	1,900,538	2,759,578
	2,980,667	3,839,707

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.

27. CONTINGENT LIABILITIES (UNSECURED)

	Company	
	2007 RM	2006 RM
Corporate guarantees given to financial institutions as securities for banking facilities granted to the subsidiaries	45,612,256	34,155,419

28. SHARE-BASED PAYMENTS

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.

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 entitlements 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 Employees Share Options 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 2007, the Company has yet to grant any ESOS to the above directors.

29. COMMITMENTS

	Group 2007 RM	2006 RM
Capital expenditure		
Contracted but not provided for	3,887,204	7,120,805
Approved and contracted for	-	1,210,910
Non-Cancellable Operating Lease Commitments:		
Future minimum lease rental payables		
Not later than 1 year	2,548,496	84,012
Later than 1 year and not later than 5 years	2,066,147	154,022
	4,614,643	238,034
	8,501,847	8,569,749

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.

30. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

	2007 RM	2006 RM
Group		
Sales to a company in which certain directors have an interest		
- Dallab Sdn. Bhd.	-	802,337
- FA Technology Sdn. Bhd.	7,430	38,946
- Dallab Sales & Marketing Sdn. Bhd.	673,281	2,721,545
Purchases from companies in which certain directors have an interest		
- Exzone Plastics Manufacturers Sdn. Bhd.	56,857	30,100
- FA Technology Sdn. Bhd.	-	2,073
Tooling and non-recurring engineering cost charged to a company in which certain directors have an interest		
- Dallab Inc. Sdn. Bhd.	34,659	100,887
- Dallab Sdn. Bhd.	202,952	-
Design fees charged by a company in which certain directors have an interest		
- Dallab Inc Sdn. Bhd.	-	300,000
Sub-contract charge payable to a company in which certain directors have an interest		
- FA Technology Sdn. Bhd.	-	8,001
Scrap sales to a company connected by a common director		
- Dai-Ichi Electronics (M) Sdn. Bhd.	29,753	12,205
Rental paid to a company connected by a common director		
- Dai-Ichi Electronics (M) Sdn. Bhd.	-	16,000
Purchase of property, plant and equipment from companies in which certain directors have an interest		
- Exzone Plastic Manufacturers Sdn. Bhd.	-	361,550
- Dai-Ichi Electronics (M) Sdn. Bhd.	-	23,900
Company		
Advances given to subsidiaries		
- SMT Technologies Sdn. Bhd.	750,000	7,054,541
- Mastimber Industries Sdn. Bhd.	-	948,565
- EG Wireless Sdn. Bhd.	86,000	415,000
- SMT Industries Co. Ltd. (Thailand)	2,391,455	502,067
- Glisten Knight Sdn. Bhd.	-	640,000
Management fees receivable from a subsidiary		
- Mastimber Industries Sdn. Bhd.	48,000	48,000
Rental paid to a company connected by a common director		
- Dai-Ichi Electronics (M) Sdn. Bhd.	-	16,000

30. RELATED PARTY DISCLOSURES (CONTD.)

(b) Transactions with Other Related Parties

The related parties above which the Group/the Company has transacted with during the financial year are deemed to be related by virtue of the following related party relationships:

(i) Ms Tai Lee Keow is a director of Dai-Ichi Electronics (M) Sdn. Bhd.;

(ii) Mr. Yeoh Sian Kok and Madam Tai Lee See are directors and/or substantial shareholders of Dallab Sdn. Bhd., Dallab Inc. Sdn. Bhd. and Dallab Sales & Marketing Sdn Bhd.. Mr. Yeoh Sian Kok and Madam Tai Lee See are the son-in-law and daughter respectively of Mr. Tai Keik Hock;

(iii) Madam Tai Keng Eng is a director of Exzone Plastics Manufacturers Sdn Bhd and is the spouse of the director and major shareholder of Exzone Plastics Manufacturers Sdn. Bhd., Mr. Teh Lian Hock; and

(iv) Mr. Tai Chee Seong and Madam Tai Lee Bee are directors and/or substantial shareholders of FA Technology Sdn Bhd. Mr. Tai Chee Seong and Madam Tai Lee Bee are the son-in-law and daughter respectively of Mr. Tai Keik Hock.

(c) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Short-term employee benefits	1,473,715	1,164,500	440,500	266,000
Post-employment benefits:				
Defined contribution plan	115,229	103,020	-	-
Defined benefit plan	3,473	3,106	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	-	-	-	-
	1,592,417	1,270,626	440,500	266,000

Included in the total compensation of key management personnel are:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors' remuneration (Note 7)	921,615	632,000	440,500	266,000

31. 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 Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have occasionally been placed in fixed deposits.

31. FINANCIAL INSTRUMENTS (CONTD.)

(b) Interest Rate Risk (Contd.)

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amounts, the highest and lowest interest rates as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	Highest %	Lowest %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
Group										
At 30 June 2007										
Fixed rate										
Hire-purchase and finance lease payables	21	4.00	4.00	7,598	8,235	8,108	-	-	-	23,941
ICULS	26	5.00	5.00	1,080,129	1,000,119	900,419	-	-	-	2,980,667
Floating rate										
Bank overdrafts	21	8.60	8.25	1,248,105	-	-	-	-	-	1,248,105
Bankers' acceptances	21	5.15	5.65	7,357,000	-	-	-	-	-	7,357,000
Revolving credits	21	5.40	5.90	11,000,000	14,000,000	-	-	-	-	25,000,000
Export credit refinancing	21	4.50	4.50	153,000	-	-	-	-	-	153,000
Trust receipts	21	8.25	8.25	32,114	-	-	-	-	-	32,114
Term loans	21	6.75	8.00	3,859,566	3,185,176	1,605,016	828,836	-	-	9,478,594
At 30 June 2006										
Fixed rate										
Hire-purchase and finance lease payables	21	3.9	3.9	1,865	-	-	-	-	-	1,865
ICULS	26	5.00	5.00	1,080,129	1,000,119	1,759,459	-	-	-	3,839,707
Floating rate										
Bank overdrafts	21	8.00	8.25	1,842,594	-	-	-	-	-	1,842,594
Bankers' acceptances	21	5.15	5.65	5,702,000	-	-	-	-	-	5,702,000
Revolving credits	21	5.40	5.92	13,000,000	8,000,000	-	-	-	-	21,000,000
Term loans	21	6.35	8.00	1,917,516	1,917,516	1,917,516	1,605,016	441,313	-	7,798,877
Company										
At 30 June 2007										
Fixed rate										
ICULS	26	5.00	5.00	1,080,129	1,000,119	900,419	-	-	-	2,980,667
At 30 June 2006										
Fixed rate										
ICULS	26	5.00	5.00	1,080,129	1,000,119	1,759,459	-	-	-	3,839,707

31. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Currency Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily EURO, Singapore Dollar, United States Dollar and Thai Baht. 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.

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 Companies	2007 Ringgit Malaysia RM	2006 Ringgit Malaysia RM
Trade receivables		
EURO	1,385,575	1,125,507
United States Dollar	516,099	468,085
Other receivables		
United States Dollar	172,650	155,821
Thai Baht	-	865
Cash and bank balances		
United States Dollar	23,761	239,003
Thai Baht	-	30,643
Trade payables		
EURO	-	437,564
United States Dollar	793	319,831
Other payables		
EURO	-	5,104
Singapore Dollar	36	1,343
United States Dollar	6,812	9,483
Thai Baht	-	28,393

(d) Liquidity Risk

The Group 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 at a reasonable level to its overall debt position.

(e) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. 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 in Note 15 and Note 16 to the financial statements.

31. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the followings:

		Group		Company	
	Notes	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
At 30 June 2007					
Non-current quoted shares	12	442,701	3,628,579	442,701	3,628,579
Amounts due by subsidiaries	17	-	-	24,947,435	#
Amount due to a subsidiary	17	-	-	2,485,422	#
Term loans	21	9,478,594	8,878,075	-	-
Hire purchase payables	21	23,941	23,013		
ICULS	26	23,847,181	16,331,551	23,847,181	16,331,551
At 30 June 2006					
Non-current quoted shares	12	164,237	230,735	164,237	230,735
Non-current unquoted shares	12	204,000	*	204,000	*
Amounts due by subsidiaries	17	-	-	27,285,940	#
Amount due to a subsidiary	17	-	-	455,722	#
Term loans	21	7,798,877	7,086,013	-	-
Hire purchase payables	21	1,865	1,865	-	-
ICULS	26	24,975,263	19,831,169	24,975,263	19,831,169

* 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 into 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 sheet of the Company as at the end of the financial year are:

		Company	
	Notes	Nominal notional amount RM	Net fair value RM
At 30 June 2007			
Contingent liabilities	27	45,612,256	-
At 30 June 2006			
Contingent liabilities	27	34,155,419	-

31. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values (Contd.)

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.

iii. Quoted loan stocks

The fair value of quoted ICULS is determined by reference to stock exchange quoted market prices at the close of the business on the balance sheet date.

32. SEGMENT INFORMATION

(a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) Business Segments

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

2007	**Provision of electronic manufacturing services RM**	**Solid wood parquet RM**	**Total RM**	**Elimination/ adjustment RM**	**Consolidated RM**
REVENUE AND EXPENSES					
<u>Revenue</u>					
External sales	447,169,560	11,631,037	458,800,597	-	458,800,597
Inter segment sales	-	-	-	-	-
	447,169,560	11,631,037	458,800,597	-	458,800,597
Unallocated revenue					15,714
Total revenue					458,816,311

32. SEGMENT INFORMATION (CONTD.)

2007	Provision of electronic manufacturing services RM	Solid wood parquet RM	Consolidated RM
REVENUE AND EXPENSES			
Results			
Segment results	8,445,704	652,764	9,098,468
Unallocated expenses			1,153,579
Operating profit			10,252,047
Finance costs			(2,756,978)
Profit before tax			7,495,069
Income tax expense			(1,925,054)
Profit for the year			5,570,015
ASSETS AND LIABILITIES			
Segment assets	101,911,711	23,246,843	125,158,554
Unallocated assets			23,137,577
Consolidated total assets			148,296,131
Segment liabilities	5,169,100	863,152	6,032,252
Unallocated liabilities			51,421,969
Consolidated total liabilities			57,454,221

2007	Provision of electronic manufacturing services RM	Solid wood parquet RM	Corporate RM	Consolidated RM
OTHER INFORMATION				
Capital expenditure	26,171,408	854,689	5,177,468	32,203,565
Depreciation	8,277,831	1,530,258	29,545	9,837,634

2006	Provision of electronic manufacturing services RM	Solid wood parquet RM	Total RM	Elimination/ adjustment RM	Consolidated RM
REVENUE AND EXPENSES					
Revenue					
External sales	439,042,293	9,297,435	448,339,728	-	448,339,728
Inter segment sales	-	-	-	-	-
	439,042,293	9,297,435	448,339,728	-	448,339,728
Unallocated revenue					42,853
Total revenue					448,382,581

32. SEGMENT INFORMATION (CONTD.)

2006	Provision of electronic manufacturing services RM	Solid wood parquet RM	Consolidated RM
REVENUE AND EXPENSES			
Results			
Segment results	10,037,681	1,745,084	11,782,765
Unallocated expenses			(1,402,038)
Operating profit			10,380,727
Finance costs			(2,083,665)
Profit before tax			8,297,062
Income tax expense			(2,452,861)
Profit for the year			5,844,201
ASSETS AND LIABILITIES			
Segment assets	92,570,386	22,678,524	115,248,910
Unallocated assets			18,357,170
Consolidated total assets			133,606,080
Segment liabilities	2,810,396	1,588,793	4,399,189
Unallocated liabilities			43,934,996
Consolidated total liabilities			48,334,185

2006	Provision of electronic manufacturing services RM	Solid wood parquet RM	Corporate RM	Consolidated RM
OTHER INFORMATION				
Amortisation	-	-	634,230	634,230
Capital expenditure	30,296,362	1,047,531	1,291,321	32,635,214
Depreciation	4,583,586	1,492,898	27,961	6,104,445

(c) Geographical Segments

Based on risks and returns, the directors consider that the primary reporting format is by business segments. The directors further consider that there are only two business segments which are predominantly carried out in Malaysia. Hence, apart from external customers by location of customers which are shown below, the required information has already been disclosed in the financial statements.

	Total Revenue from External Customers 2007 RM	2006 RM
Malaysia	447,185,274	439,085,146
Europe	11,631,037	9,297,435
Consolidated	458,816,311	448,382,581

32. SEGMENT INFORMATION (CONTD.)

(d) Allocation Basis

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 consist 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.

33. COMPARATIVES

The following comparative amounts as at 30 June 2006 have been reclassified to conform with current year's presentation.

	As restated RM	Adjustments RM	As previously stated RM
Income statement			
Other operating income/(expenses), net	-	418,828	(418,828)
Other income	103,825	103,825	-
Other expenses	(418,828)	(418,828)	-
Finance costs	(2,083,665)	(103,825)	(1,979,840)

34 SUBSEQUENT EVENTS

Subsequent to the year end, the Company has executed the following in favour of certain financial institutions as securities for the banking facilities granted to a subsidiary:

(a) a corporate guarantee amounting to RM12,500,000;

(b) a letter of subordination amounting to RM10,000,000; and

(c) a third party letter of set-off over fixed deposit with the lien value of RM1,000,000.

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 Sixteenth Annual General Meeting of the Company to be held at Level 2, Sri Intan Room, Bayview Hotel Georgetown Penang (formerly known as The City Bayview Hotel, Penang), 25-A Farquhar Street, 10200 Penang on Monday, 31 December 2007 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 KEIK HOCK		
4.	Re-election of Director, TAI KENG ENG		
5.	Re-election of Director, ANDREW SU MENG KIT		
6.	Re-appointment of Auditors, ERNST & YOUNG		
7.	Authority pertaining to Section 132D of the Companies Act, 1965		
8.	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature		
	Special Resolution		
9.	Proposed amendment to the Articles of Association		

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

Signed this __________ day of ____________ , 2007.

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, No. 8, Lebuh 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 Resolutions
   - Resolution 7

   The proposed Resolution No. 7 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.

   - Resolution 8

   The proposed Resolution No. 8 is in relation to the Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, and if passed will renew the power given to the Group to transact with the parties related to the Group. Please refer to Part A of the Circular to Shareholders dated 6 December 2007.

   Special Resolution
   - Resolution 9

   The proposed Resolution No. 9, if passed will result in the Company's Articles of Association being amended to be in line with the recent amendments to the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to Part B of the Circular to Shareholders dated 6 December 2007.

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Stamp

The Secretary

EG INDUSTRIES BERHAD (222897-W)

c/o **SYMPHONY CORPORATEHOUSE SDN. BHD. (476777-A)**

Suite 18.01, 18th Floor, MWE Plaza,
No. 8, Lebuh Farquhar,
10200 Penang.

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