EG Industries Berhad

222897-W

Annual Report

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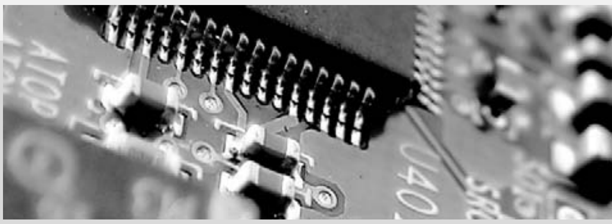


NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the SEVENTEENTH ANNUAL GENERAL MEETING of the Company will be held at EG INDUSTRIES BERHAD, Lot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah on Tuesday, 23 December 2008 at 11:30 a.m. for the following purposes:-

AGENDA

As Ordinary Business :-

1. To receive and adopt the Audited Financial Statements for the year ended 30 June 2008 and the Reports of the Directors and the Auditors thereon. Resolution 1

2. To approve the payment of Directors' Fees of RM26,000.00 for the year ended 30 June 2008. Resolution 2

3. To re-elect the following director retiring in accordance with Article 98(1) of the Company's Articles of Association :- Resolution 3

   MS. TAI LEE KEOW

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

   MR. TEONG KOK KHONG

5. To re-elect the following director retiring under Section 129 of the Companies Act, 1965 :- Resolution 5

   MR. TAI KEIK HOCK

6. To re-appoint MESSRS KPMG as auditors and to authorize the Directors to fix their remuneration. Resolution 6

As Special Business :-

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

7. Ordinary Resolution

   - Authority for Directors to issue and allot shares in the Company pursuant to Section 132D of the Companies Act, 1965 Resolution 7

   "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."

8. 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 1 December 2008 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

8. Ordinary Resolution [contd.]

    (c) revoked or varied by resolution passed by the shareholders at a general meeting, whichever is the earlier.

    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 authorized by this Ordinary Resolution."

9. Ordinary Resolution — Resolution 9

    - Proposed Renewal of Authority for the Purchase by the Company of its own ordinary shares of up to 10% of the issued and paid-up share capital ("Share Buy Back")

    "THAT, subject to the approval of the relevant authorities, approval be and is hereby given to the Company to acquire its own shares of RM1.00 each of up to 10% of its issued and paid-up share capital from the market of Bursa Malaysia Securities Berhad, as may be determined by the Directors of the Company from time to time, in the manner set out in Part B of the Circular to the Company's shareholders dated 1 December 2008; The aggregate number of shares purchased pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company which amount to 51,685,813 ordinary shares of RM1.00 each as at 18 November 2008 and an amount not exceeding the total of retained earnings and share premium account of RM6,052,258 based on the latest audited accounts of the Company as at 30 June 2008.

    THAT such authority shall commence upon the passing of this resolution and shall continue to be in force until :

    (a) the conclusion of the next AGM at which time the authority will lapse, unless by an ordinary resolution passed at the next AGM, the authority is renewed; or

    (b) the expiration of the period within which the next AGM after that date is required by law to be held; or

    (c) revoked or varied by an ordinary resolution of the Company's shareholders in a general meeting,

    whichever occurs the earliest, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date;

    AND THAT the Directors of the Company be and are hereby authorized to take all such steps and do all acts and deeds and to execute, sign and deliver on behalf of the Company all necessary documents to give full effect to and for the purpose of completing or implementing the Share Buy Back in the manner set out in Part B of the Circular, which would include the maximum funds to be allocated by the Company for the purpose and that following completion of the Share Buy Back, the power to cancel or retain as treasury shares, any or all of the shares so purchased, resell on Bursa Malaysia Securities Berhad or distribute as dividends to the Company's shareholders or subsequently cancel, any or all of the treasury shares, with full power to assent to any condition, revaluation, modification, variation and/or amendment in any manner as may be required by any relevant authority or otherwise as they seem fit in the best interest of the Company."

10. 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

1 December 2008

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

   - Authority for Directors to issue and allot shares in the Company pursuant to Section 132D of the Companies Act, 1965.

   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

   - Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.

   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 1 December 2008.

   Resolution 9

   - Proposed Renewal of Authority for the Share Buy Back.

   The Share Buy Back will enable the Company to utilise its surplus financial resources to purchase its own shares, when appropriate, and at prices which the Board views as favourable. In addition, the Share Buy Back is also expected to stabilise the supply and demand of the Company's shares in the open market and thereby supporting its fundamental value. Please refer to Part B of the Circular to Shareholders dated 1 December 2008.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- TAI LEE KEOW (Resolution 3)
- TEONG KOK KHONG (Resolution 4)
- TAI KEIK HOCK (Resolution 5)

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

Tai Keik Hock

Age	70
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	4

Tai Lee Keow

Age	42
Nationality	Malaysian
Qualification	Bachelor of Commerce Degree, University of Melbourne, Master of Business Administration
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	Daughter of Tai Keik Hock, Niece of Tai Keng Eng
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

Teong Kok Khong

Age	53
Nationality	Malaysian
Qualification	Bachelor of Science – Civil Engineering, National Cheng Kung University, Tainan, Taiwan, Republic of China
Position	Independent Non-Executive Director
Working Experience & Occupation	He graduated in 1982 and started his career as Site Engineer in 1982 with Eternal Construction Sdn Bhd, Alor Setar. From 1984-1985, he worked as a Site Engineer with Pacific-Well Sdn Bhd. From 1986-1988 he worked as Project Engineer with Niumatic Sdn Bhd, Kuala Lumpur. Then from 1988 - 1990, he worked as Production Engineer with Industrial Concrete Products Sdn Bhd, Kuala Lumpur. Thereafter from 1990-1992, he worked as Project Engineer with Senijuara Sdn Bhd in Sungai Petani, Kedah. Subsequently from 1991-1995, he worked as Director of Yorkton Corporation Sdn Bhd. And from 1994-2003, he established his own construction company Tong Thye Construction Sdn Bhd in Sungai Petani, Kedah where he was a Director of the company. Finally from 2004 to now he established another construction company Shun Chiang Sdn Bhd in Sungai Petani, where he became the Director of the company.
Date appointed to the Board	26 June 2008
Other Board Committee	Chairman of Audit Committee, Chairman of Remuneration Committee and Nomination Committee Member
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Nil
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	Nil

Attendance at Board Meeting

Four Meetings were held during the financial year from 1 July 2007 to 30 June 2008. The details of attendance of Directors at the Board Meetings are as follows:-

Name of Directors	Date of Meetings			
	29/8/07	30/11/07	28/2/08	29/5/08
Tai Keik Hock	✓	✓	✓	✓
Tai Keng Eng	✓	✓	✓	✓
Tai Lee Keow	✓	✓	✓	✓
Andrew Su Meng Kit	✓	✓	✓	✓
Nik Azalan Bin Nik A. Kadir (Resigned on 26 June 2008)	✓	✓	✓	✓
Teong Kok Khong (Appointed on 26 June 2008)	X	X	X	X

Place, date and time of the Seventeenth Annual General Meeting

The Seventeenth Annual General Meeting of the Company is scheduled to be held on Tuesday, 23 December 2008 at 11:30 a.m. at Lot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah.

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 2008 are as follows:-

Aggregate remuneration categorized into components :-

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	6,000	20,000	26,000
Salaries (RM)	401,280	-	401,280
Bonuses and Allowances (RM)	240,000	-	240,000
Benefits-in-kind (RM)	-	-	-
Total (RM)	647,280	20,000	667,280

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	-	-	-
RM450,001 to RM500,000	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.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 30 June 2008, 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 Buy Back

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 26 to the financial statements.

Revaluation Of Landed Properties

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

CORPORATE INFORMATION

Executive Chairman & Group Managing Director
Tai Keik Hock

Executive Directors [Non-independent]
Tai Keng Eng
Tai Lee Keow

Independent Non-executive Directors
Teong Kok Khong [Appointed On 26 June 2008]
Nik Azalan Bin Nik A. Kadir [Resigned On 26 June 2008]
Andrew Su Meng Kit

Company Secretary
Chai Churn Hwa [Maicsa 0811600]

Audit Committee

CHAIRMAN
Teong Kok Khong [Appointed on 26 June 2008]
[Independent Non-Executive Director]

Nik Azalan Bin Nik A. Kadir [Resigned on 26 June 2008]
[Independent Non-Executive Director]

MEMBERS
Tai Keik Hock
[Non-Independent Executive Director]

Andrew Su Meng Kit
[Independent Non-Executive Director]

Registered Office
Suite 18.01, 18th Floor, MWE Plaza
No. 8 Lebuh Farquhar
10200 Penang
Tel : 04-2637762 & 2625424
Fax : 04-2635901

Registrar For Shares, Iculs & Warrants
AGRITEUM SHARE REGISTRATION SERVICES SDN. BHD.
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-2282321
Fax : 04-2272391

Auditors
KPMG

Bankers
United Overseas Bank Berhad
CIMB Bank Berhad
Standard Chartered Bank Malaysia Berhad
Bank Islam Malaysia Berhad
OCBC Bank (Malaysia) Berhad

Stock Exchange Listing
Bursa Malaysia Securities Berhad Second Board

EXECUTIVE CHAIRMAN & GROUP MANAGING DIRECTOR

	TAI KEIK HOCK
Age	70
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	4

EXECUTIVE DIRECTORS

	TAI KENG ENG	TAI LEE KEOW
Age	51	42
Nationality	Malaysian	Malaysian
Qualification	Form Six	Bachelor of Commerce Degree, University of Melbourne, Master of Business Administration
Position	Executive Director 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 DIRECTORS

	TEONG KOK KHONG
Age	53
Nationality	Malaysian
Qualification	Bachelor of Science – Civil Engineering, National Cheng Kung University, Tainan, Taiwan, Republic of China
Position	Independent Non-Executive Director
Working Experience & Occupation	He graduated in 1982 and started his career as Site Engineer in 1982 with Eternal Construction Sdn Bhd, Alor Setar. From 1984-1985, he worked as a Site Engineer with Pacific-Well Sdn Bhd. From 1986-1988 he worked as Project Engineer with Niumatic Sdn Bhd, Kuala Lumpur. Then from 1988-1990, he worked as Production Engineer with Industrial Concrete Products Sdn Bhd, Kuala Lumpur. Thereafter from 1990-1992, he worked as Project Engineer with Senijuara Sdn Bhd in Sungai Petani, Kedah. Subsequently from 1991-1995, he worked as Director of Yorkton Corporation Sdn Bhd. And from 1994-2003, he established his own construction company Tong Thye Construction Sdn Bhd in Sungai Petani, Kedah where he was a Director of the company. Finally from 2004 to now he established another construction company Shun Chiang Sdn Bhd in Sungai Petani, where he became the Director of the company.
Date appointed to the Board	26 June 2008
Other Board Committee	Chairman of Audit Committee, Chairman of Remuneration Committee and Nomination Committee Member
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Nil
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	Nil

	ANDREW SU MENG KIT
Age	37
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 Director of Rhythm Consolidate 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	4

CORPORATE GOVERNANCE STATEMENT

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

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

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

1. DIRECTORS

1.1a Composition and Balance

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

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

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

1.1b Duties and Responsibilities

The Board is primarily responsible for :-

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- 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 2008, 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	4
Tai Keng Eng	4
Tai Lee Keow	4
Andrew Su Meng Kit	4
Nik Azalan Bin Nik A. Kadir (Resigned on 26 June 2008)	4
Teong Kok Khong (Appointed on 26 June 2008)	0

1. DIRECTORS [contd.]

1.2 Supply of Information [contd.]

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 Andrew Su Meng Kit - Chairman, Independent Non-Executive Director

Mr Teong Kok Khong - Independent Non-Executive Director (Appointed on 26 June 2008)

Encik Nik Azalan Bin Nik A. Kadir - Independent Non-Executive Director (Resigned on 26 June 2008)

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.

3. DIRECTORS' REMUNERATION [contd.]

The Remuneration Committee comprises the following members : -

Mr Teong Kok Khong - Chairman, Independent Non-Executive Director (Appointed on 26 June 2008)
Encik Nik Azalan Bin Nik A. Kadir - Chairman, Independent Non-Executive Director (Resigned on 26 June 2008)
Mr Andrew Su Meng Kit - Independent Non-Executive Director
Mr Tai Keik Hock - Chairman & Managing Director

The primary duty of the Remuneration Committee is to review and recommend remuneration packages of Executive 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 2008 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 6.

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 14 and the Audit Committee Report on pages 15 and 16.

5.3 Relationship with Auditors

The external auditor, Messrs KPMG, 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.

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 2008 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.

Composition

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

TEONG KOK KHONG (Appointed on 26 June 2008)
Chairman, Independent Non-Executive Director

NIK AZALAN BIN NIK A. KADIR (Resigned on 26 June 2008)
Chairman, Independent Non-Executive Director

ANDREW SU MENG KIT
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.

Functions of the Audit Committee [contd.]

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 competency 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 2008. Details on the attendance of each member are outlined below:-

	Date of Meetings			
	29/8/07	30/11/07	28/2/08	29/5/08
Teong Kok Khong - Chairman (Appointed on 26 June 2008)	X	X	X	X
Nik Azalan Bin Nik A. Kadir - Chairman (Resigned on 26 June 2008)	✓	✓	✓	✓
Andrew Su Meng Kit	✓	✓	✓	✓
Tai Keik Hock	✓	✓	✓	✓

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 31 OCTOBER 2008

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	4	0.15	179	0.00
100 – 1,000	818	30.95	794,440	1.54
1,001 – 10,000	1,327	50.21	5,981,206	11.57
10,001 – 100,000	430	16.27	12,351,306	23.90
100,001 – 2,584,289 (*)	62	2.35	22,196,418	42.94
2,584,290 and above (**)	2	0.07	10,362,264	20.05
TOTAL	**2,643**	**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 (Resigned on 26 June 2008)	156,500	0.30	-	-
Andrew Su Meng Kit	-	-	-	-
Teong Kok Khong (Appointed on 26 June 2008)	-	-	-	-

(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

30 LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2008

	Name	No. of Shares Held	%
1.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn Bhd for Jupax Enterprise Sdn. Bhd.	6,549,550	12.67
2.	EB Nominees (Tempatan) Sendirian Berhad Pledged securities account for Giap Seng Auto Supply Sdn. Berhad	3,812,714	7.38
3.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Yeoh Sian Kok	1,884,173	3.65
4.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Keik Hock	1,700,000	3.29
5.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Yeoh Sian Kok	1,475,865	2.85
6.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee See	1,454,153	2.81
7.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Keow	1,410,000	2.73
8.	EB Nominees (Tempatan) Sendirian Berhad Pledged securities account for Tai Keik Hock	980,000	1.90
9.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Fung	900,000	1.74
10.	CIMSEC Nominees (Asing) Sdn. Bhd. CIMB For Dominguez Hills Corporation Ltd.	872,000	1.69
11.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Ang Poh Lay	826,100	1.60
12.	Tai Chee Seong	587,322	1.14
13.	Tai Lee Fung	513,338	0.99
14.	Tai Lee Sun	500,901	0.97
15.	A.A. Anthony Securities Sdn. Bhd.	475,000	0.92
16.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Sun	400,000	0.77
17.	Lee Suat Wuat	386,900	0.75
18.	Dallab Capital Sdn. Bhd.	355,500	0.69
19.	OSK Nominees (Tempatan) Sdn. Berhad Pledged securities account for Mohd Isa Bin Ismail	293,700	0.57
20.	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Lim Chiew Hwa	280,000	0.54
21.	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Cheah Saw An	262,400	0.51
22.	Chee Lai Hock	259,300	0.50
23.	Ooi Chieng Sim	250,000	0.48
24.	Cheah Lang Kang	240,270	0.46
25.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Kek Chong Hwee	240,000	0.46
26.	Lye Kuan Fong	227,270	0.44
27.	Ooi Leng Hwa	225,000	0.43
28.	Public Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Lim Beng Lee	210,900	0.41
29.	Low Ah Lin	200,000	0.39
30.	Tan Bak Seng	200,000	0.39

STATISTICS OF IRREEDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (ICULS) 2005/2010 HOLDINGS

AS AT 31 OCTOBER 2008

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	3.94	150	0.00
100 – 1,000	59	46.46	42,300	0.18
1,001 – 10,000	46	36.22	171,950	0.74
10,001 – 100,000	8	6.29	243,800	1.04
100,001 – 1,166,538 (*)	4	3.15	1,959,700	8.40
1,166,539 and above (**)	5	3.94	20,912,887	89.64
TOTAL	**127**	**100.00**	**23,330,787**	**100.00**

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

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 (Resigned on 26 June 2008)	-	-	-	-
Andrew Su Meng Kit	-	-	-	-
Teong Kok Khong (Appointed on 26 June 2008)	-	-	-	-

[(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. A.A. Anthony Securities Sdn. Bhd.	3,477,859	14.91	-	-
4. Timeless Image Sdn. Bhd.	3,000,000	12.86	-	-
5. Yeoh Sian Kok	1,592,000	6.82	-	-
6. Tai Keik Hock	1,350,000	5.79	4,840,000 [(a)]	20.75
7. Tai Lee Keow	1,010,000	4.33	4,840,000 [(a)]	20.75
8. Eng Giat Yang @ Ng Geek Hiang	-	-	4,840,000 [(a)]	20.75

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

30 LARGEST ICULS HOLDERS AS AT 31 OCTOBER 2008

	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.	A.A. Anthony Securities Sdn. Bhd.	3,477,859	14.91
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.	Dallab Capital Sdn. Bhd.	121,700	0.52
9.	Yeoh Sian Kok	102,000	0.44
10.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Bee	63,000	0.27
11.	Eu Mui @ Ee Soo Mei	52,500	0.23
12.	Tan Ah Nya @ Tan Seo Kim	30,000	0.13
13.	Arthur Lawrance Pharamond	28,800	0.12
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.	Foong Yuen Kai Lorry Service Company Sdn. Bhd.	15,000	0.06
17.	Choo Kim Kiong	14,000	0.06
18.	HLG Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for So Soo Theam	9,900	0.04
19.	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ong Tiam Teck	9,000	0.04
20.	Lim Laong Eng	9,000	0.04
21.	Tai Yeong Sheng	9,000	0.04
22.	Lim Chiew Hwa	7,500	0.03
23.	Khor Yeow Peng @ Khor Yau Peng	7,000	0.03
24.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Michael Yong	6,500	0.03
25.	Yap Yok Foo	5,400	0.02
26.	Fong Kim Sing	5,000	0.02
27.	United Overseas Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Loh Cheok Leng	5,000	0.02
28.	Chong Kem Yee	5,000	0.02
29.	Khu Hwa Leng	5,000	0.02
30.	Lim Ah Kim	5,000	0.02

STATISTICS OF WARRANTHOLDINGS 2005/2015

AS AT 31 OCTOBER 2008

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

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	11	4.04	530	0.00
100 – 1,000	66	24.26	36,365	0.22
1,001 – 10,000	119	43.75	646,699	3.88
10,001 – 100,000	63	23.16	2,013,200	12.08
100,001 –833,516(*)	9	3.31	2,350,207	14.10
833,517 and above (**)	4	1.47	11,623,354	69.72
TOTAL	**272**	**100.00**	**16,670,355**	**100.00**

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

DIRECTORS' WARRANTHOLDINGS

	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 (Resigned on 26 June 2008)	-	-	-	-
Andrew Su Meng Kit	-	-	-	-
Teong Kok Khong (Appointed on 26 June 2008)	-	-	-	-

[a] 3,226,668 warrants through Jupax Enterprise Sdn Bhd

SUBSTANTIAL WARRANTHOLDERS

	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	1,061,334	6.37	-	-
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 WARRANTHOLDERS 2005/2015 AS AT 31 OCTOBER 2008

	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 Chua Hock Keng	115,300	0.69
10.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ooi May Fong	114,700	0.69
11.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Jok Kuwi	105,600	0.63
12.	Koh Keah Kwang	104,000	0.62
13	Tan Phee Mun @ Tan Phui Mun	101,000	0.61
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.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Fong Tuck Seng	55,000	0.33
21.	Pua Kock Boon @ Phua Kock Boon	55,000	0.33
22.	Goh Jok Kuwi	53,500	0.32
23.	Sim Kim Pin	50,000	0.30
24.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Foo Sai Heng	50,000	0.30
25	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Louis Tay Chee Siong	50,000	0.30
26.	Chong Chye Neo	50,000	0.30
27.	Chua Vin Teck	46,000	0.28
28.	Tan Heng Lam	45,000	0.27
29.	Esabella Kon Fun Soh	42,500	0.26
30.	OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tai Lee Bee	42,000	0.25

EG INDUSTRIES BERHAD (222897-W)

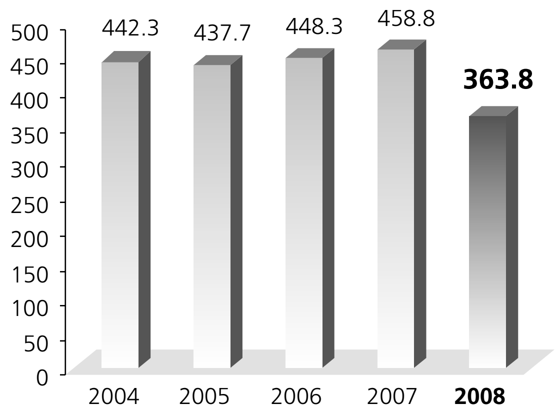
- 100% — **EG WIRELESS SDN BHD** (665423-W)
- 100% — **SMT TECHNOLOGIES SDN BHD** (279566-X)
  - 100% — **GLISTEN KNIGHT SDN BHD** (354564-D)
- 100% — **SMT INDUSTRIES CO., LTD. (THAILAND)** (0255549000227)
- 90.50% — **MASTIMBER INDUSTRIES SDN BHD** (418438-V)

Year ended June 30	2004	2005	2006	2007	2008
Revenue	442.3	437.7	448.3	458.8	**363.8**
Total Equity	51.9	78.6**	84.6	95.5**	**98.3**
Profit Before Tax	14.1	9.0	8.3	7.5	**0.2**

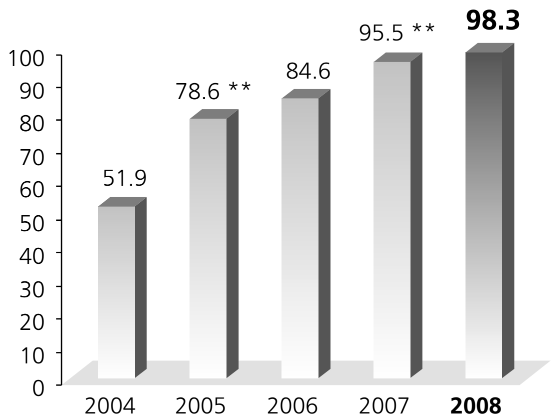
** As restated

Amount in RM '000,000

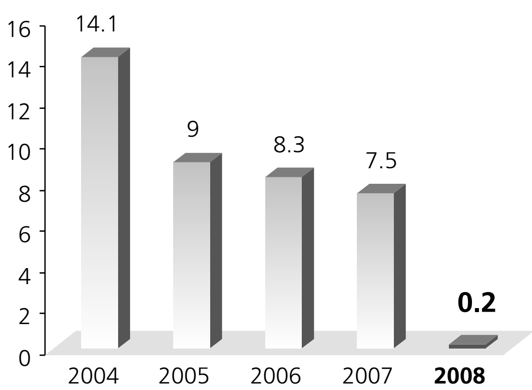
Revenue



Total Equity



Profit Before Tax



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 30/06/08 (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)	1,380,624
Lot No. 25 & 32 Kawasan Perusahaan Kuala Ketil, Mukim of Tawar, District of Baling, Kedah	9	28/04/03	209,154	Factory, Office Building & Warehouse	Leasehold (60 years)	3,190,606
H.S.(M) 343/89 P.T.No.8543, Mukim Sg. Pasir, Daerah Kuala Muda Kedah	15	01/06/06	174,240	Factory, Office Building & Warehouse	Sub-leasehold (08/10/2088)	12,994,898
Lot 2, 8 & 16 Mukim of Bujang Daerah Kuala Muda Kedah	-	28/09/05	4,216,741	Vacant Land	Freehold	3,506,720
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)	687,120
Lot 122 304 Industrial Park Tha Tum District Srimahapho Prachinburi Thailand	-	-	172,223	Factory, Office Building & Warehouse	Freehold	10,359,586

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 2008.

FINANCIAL OVERVIEW

For the financial year under review, the Group recorded a turnover of RM363.8 million as compared to RM458.8 million in the preceding year. The profit before tax was RM0.2 million as compared to a profit before tax of RM7.5 in the preceding year. Apart from lower sales recorded by the Group, the reduction in profitability of the Group was mainly due to the rising operating costs brought about by the escalating fuel oil prices and the continuing strengthening of the Malaysia Ringgit against the US dollar.

CORPORATE DEVELOPMENT

The Company does not have any 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, has started operation in the third quarter of calendar year 2008.

FUTURE OUTLOOK

The global economy is facing challenging times in view of skyrocketing commodity prices which influences investment decisions and consumer spending. The financial and economic crisis in the United States may lead to a slow down in the growth of global economy which in turn would affect our Company.

The operating landscape for our industry remains highly competitive. However, with the Group's broad base strength in operations including execution ability and prudent management practices, the Group is confident in meeting these challenges and captures any business opportunity that may arise.

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. Now the US dollar has strengthened and hopefully will stabilise in order to provide a healthier financial system for EMS providers in Malaysia.

The Group has also entered into the high end consumer electronics market such as vacuum cleaner machine manufacturing. The Group believes this industry will provide better profit margin to the Group. With the commencement of operation of Thailand plant, the Group anticipates that it will contribute to the bottom line of the Group for 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 obtained the ISO14000 certification 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 Teong Kok Khong, who joined us on 26 June 2008; and also to express our sincere gratitude to Encik Nik Azalan bin Nik A Kadir, who resigned on 26 June 2008, 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 2008.

TAI KEIK HOCK
Executive Chairman

1 December 2008

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2008.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are stated in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Results

Profit attributable to :	Group RM	Company RM
Shareholders of the Company	3,362,392	241,841
Minority interest	(85,537)	-
	3,276,855	241,841

Reserves and provisions

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

Dividends

No dividend was paid since the end of the previous financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are :

Tai Keik Hock
Tai Keng Eng
Tai Lee Keow
Andrew Su Meng Kit
Teong Kok Khong [Appointed on 26.6.2008]
Nik Azalan bin Nik A. Kadir [Resigned on 26.6.2008]

Directors' interests

The interests and deemed interests in the shares, warrants and irredeemable convertible unsecured loan stocks ("ICULS") of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouse and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Balance at 1.7.2007/*	Bought	(Sold)	Balance at 30.6.2008
The Company	**Number of ordinary shares of RM1 each**			
- Direct interest				
Tai Keik Hock				
- own	2,683,715	-	-	2,683,715
- others	* 3,960,518	-	(10,000)	3,950,518
Tai Keng Eng				
- own	104,920	-	-	104,920
Tai Lee Keow				
- own	1,425,879	-	(15,800)	1,410,079
- Deemed interest				
Tai Keik Hock				
- own	8,110,650	-	(1,561,100)	6,549,550
- others	* 3,812,714	-	-	3,812,714
Tai Lee Keow				
- own	8,110,650	-	(1,561,100)	6,549,550

The Company	**Number of warrants 2005/2015**			
- Direct interest				
Tai Keik Hock				
- own	900,000	-	-	900,000
- others	* 532,000	-	-	532,000
Tai Lee Keow				
- own	673,334	-	-	673,334
- Deemed interest				
Tai Keik Hock				
- own	3,226,668	-	-	3,226,668
Tai Lee Keow				
- own	3,226,668	-	-	3,226,668

Directors' interests [contd.]

	Balance at 1.7.2007/*	Bought	(Sold)	Balance at 30.6.2008
	Number of RM1 nominal value of 5% ICULS 2005/2010			
The Company				
- Direct interest				
Tai Keik Hock				
- own	1,350,000	-	-	1,350,000
- others	* 798,000	-	-	798,000
Tai Lee Keow				
- own	1,010,000	-	-	1,010,000
- Deemed interest				
Tai Keik Hock				
- own	4,840,000	-	-	4,840,000
Tai Lee Keow				
- own	4,840,000	-	-	4,840,000

* These are shares, warrants and ICULS held in the name of the spouse and children and are treated as the interest of the Director in accordance with Section 134(12)(c) of the Companies Act, 1965 with effect from 15 August 2007.

By virtue of their interests in the shares in the Company, Mr. Tai Keik Hock and Ms. Tai Lee Keow are also deemed to be interested in the shares in the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at 30 June 2008 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

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 30.6.2008
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.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company and its related corporations 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 the 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 other than those transactions between the Company and its related corporations with companies in which a Director is deemed to have a substantial financial interest as disclosed in Note 26 to the financial statements.

Directors' benefits [contd.]

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, except where the benefit is acquired through the Company.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company and no debentures were in issue during the financial year.

Options granted over unissued shares

The Company implemented an Employee Share Option Scheme ("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 scheme 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 ESOS 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 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 ESOS 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 ESOS 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 were no ESOS granted during the financial year.

Irredeemable convertible unsecured loan stocks ("ICULS")

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

The salient features of the ICULS are disclosed in Note 24 to the financial statements.

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the recognition of deferred tax assets arising from unutilised reinvestment allowances following the adoption of FRS 112, Income Taxes as disclosed in Note 32, the results of the operations of the Group and of the Company for the financial year ended 30 June 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

Tai Keik Hock

Tai Lee Keow

Kedah,

Date : 22 October 2008

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	Note	2008 RM	2007 RM (Restated)
Assets			
Property, plant and equipment	3	96,662,022	84,204,767
Prepaid lease payments	4	3,825,449	3,906,906
Other investments	6	100,551	442,701
Goodwill on consolidation	7	10,147,672	10,147,672
Deferred tax assets	8	4,302,304	1,308,245
Total non-current assets		115,037,998	100,010,291
Assets classified as held for sale	9	801,310	-
Receivables, deposits and prepayments	10	24,955,732	19,778,061
Inventories	11	27,085,679	27,735,053
Current tax assets		495,552	267,280
Cash and cash equivalents	12	6,680,897	1,007,828
Total current assets		60,019,170	48,788,222
Total assets		175,057,168	148,798,513
Equity			
Share capital	13	51,685,813	51,685,813
Reserves	14	46,582,388	43,799,785
Total equity attributable to shareholders of the Company		98,268,201	95,485,598
Minority shareholders' interest		670,775	756,312
Total equity		98,938,976	96,241,910
Liabilities			
Borrowings	15	21,845,982	21,535,909
Total non-current liabilities		21,845,982	21,535,909
Payables and accruals	16	2,142,688	6,283,182
Borrowings	15	52,129,522	24,737,512
Total current liabilities		54,272,210	31,020,694
Total liabilities		76,118,192	52,556,603
Total equity and liabilities		175,057,168	148,798,513

The notes on pages 43 to 76 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 RM	2007 RM (Restated)
Continuing operations			
Revenue	17	363,838,691	458,816,311
Cost of sales		(355,539,791)	(443,656,382)
Gross profit		8,298,900	15,159,929
Administrative expenses		(6,531,466)	(5,834,334)
Selling and distribution expenses		(1,198,177)	(1,133,264)
Other operating expenses		(185,675)	-
Other operating income		3,034,040	2,034,427
Operating profit	18	3,417,622	10,226,758
Finance costs	20	(3,213,898)	(2,731,689)
Profit before tax		203,724	7,495,069
Tax expense	21	3,073,131	74,946
Profit for the year		3,276,855	7,570,015
Attributable to :			
Shareholders of the Company		3,362,392	7,528,092
Minority interest		(85,537)	41,923
Profit for the year		3,276,855	7,570,015
Basic earnings per ordinary share (sen)	22	6.51	14.57
Diluted earnings per ordinary share (sen)	22	3.93	8.55

The notes on pages 43 to 76 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Attributable to shareholders of the Company							
		Non-distributable			Distributable			
	Share capital RM	**Capital reserve RM**	**Exchange translation reserve RM**	**Share premium RM**	**(Accumulated loss)/ Retained earnings RM**	**Total RM**	**Minority interest RM**	**Total equity RM**
At 1 July 2006								
As previously reported	51,685,813	20,060,651	-	15,170,314	(2,359,272)	84,557,506	714,389	85,271,895
Effect of adopting FRS 112 (Note 32)	-	-	-	-	3,400,000	3,400,000	-	3,400,000
As restated	51,685,813	20,060,651	-	15,170,314	1,040,728	87,957,506	714,389	88,671,895
Profit for the year								
As previously reported	-	-	-	-	5,528,092	5,528,092	41,923	5,570,015
Effect of adopting FRS 112 (Note 32)	-	-	-	-	2,000,000	2,000,000	-	2,000,000
As restated	-	-	-	-	7,528,092	7,528,092	41,923	7,570,015
At 30 June 2007, restated	51,685,813	20,060,651	-	15,170,314	8,568,820	95,485,598	756,312	96,241,910
Profit for the year	-	-	-	-	3,362,392	3,362,392	(85,537)	3,276,855
Foreign exchange translation differences	-	-	* (579,789)	-	-	(579,789)	-	(579,789)
At 30 June 2008	51,685,813	20,060,651	(579,789)	15,170,314	11,931,212	98,268,201	670,775	98,938,976
		Note 14						

net losses recognised directly in equity

The notes on pages 43 to 76 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 RM	2007 RM (Restated)
Cash flows from operating activities			
Profit before tax from continuing operations		203,724	7,495,069
Adjustments for :			
Depreciation of property, plant and equipment	3	11,175,270	9,756,177
Amortisation of prepaid lease payments	4	81,457	81,457
Dividend income	18	(29,201)	(15,407)
Allowance for diminution in value of other investments written back	18	-	(201,463)
Loss on disposal of plant and equipment	18	-	730
Gain on disposal of quoted investments	18	(1,437,415)	(1,747,062)
Interest income	18	(51,888)	(75,819)
Interest expense	20	3,213,898	2,731,689
Operating profit before changes in working capital		13,155,845	18,025,371
Changes in working capital :			
Inventories		649,374	(2,240,597)
Receivables, deposits and prepayments		(5,404,196)	2,204,676
Payables and accruals		(4,143,694)	1,667,183
Cash generated from operations		4,257,329	19,656,633
Income tax paid		(147,136)	(15,589)
Net cash generated from operating activities		4,110,193	19,641,044

	Note	2008 RM	2007 RM (Restated)
Cash flows from investing activities			
Purchase of property, plant and equipment	A	(25,067,927)	(32,179,623)
Interest received		51,888	75,819
Dividends received (net)		27,137	15,407
Proceeds from disposal of plant and equipment		-	5,000
Proceeds from disposal of other investments	6	1,779,565	1,874,062
Net cash used in investing activities		(23,209,337)	(30,209,335)
Cash flows from financing activities			
Drawdown of borrowings, net		25,579,888	5,840,115
Withdrawal of fixed deposits		-	280,000
Repayment of finance lease liabilities		(6,452)	(1,865)
Drawdown of term loans		5,074,637	3,546,985
Repayment of term loans		(2,225,988)	(1,867,269)
Interest paid		(4,139,935)	(3,590,729)
Placement of pledged deposits		(1,500,000)	-
Net cash generated from financing activities		22,782,150	4,207,237
Net increase/(decrease) in cash and cash equivalents		3,683,006	(6,361,054)
Cash and cash equivalents at 1 July		(240,277)	6,120,777
Effect of exchange rates on cash and cash equivalents		(17,131)	-
Cash and cash equivalents at 30 June	**B**	3,425,598	(240,277)

A. *Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM25,067,927 (2007 : RM32,203,565) of which RM Nil (2007 : RM23,942) was acquired by means of finance lease. The balance of RM25,067,927 (2007 : RM32,179,623) was made by cash payments.

B. *Cash and cash equivalents*

Cash and cash equivalents included in the consolidated cash flow statement comprise the following amounts :

	Note	2008 RM	2007 RM
Deposits with licensed banks (excluding pledged deposits)	12	1,900,000	-
Cash and bank balances	12	3,280,897	1,007,828
Bank overdrafts	15	(1,755,299)	(1,248,105)
		3,425,598	(240,277)

The notes on pages 43 to 76 are an integral part of these financial statements.

	Note	2008 RM	2007 RM (Restated)
Assets			
Property, plant and equipment	3	4,399	4,425
Prepaid lease payments	4	1,380,624	1,407,873
Investment in subsidiaries	5	55,206,262	55,206,262
Other investments	6	100,551	442,701
Deferred tax assets	8	604,161	805,863
Total non-current assets		57,295,997	57,867,124
Receivables, deposits and prepayments	10	20,102,547	25,036,845
Current tax assets		12,113	6,768
Cash and cash equivalents	12	2,533,805	229,872
Total current assets		22,648,465	25,273,485
Total assets		79,944,462	83,140,609
Equity			
Share capital	13	51,685,813	51,685,813
Reserves	14	26,112,909	25,871,068
Total equity		77,798,722	77,556,881
Liabilities			
Borrowings	15	974,501	1,900,538
Total non-current liabilities		974,501	1,900,538
Payables and accruals	16	91,110	2,603,061
Borrowings	15	1,080,129	1,080,129
Total current liabilities		1,171,239	3,683,190
Total liabilities		2,145,740	5,583,728
Total equity and liabilities		79,944,462	83,140,609

The notes on pages 43 to 76 are an integral part of these financial statements.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 RM	2007 RM
Continuing operations			
Revenue	17	119,734	63,714
Administrative expenses		(860,700)	(782,708)
Other operating expenses		(10,787)	(216,707)
Other operating income		1,437,415	4,944,525
Operating profit	18	685,662	4,008,824
Finance costs	20	(242,119)	(307,498)
Profit before tax		443,543	3,701,326
Tax expense	21	(201,702)	(481,809)
Profit for the year		241,841	3,219,517

The notes on pages 43 to 76 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

		Non-distributable			
	Share capital RM	Capital reserve RM	Share premium RM	Accumulated losses RM	Total equity RM
At 1 July 2006	51,685,813	20,060,651	15,170,314	(12,579,414)	74,337,364
Profit 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
Profit for the year	-	-	-	241,841	241,841
At 30 June 2008	51,685,813	20,060,651	15,170,314	(9,118,056)	77,798,722
		Note 14			

The notes on pages 43 to 76 are an integral part of these financial statements.

	Note	2008 RM	2007 RM (Restated)
Cash flows from operating activities			
Profit before tax from continuing operations		443,543	3,701,326
Adjustments for :			
Depreciation of property, plant and equipment	3	926	843
Amortisation of prepaid lease payments	4	27,249	27,249
Dividend income	18	(29,201)	(15,407)
Interest income	18	(42,533)	(307)
Gain on disposal of quoted investments	18	(1,437,415)	(1,747,062)
Impairment loss on investments in a subsidiary written back	18	-	(2,996,000)
Allowance for diminution in value of other investments written back	18	-	(201,463)
Interest expense	20	242,119	307,498
Operating loss before changes in working capital		(795,312)	(923,323)
Changes in working capital :			
Receivables, deposits and prepayments		4,934,298	2,328,906
Payables and accruals		(2,511,951)	2,066,981
Cash generated from operations		1,627,035	3,472,564
Income tax (paid)/refunded		(3,281)	136,016
Interest paid	24	(1,168,156)	(1,166,538)
Net cash generated from operating activities		455,598	2,442,042

	Note	2008 RM	2007 RM (Restated)
Cash flows from investing activities			
Purchase of plant and equipment		(900)	-
Interest received		42,533	307
Dividends received (net)		27,137	15,407
Proceeds from disposal of other investments	6	1,779,565	1,874,062
Purchase of additional shares in subsidiaries		-	(4,205,250)
Net cash generated from/(used in) investing activities		1,848,335	(2,315,474)
Cash flow from financing activity			
Placement of pledged deposits		(1,500,000)	-
Net cash used in financial activity		(1,500,000)	-
Net increase in cash and cash equivalents		803,933	126,568
Cash and cash equivalents at 1 July		229,872	103,304
Cash and cash equivalents at 30 June		1,033,805	229,872

Note

Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following amounts :

	Note	2008 RM	2007 RM
Deposits with licensed banks (excluding pledged deposits)	12	1,000,000	-
Cash and bank balances	12	33,805	229,872
		1,033,805	229,872

The notes on pages 43 to 76 are an integral part of these financial statements.

EG Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows :

Registered office

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

Principal place of business

Lot 102, Jalan 4
Bakar Arang Industrial Estate
08000 Sungai Petani
Kedah

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the Group).

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 5 to the financial statements.

The financial statements were approved by the Board of Directors on 22 October 2008.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

During the financial year, the Group and the Company adopted the following revised FRSs and Interpretation issued by the MASB which are effective for financial periods beginning on or after 1 October 2006 and 1 July 2007 respectively :

FRS 107, Cash Flow Statements
FRS 112, Income Taxes
FRS 117, Leases
FRS 118, Revenue
FRS 124, Related Party Disclosures
FRS 134, Interim Financial Reporting
FRS 137, Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 8, Scope of FRS 2

The adoption of the above revised FRSs and Interpretations does not have any significant impact on the financial statements of the Group and of the Company other than the adoption of FRS 112, Income Taxes as disclosed in Note 32. Certain comparatives have been restated as result of the adoption of FRS 112, Income Taxes and reclassified to conform to the presentation requirements of FRS 117, Leases as set out in Note 33 to the financial statements.

The Malaysian Accounting Standards Board announced that FRS 139, Financial Instruments: Recognition and Measurement will be effective for annual periods beginning on or after, 1 January 2010.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

1. Basis of preparation [contd.]

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the recognition of deferred tax assets as disclosed in Note 8 and impairment testing for goodwill as disclosed in Note 7 to the financial statements.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, unless otherwise stated. Certain comparative amounts have been restated as a result of the adoption of FRS 112, Income Taxes and reclassified to conform to the presentation requirements of FRS 117, Leases (see Note 33).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies [contd.]

(a) Basis of consolidation [contd.]

(iii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets (excluding goodwill) of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies [contd.]

(c) Property, plant and equipment [contd.]

(i) Recognition and measurement [contd.]

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expenses" respectively in the income statements.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The straight line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal 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

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(d) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. Significant accounting policies [contd.]

(d) Leased assets [contd.]

(ii) Operating lease

Other leases are operating leases and are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Prior to 1 July 2007, leasehold land were classified as property, plant and equipment and were stated at cost less accumulated depreciation. The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payment policy relating to the classification of leasehold land are classified as prepaid lease payments and amortised on a straight-line basis over the remaining lease term of the land.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(e) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the 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 of the acquiree.

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

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired.

(f) Investments in debt and equity securities

Investments in debt and equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition, investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities and non-current debt securities other than investments in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline in identified.

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

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to :

a) the recognition of an asset on the day it is received by the entity, and
b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(g) Assets classified as held for sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

2. Significant accounting policies [contd.]

(g) Assets classified as held for sale

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

(h) Impairment of assets

The carrying amounts of assets except for financial assets (other than investments in subsidiaries), inventories, deferred tax assets and assets classified as held for sale are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production 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.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. Significant accounting policies [contd.]

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(m)Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(n) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences. The Group accounts for reinvestment allowance (“RA”) by applying the analogy of the accounting treatment for unused tax losses in FRS 112 and recognise the deferred tax assets arising from the unutilised RA.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group’s contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies [contd.]

(o) Employee benefits [contd.]

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(p) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Dividend income

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

(iii) Management fee

Management fee are recognised when the services are rendered.

(q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(r) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

Group Cost	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 1 July 2006											
As previously reported	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
Effect of adopting FRS 117 (Note 4)	-	(2,100,000)	(2,371,372)	-	-	-	-	-	-	-	(4,471,372)
As restated	4,102,967	12,903,459	3,208,424	88,701,029	604,863	2,389,287	2,484,527	1,067,584	2,554,758	9,828,319	127,845,217
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, restated/1 July 2007	4,153,215	12,903,459	3,208,424	121,073,977	607,693	2,470,499	6,056,516	1,231,227	2,581,047	5,627,615	159,913,672
Additions	41,619	-	-	18,428,638	2,523	49,666	95,194	4,630	60,755	6,384,902	25,067,927
Reclassification	1,419,832	-	-	-	-	-	-	-	-	(1,419,832)	-
Transfer to assets held for sale (Note 9)	-	-	-	(4,006,548)	-	-	-	-	-	-	(4,006,548)
Exchange differences	-	-	-	-	53	(197)	-	(6,582)	-	(627,545)	(634,271)
At 30 June 2008	5,614,666	12,903,459	3,208,424	135,496,067	610,269	2,519,968	6,151,710	1,229,275	2,641,802	9,965,140	180,340,780

3. Property, plant and equipment [contd.]

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
Accumulated depreciation											
At 1 July 2006											
As previously reported	-	1,444,431	801,183	58,918,554	510,745	1,251,538	2,175,793	698,401	764,470	-	66,565,115
Effect of adopting FRS 117 (Note 4)	-	(202,174)	(280,835)	-	-	-	-	-	-	-	(483,009)
As restated	-	1,242,257	520,348	58,918,554	510,745	1,251,538	2,175,793	698,401	764,470	-	66,082,106
Charge for the year	-	242,585	61,714	8,374,814	34,182	288,008	403,662	148,211	203,001	-	9,756,177
Disposals	-	-	-	(118,850)	-	(2,213)	(8,315)	-	-	-	(129,378)
At 30 June 2007, restated/1 July 2007	-	1,484,842	582,062	67,174,518	544,927	1,537,333	2,571,140	846,612	967,471	-	75,708,905
Charge for the year	-	242,585	61,714	9,635,422	21,659	253,429	605,979	147,003	207,479	-	11,175,270
Transfer to assets held for sale (Note 9)	-	-	-	(3,205,238)	-	-	-	-	-	-	(3,205,238)
Exchange differences	-	-	-	-	(15)	(55)	-	(109)	-	-	(179)
At 30 June 2008	-	1,727,427	643,776	73,604,702	566,571	1,790,707	3,177,119	993,506	1,174,950	-	83,678,758
Carrying amounts											
At 1 July 2006, restated	4,102,967	11,661,202	2,688,076	29,782,475	94,118	1,137,749	308,734	369,183	1,790,288	9,828,319	61,763,111
At 30 June 2007, restated/1 July 2007	4,153,215	11,418,617	2,626,362	53,899,459	62,766	933,166	3,485,376	384,615	1,613,576	5,627,615	84,204,767
At 30 June 2008	5,614,666	11,176,032	2,564,648	61,891,365	43,698	729,261	2,974,591	235,769	1,466,852	9,965,140	96,662,022

3. Property, plant and equipment [contd.]

Company	Long term leasehold land RM	Office equipment RM	Factory renovation RM	Total RM
Cost				
At 1 July 2006				
As previously reported	1,634,949	5,900	-	1,640,849
Effect of adopting FRS 117 (Note 4)	(1,634,949)	-	-	(1,634,949)
At 30 June 2007, restated/ 1 July 2007	-	5,900	-	5,900
Addition	-	-	900	900
At 30 June 2008	-	5,900	900	6,800
Accumulated depreciation				
At 1 July 2006				
As previously reported	199,827	632	-	200,459
Effect of adopting FRS 117 (Note 4)	(199,827)	-	-	(199,827)
As restated	-	632	-	632
Charge for the year	-	843	-	843
At 30 June 2007, restated/ 1 July 2007	-	1,475	-	1,475
Charge for the year	-	843	83	926
At 30 June 2008	-	2,318	83	2,401
Carrying amounts				
At 1 July 2006, restated	-	5,268	-	5,268
At 30 June 2007, restated/ 1 July 2007	-	4,425	-	4,425
At 30 June 2008	-	3,582	817	4,399

3.1 Assets under finance lease

Included in the carrying amount of the plant and equipment of the Group are assets acquired under finance lease amounting to RM Nil (2007 : RM42,916).

3.2 Assets held in trust

Motor vehicles of the Group with a carrying amount of RM125,600 (2007 : RM210,125) are registered in the name of certain Directors and held in trust on behalf of a subsidiary.

3. Property, plant and equipment [contd.]

3.3 Security

The following property, plant and equipment of the Group are charged as securities to financial institutions for bank borrowings granted to certain subsidiaries as disclosed in Note 15 to the financial statements :

	2008 RM	2007 RM
At carrying amounts		
Freehold land and building	5,614,666	4,153,215
Buildings	13,740,680	14,044,979
Plant and machinery	61,891,365	53,899,459
Furniture and fittings	40,669	61,532
Office equipment	707,399	926,240
Tools and equipment	2,947,960	3,485,376
Motor vehicles	233,371	384,615
Factory renovation	1,466,036	1,613,576
Capital work-in-progress	9,965,140	5,627,615
	96,607,286	84,196,607

3.4 Borrowing costs

Included in property, plant and equipment of the Group is interest capitalised of RM41,619 (2007 : RM55,883) relating to a subsidiary's term loan to finance the acquisition of a freehold land.

4. Prepaid lease payments

	Note	Group Unexpired period less than 50 years RM	Group Unexpired period more than 50 years RM	Group Total RM	Company Unexpired period more than 50 years RM
Cost					
At 1 July 2006		-	-	-	-
Effect of adopting FRS 117	3	2,100,000	2,371,372	4,471,372	1,634,949
At 1 July 2006/30 June 2007, restated		2,100,000	2,371,372	4,471,372	1,634,949
At 1 July 2007, restated/30 June 2008		2,100,000	2,371,372	4,471,372	1,634,949
Amortisation					
At 1 July 2006		-	-	-	-
Effect of adopting FRS 117	3	202,174	280,835	483,009	199,827
At 1 July 2006, restated		202,174	280,835	483,009	199,827
Amortisation for the year	18	39,480	41,977	81,457	27,249
At 30 June 2007, restated/1 July 2007		241,654	322,812	564,466	227,076
Amortisation for the year	18	39,480	41,977	81,457	27,249
At 30 June 2008		281,134	364,789	645,923	254,325
Carrying amounts					
At 1 July 2006, restated		1,897,826	2,090,537	3,988,363	1,435,122
At 30 June 2007, restated/1 July 2007		1,858,346	2,048,560	3,906,906	1,407,873
At 30 June 2008		1,818,866	2,006,583	3,825,449	1,380,624

4. Prepaid lease payments [contd.]

4.1 Security

At 30 June 2008, prepaid lease payments of the Group comprising of leasehold land with carrying amount of RM2,444,825 (2007 : RM2,499,033) are charged as securities to licensed banks for bank borrowings granted to certain subsidiaries as disclosed in Note 15 to the financial statements.

5. Investment in subsidiaries - Company

	2008 RM	**2007 RM**
Unquoted shares, at cost	55,206,262	55,206,262

Details of the subsidiaries are as follows :

Name of subsidiaries	**Effective ownership interest 2008 %**	**Effective ownership interest 2007 %**	**Country of incorporation**	**Principal activities**
SMT Technologies Sdn. Bhd.	100	100	Malaysia	Provision of Electronic Manufacturing Services (EMS) for computer peripherals, telecommunication and consumer electronic/ electrical products industries
Mastimber Industries Sdn. Bhd.	90.5	90.5	Malaysia	Manufacture and sale of 2-layer solid wood parquet flooring
EG Wireless Sdn. Bhd. *	100	100	Malaysia	Original Equipment Manufacturer/Original Design Maufacturer (OEM/ODM) in complete box built wireless technology products
SMT Industries Co., Ltd *	100	100	Thailand	Provision of Electronic Manufacturing Services (EMS) for computer peripherals, telecommunication and consumer electronic/electrical and automotive industrial products industries
Subsidiary of SMT Technologies Sdn. Bhd.				
Glisten Knight Co., Ltd *	100	100	Malaysia	Investment holding company

* Not audited by KPMG

6. Other investments

	Group/Company 2008 RM	**Group/Company 2007 RM**
Quoted shares, at cost	281,678	726,448
Less : Allowance for diminution in value	(181,127)	(283,747)
	100,551	442,701
Market value at 30 June :		
Quoted shares	1,865,000	3,629,000

6. Other investments [contd.]

Details of disposed investments stated at cost are as follows :

	Note	Group/Company 2008 RM	Group/Company 2007 RM
Proceeds from disposals		1,779,565	1,874,062
Carrying amount of investments disposed		(342,150)	(127,000)
Gain on disposal of investments	18	1,437,415	1,747,062

7. Goodwill on consolidation

	Group RM
Cost	
At 1 July 2006	12,684,592
Effect of adopting FRS 3	(2,536,920)
At 30 June 2007	10,147,672
At 1 July 2007/30 June 2008	10,147,672
Amortisation and impairment loss	
At 1 July 2006	2,536,920
Effect of adopting FRS 3	(2,536,920)
At 30 June 2007	-
At 1 July 2007/30 June 2008	-
Carrying amounts	
At 1 July 2006	10,147,672
At 30 June 2007/1 July 2007	10,147,672
At 30 June 2008	10,147,672

7.1 Impairment testing for goodwill

The goodwill on consolidation has been allocated to the following cash generating units ("CGU") for the purpose of annual impairment testing as follows :

i) Electronic Manufacturing Services (RM10,142,066)
ii) Investment holding (RM5,606)

The Group has determined the recoverable amount of the goodwill relating to the above CGUs based on value in use calculations. The calculations were determined using projected cash flows based on actual operating results and a three-year business plan developed based on past performance, management's assessment of future trends and expectations of market developments.

In determining the recoverable amount of the CGUs, the respective projected cash flows were discounted using a pre-tax discount rate of 6%.

8. Deferred tax assets

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities after appropriate offsetting are attributable to the following :

	2008 RM	2007 RM (Restated)
Group		
Property, plant and equipment	5,391,298	6,041,618
Unabsorbed capital allowances	(948,145)	(414,000)
ICULS (equity component)	(604,161)	(805,863)
Tax loss carry-forwards	(402,000)	(730,000)
Unutilised reinvestment allowance - Effect of adopting FRS 112	(7,739,296)	(5,400,000)
Net deferred tax assets	(4,302,304)	(1,308,245)
Company		
Deferred tax assets - ICULS (equity component)	(604,161)	(805,863)

Movement in temporary differences during the year are as follows :

	At 1 July 2006 RM (Restated)	Recognised in the income statements (Note 21) RM	At 30 June 2007 RM (Restated)	Recognised in the income statements (Note 21) RM	At 30 June 2008 RM
Group					
Property, plant and equipment	4,987,144	1,054,474	6,041,618	(650,320)	5,391,298
Unabsorbed capital allowances	(840,000)	426,000	(414,000)	(534,145)	(948,145)
Tax losses carry-forwards	(614,000)	(116,000)	(730,000)	328,000	(402,000)
ICULS (equity component)	(1,074,905)	269,042	(805,863)	201,702	(604,161)
Unutilised reinvestment allowance - Effect of adopting FRS 112	(3,400,000)	(2,000,000)	(5,400,000)	(2,339,296)	(7,739,296)
	(941,761)	(366,484)	(1,308,245)	(2,994,059)	(4,302,304)
Company					
ICULS (equity component)	(1,074,905)	269,042	(805,863)	201,702	(604,161)

FRS 112 addresses the accounting treatment for income taxes. However, FRS 112 does not prescribe the accounting treatment for reinvestment allowance ("RA"). In the previous accounting policy for income taxes, RA is treated as the tax base of an asset. On early adoption of FRS 112, Income Taxes, the Company has accounted for RA by applying the analogy of the accounting treatment for unused tax losses in FRS 112 and recognise the deferred tax assets arising from the unutilised RA. The change in accounting policy is applied retrospectively and the effects of this change in accounting policy are disclosed in Note 32 to the financial statements.

8. Deferred tax assets

Unrecognised deferred tax assets

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
		(Restated)		**(Restated)**
Unabsorbed capital allowances	6,000	6,000	6,000	6,000
Tax losses carry-forwards	4,306,000	2,807,000	1,862,000	1,175,000
	4,312,000	2,813,000	1,868,000	1,181,000

Deferred tax assets have not been recognised in respect of the tax loss carry-forwards and unabsorbed capital allowances because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits there from.

The comparative figures have been restated to reflect the revised unabsorbed capital allowances and tax losses carry-forwards available to the Group and the Company respectively.

9. Assets classified as held for sale - Group

	2008	**2007**
	RM	**RM**
At 1 July	-	-
Reclassified from property, plant and equipment (Note 3)	4,006,548	-
At 30 June	4,006,548	-
Accumulated depreciation		
At 1 July	-	-
Reclassified from property, plant and equipment (Note 3)	(3,205,238)	-
At 30 June	(3,205,238)	-
Carrying value		
At 30 June	801,310	-

Assets classified as held for sale consist of plant and equipment which is measured at the lower of their carrying amount and fair value less cost to sell following the intention of a subsidiary to dispose the assets during the financial year.

10. Receivables, deposits and prepayments

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Trade					
Amount due from a related party	10.1	41,708	41,708	-	-
External parties	10.2	23,045,993	13,903,185	-	-
		23,087,701	13,944,893	-	-
Non-trade					
Amount due from subsidiaries	10.1	-	-	19,972,604	24,947,435
Other receivables		1,488,265	5,420,829	127,943	85,410
Deposits		100,692	112,651	2,000	2,000
Prepayments		279,074	299,688	-	2,000
		1,868,031	5,833,168	20,102,547	25,036,845
		24,955,732	19,778,061	20,102,547	25,036,845

10.1 Amount due from a related party and subsidiaries

The trade amount due from a related party is subject to normal trade terms.

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

10.2 Analysis of foreign currency exposure for significant receivables

Significant trade receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

	Group 2008 RM	Group 2007 RM
US Dollar ("USD")	14,626,481	6,531,922
Singapore Dollar ("SGD")	349,088	1,183,952

11. Inventories - Group

	2008 RM	2007 RM
At cost		
Raw materials	11,613,563	11,578,672
Work-in-progress	10,409,241	11,257,472
Manufactured inventories	4,977,033	4,774,478
Consumables	49,141	99,376
Packing materials	36,701	25,055
	27,085,679	27,735,053

The inventories are pledged to licensed banks as securities for bank borrowings granted to certain subsidiaries as disclosed in Note 15 to the financial statements.

12. Cash and cash equivalents

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Deposits with licensed banks	12.1	3,400,000	-	2,500,000	-
Cash and bank balances		3,280,897	1,007,828	33,805	229,872
		6,680,897	1,007,828	2,533,805	229,872

12.1 Deposits with licensed banks

Included in deposits with licensed banks of the Group and the Company is RM1,500,000 (2007 : RM Nil) pledged as securities for banking facilities granted to certain subsidiaries (Note 15).

13. Share capital

	2008 Amount RM	2008 Number of shares	2007 Amount RM	2007 Number of shares
Ordinary shares of RM1 each				
Authorised	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid	51,685,813	51,685,813	51,685,813	51,685,813

14. Reserves

	Note	Group 2008 RM	Group 2007 RM (Restated)	Company 2008 RM	Company 2007 RM
Non-distributable :					
Share premium		15,170,314	15,170,314	15,170,314	15,170,314
Capital reserve					
- ICULS (equity component)	24	20,060,651	20,060,651	20,060,651	20,060,651
Exchange translation reserve	14.1	(579,789)	-	-	-
Accumulated losses		-	-	(9,118,056)	(9,359,897)
		34,651,176	35,230,965	26,112,909	25,871,068
Distributable :					
Retained earnings	14.2	11,931,212	8,568,820	-	-
		46,582,388	43,799,785	26,112,909	25,871,068

The movements in the reserves are disclosed in the statements of changes in equity.

14.1 Exchange translation reserve

The exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

14.2 Section 108 tax credit

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit and exempt income to frank/distribute its entire retained earnings at balance sheet date if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2007. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

15. Borrowings

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Current :				
Secured				
Bank overdrafts	1,755,299	1,248,105	-	-
Bankers' acceptances	33,856,002	7,357,000	-	-
Revolving credits	10,000,000	11,000,000	-	-
Export credit refinancing	266,000	153,000	-	-
Trust receipts	-	32,114	-	-
Term loans	5,165,099	3,859,566	-	-
Finance lease liabilities	6,993	7,598	-	-
	51,049,393	23,657,383	-	-
Unsecured :				
ICULS (liability component) (Note 24)	1,080,129	1,080,129	1,080,129	1,080,129
	52,129,522	24,737,512	1,080,129	1,080,129
Non-current :				
Secured				
Revolving credits	14,000,000	14,000,000	-	-
Term loans	6,864,596	5,619,028	-	-
Finance lease liabilities	6,885	16,343	-	-
	20,871,481	19,635,371	-	-
Unsecured :				
ICULS (liability component) (Note 24)	974,501	1,900,538	974,501	1,900,538
	21,845,982	21,535,909	974,501	1,900,538

15.1 Interest rates and securities

The interest rates of the borrowings are as follows :

	Group 2008 % per annum	Group 2007 % per annum
Bank overdrafts	8.00 - 8.25	8.25 - 8.60
Bankers' acceptances	4.91 - 5.52	5.15 - 5.65
Revolving credits	5.00 - 5.90	5.40 - 5.90
Export credit refinancing	4.50	4.50
Trust receipts	-	8.25
Term loans - fixed rate	4.06 - 7.50	6.35 - 7.50
- variable rate	6.25 - 8.00	6.00 - 8.00
Finance lease liabilities	4.00	4.00

The secured borrowings (except finance lease liabilities) are secured by way of :

i) a debenture creating fixed and floating charges over all the assets of certain subsidiaries;
ii) a legal charge over a subsidiary's freehold land and buildings;
iii) legal charges over the leasehold land and buildings of the subsidiaries;
iv) first fixed legal charge over certain subsidiaries' plant and machinery;
v) pledged deposits of the Company;
vi) joint and several guarantee by certain Directors; and
vii) corporate guarantee by the Company.

15. Borrowings [contd.]

15.2 Terms and debt repayment schedule

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Group						
2008						
Bank overdrafts (RM)		1,755,299	1,755,299	-	-	-
Bankers' acceptances (RM)	2009	33,856,002	33,856,002	-	-	-
Revolving credits (RM)	2011	24,000,000	10,000,000	10,000,000	4,000,000	-
Export credit refinancing (RM)	2009	266,000	266,000	-	-	-
Term loans						
- RM						
- Fixed rate	2011	3,994,129	1,832,079	1,832,079	329,971	-
- Variable rate	2011	450,541	167,520	167,520	115,501	-
- THB						
- Fixed rate	2009	1,558,400	1,558,400	-	-	-
- Variable rate	2012	6,026,625	1,607,100	1,607,100	2,812,425	-
Finance lease liabilities (THB)	2010	13,878	6,993	6,885	-	-
ICULS (liability component)	2010	2,054,630	1,080,129	974,501	-	-
		73,975,504	52,129,522	14,588,085	7,257,897	-
Group						
2007						
Bank overdrafts (RM)		1,248,105	1,248,105	-	-	-
Bankers' acceptances (RM)	2008	7,357,000	7,357,000	-	-	-
Revolving credits (RM)	2010	25,000,000	11,000,000	11,000,000	3,000,000	-
Export credit refinancing (RM)	2008	153,000	153,000	-	-	-
Trust receipts (RM)	2008	32,114	32,114	-	-	-
Term loans						
- RM						
- Fixed rate	2011	5,382,046	1,749,996	1,749,996	1,882,054	-
- Variable rate	2011	577,436	167,520	167,520	242,396	-
- THB (variable rate)	2009	3,519,112	1,942,050	1,577,062	-	-
Finance lease liabilities (THB)	2010	23,941	7,598	7,598	8,745	-
ICULS (equity component)	2010	2,980,667	1,080,129	1,080,129	820,409	-
		46,273,421	24,737,512	15,582,305	5,953,604	-
Company						
2008						
ICULS (liability component)	2010	2,054,630	1,080,129	974,501	-	-
2007						
ICULS (liability component)	2010	2,980,667	1,080,129	1,080,129	820,409	-

The term loans are repayable as follows :

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

ii) quarterly instalments of RM458,513 each over 16 instalments.

15. Borrowings [contd.]

15.3 Finance lease liabilities

Finance lease liabilities are payable as follows :

	2008			2007		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Group						
Less than 1 year	7,782	789	6,993	9,164	1,566	7,598
Between 1 and 5 years	7,133	248	6,885	17,564	1,221	16,343
	14,915	1,037	13,878	26,728	2,787	23,941

16. Payables and accruals

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Trade payables	16.1	402,097	1,195,390	-	-
Non-trade					
Amount due to a subsidiary	16.2	-	-	-	2,485,422
Amount due to Directors	16.2	4,005	43,394	-	26,000
Other payables		390,972	3,459,594	7,490	51,039
Accrued expenses		1,345,614	1,584,804	83,620	40,600
		1,740,591	5,087,792	91,110	2,603,061
		2,142,688	6,283,182	91,110	2,603,061

16.1 Analysis of foreign currency exposure for significant payables

Significant trade payables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

	Group 2008 RM	Group 2007 RM
USD	80,855	-
SGD	582	793
Euro	20,538	-

16.2 Amount due to a subsidiary and Directors

The non-trade amounts due to a subsidiary and Directors are unsecured, interest-free and payable on demand.

17. Revenue

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Sale of goods	363,766,957	458,800,597	-	-
Dividend income (gross)	29,201	15,407	29,201	15,407
Interest income	42,533	307	42,533	307
Management fee income	-	-	48,000	48,000
	363,838,691	458,816,311	119,734	63,714

18. Operating profit

Operating profit is arrived at:

	Group 2008 RM	Group 2007 RM (Restated)	Company 2008 RM	Company 2007 RM (Restated)
After charging :				
Amortisation of prepaid lease payments (Note 4)	81,457	81,457	27,249	27,249
Auditors' remuneration				
- Auditors of the Company				
- current year	100,000	97,000	30,000	30,000
- prior years	-	41,600	-	15,000
- Other auditors	4,009	2,600	-	-
Depreciation of property, plant and equipment (Note 3)	11,175,270	9,756,177	926	843
Directors' fees	26,000	30,500	26,000	30,500
Directors' remuneration				
- Directors of the Company	240,000	240,000	240,000	240,000
- Other Directors	636,688	511,615	-	-
Directors' other emoluments				
- Director of the Company	240,000	170,000	240,000	170,000
Rental of equipment	2,548,496	2,301,304	-	-
Rental of premises	96,307	96,163	-	-
Loss on disposal of plant and equipment	-	730	-	215,904
Personnel expenses (excluding executive Directors)				
- wages, salaries and others	14,386,037	14,686,260	65,993	74,052
- contribution to Employees Provident Fund	1,052,258	1,003,375	7,907	10,650
And crediting :				
Dividend (gross) from quoted investments in Malaysia	29,201	15,407	29,201	15,407
Gain on disposal of quoted investments (Note 6)	1,437,415	1,747,062	1,437,415	1,747,062
Interest income	51,888	75,819	42,533	307
Impairment loss on investment in a subsidiary written back	-	-	-	2,996,000
Allowance for diminution in value of other investments written back	-	201,463	-	201,463
Gain on foreign exchange				
- Realised (net)	943,016	6,816	-	-
- Unrealised (net)	431,003	25,756	-	-

19. Key management personnel compensation

Key management personnel compensation are as follows :

	Group		Company	
	2008	**2007**	**2008**	**2007**
Directors' fee	4,000	4,000	4,000	4,000
Short-term employee benefits	624,000	554,000	480,000	410,000
Defined contribution plan	74,880	66,480	28,800	24,600
	702,880	624,480	512,800	438,600

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel include the executive Directors and certain members of senior management of the Company.

20. Finance costs

	Group		Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Interest expense :				
Bank borrowings	2,970,449	2,479,915	-	-
Finance lease liabilities	42,949	159	-	-
ICULS (Note 24)	242,119	307,498	242,119	307,498
Total interest expense	3,255,517	2,787,572	242,119	307,498
Less : Interest expense capitalised in capital work-in-progress	(41,619)	(55,883)	-	-
Net interest expense	3,213,898	2,731,689	242,119	307,498

21. Tax expense

Recognised in the income statement

			Company	
	2008 RM	**2007 RM (Restated)**	**2008 RM**	**2007 RM**
Current tax expense				
- current year	-	86,162	-	-
- prior years	(79,072)	205,376	-	212,767
Total current tax	(79,072)	291,538	-	212,767
Deferred tax expense				
- origination and reversal of temporary differences	(927,847)	1,356,904	-	-
- crystallisation of deferred tax assets (ICULS)	201,702	269,042	201,702	269,042
- effect of adopting FRS 112	(2,339,296)	(2,000,000)	-	-
- prior years	71,382	7,570	-	-
Total deferred tax (Note 8)	(2,994,059)	(366,484)	201,702	269,042
Total tax expense	(3,073,131)	(74,946)	201,702	481,809

21. Tax expense

Reconciliation of effective tax expense

	Group		Company	
	2008 RM	**2007 RM (Restated)**	**2008 RM**	**2007 RM**
Profit for the year	3,276,855	7,570,015	241,841	3,219,517
Total tax expense	(3,073,131)	(74,946)	201,702	481,809
Profit excluding tax	203,724	7,495,069	443,543	3,701,326
Tax calculated using Malaysian tax rate at 26% (2007 : 27%)	52,968	2,023,519	115,321	999,358
Effect of changes in tax rate *	(145,839)	-	18,707	-
Non-deductible expenses	103,940	67,624	85,071	-
Tax losses not available for set-off	114,966	-	-	-
Income not subject to tax	(373,728)	(217,946)	(373,728)	(999,358)
Deferred tax relating to ICULS	201,702	269,042	201,702	269,042
Deferred tax assets recognised	(3,177,313)	(2,430,131)	-	-
Deferred tax assets not recognised	363,214	-	160,214	-
Others	(205,351)	-	(5,585)	-
(Over)/Under provision in prior years	(7,690)	212,946	-	212,767
Tax expense	(3,073,131)	(74,946)	201,702	481,809

* The corporate tax rates are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

22. Basic earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM3,362,392 (2007 : RM7,528,092) and the weighted average number of ordinary shares outstanding during the year of 51,685,813 (2007 : 51,685,813).

Diluted earnings per ordinary share

During the financial year, the diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders and after adjusting for savings on interest arising from ICULS of RM3,604,511 (2007 : RM7,835,590) and on weighted average number of ordinary shares outstanding during the year of 91,686,955 (2007 : 91,686,955) calculated as follows :

	2008	**2007**
Weighted average number of shares as above	51,685,813	51,685,813
Effect of warrants and ICULS	40,001,142	40,001,142
	91,686,955	91,686,955

23. 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 30.6.2008
Warrants 2005/2015	RM1.00	16.6.2015	16,670,355

23. 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.

24. Irredeemable convertible unsecured loan stocks ("ICULS")

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

The main features of the ICULS are as follows :

i) 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;

ii) 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;

iii) 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

iv) The interest on ICULS is payable semi-annually in arrears.

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

	Group/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
At 1 July 2006	20,060,651	3,839,707	23,900,358
Interest paid	-	(1,166,538)	(1,166,538)
Interest expense (Note 20)	-	307,498	307,498
At 30 June 2007	20,060,651	2,980,667	23,041,318
Interest paid	-	(1,168,156)	(1,168,156)
Interest expense (Note 20)	-	242,119	242,119
At 30 June 2008	20,060,651	2,054,630	22,115,281

Analysis at 30 June

	Group/Company	
	2008 RM	**2007 RM**
- carrying value	22,921,144	23,847,181
- deferred tax asset	(604,161)	(805,863)
	22,316,983	23,041,318

24. Irredeemable convertible unsecured loan stocks ("ICULS") [contd.]

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

	Group/Company	
	2008	**2007**
	RM	**RM**
Within 1 year	1,080,129	1,080,129
After 1 year and not later than 5 years	974,501	1,900,538
	2,054,630	2,980,667

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.

25. Share-based payments

The Company implemented an Employee Share Option Scheme ("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 scheme 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 ESOS 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 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 ESOS 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.

25. Share-based payments [contd.]

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 ESOS offered to each eligible Directors
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%

There was no ESOS granted during the financial year.

26. Related parties

26.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

i) Subsidiaries of the Company as disclosed in Note 5 to the financial statements.

ii) Related parties
   a. Piani Industries Sdn. Bhd. ("Piani") in which Ms Tai Lee Keow is a Director.
   b. Dallab Sdn. Bhd., Dallab Inc. Sdn. Bhd. and Dallab Sales & Marketing Sdn. Bhd. (collectively known as "Dallab Group"), in which, Mr. Yeoh Sian Kok and Madam Tai Lee See, the son-in-law and daughter respectively of Mr. Tai Keik Hock are Directors and/or substantial shareholders.
   c. Exzone Plastics Manufacturers Sdn. Bhd. ("Exzone"), in which, Madam Tai Keng Eng is a Director and is also the spouse of a Director and major shareholder of Exzone, Mr. Teh Lian Hock.
   d. FA Technology Sdn. Bhd. ("FA Tech"), in which, Mr. Tai Chee Seong and Madam Tai Lee Bee, the son-in-law and daughter respectively of Mr. Tai Keik Hock, are Directors and/or substantial shareholders.

26.2 The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows :

	2008 RM	**2007 RM**
Group		
Companies in which certain Directors have a substantial financial interest		
- Sales (Dallab Group and FA Tech)	607,816	680,711
- Purchases (Exzone)	-	56,857
- Tooling and non-recurring engineering cost charged (Dallab Group)	37,990	237,611
Company connected by a common Director		
- Scrap sales (Piani)	-	29,753
Company		
Advances given to subsidiaries	350,000	3,227,455
Management fee receivable from a subsidiary	48,000	48,000

The terms and conditions for the above transactions are based on normal trade terms.

26. Related parties [contd.]

26.3 Transactions with Directors and key management personnel

There were no transactions with the Directors and key management personnel other than as disclosed in Note 19 to the financial statements.

26.4 Non-trade balances with the holding company and related companies are disclosed in Notes 10 and 16 to the financial statements.

27. Contingent liabilities, unsecured

Company

The Company issued corporate guarantees to financial institutions as securities for banking facilities granted to certain subsidiaries amounting to RM89,000,000 (2007 : RM59,000,000) of which, RM63,445,236 (2007 : RM45,612,256) were utilised at balance sheet date.

28. Capital commitments

	Group	
	2008 RM	**2007 RM**
Capital expenditure		
Contracted but not provided for in the financial statements	-	3,887,204

29. Financial instruments

Financial risk management objectives and policies

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, liquidity, foreign currency 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.

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. The Group's and the Company's interest-earning financial assets are mainly short term in nature and have occasionally been placed in fixed deposits. The Group's and the Company's interest-bearing borrowings are as disclosed in Note 15 to the financial statements. The Group manages its interest rate risk by maintaining a mix of fixed and floating rate borrowings.

Liquidity risk

The Group and the Company manage their 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 and the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirement. In addition, the Group and the Company strives to maintain available banking facilities at a reasonable level to its overall debt position.

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.

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 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 to a customer who contributed 58% of the total trade receivables at 30 June 2008.

29. Financial instruments [contd.]

Effective interest rates and repricing analysis

In respect of interest-earning financial asset and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Group					
2008					
Financial asset					
Deposits with licensed banks	3.70	3,400	3,400	-	-
Financial liabilities					
Bank overdrafts	8.00 - 8.25	1,755	1,755	-	-
Bankers' acceptances	4.91 - 5.52	33,856	33,856	-	-
Revolving credits	5.00 - 5.90	24,000	10,000	14,000	-
Export credit refinancing	4.50	266	266	-	-
Term loans - fixed rate	4.06 - 7.50	5,552	1,741	3,811	-
- variable rate	6.25 - 8.00	6,478	6,478	-	-
Finance lease liabilities	4.00	14	7	7	-
ICULS (liability component)	5.00	2,055	1,080	975	-
2007					
Financial liabilities					
Bank overdrafts	8.25 - 8.60	1,248	1,248	-	-
Bankers' acceptances	5.15 - 5.65	7,357	7,357	-	-
Revolving credits	5.40 - 5.90	25,000	11,000	14,000	-
Export credit refinancing	4.50	153	153	-	-
Trust receipts	8.25	32	32	-	-
Term loans - fixed rate	6.35 - 7.50	5,382	1,750	3,632	-
- variable rate	6.00 - 8.00	4,097	4,097	-	-
Finance lease liabilities	4.00	24	8	16	-
ICULS (liability component)	5.00	2,981	1,080	1,901	-
Company					
2008					
Financial asset					
Deposits with licensed banks	3.70	2,500	2,500	-	-
Financial liability					
ICULS (liability component)	5.00	2,055	1,080	975	-
2007					
Financial liability					
ICULS (liability component)	5.00	2,981	1,080	1,901	-

29. Financial instruments [contd.]

Fair values

Recognised financial instruments

The carrying amounts approximate fair value due to the relatively short term nature of these financial instruments in respect of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals and short term borrowings.

The aggregate fair values of the other financial assets and liabilities carried on the balance sheet as at 30 June are shown below :

	2008		**2007**	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Group				
Non-current quoted shares	100,551	1,865,000	442,701	3,629,000
Term loans	12,029,695	11,267,000	9,478,594	8,878,000
Finance lease liabilities	13,878	14,000	23,941	24,000
ICULS (liability component)	2,054,630	2,055,000	2,980,667	2,981,000
Company				
Non-current quoted shares	100,551	1,865,000	442,701	3,629,000
ICULS (liability component)	2,054,630	2,055,000	2,980,667	2,981,000
Amount due from subsidiaries	19,972,604	#	24,947,435	#
Amount due to a subsidiary	-	-	2,485,422	#

\# It is not practicable to estimate the fair value of the amounts due to/from subsidiaries due principally to a lack of fixed repayment terms entered into by the parties involved.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

Unrecognised financial instruments

There were no unrecognised financial instruments at balance sheet date.

30. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of interest-earning assets and revenue, interest-bearing, borrowings and expenses and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

Business segments

The Group comprises the following main business segments :

Manufacturing - Provision of electronic manufacturing services
- Manufacturing and sales of solid wood parquet

Others - Investment holding
- Original Equipment Manufacturer (OEM)/Original Design Manufacturer (ODM) in complete box built wireless technology products

30. Segmental information [contd.]

Business segments

Business Segment	**Provision of electronic manufacturing services RM**	**Solid wood parquet RM**	**Others RM**	**Eliminations RM**	**Consolidations RM**
2008					
Revenue external customers	353,193,749	10,573,208	71,734	-	363,838,691
Inter-segment sales	-	-	-	-	-
Total segment revenue	353,193,749	10,573,208	71,734	-	363,838,691
Operation profit	3,240,511	(668,900)	846,011	-	3,417,622
Finance cost					(3,213,898)
Profit before tax					203,724
Tax expense					3,073,131
Profit for the year					3,276,855
Segment assets	148,541,112	21,617,649	-	-	170,158,761
Unallocated assets					4,898,407
Total assets					175,057,168
Segment liabilities	1,695,406	447,282	-	-	2,142,688
Unallocated liabilities					73,975,504
Total liabilities					76,118,192
Capital expenditure	24,912,218	114,184	41,525	-	25,067,927
Depreciation of property, plant and equipment	9,979,219	1,195,125	926	-	11,175,270
Amortisation of prepaid lease payments	39,480	14,728	27,249	-	81,457

30. Segmental information [contd.]

Business Segment	Provision of electronic manufacturing services RM	Solid wood parquet RM	Others RM	Eliminations RM	Consolidations RM
2007					
Total external customers	447,169,560	11,631,037	15,714	-	458,816,311
Inter-segment sales	-	-	-	-	-
Total segment revenue	447,169,560	11,631,037	15,714	-	458,816,311
Operating profit	8,500,114	652,764	1,073,880	-	10,226,758
Finance cost					(2,731,689)
Profit before tax					7,495,069
Tax expense (restated)					74,946
Profit for the year (restated)					7,570,015
Segment assets (restated)	123,976,145	23,246,843	-	-	147,222,988
Unallocated assets (restated)					1,575,525
Total assets (restated)					148,798,513
Segment liabilities (restated)	5,420,030	863,152	-	-	6,283,182
Unallocated liabilities (restated)					46,273,421
Total liabilities (restated)					52,556,603
Capital expenditure	31,298,628	854,689	50,248	-	32,203,565
Depreciation of property, plant and equipment (restated)	8,238,351	1,515,530	2,296	-	9,756,177
Amortisation of prepaid lease payments (restated)	39,480	14,728	27,249	-	81,457

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

	Malaysia RM	Europe RM	Thailand RM	Consolidated RM
2008				
Revenue from external customers	353,265,483	10,573,208	-	363,838,691
Segment assets	151,823,516	-	18,335,245	170,158,761
Capital expenditure	18,661,945	-	6,405,982	25,067,927
2007				
Revenue from external customers	447,185,274	11,631,037	-	458,816,311
Segment assets	140,716,366	-	6,506,622	147,222,988
Capital expenditure	27,081,980	-	5,121,585	32,203,565

31. Operating lease commitment

Non-cancellable operating lease commitments :

	2008 RM	2007 RM
Future minimum lease rental payables		
Not more than 1 year	2,066,147	2,548,496
More than 1 year and not later than 5 years	-	2,066,147
	2,066,147	4,614,643

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.

32. Changes in accounting policies - Group

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 30 June 2008.

The changes in accounting policy arising from the adoption of FRS 112, Income Taxes are summarised below :

FRS 112 addresses the accounting treatment for income taxes. However, FRS 112 does not prescribe the accounting treatment for reinvestment allowance ("RA"). On adoption of FRS 112, the Group accounted for RA by applying the analogy of the accounting treatment for unused tax losses in FRS 112.

The change in accounting policy is applied retrospectively and has the following impact on the financial statements :

	2008 RM	2007 RM (Restated)
Consolidated income statement for the year ended 30 June		
Decrease in tax expense	2,339,296	2,000,000
Consolidated balance sheet at 30 June		
Cumulative increase in deferred tax assets	7,739,296	5,400,000
Cumulative increase in retained earnings	7,739,296	5,400,000

Earnings per share

	2008 Sen	2007 Sen (Restated)
Increase in basic earnings per share	4.53	3.87
Increase in diluted earnings per share	2.55	2.18

33. Comparative figures

Certain comparative figures have been restated and reclassified as a result of the change in accounting policy as stated in Note 32 and to conform with the presentation requirements of FRS 117, Leases :

	Group		Company	
	As restated RM	As previously reported RM	As restated RM	As previously reported RM
Balance sheets				
Deferred tax assets	1,308,245	805,863	-	-
Property, plant and equipment	84,204,767	88,111,673	4,425	1,412,298
Prepaid lease payments	3,906,906	-	1,407,873	-
Deferred tax liabilities	-	4,897,618	-	-
Total equity attributable to shareholders of the Company	95,485,598	90,085,598	-	-
Income statements and cash flow statements				
Tax expense	74,946	(1,925,054)	-	-
Profit for the year	7,570,015	5,570,015	-	-
Depreciation of property, plant and equipment	9,756,177	9,837,634	843	28,092
Amortisation of prepaid lease payments	81,457	-	27,249	-
Basic earnings per ordinary share (sen)	14.57	10.70	-	-
Diluted earnings per ordinary share (sen)	8.55	5.87	-	-
Consolidated statement of changes in equity				
Retained earnings/(Accumulated loss) at 1 July 2006	1,040,728	(2,359,272)	-	-
Retained earnings at 30 June 2007	8,568,820	3,168,820	-	-

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 33 to 76 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2008 and of the results of their operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

Tai Keik Hock

Tai Lee Keow

Kedah,

Date : 22 October 2008

STATUTORY DECLARATION

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

I, Tai Keik Hock, the Director primarily responsible for the financial management of EG Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 76 are, to the best of my knowledge and belief, 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 at Georgetown in the State of Penang on 22 October 2008.

Tai Keik Hock

Before me :

Report on the Financial Statements

We have audited the financial statements of EG Industries Berhad, which comprise the balance sheets as at 30 June 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 76.

The financial statements for the preceding financial year were audited by another firm of auditors whose report dated 30 October 2007, expressed an unqualified opinion on those financial statements.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

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

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
AF : 0758
Chartered Accountants

Lee Kean Teong
1857/02/10 (J)
Chartered Accountant

Date : 22 October 2008

Penang

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 Seventeenth Annual General Meeting of the Company to be held at EG INDUSTRIES BERHAD, Lot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah on Tuesday, 23 December 2008 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 LEE KEOW		
4.	Re-election of Director, TEONG KOK KHONG		
5.	Re-election of Director, TAI KEIK HOCK		
6.	Re-appointment of Auditors, KPMG		
7.	To authorise the Directors to issue and allot shares pursuant 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		
9.	To approve the Proposed Renewal of Authority for the Share Buy Back		

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

Signed this ____________ day of ____________ , 2008.

____

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, 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 1 December 2008.

   • Resolution 9

   The Share Buy Back will enable the Company to utilise its surplus financial resources to purchase its own shares, when appropriate, and at prices which the Board views as favourable. In addition, the Share Buy Back is also expected to stabilise the supply and demand of the Company's shares in the open market and thereby supporting its fundamental value. Please refer to Part B of the Circular to Shareholders dated 1 December 2008.

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STAMP

The Secretary

EG INDUSTRIES BERHAD (222897-W)

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

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