EG INDUSTRIES BERHAD

222897-W

Annual Report 2010

Contents

Notice of Meeting

NOTICE IS HEREBY GIVEN that the NINETEENTH 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 Friday, 10 December 2010 at 11:30 a.m. for the following purposes:-

AGENDA

As Ordinary Business :-

1. To receive the Audited Financial Statements for the year ended 30 June 2010 and the Reports of the Directors and the Auditors thereon. Resolution 1

2. To approve the payment of Directors' Fees of RM104,000.00 for the year ended 30 June 2010. Resolution 2

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

   (a) MR. TAI YEONG SHENG Resolution 3
   (b) MR. ANG SENG WONG Resolution 4

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

   MR. TAI KEIK HOCK Resolution 5

5. 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 and Special Resolution :-

6. • 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."

7. • 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") Resolution 8

   "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 the Circular to the Company's shareholders dated 18 November 2010. 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 75,016,600 ordinary shares of RM1.00 each as at 29 October 2010 and an amount not exceeding the share premium reserve of RM15,170,314 based on the latest audited accounts of the Company as at 30 June 2010.

   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

Notice of Meeting (Contd.)

(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 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."

8. Special Resolution — Resolution 9

- Proposed Amendment to Article 160 of the Articles of Association of the Company

"THAT Article 160 of the Company's Articles of Association be amended in accordance with Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to the implementation of eDividend and that the said Article shall read as follows:-

Article 160 – Despatch of Dividend

Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant and sent through the post directed to the registered address of the holder to such person and to such address as the holder may in writing direct or, if several persons are entitled thereto in consequence of the death, bankruptcy of the holder, to any one of such persons or to such person and to such address as such persons may by writing direct or be paid via electronic transfer of remittance to the account provided by the holder who is named in the Record of Depositors. Every such cheque or warrant or electronic transfer of remittance shall be made payable to the order of the person to whom it is sent or remitted or to such person as the holder or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and the payment of any such cheque or warrant or electronic transfer shall operate as a good discharge to the Company in respect of the dividend, interest, or other money payable in cash represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that endorsement thereon, or the instruction for the electronic transfer of remittance has been forged. Every such cheque or warrant or electronic transfer of remittance shall be sent or remitted at the risk of the person entitled to the money thereby represented."

9. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

CHAI CHURN HWA (MAICSA 0811600)

Company Secretary

Penang

18 November 2010

Notice of Meeting (Contd.)

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 ordinary resolution 7 proposed under Agenda No. 6, is a renewal of the previous year mandate and if passed, will authorize the Directors of the Company to issue shares up to a maximum ten per cent (10%) of the issue share capital of the company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

   The renewal of this mandate would provide flexibility to the Company for any possible fund raising exercise, including but not limited to further placing of shares, for purpose of funding future investment projects, working capital and/or acquisitions. This authority is to avoid any delay and cost involved in convening a general meeting to approve such issuance of shares. The Company did not exercise the mandate under Section 132D of the Companies Act, 1965 given by the shareholders at the Eighteenth Annual General Meeting held on 23 December 2009.

   Resolution 8

   - Proposed Renewal of Authority for the Share Buy Back

   The Share Buy Back will enable the Company to utilize 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 stabilize the supply and demand of the Company's shares in the open market and thereby supporting its fundamental value. Please refer to the Circular to Shareholders dated 18 November 2010.

   Special Resolution

   Resolution 9

   - Proposed Amendment to Article 160 of the Articles of Association of the Company

   The Special Resolution if approved, will bring the Company's Articles of Association in line with the implementation of eDividend whereby all listed issuers are required to provide eDividend to the shareholders effective 1 September 2010, with the objective to promote greater efficiency of the dividend payment system. Please refer to Annexure "A" enclosed with the annual report for details on the implementation of eDividend.

Statement Accompanying Notice of Annual General Meeting

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

- TAI YEONG SHENG (Resolution 3)
- ANG SENG WONG (Resolution 4)
- TAI KEIK HOCK (Resolution 5)

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

Tai Yeong Sheng

Age	33
Nationality	Malaysian
Qualification	Master of Business Administration - University of South Australia, Australia Bachelor of Engineering, Computer Engineering - McMaster University, Hamilton, Ontario, Canada
Position	Executive Director
Working Experience & Occupation :	

Mr Tai started his career as Teaching Assistant with McMaster University, Hamilton, Ontario, Canada and thereafter he worked as an Intermediate Software Designer with multinational corporation Alcatel Canada, Ottawa, Ontario, Canada for two years. Upon his return to Malaysia, he joined an electronics manufacturing company as an Engineer. Subsequently, he served as Marketing Manager with Nbien Sdn. Bhd. After that, he worked with SMT Technologies Sdn. Bhd. (SMTT) as Process Engineering Section Manager and subsequently as Business Development Section Manager of the company. Currently he is the Executive Director of SMTT and other subsidiaries of EG Industries Berhad and is responsible for the overall operation and expansion of the Group. He is also the Industrial Adviser for Faculty of Engineering & Science of Universiti Tunku Abdul Rahman.

Date appointed to the Board	2 December 2008
Other Board Committee	Nil
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Son of Tai Keik Hock and Brother 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	6

Statement Accompanying Notice of Annual General Meeting (Contd.)

Ang Seng Wong

Age	48
Nationality	Malaysian
Qualification	Masters degree from USA Bachelor of Arts and Bachelor of Business from Australia
Position	Independent Non-Executive Director
Working Experience & Occupation :	

Mr. Ang has achieved membership status for the Australian CPA, Australian Insurance Institute and Malaysian Institute of Accountants. He started his career as an accountant in Melbourne for 5 years. Upon his return to Malaysia, Mr. Ang served as the Finance Director for a Taiwanese PCB and PCBA firm, the Executive Representative for a Taiwanese Venture Capital Organisation and a Corporate Affairs Director for an international plastics entity. His last posting as an employee was as the Executive Director for a listed electronics company. Currently, in cooperation with a US firm, he runs an export business. He also has multiple business interests in manufacturing and trading. As a part time activity, Mr Ang is a trainer. He has conducted public training and in house training for Petronas, Telekoms, NEC etc. In addition he has also lectured in University Malaya for the European Union officers, UTM and Saudi General Organization for Technical Education and Vocational Training.

Date appointed to the Board	30 January 2009
Other Board Committee	Audit Committee Member, Nomination Committee Member and Remuneration Committee Member
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Nil
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	6

Tai Keik Hock

Age	72
Nationality	Malaysian
Qualification	Secondary School
Position	Executive Chairman, Managing Director
Working Experience & Occupation	Businessman, Company Director
Date appointed to the Board	14 July 1993
Other Board Committee	Remuneration Committee Member
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Father of Tai Lee Keow and Tai Yeong Sheng
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	5

Statement Accompanying Notice of Annual General Meeting (Contd.)

Attendance at Board Meeting

Four Meetings were held during the financial year from 1 July 2009 to 30 June 2010. The details of attendance of Directors at the Board Meetings are as follows:-

Name of Directors	Date of Meetings					
	27/8/09	30/10/09	30/11/09	23/12/09	19/2/10	24/5/10
Tai Keik Hock	✓	×	✓	✓	✓	✓
Tai Lee Keow	✓	✓	✓	✓	✓	✓
Andrew Su Meng Kit	✓	✓	✓	×	✓	✓
Tai Yeong Sheng	✓	✓	✓	✓	✓	✓
Ang Seng Wong	✓	✓	✓	✓	✓	✓
Dr. Damien Lim Yat Seng	✓	✓	×	×	✓	✓
Kang Pang Kiang (Appointed on 23 November 2009)	×	×	✓	✓	✓	✓

Place, date and time of the Nineteenth Annual General Meeting

The Nineteenth Annual General Meeting of the Company is scheduled to be held on Friday, 10 December 2010 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 2010 are as follows:-

Aggregate remuneration categorized into components :-

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	20,000	84,000	104,000
Salaries (RM)	810,480	-	810,480
Bonuses and Allowances (RM)	420,000	-	420,000
Benefits-in-kind (RM)	-	-	-
Total (RM)	1,250,480	84,000	1,334,480

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

	Executive Directors	Non-Executive Directors	Total
0 to RM50,000	-	3	3
RM50,001 to RM100,000	-	-	-
RM100,001 to RM150,000	1	-	1
RM150,001 to RM200,000	-	-	-
RM200,001 to RM250,000	1	-	1
RM250,001 to RM300,000	-	-	-
RM300,001 to RM350,000	-	-	-
RM350,001 to RM400,000	1	-	1
RM400,001 to RM450,000	-	-	-
RM450,001 to RM500,000	-	-	-
RM500,001 to RM550,000	-	-	-
RM550,001 to RM600,000	1	-	1

Statement Accompanying Notice of Annual General Meeting (Contd.)

Statement of Directors' Responsibilities

Pursuant to Paragraph 15.26(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 2010, 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.

Utilization of Proceeds

During the financial year, there were no proceeds raised by the company.

Share Buy-backs

During the financial year, the Company bought back 10,000 shares from the open market as follows :-

Period Purchased		Purchase price per share (RM)			Total Consideration *(RM)
	No. of Shares	Highest	Lowest	Average	
December 2009	10,000	0.375	0.375	0.375	3,750.00
Total	**10,000**	**0.375**	**0.375**	**0.375**	**3,750.00**

* Excluding transaction costs

All the shares purchased by the Company were retained as treasury shares. There were no treasury shares resold or cancelled during the financial year. As at 30 June 2010, a total of 65,500 ordinary shares were held as treasury shares.

Options, Warrants or Convertible Securities

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

On 16 June 2010, all the 23,330,787 EG-ICULS had matured. All the 23,330,787 EG-ICULS had been converted to ordinary shares of RM1.00 each on 24 June 2010. As a result, the paid-up share capital of EG had increased from RM51,685,813 to RM75,016,600 effective from 24 June 2010.

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

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

Imposition of Sanctions/Penalties

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

Statement Accompanying Notice of Annual General Meeting (Contd.)

Non-audit Fees

The non-audit fees paid to the external auditor during the year was RM19,490.

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 27 to the financial statements.

Revaluation of Landed Properties

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

Corporate Information

Executive Chairman & Managing Director

TAI KEIK HOCK

Non-Independent Executive Directors

TAI LEE KEOW
TAI YEONG SHENG
KANG PANG KIANG [Appointed on 23 November 2009]

Independent Non-Executive Directors

ANDREW SU MENG KIT
ANG SENG WONG
DR. DAMIEN LIM YAT SENG

Company Secretary

CHAI CHURN HWA [MAICSA 0811600]

Audit Committee

Chairman

ANDREW SU MENG KIT [Appointed on 30 April 2010]
[Independent Non-Executive Director]

Members

ANG SENG WONG
[Independent Non-Executive Director]

DR. DAMIEN LIM YAT SENG
[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 And 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 (AF 0758)
Chartered Accountants

Bankers

United Overseas Bank Berhad
CIMB Bank Berhad
Standard Chartered Bank Malaysia Berhad
Bank Islam Malaysia Berhad
OCBC Bank (Malaysia) Berhad
RHB Islamic Bank Berhad
EON Bank Berhad
Asian Finance Bank Berhad
Kasikorn Bank Public Company Limited (Thailand)

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Profile of Directors

EXECUTIVE CHAIRMAN & GROUP MANAGING DIRECTOR

Tai Keik Hock

Age	72
Nationality	Malaysian
Qualification	Secondary School
Position	Executive Chairman, Managing Director
Working Experience & Occupation	Businessman, Company Director
Date appointed to the Board	14 July 1993
Other Board Committee	Remuneration Committee Member
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Father of Tai Lee Keow and Tai Yeong Sheng
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	5

EXECUTIVE DIRECTORS

Tai Lee Keow

Age	44
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 and Sister of Tai Yeong Sheng
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	6

Profile of Directors (Contd.)

Tai Yeong Sheng

Age	33
Nationality	Malaysian
Qualification	Master of Business Administration - University of South Australia, Australia Bachelor of Engineering, Computer Engineering - McMaster University, Hamilton, Ontario, Canada
Position	Executive Director
Working Experience & Occupation :	

Mr Tai started his career as Teaching Assistant with McMaster University, Hamilton, Ontario, Canada and thereafter he worked as an Intermediate Software Designer with multinational corporation Alcatel Canada, Ottawa, Ontario, Canada for two years. Upon his return to Malaysia, he joined an electronics manufacturing company as an Engineer. Subsequently, he served as Marketing Manager with Nbien Sdn. Bhd. After that, he worked with SMT Technologies Sdn. Bhd. (SMTT) as Process Engineering Section Manager and subsequently as Business Development Section Manager of the company. Currently he is the Executive Director of SMTT and other subsidiaries of EG Industries Berhad and is responsible for the overall operation and expansion of the Group. He is also the Industrial Adviser for Faculty of Engineering & Science of Universiti Tunku Abdul Rahman.

Date appointed to the Board	2 December 2008
Other Board Committee	Nil
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Son of Tai Keik Hock and Brother 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	6

Kang Pang Kiang

Age	38
Nationality	Malaysian
Qualification	Double degrees in Bachelor of Commerce and Bachelor of Science, University of Auckland, New Zealand Fellow member of Associate of Chartered Accountant, New Zealand Member of the Malaysian Institute of Accountants
Position	Executive Director
Working Experience & Occupation :	

Mr Kang started his career as an auditor with Ernst & Young before being promoted to senior auditor. He has experience in providing auditing, tax consultation and business advisory services to various clients, which include multinational companies. In 1999, he joined SMT Technologies Sdn. Bhd. (SMTT) as a Finance Manager. He played a key role in the formulation and implementation of strategic cost reduction plan and also responsible for corporate finance, planning and management of the Company. He has extensive financial management and corporate restructuring exercise experiences and audit trial on the financial planning and accounting practices. He is responsible for the Finance of the Group.

Date appointed to the Board	23 November 2009
Other Board Committee	Nil
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Nil
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	4

Profile of Directors (Contd.)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Andrew Su Meng Kit

Age	39
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 :	

Mr. Andrew started his career with KPMG and has 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, CEO of a company listed on the Bursa Malaysia and is currently a management consultant.

Date appointed to the Board	2 March 2007
Other Board Committee	Chairman of Audit Committee and 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	5

Ang Seng Wong

Age	48
Nationality	Malaysian
Qualification	Masters degree from USA Bachelor of Arts and Bachelor of Business from Australia
Position	Independent Non-Executive Director
Working Experience & Occupation :	

Mr. Ang has achieved membership status for the Australian CPA, Australian Insurance Institute and Malaysian Institute of Accountants. He started his career as an accountant in Melbourne for 5 years. Upon his return to Malaysia, Mr. Ang served as the Finance Director for a Taiwanese PCB and PCBA firm, the Executive Representative for a Taiwanese Venture Capital Organisation and a Corporate Affairs Director for an international plastics entity. His last posting as an employee was as the Executive Director for a listed electronics company. Currently, in cooperation with a US firm, he runs an export business. He also has multiple business interests in manufacturing and trading. As a part time activity, Mr Ang is a trainer. He has conducted public training and in house training for Petronas, Telekoms, NEC etc. In addition he has also lectured in University Malaya for the European Union officers, UTM and Saudi General Organization for Technical Education and Vocational Training.

Date appointed to the Board	30 January 2009
Other Board Committee	Audit Committee Member, Nomination Committee Member and Remuneration Committee Member
Other Directorships (in Public Companies)	Nil
Family relationships with other Directors	Nil
Conflict of interest with listed issuer	Nil
Offences convicted for the past 10 years	Nil
No. of Board Meeting attended during the financial year	6

Profile of Directors (Contd.)

Dr. Damien Lim Yat Seng

Age	38
Nationality	Malaysian
Qualification	1. Chartered Accountant (CA) from Institute of Chartered Accountant of England and Wales (ICAEW) and a Certified Public Accountant (CPA) 2. Certified Fraud Examiner (CFE) and a member of the Association of Certified Fraud Examiners (ACFE) 3. MBA and a DBA in International Trade and E-Commerce 4. Masters in Organisational Behavioral Psychology 5. Masters in Logistics Management 6. International Registered Certified Auditor (IRCA) for ISO, EN and HACCP standards 7. Degree in Industrial and Organisational Psychology
Position	Independent Non-Executive Director
Working Experience & Occupation :	

Dr. Damien has an extensive experience in financial and operational audits, consultancy and investigations into various industries encompassing private limited companies, public listed companies and both local and foreign entities. He has vast experience in fraud and financial mismanagement investigations. He began his career in one of the Big Six as an auditor in the early 90s. Dr. Damien was responsible for the overall implementation of a German multinational's new accounting system and ERP system and he is familiar with Business Intelligence Systems. He is an experienced consultant, implementer and trainer of Harvard Business School's balance Scorecard Programme and Six Sigma Quality Program and also trains on use of Palm OS and Windows Mobile personal digital assistants (PDA) for management with emphasis on Business Process Management (BPM) principles. He has trained or consulted in numerous organizations including Petronas Group, Telekom Malaysia, OCBC Bank, IOI Berhad and etc. He has also trained government agencies and bodies during his career including National Heart Institute, Pantai Medical Group, Bank Negara Malaysia and etc.

Date appointed to the Board	9 April 2009
Other Board Committee	Chairman of Remuneration Committee Audit Committee Member 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	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 7 members, comprising 1 (one) Managing Director, three (3) Executive Directors and three (3) 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.

1. DIRECTORS (cont'd)

1.2 Supply of Information (cont'd)

During the financial year ended 30 June 2010, the Board met 6 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	5/6
Tai Lee Keow	6/6
Tai Yeong Sheng	6/6
Andrew Su Meng Kit	5/6
Ang Seng Wong	6/6
Dr. Damien Lim Yat Seng	4/6
Kang Pang Kiang (Appointed on 23 November 2009)	4/6

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 Ang Seng Wong - Independent Non-Executive Director

Dr. Damien Lim Yat Seng - Independent Non-Executive Director

The duties and functions of the Nomination Committee are :-

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

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

During the year under review, there were three (3) 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.

Corporate Governance Statement (Contd.)

1. DIRECTORS (cont'd)

1.5 Directors' Training

The Board acknowledges the importance of constantly updating itself on the industry's direction and development. They are provided with the opportunity for training and update from time to time, particularly on relevant new laws and regulations, financial reporting, risk management and investor relations to equip themselves with the knowledge to effectively discharge their duties as Directors.

Mandatory Accreditation Program

All members of the Board have attended the Mandatory Accreditation Program conducted by the Bursatra Sdn Bhd.

Continuous Education Program

From last AGM to the date of this Annual Report, apart from the one newly appointed Executive Director who had attended the MAP program, all the directors had attended the Continuous Education Program as follows :

Name of Directors	Type of Training	No. of hours attended
Tai Keik Hock	Risk Management Process and Standard Operating Procedures	8 hours
Tai Lee Keow	Risk Management Process and Standard Operating Procedures	8 hours
Tai Yeong Sheng	Risk Management Process and Standard Operating Procedures	8 hours
Kang Pang Kiang	Risk Management Process and Standard Operating Procedures	8 hours
Andrew Su Meng Kit	Risk Management Process and Standard Operating Procedures	8 hours
	The Non-Executive Director Development Series	8 hours
Ang Seng Wong	Risk Management Process and Standard Operating Procedures	8 hours
	The Challenges of Implementing FRS 139	3 hours
Dr. Damien Lim Yat Seng	Risk Management Process and Standard Operating Procedures	8 hours
	The Challenges of Implementing FRS 139	3 hours

All Directors received updates from time to time, on relevant new laws and regulations to enhance their business acumen and skills to meet challenging commercial risks and challenges. The Directors were also briefed by the Company Secretary on the various amendments to the Listing Requirements from time to time.

2. THE AUDIT COMMITTEE

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

3. DIRECTORS' REMUNERATION

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

The Remuneration Committee comprises the following members : -

Dr. Damien Lim Yat Seng – Chairman, Independent Non-Executive Director
Mr. Ang Seng Wong – Independent Non-Executive Director
Mr. Andrew Su Meng Kit – Independent Non-Executive Director
Mr. Tai Keik Hock – Executive 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 to ensure the Group attracts and retains the Directors needed to run the Group successfully. The individual Director is required to abstain from discussion on his/her own remuneration.

Corporate Governance Statement (Contd.)

3. DIRECTORS' REMUNERATION (cont'd)

The Remuneration Committee also reviewed the remuneration package of the Non-Executive Directors based on their contribution to the Group in terms of their knowledge, responsibility and experience.

Details of the remuneration for Directors during the financial year ended 30 June 2010 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 8.

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 19 and the Audit Committee Report on pages 20 and 21.

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.

Statement On Internal Control

INTRODUCTION

The Board is pleased to include a statement on the state of the Group's internal controls in accordance with paragraph 15.26 (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

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;
- Realizing the Group's strategic objectives; and
- Optimizing the returns to and protecting the interest of stakeholders.

The Board acknowledges its responsibility for maintaining a sound system of internal control. However, it recognizes 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. Therefore, the system can only provide reasonable but not absolute assurance against material misstatement or loss, contingencies, fraud or any irregularities.

RISK MANAGEMENT FRAMEWORK

An independent professional firm was engaged by the Company 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

The Group's internal audit function is outsourced to an independent professional firm which report directly to the Audit Committee (the "Committee"). During the financial year under review, the internal audit function carried out two cycles of risk-based audit in accordance with the 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.

OTHER KEYS ELEMENTS OF INTERNAL CONTROLS

The other key elements of the Group's internal control systems are :-

i) Quarterly review of the financial performance of the Group by the Board and the Audit Committee.
ii) Clearly defined and structured lines of reporting and responsibility.
iii) Management / Operations review meetings are held to monitor the progress of business operations, deliberate significant issues and formulate corrective measures.
iv) Regular internal quality audit based on the Sirim QAS International Standard ISO 9002:2008.

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.

This statement in made in accordance with the resolution passed in the Board of Directors' meeting held on 21 October 2010.

Audit Committee Report

Composition

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

ANDREW SU MENG KIT [Appointed on 30 April 2010]
Chairman, Independent Non-Executive Director

ANG SENG WONG
Independent Non-Executive Director

DR. DAMIEN LIM YAT SENG
Independent Non-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

Three and all the members present must be non-executive directors, with a majority of them being independent 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.

Audit Committee Report (Contd.)

Functions of the Audit Committee (cont'd)

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 five times during the financial year ended 30 June 2010. Details on the attendance of each member are outlined below:-

	Date of Meetings				
	27/8/09	30/10/09	30/11/09	19/2/10	24/5/10
Andrew Su Meng Kit – Chairman (Appointed on 30 April 2010)	✓	✓	✓	✓	✓
Ang Seng Wong	✓	✓	✓	✓	✓
Dr. Damien Lim Yat Seng	✓	✓	x	✓	✓

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

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

Summary of Activities of the Internal Audit Function

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

Statistics of Shareholdings

As At 29 October 2010

AUTHORISED SHARE CAPITAL	:	RM200,000,000-00
PAID-UP CAPITAL	:	RM75,016,600-00
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	11	0.44	434	0.00
100 – 1,000	745	29.60	718,676	0.96
1,001 – 10,000	1,229	48.83	5,577,530	7.43
10,001 – 100,000	462	18.35	13,485,087	17.98
100,001 – 3,750,829 (*)	66	2.62	29,818,622	39.75
3,750,830 and above (**)	4	0.16	25,416,251	33.88
TOTAL	**2,517**	**100.00**	**75,016,600**	**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	3,995,015	5.33	-	-
Tai Lee Keow	2,420,079	3.23	11,389,550[(a)]	15.18
Tai Yeong Sheng	386,000	0.51	15,202,264[(a)+(b)]	20.27
Kang Pang Kiang (Appointed on 23 November 2009)	63,000	0.08	-	-
Andrew Su Meng Kit	-	-	-	-
Ang Seng Wong	-	-	-	-
Dr. Damien Lim Yat Seng	-	-	-	-

(a) 11,389,550 shares held through Jupax Enterprise Sdn Bhd

(b) 3,812,714 shares held through Giap Seng Auto Supply Sdn Bhd

SUBSTANTIAL SHAREHOLDERS

	No. of Ordinary Shares Held			
Name of Substantial Shareholders	**Direct Interest**	**%**	**Indirect Interest**	**%**
1. Jupax Enterprise Sdn Bhd	11,389,550	15.18	-	-
2. Ee Wee Lee	6,261,128	8.35	-	-
3. Tai Keik Hock	3,995,015	5.33	-	-
4. A.A. Anthony Securities Sdn Bhd	3,952,859	5.27	-	-
5. Giap Seng Auto Supply Sdn Bhd	3,812,714	5.08	-	-
6. Tai Lee Keow	2,420,079	3.23	11,389,550[(a)]	15.18
7. Tai Lee See	2,180,153	2.91	3,812,714[(b)]	5.08
8. Tai Chee Seong	587,322	0.78	3,812,714[(b)]	5.08
9. Tai Yeong Sheng	386,000	0.51	15,202,264[(a)+(b)]	20.27
10. Tai Lee Bee	168,126	0.22	3,812,714[(b)]	5.08
11. Eng Giat Yang @ Ng Geek Hiang	-	-	11,389,550[(a)]	15.18

(a) 11,389,550 shares held through Jupax Enterprise Sdn Bhd

(b) 3,812,714 shares held through Giap Seng Auto Supply Sdn Bhd

Statistics of Shareholdings (Contd.)
As At 29 October 2010

30 LARGEST SHAREHOLDERS AS AT 29 OCTOBER 2010

	Name	No. of Shares Held	%
1.	OSK Nominees (Tempatan) Sdn. Berhad *OSK Capital Sdn Bhd for Jupax Enterprise Sdn. Bhd.*	11,389,550	15.18
2.	Ee Wee Lee	6,261,128	8.35
3.	A.A. Anthony Securities Sdn. Bhd. *IVT (CI001)*	3,952,859	5.27
4.	Giap Seng Auto Supply Sdn. Berhad	3,812,714	5.08
5.	Ee Wei Yen	3,460,400	4.61
6.	OSK Nominees (Tempatan) Sdn. Berhad *OSK Capital Sdn. Bhd. for Tai Keik Hock*	3,050,000	4.07
7.	OSK Nominees (Tempatan) Sdn. Berhad *OSK Capital Sdn. Bhd. for Yeoh Sian Kok*	2,965,865	3.95
8.	OSK Nominees (Tempatan) Sdn. Berhad *OSK Capital Sdn. Bhd. for Tai Lee Keow*	2,420,000	3.23
9.	OSK Nominees (Tempatan) Sdn. Berhad *OSK Capital Sdn. Bhd. for Tai Lee See*	2,180,153	2.91
10.	CIMSEC Nominees (Asing) Sdn. Bhd. *CIMB for Dominguez Hills Corporation Ltd (PB)*	1,004,500	1.34
11.	Tai Keik Hock	945,015	1.26
12.	OSK Nominees (Tempatan) Sdn. Berhad *OSK Capital Sdn. Bhd. for Tai Lee Fung*	900,000	1.20
13.	Ang Huat Keat	861,000	1.15
14.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Goh Kheng Peow (8026769)*	598,200	0.80
15.	Tai Chee Seong	587,322	0.78
16.	Tai Lee Sun	500,901	0.67
17.	Dallab Capital Sdn. Bhd.	455,800	0.61
18.	AMSEC Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Kek Chong Hwee*	437,000	0.58
19.	OSK Nominees (Tempatan) Sdn. Berhad *OSK Capital Sdn. Bhd. for Tai Lee Sun*	400,000	0.53
20.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Margarte Yuen (ET)*	356,000	0.48
21.	Tan Bak Seng	330,000	0.44
22.	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Wong Puay Chen*	310,000	0.41
23.	BHLB Trustee Berhad *Exempted – Trust Account for EPF Investment for Member Savings Scheme*	300,100	0.40
24.	Tai Yeong Sheng	300,000	0.40
25.	OSK Nominees (Tempatan) Sdn. Berhad *Pledged securities account for Mohd Isa Bin Ismail*	293,700	0.39
26.	Cimsec Nominees (Tempatan) Sdn. Bhd. *CIMB Bank for Lim Yon Pin (MP0108)*	278,100	0.37
27.	Ooi Leng Hwa	275,000	0.37
28.	Lee Teck Ong @ Lee Kok Chee	260,000	0.35
29.	Ooi Chieng Sim	250,000	0.33
30.	Lee Thean Kang	241,300	0.32

Statistics Of Warrant 2005 / 2015 Holdings
As At 29 October 2010

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

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	11	4.07	530	0.00
100 – 1,000	65	24.07	36,365	0.22
1,001 – 10,000	115	42.60	604,299	3.63
10,001 – 100,000	66	24.44	2,270,100	13.62
100,001 –833,516(*)	9	3.33	2,354,707	14.13
833,517 and above (**)	4	1.48	11,404,354	68.41
TOTAL	**270**	**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	-	-
Tai Lee Keow	673,334	4.04	3,226,668[(a)]	19.36
Tai Yeong Sheng	6,000	0.04	3,226,668[(a)]	19.36
Kang Pang Kiang (Appointed on 23 November 2009)	-	-	-	-
Andrew Su Meng Kit	-	-	-	-
Ang Seng Wong	-	-	-	-
Dr. Damien Lim Yat Seng	-	-	-	-

[(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. Ee Wei Yen	6,284,352	37.70	-	-
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	-	-
5. Tai Lee Keow	673,334	4.04	3,226,668[(a)]	19.36
6. Tai Yeong Sheng	6,000	0.04	3,226,668[(a)]	19.36
7. Eng Giat Yang @ Ng Geek Hiang	-	-	3,226,668[(a)]	19.36

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

Statistics Of Warrant 2005 / 2015 Holdings (Contd.)
As At 29 October 2010

30 LARGEST WARRANT 2005/2015 HOLDERS AS AT 29 OCTOBER 2010

	Name	No. of Warrants Held	%
1.	Ee Wei Yen	6,284,352	37.70
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. *IVT (CI001)*	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 (100580)*	131,000	0.79
9.	Law Chee Kheong	124,000	0.74
10.	Esabella Kon Fun Soh	114,200	0.69
11.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Goh Jok Kuwi (100705)*	105,600	0.63
12.	Tan Phee Mun @ Tan Phui Mun	101,000	0.61
13.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chua Hock Keng (100175)*	100,300	0.60
14.	Ng Hun Foong	100,000	0.60
15.	Loo Hong Kiat	100,000	0.60
16.	Koh Keah Kwang	100,000	0.60
17.	Ng Ah Chung	85,100	0.51
18.	Yeoh Sian Kok	68,000	0.41
19.	Dallab Capital Sdn. Bhd.	66,800	0.40
20.	AMSEC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Khoo Ching Thye*	65,000	0.39
21.	Lim Poh Hock	63,000	0.38
22.	Fong Tuck Seng	59,000	0.35
23.	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Fong Tuck Seng*	55,000	0.33
24.	Vincent Phua Chee Ee	55,000	0.33
25.	AMSEC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Foo Sai Heng*	50,000	0.30
26.	Chong Chye Neo	50,000	0.30
27.	Sim Kim Pin	50,000	0.30
28.	Chua Vin Teck	46,000	0.28
29.	Tan Heng Lam	45,000	0.27
30.	OSK Nominees (Tempatan) Sdn. Berhad *OSK Capital Sdn. Bhd. for Tai Lee Bee*	42,000	0.25

Group Structure

EG INDUSTRIES BERHAD (222897-W)

Investment holding company

100%
EG WIRELESS SDN BHD
(665423-W)
Original Equipment Manufacturer/Original Design Manufacturer in complete box built products

100%
SMT TECHNOLOGIES SDN BHD
(279566-X)
Provision of Electronic Manufacturing Services for computer peripherals, telecommunication and consumer electronic/ electrical products industries

100%
GLISTEN KNIGHT SDN BHD
(354564-D)
Investment holding company

100%
SMT INDUSTRIES CO., LTD. (THAILAND)
(0255549000227)
Provision of Electronic Manufacturing Services for computer peripherals, telecommunication, consumer electronic/ electrical and automotive industrial products industries

90.50%
MASTIMBER INDUSTRIES SDN BHD
(418438-V)
Manufacture and sale of 2-layer solid wood parquet flooring

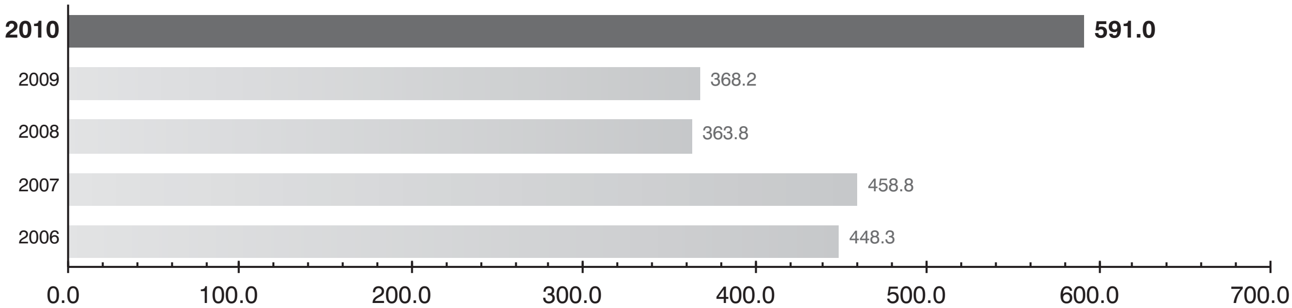
Group Financial Highlights

Year ended June 30	2006	2007	2008	2009	2010
Revenue	448.3	458.8	363.8	368.2	**591.0**
Shareholders' Fund	84.6	96.2**	98.9	101.0	**103.1**
Profit/(Loss) Before Tax	8.3	7.5	0.2	2.0	**1.9**

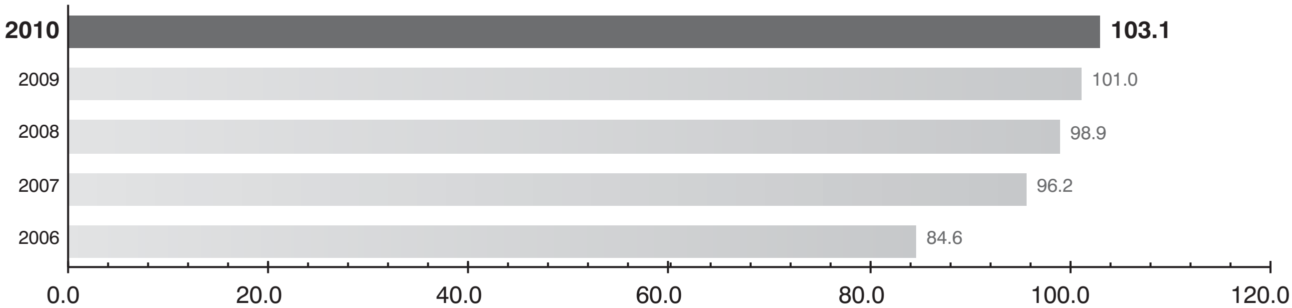
** As restated

Amount in RM '000,000

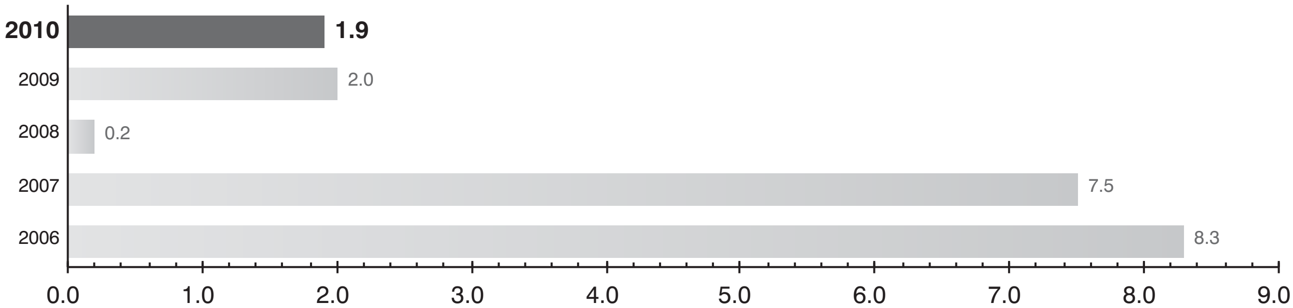
Revenue



Shareholders' Fund



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 30/06/10 (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)	1,326,124
Lot No. 25 & 32 Kawasan Perusahaan Kuala Ketil, Mukim of Tawar, District of Baling, Kedah	11	28/04/03	209,154	Factory, Office Building & Warehouse	Leasehold (60 years)	3,037,720
H.S.(M) 343/89 P.T.No.8543, Mukim Sg. Pasir, Daerah Kuala Muda Kedah	17	16/07/09	174,240	Factory, Office Building & Warehouse	Sub-leasehold (08/10/2088)	12,399,797
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	3	-	172,223	Factory, Office Building & Warehouse	Freehold	10,075,689

Corporate Social Responsibility Statement

In line with the Malaysian Code on Corporate Governance, the Group's Corporate Social Responsibility ("CSR") objective is to be a responsible corporate citizen contributing to society and the development of the country as a whole.

The corporate business would embrace responsibility for the impact of its activities on the environment, employees, communities, stakeholders and all other members of the public sphere.

In June 2010, the subsidiary companies, SMT Technologies Sdn Bhd ("SMTT") & SMT Industries Co., Ltd ("SMTI") initiated to establish a Business Code of Conduct which outlines standards to ensure that working conditions are safe, workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible. Considered the group of Companies as part of the electronics industry for purposes of this Code are Original Equipment Manufacturers (OEMs), Electronic Manufacturing Services (EMS) firms and Original Design Manufacturers (ODMs) including contracted labor that may design, market, manufacture and/or provide goods and services that are used to produce electronic goods.

For the Code to be successful, it is acknowledged that the Company will regard the code as a total supply chain initiative. At a minimum, the Company will require our next tier suppliers to acknowledge and implement the Code.

Fundamental to adopting the Code is the understanding that the business must operate in full compliance with the laws, rules and regulations of the countries in which it operates. The Code encourages the Company to go beyond legal compliance, drawing upon internationally recognized standards, in order to advance social and environmental responsibility.

With the continuous efforts, the Group of Companies has been certified with ISO 9002:2008 (Quality Management System since 1996), ISO 14001:2004 (Environmental Management System since 2008), OHSAS 18001:2007 (Occupational Health and Safety Management System, since April 2010), MS 1722: Part I 2005 (Since April 2010).

Commitment towards CSR

Since 2008, our Group consistently contributed our caring to the society in organizing the Blood Donation Events in-house. It was encouraging for the Annual Blood Donation Organizing Committee this year, that we had more than 150 donors compared to previous year 70 (year 2009) and 58 (year 2008). Moreover we had donors not only from our employees, most valuable support by our Company Director and outsiders added warmest contribution to the society.

SMTT provided 18 vacancies in Facilitating The Under-Employed and Unemployed in Skill Enhancement Training, Industrial Exposure and Talent Pool Creation in the Field of Engineering (NCITES) program collaborated by Northern Corridor Implementation Authority (NCIA) by June 2010.

Furthermore the company liaised with Labour Office and various Welfare Associations in Kedah State, especially those surrounding Sungai Petani to find, identify and provide suitable jobs to OKU (Orang Kurang Upaya), this year the Company managed to recruit 4 OKU (deaf-mute) as our employees.

Corporate Social Responsibility Statement (Contd.)

Employees' Welfare

For the employee of the Company, the Group has an Employee Welfare Committee which continuously organise various activities such as Company Annual Dinner, Bowling, badminton, Futsa and other Competition. Various reward and incentives had been given to the employees for those who achieve certain work efficiency target and good attendance record for operators. To record a few, SMTT celebrated the productivity achievement and motivated its employees, with KFC Treats for the entire workforce in Dec 2009 and August 2010.

In addition to that, the Group also provides canteen subsidy, hostel, transport and the related facilities to the local, as well as foreign workers.

To cultivate knowledge-base Company, the Group emphasized and continuously improved on the awareness and knowledge of the employees through various type of training whether by external or internal trainers, for instance Safety Officer, Fire Prevention, Noise, Chemical Handling, Process, Test, Equipment, Quality & Production related trainings.

The Group recognizes the important of team work among companies, hence on 14 & 15 May 2010, a total of 44 key persons constituted of management and staff from all departments of SMTT & SMTI, had participated in the Issued Based Team Building at Krabi, Thailand.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 30th June 2010.

FINANCIAL OVERVIEW

For the financial year under review, the Group recorded a robust turnover of RM591.0 million as compared to RM368.2 million in the preceding year. The profit after tax was a recuperating RM2.3 million as compared to a profit after tax of RM1.8 million in the preceding difficult year. The increase in profitability of the Group was mainly due to the increased in revenue recorded by the Group and due to further efficiency enhancing efforts undertaken at operations.

CORPORATE DEVELOPMENT

In this financial year the Company's paid up capital had been significantly increased from RM51,685,813 to RM75,016,600. This is the result from the full conversion of the 5 years Irredeemable Convertible Unsecured Loan Stocks upon its maturity on 16th June 2010.

FUTURE OUTLOOK

During the financial year under review, the Group completed its planned expansion with the establishment and commissioning of its wholly owned subsidiaries SMT Technologies Sdn. Bhd. (SMTT) and SMT Industries Co., Ltd. (SMTI). We anticipate these new capital investments will bring significant contributions for the next financial year and for the years to come.

Human capital development has been the Group's emphasis in recent years as part of the Group's long term strategy to improve its overall management capability. In the month of May, SMTT and SMTI engaged external consultants to organize a three-day team building training trip to Krabi, Thailand. The participants consisted of most of the key top and middle management of the two companies. During the training, the team learned about leadership, team work, as well as understanding the need for change in order for the company and ultimately the Group to outperform its competitors and remain resilient in the new global market place. The trip resulted in improved operational efficiency. More importantly, the morale and spirit of the employees have been boosted substantially which enabled the team to excel in this financial year and we expect great things from them in the next financial year.

Moving forward, the Group will continue to focus in the data storage industry and vacuum cleaner product manufacturing. We expect continuous growth in demand especially from the data storage industry due to the ever increasing demands for higher capacities of storage for high definition (HD) movies and media storage within the home entertainment segment. At the same time, the Group continues to explore business opportunities in the power electronics, automobile and medical industry.

The marketing and operating landscape for the EMS industry remains highly competitive. Furthermore, the depreciation of US Dollar versus the Ringgit Malaysia will have a slight impact on the Group's operating overheads. However, the Group managed to overcome this by improving on its operational efficiency. Last year, the Group announced the implementation of Advance Realtime Monitoring Systems (ARMS) for productivity tracking in its wholly owned subsidiary SMTT. Today, the integrated ICT systems developed by in-house talents have proven to be an excellent managementand supervisory asset and these systems enabled the Group to keep track of the subsidiary's productivity in real-time via Short-Text-Messaging (SMS) queries, online web queries as well as automated email reporting. As a result, the operation becomes leaner, more transparent and much more efficient, with less human dependencies, achieving greater accuracies and responsiveness – thereby the overall operating costs are reduced and margins are improved. With this successful implementation, the Group plans to duplicate the same system for its Thailand plant, and hope to achieve paperless production reporting by 2012.

Chairman's Statement (Contd.)

Although the global economy is seen to be recuperating, the Group continues to be prudent when dealing with current and new business growth opportunities. We are optimistic about the Group's overall prospects and we anticipate growth and further improved performance for the coming year.

As for our Thailand manufacturing plant, we expect the plant will maintain its growth and continue to contribute more to the bottom line of the Group for Financial Year 2011.

AWARDS AND RECOGNITIONS

We are pleased to announce that SMTT had received OHSAS 18001 certification (Occupational Health and Safety Management System) on 2nd April 2010. Also, SMTT received Business of the Year Award - Manufacturer of the Year 2009 awarded by SMI & SME Worldwide Network. The award was presented by YB Dato' Mukhriz Mahathir, Deputy Minister of International Trade and Industry, on 20th June 2010.

DIVIDEND

No dividend was declared for the year.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank our management team and employees of the Group for their enthusiastic efforts, valuable contribution and unfailing continued support. Their effective execution of the Group's strategies through sheer hard work, unwavering commitment and cohesive team spirit in a demanding and challenging business environment have certainly contributed much to the success and proud performance of the Group.

My 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 2010.

Thank you.

TAI KEIK HOCK
Executive Chairman

18 November 2010

Directors' Report
For The Year Ended 30 June 2010

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 2010.

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

	Group RM	Company RM
Profit/(Loss) attributable to :		
Shareholders of the Company	2,661,169	(1,353,328)
Minority interest	(318,366)	-
	2,342,803	(1,353,328)

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 Lee Keow
Tai Yeong Sheng
Andrew Su Meng Kit
Ang Seng Wong
Dr. Damien Lim Yat Seng
Kang Pang Kiang (Appointed on 23.11.2009)

Directors' Report (Contd.)
For The Year Ended 30 June 2010

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 1.7.2009/ #	Bought/ Converted	(Sold)	Balance at 30.6.2010
	Number of ordinary shares of RM1 each			
The Company				
- Direct interest				
Tai Keik Hock				
- own	2,645,015	1,350,000	-	3,995,015
- others *	3,853,418	789,000	(480,000)	4,162,418
Tai Lee Keow				
- own	1,410,079	1,010,000	-	2,420,079
Tai Yeong Sheng				
- own	77,000	309,000	-	386,000
Kang Pang Kiang				
- own	# 63,000	-	-	63,000
- Deemed interest				
Tai Keik Hock				
- own	6,549,550	-	(6,549,550)	-
- others	3,812,714	-	-	3,812,714
Tai Yeong Sheng				
- own	-	15,202,264	-	15,202,264
Tai Lee Keow				
- own	6,549,550	4,840,000	-	11,389,550
	Number of warrants 2005/2015			
The Company				
- Direct interest				
Tai Keik Hock				
- own	900,000	-	-	900,000
- others *	526,000	-	-	526,000
Tai Lee Keow				
- own	673,334	-	-	673,334
Tai Yeong Sheng				
- own	6,000	-	-	6,000

Directors' Report (Contd.)
For The Year Ended 30 June 2010

Directors' interests (cont'd)

	Balance at 1.7.2009/ #	Bought/ Converted	(Sold)	Balance at 30.6.2010
	Number of warrants 2005/2015			
The Company				
- Deemed interest				
Tai Keik Hock				
- own	3,226,668	-	(3,226,668)	-
Tai Yeong Sheng				
- own	-	3,226,668	-	3,226,668
Tai Lee Keow				
- own	3,226,668	-	-	3,226,668
	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 *	789,000	-	(789,000)	-
Tai Lee Keow				
- own	1,010,000	-	(1,010,000)	-
Tai Yeong Sheng				
- own	9,000	-	(9,000)	-
- Deemed interest				
Tai Keik Hock				
- own	4,840,000	-	(4,840,000)	-
Tai Yeong Sheng				
- 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.
# At date of appointment.

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

None of the other Directors holding office at 30 June 2010 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Report (Contd.)
For The Year Ended 30 June 2010

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 30.6.2010
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 warrants. The exercise price of the warrants is subject to adjustment 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 as disclosed in Note 27 to the financial statements.

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 as disclosed in the financial statements.

Issue of shares and debentures

During the financial year, the issued and paid-up share capital of the Company increased from RM51,685,813 to RM75,016,600 as a result of the conversion of RM23,330,787 nominal value of 5 year 5% ICULS 2005/2010 into 23,330,787 ordinary shares of RM1.00 each.

There were no other changes in the Company's share capital 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 was 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.

Options granted over unissued shares (cont'd)

ii) The total number of shares to be offered shall not exceed in aggregate 15% of the total issued and paid-up share capital of the Company (or such maximum percentage as allowable by the relevant authorities) at any point of time during the tenure of the ESOS, which shall be in force for a period of five years.

iii) Not more than 50% (or such percentage as allowable by the relevant authorities) of new shares of the Company available under the ESOS should be allocated in aggregate to the Directors 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.

No ESOS was granted by the Company as at to date.

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 ordinary shares of RM1.00 each held in the Company.

The salient features of the ICULS are disclosed in Note 25 to the financial statements. Upon the maturity of the ICULS on 16 June 2010, the outstanding RM23,330,787 ICULS were converted into 23,330,787 ordinary shares of RM1.00 each.

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.

Directors' Report (Contd.)
For The Year Ended 30 June 2010

Other statutory information (cont'd)

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's and in the Company's 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, the results of the operations of the Group and of the Company for the financial year ended 30 June 2010 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 Lee Keow

Tai Yeong Sheng

Penang,

Date : 21 October 2010

Consolidated Balance Sheet

At 30 June 2010

	Note	2010 RM	2009 RM
Assets			
Property, plant and equipment	3	108,425,645	93,055,696
Prepaid lease payments	4	3,667,442	3,746,447
Other investments	6	99,659	99,659
Goodwill on consolidation	8	10,147,672	10,147,672
Deferred tax assets	9	4,797,157	4,159,574
Total non-current assets		127,137,575	111,209,048
Non-current asset held for sale	10	-	400,655
Receivables, deposits and prepayments	11	90,290,985	40,919,695
Inventories	12	62,458,952	31,988,272
Current tax assets		414,508	482,377
Cash and cash equivalents	13	18,493,512	13,552,388
Total current assets		171,657,957	87,343,387
Total assets		298,795,532	198,552,435
Equity			
Share capital	14	75,016,600	51,685,813
Reserves	15	27,926,432	48,850,560
Total equity attributable to shareholders of the Company		102,943,032	100,536,373
Minority interest		160,980	479,346
Total equity		103,104,012	101,015,719
Liabilities			
Other non-current payables	17	11,569,769	-
Borrowings	16	8,967,953	5,401,631
Total non-current liabilities		20,537,722	5,401,631
Payables and accruals	17	91,092,026	20,930,578
Borrowings	16	84,000,993	71,152,029
Current tax liabilities		60,779	52,478
Total current liabilities		175,153,798	92,135,085
Total liabilities		195,691,520	97,536,716
Total equity and liabilities		298,795,532	198,552,435

The notes on pages 49 to 91 are an integral part of these financial statements.

Consolidated Income Statement

For The Year Ended 30 June 2010

	Note	2010 RM	2009 RM
Continuing operations			
Revenue	18	591,022,396	368,247,807
Cost of sales		(575,205,528)	(354,728,479)
Gross profit		15,816,868	13,519,328
Administrative expenses		(8,144,666)	(6,889,689)
Selling and distribution expenses		(924,748)	(949,543)
Other operating expenses		(2,840,428)	(1,470,103)
Other operating income		2,635,884	2,087,027
Operating profit	19	6,542,910	6,297,020
Finance costs	21	(4,612,172)	(4,259,600)
Profit before tax		1,930,738	2,037,420
Tax expense	22	412,065	(202,721)
Profit for the year		2,342,803	1,834,699
Attributable to :			
Shareholders of the Company		2,661,169	2,026,128
Minority interest		(318,366)	(191,429)
Profit for the year		2,342,803	1,834,699
Basic earnings per ordinary share (sen)	23	5.11	3.92
Diluted earnings per ordinary share (sen)	23	-	3.20

The notes on pages 49 to 91 are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

For The Year Ended 30 June 2010

	Attributable to shareholders of the Company									
		Non-distributable					Distributable			
	Share capital RM	Capital reserve RM	Warrants reserve RM	Exchange translation reserve RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
At 1 July 2008	51,685,813	16,360,758	3,699,893	(579,789)	15,170,314	-	11,931,212	98,268,201	670,775	98,938,976
Profit for the year	-	-	-	-	-	-	2,026,128	2,026,128	(191,429)	1,834,699
Treasury shares acquired	-	-	-	-	-	(12,058)	-	(12,058)	-	(12,058)
Foreign exchange translation differences #	-	-	-	254,102	-	-	-	254,102	-	254,102
At 30 June 2009	51,685,813	16,360,758	3,699,893	(325,687)	15,170,314	(12,058)	13,957,340	100,536,373	479,346	101,015,719
Issue of shares at par										
pursuant to conversion of	23,330,787	(16,360,758)	-	-	-	-	(6,970,029)	-	-	-
ICULS	-	-	-	-	-	-	2,661,169	2,661,169	(318,366)	2,342,803
Profit for the year	-	-	-	-	-	(3,795)	-	(3,795)	-	(3,795)
Treasury shares acquired	-	-	-	(250,715)	-	-	-	(250,715)	-	(250,715)
Foreign exchange translation										
differences #	75,016,600	-	3,699,893	(576,402)	15,170,314	(15,853)	9,648,480	102,943,032	160,980	103,104,012
At 30 June 2010										

 # net gains/(losses) recognised directly in equity

The notes on pages 49 to 91 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For The Year Ended 30 June 2010

	Note	2010 RM	2009 RM
Cash flows from operating activities			
Profit before tax from continuing operations		1,930,738	2,037,420
Adjustments for :			
Depreciation of property, plant and equipment	3	14,895,990	14,011,824
Amortisation of prepaid lease payments	4	79,005	79,002
Change in fair value of non-current asset held for sale	10	-	400,655
Non-current asset held for sale written off	19	400,655	-
Dividend income	19	(1,860)	(81,673)
Loss/(Gain) on disposal of plant and equipment	19	1,896,114	(30,646)
Gain on disposal of quoted investments	19	-	(14,131)
Interest income	19	(141,791)	(148,883)
Interest expense	21	4,612,172	4,259,600
Operating profit before changes in working capital		23,671,023	20,513,168
Changes in working capital :			
Inventories		(30,622,668)	(4,902,593)
Receivables, deposits and prepayments		(49,888,822)	(15,941,105)
Payables and accruals		59,719,347	18,379,884
Cash generated from operations		2,878,880	18,049,354
Income tax (paid)/refunded		(158,834)	6,063
Dividends received		1,395	81,272
Net cash from operating activities		2,721,441	18,136,689
Cash flows from investing activities			
Purchase of property, plant and equipment	A	(27,366,716)	(6,579,274)
Interest received		141,791	148,883
Proceeds from disposal of plant and equipment		13,692,594	30,646
Proceeds from disposal of other investments	6	-	15,023
Treasury shares acquired		(3,795)	(12,058)
Net cash used in investing activities		(13,536,126)	(6,396,780)

Consolidated Cash Flow Statement (Contd.)
For The Year Ended 30 June 2010

	Note	2010 RM	2009 RM
Cash flows from financing activities			
Drawdown of borrowings, net		13,404,513	5,318,410
Long term payables for purchase of plant and machinery		11,569,769	-
Repayment of finance lease liabilities		(734,968)	(460,275)
Repayment of term loans		(3,512,523)	(4,437,422)
Interest paid		(5,666,683)	(5,259,719)
Placement of pledged deposits and bank balances		(4,191,248)	(3,037,035)
Net cash from/(used in) financing activities		10,868,860	(7,876,041)
Net increase in cash and cash equivalents		54,175	3,863,868
Cash and cash equivalents at 1 July		7,293,342	3,425,598
Effect of exchange rate on cash and cash equivalents		(1,479)	3,876
Cash and cash equivalents at 30 June	**B**	7,346,038	7,293,342

NOTES

A. *Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM46,753,832 (2009 : RM9,290,941) of which RM7,817,347 (2009 : RM2,711,667) was acquired by means of finance lease and RM11,569,769 (2009 : RM Nil) remained unpaid at balance sheet date. The balance of RM27,366,716 (2009 : RM6,579,274) was made by cash payments.

B. *Cash and cash equivalents*

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

	Note	2010 RM	2009 RM
Deposits with licensed banks (excluding pledged deposits)		3,000,000	1,019,134
Cash and bank balances (excluding pledged bank balances)		6,765,229	7,996,219
Bank overdrafts	16	(2,419,191)	(1,722,011)
		7,346,038	7,293,342

The notes on pages 49 to 91 are an integral part of these financial statements.

Balance Sheet
At 30 June 2010

	Note	2010 RM	2009 RM
Assets			
Property, plant and equipment	3	2,534	3,467
Prepaid lease payments	4	1,326,124	1,353,375
Investment in subsidiaries	5	54,430,181	55,206,262
Other investments	6	99,659	99,659
Long term receivables	7	10,281,715	-
Deferred tax assets	9	-	354,131
Total non-current assets		66,140,213	57,016,894
Receivables, deposits and prepayments	11	37,517,406	18,907,520
Current tax assets		3,644	12,514
Cash and cash equivalents	13	7,763,547	4,550,718
Total current assets		45,284,597	23,470,752
Total assets		111,424,810	80,487,646
Equity			
Share capital	14	75,016,600	51,685,813
Reserves	15	417,120	25,105,030
Total equity		75,433,720	76,790,843
Liabilities			
Payables and accruals	17	35,991,090	2,642,292
Borrowings	16	-	1,054,511
Total current liabilities		35,991,090	3,696,803
Total liabilities		35,991,090	3,696,803
Total equity and liabilities		111,424,810	80,487,646

The notes on pages 49 to 91 are an integral part of these financial statements.

Income Statement
For The Year Ended 30 June 2010

	Note	2010 RM	2009 RM
Continuing operations			
Revenue	18	7,311,568	229,814
Administrative expenses		(1,080,924)	(823,929)
Other operating expenses		(6,750,733)	(800)
Other operating income		-	14,131
Operating loss	19	(520,089)	(580,784)
Finance costs	21	(112,028)	(165,007)
Loss before tax		(632,117)	(745,791)
Tax expense	22	(721,211)	(250,030)
Loss for the year		(1,353,328)	(995,821)

The notes on pages 49 to 91 are an integral part of these financial statements.

Statement Of Changes In Equity
For The Year Ended 30 June 2010

	Share capital RM	Capital reserve RM	Warrant reserve RM	Share premium RM	Treasury shares RM	Accumulated losses RM	Total equity RM
At 1 July 2008	51,685,813	16,360,758	3,699,893	15,170,314	-	(9,118,056)	77,798,722
Treasury shares acquired	-	-	-	-	(12,058)	-	(12,058)
Loss for the year	-	-	-	-	-	(995,821)	(995,821)
At 30 June 2009	51,685,813	16,360,758	3,699,893	15,170,314	(12,058)	(10,113,877)	76,790,843
Issue of shares at par pursuant to conversion of ICULS	23,330,787	(16,360,758)	-	-	-	(6,970,029)	-
Treasury shares acquired	-	-	-	-	(3,795)	-	(3,795)
Loss for the year	-	-	-	-	-	(1,353,328)	(1,353,328)
At 30 June 2010	75,016,600	-	3,699,893	15,170,314	(15,853)	(18,437,234)	75,433,720

The notes on pages 49 to 91 are an integral part of these financial statements.

Cash Flow Statement
For The Year Ended 30 June 2010

	Note	2010 RM	2009 RM
Cash flows from operating activities			
Loss before tax from continuing operations		(632,117)	(745,791)
Adjustments for :			
Depreciation of property, plant and equipment	3	933	932
Amortisation of prepaid lease payments	4	27,251	27,249
Impairment of investment in a subsidiary	5	6,750,000	-
Dividend income	19	(6,425,627)	(81,673)
Interest income	19	(117,941)	(100,142)
Gain on disposal of quoted investments	19	-	(14,131)
Interest expense	21	112,028	165,007
Operating loss before changes in working capital		(285,473)	(748,549)
Changes in working capital :			
Receivables, deposits and prepayments		(28,879,601)	1,195,027
Payables and accruals		33,348,798	2,551,182
Cash generated from operations		4,183,724	2,997,660
Income tax refunded		4,255	-
Interest paid		(1,166,539)	(1,165,126)
Dividends received		6,063,162	81,272
Net cash from operating activities		9,084,602	1,913,806

Cash Flow Statement (Contd.)
For The Year Ended 30 June 2010

	Note	2010 RM	2009 RM
Cash flows from investing activities			
Treasury shares acquired		(3,795)	(12,058)
Interest received		117,941	100,142
Proceeds from disposal of quoted investments	6	-	15,023
Subscription of shares in existing subsidiaries	5	(5,973,919)	-
Net cash from investing activities		(5,859,773)	103,107
Cash flow from financing activities			
Long term advance to a subsidiary		(12,000)	-
Placement of pledged deposits		(3,139,627)	(3,037,035)
Net cash used in financial activities		(3,151,627)	(3,037,035)
Net increase/(decrease) in cash and cash equivalents		73,202	(1,020,122)
Cash and cash equivalents at 1 July		13,683	1,033,805
Cash and cash equivalents at 30 June		86,885	13,683

Note

Cash and cash equivalents

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

	Note	2010 RM	2009 RM
Cash and bank balances	13	86,885	13,683

The notes on pages 49 to 91 are an integral part of these financial statements.

Notes to the Financial Statements

EG Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are 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 2010 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 21 October 2010.

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"), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company :

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts* *
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements (revised)*
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations* *
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation* *
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  - *Puttable Financial Instruments and Obligations Arising on Liquidation* *
  - *Separation of Compound Instruments* *
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  - *Reclassification of Financial Assets* *
  - *Collective Assessment of Impairment for Banking Institutions* *

1. **Basis of preparation (cont'd)**

(a) Statement of compliance (cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010 (cont'd)

- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, FRS 2 - *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes* *
- IC Interpretation 14, FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction* *

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Rights Issues* *

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- FRS 3, *Business Combinations (revised)*
- FRS 127, *Consolidated and Separate Financial Statements (revised)*
- Amendments to FRS 2, *Share-based Payment* *
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations* *
- Amendments to FRS 138, *Intangible Assets* *
- IC Interpretation 12, *Service Concession Agreements* *
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation* *
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners* *
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
  -Additional Exemptions for First Time Adopters
- Amendments to FRS 7, *Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment #*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers #*

Interpretation effective for annual periods beginning on or after 1 January 2012

- IC Interpretation 15, Agreements for the Construction of Real Estate

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations :

- from the annual period beginning 1 July 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2010, 1 March 2010 and 1 July 2010 except for those marked " * " which are not applicable to the Group and the Company; and
- from the annual period beginning 1 July 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2011, except for those marked " # " which are not applicable to the Group and the Company.
- IC Interpretation 15 is not applicable to the Group and the Company.

Notes to the Financial Statements (Contd.)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

The initial application of the remaining standards, interpretations and amendments which will be applied retrospectively is not expected to have any significant impact on the Group's and the Company's financial statements or any material change in accounting policy except as follows :

(i) Improvements to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. The amendment that impacts the Group and the Company is as follows :

FRS 117, Leases

The amendments clarify that the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions. The Management is still in the midst of assessing the presentation of leasehold land of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the financial statements.

(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 as disclosed in the following notes to the financial statements :

i) Note 8.1 - Impairment testing for goodwill;
ii) Note 9 - Deferred tax assets;
iii) Note 11.2 – Allowance for doubtful debts; and
iv) Note 12 - Inventories.

Notes to the Financial Statements (Contd.)

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.

(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 interests 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 interests 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.

(iii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets 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.

Notes to the Financial Statements (Contd.)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation

(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 the Group entities at exchange rates at the dates of the transactions. 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 are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which 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 statements.

(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, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal of operations, accumulated translation differences are recognised in the consolidated income statements 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 (cont'd)

(c) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

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 the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iii) Depreciation

Depreciation is recognised in the income statements 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 or the Company assume 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.

Notes to the Financial Statements (Contd.)

2. Significant accounting policies (cont'd)

(d) Leased assets (cont'd)

(i) Finance lease (cont'd)

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.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets 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.

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.

For business acquisitions beginning from 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 statement.

(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.

2. **Significant accounting policies (cont'd)**

(f) Investments in debt and equity securities (cont'd)

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

Non-current 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.

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 statements. Gains are not recognised in excess of any cumulative impairment loss.

(h) Impairment of assets

The carrying amounts of assets except for financial assets, inventories, deferred tax assets and non-current 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 statements in the year in which the reversals are recognised.

2. Significant accounting policies (cont'd)

(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.

(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.

(m) 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.

(n) 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.

Notes to the Financial Statements (Contd.)

2. Significant accounting policies (cont'd)

(o) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements 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.

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. Following the adoption of the revised FRS 112 in financial year 2008, a tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in the income statements as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the tax incentive 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.

(p) 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 is 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.

(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.

2. **Significant accounting policies (cont'd)**

(p) Employee benefits (cont'd)

(ii) Share-based payment transactions **(cont'd)**

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.

(q) 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 income are recognised when the services are rendered.

(r) 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.

2. Significant accounting policies (cont'd)

(s) Loans and borrowings

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

(t) 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, warrants and share options granted to employees.

(u) Operating segment

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

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(v) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

Notes to the Financial Statements (Contd.)

2. Significant accounting policies (cont'd)

(w) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Company comprise Irredeemable Convertible Unsecured Loan Stocks ("ICULS") that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Upon conversion of the ICULS to ordinary shares of the Company, the difference between the par value of the ordinary shares issued and the aggregate of the amounts classified within liability and equity components of the ICULS will be recognised to retained earnings.

(x) Derivative financial instruments

The Group holds derivative financial instruments, including forward foreign exchange contracts, to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities.

Derivative financial instruments (used for hedging purposes) are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions upon realisation.

(y) Warrants reserve

The fair value relating to the issuance of warrants is credited to warrants reserve which is non-distributable. When the warrants are exercised or expire, the warrants reserve remains in equity, although it may be transferred to another reserve account within equity.

Notes to the Financial Statements (Contd.)

3. **Property, plant and equipment**

Group	Freehold land RM	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
Cost										
At 1 July 2008	5,614,666	16,111,883	135,496,067	610,269	2,520,868	6,151,710	1,229,275	2,640,902	9,965,140	180,340,780
Additions	-	244,277	8,140,023	38,539	63,093	480,631	269,313	1,294	53,771	9,290,941
Disposal	-	-	-	-	-	-	(98,962)	-	-	(98,962)
Reclassification	-	9,502,435	1,484,490	-	-	-	-	-	(10,986,925)	-
Exchange differences	89,597	-	-	242	1,245	-	2,337	-	1,021,785	1,115,206
At 30 June 2009/1 July 2009	5,704,263	25,858,595	145,120,580	649,050	2,585,206	6,632,341	1,401,963	2,642,196	53,771	190,647,965
Additions	-	41,582	35,560,243	707,542	99,741	69,556	169,565	114,390	9,991,213	46,753,832
Disposal	-	-	(36,434,843)	-	(27,995)	(250)	(51,390)	-	-	(36,514,478)
Reclassification	-	-	9,826,348	-	-	-	-	-	(9,826,348)	-
Exchange differences	(53,697)	(346,503)	(284,315)	(1,372)	(2,384)	(15,870)	(5,669)	-	(218,636)	(928,446)
At 30 June 2010	5,650,566	25,553,674	153,788,013	1,355,220	2,654,568	6,685,777	1,514,469	2,756,586	-	199,958,873
Accumulated depreciation										
At 1 July 2008	-	2,371,203	73,604,702	566,571	1,790,790	3,177,119	993,506	1,174,867	-	83,678,758
Charge for the year	-	681,371	12,100,722	22,542	244,700	643,163	110,128	209,198	-	14,011,824
Disposal	-	-	-	-	-	-	(98,962)	-	-	(98,962)
Exchange differences	-	-	-	51	92	-	506	-	-	649
At 30 June 2009/1 July 2009	-	3,052,574	85,705,424	589,164	2,035,582	3,820,282	1,005,178	1,384,065	-	97,592,269
Charge for the year	-	798,703	12,783,868	131,708	220,357	616,578	132,839	211,937	-	14,895,990
Disposal	-	-	(20,846,135)	-	(27,995)	(250)	(51,390)	-	-	(20,925,770)
Exchange differences	-	(12,767)	(13,917)	(185)	(403)	(1,361)	(628)	-	-	(29,261)
At 30 June 2010	-	3,838,510	77,629,240	720,687	2,227,541	4,435,249	1,085,999	1,596,002	-	91,533,228
Carrying amounts										
At 1 July 2008	5,614,666	13,740,680	61,891,365	43,698	730,078	2,974,591	235,769	1,466,035	9,965,140	96,662,022
At 30 June 2009/1 July 2009	5,704,263	22,806,021	59,415,156	59,886	549,624	2,812,059	396,785	1,258,131	53,771	93,055,696
At 30 June 2010	5,650,566	21,715,164	76,158,773	634,533	427,027	2,250,528	428,470	1,160,584	-	108,425,645

Notes to the Financial Statements (Contd.)

3. Property, plant and equipment (cont'd)

Company	Office equipment RM
Cost	
At 1 July 2008/30 June 2009	6,800
At 1 July 2009/30 June 2010	6,800
Accumulated depreciation	
At 1 July 2008	2,401
Charge for the year	932
At 30 June 2009/1 July 2009	3,333
Charge for the year	933
At 30 June 2010	4,266
Carrying amounts	
At 1 July 2008	4,399
At 30 June 2009/1 July 2009	3,467
At 30 June 2010	2,534

3.1 Assets under finance lease - Group

Included in the carrying amount of plant and machinery and motor vehicle are assets acquired under finance lease amounting to RM3,104,678 (2009 : RM141,792).

3.2 Assets held in trust - Group

Motor vehicles with a carrying amount of RM158,247 (2009 : RM226,496) are registered in the name of certain Directors and held in trust on behalf of certain subsidiaries.

3.3 Security - Group

Property, plant and equipment of certain subsidiaries are charged as securities to financial institutions for borrowings granted to the Group as disclosed in Note 16.1 to the financial statements :

Carrying amounts	2010 RM	2009 RM
Freehold land	5,650,566	5,704,263
Buildings	21,715,164	22,806,021
Plant and machinery	59,076,342	50,023,155
Furniture and fittings	44,698	19,783
Office equipment	365,360	467,144
Tools and equipment	1,806,933	2,202,057
Motor vehicles	166,276	162,367
Factory renovation	1,160,584	1,258,131
	89,985,923	82,642,921

3. Property, plant and equipment (cont'd)

3.4 Borrowing costs - Group

Included in property, plant and equipment of the Group is interest capitalised of RM Nil (2009 : RM95,699) relating to a subsidiary's term loan to finance the construction of a subsidiary's factory building. The construction of the factory building was completed during the previous financial year.

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 2008/30 June 2009		2,100,000	2,371,372	4,471,372	1,634,949
At 1 July 2009/30 June 2010		2,100,000	2,371,372	4,471,372	1,634,949
Accumulated amortisation					
At 1 July 2008		281,134	364,789	645,923	254,325
Amortisation for the year	19	39,480	39,522	79,002	27,249
At 30 June 2009/1 July 2009		320,614	404,311	724,925	281,574
Amortisation for the year	19	39,480	39,525	79,005	27,251
At 30 June 2010		360,094	443,836	803,930	308,825
Carrying amounts					
At 1 July 2008		1,818,866	2,006,583	3,825,449	1,380,624
At 30 June 2009/1 July 2009		1,779,386	1,967,061	3,746,447	1,353,375
At 30 June 2010		1,739,906	1,927,536	3,667,442	1,326,124

4.1 Security - Group

At 30 June 2010, prepaid lease payments of the Group comprising leasehold land with carrying amount of RM2,341,318 (2009 : RM2,393,072) are charged as securities to licensed banks for borrowings granted to certain subsidiaries as disclosed in Note 16.1 to the financial statements.

Notes to the Financial Statements (Contd.)

5. Investment in subsidiaries - Company

	Note	2010 RM	2009 RM
Unquoted shares, at cost			
At 1 July		55,206,262	55,206,262
Subscription of shares in existing subsidiaries		5,973,919	-
Impairment loss	19	(6,750,000)	-
At 30 June		54,430,181	55,206,262

Details of the subsidiaries are as follows :

Name of subsidiaries	Effective ownership interest 2010 %	Effective ownership interest 2009 %	Country of incorporation	Principal activities
SMT Technologies Sdn. Bhd.	100	100	Malaysia	Provision of Electronic Manufacturing Services 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 Manufacturer in complete box built products
SMT Industries Co., Ltd *	100	100	Thailand	Provision of Electronic Manufacturing Services for computer peripherals, telecommunication, consumer electronic/electrical and automotive industrial products industries
Subsidiary of SMT Technologies Sdn. Bhd.				
Glisten Knight Sdn. Bhd. *	100	100	Malaysia	Investment holding company

* Not audited by KPMG

Notes to the Financial Statements (Contd.)

6. Other investments - Group/Company

		2010 RM	2009 RM
Quoted shares in Malaysia, at cost		280,786	281,678
Less :	Disposal	-	(892)
	Allowance for diminution in value	(181,127)	(181,127)
		99,659	99,659
Market value		3,329,000	1,968,000

Details of disposed investments stated at cost are as follows :

	Note	2010 RM	2009 RM
Proceeds from disposal		-	15,023
Carrying amount of investments disposed		-	(892)
Gain on disposal of quoted investments	19	-	14,131

7. Long term receivables

The long term receivables represent amount due from a subsidiary and is unsecured, interest-free and not repayable within the next 12 months.

8. Goodwill on consolidation - Group

	RM
At 1 July 2008	10,147,672
At 30 June 2009/1 July 2009	10,147,672
At 30 June 2010	10,147,672

8.1 Impairment testing for goodwill

The goodwill arising from business combinations has been allocated to the following cash generating units ("CGU") for the purpose of annual impairment testing :

i) Electronic Manufacturing Services (RM10,142,066); and
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 using cash flow projections from a three-year business plan developed based on management's assessment of future trends and expectations of market developments. The calculations of value in use are sensitive towards assumptions made on sales growth, budgeted gross margins and pre-tax discount rate.

In determining the recoverable amount of the CGUs, the respective projected cash flows were discounted using a pre-tax discount rate of 6.00%.

9. Deferred tax assets

Recognised deferred tax assets

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

	2010 RM	2009 RM
Group		
Property, plant and equipment - capital allowance	5,394,145	5,420,876
Unabsorbed capital allowances	(235,511)	-
Tax loss carry-forwards	(288,162)	(256,569)
ICULS (equity component)	-	(354,131)
Unutilised reinvestment allowance	(9,885,610)	(8,969,750)
Others	217,981	-
Net deferred tax assets recognised	(4,797,157)	(4,159,574)
Company		
Deferred tax assets - ICULS (equity component)	-	(354,131)

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Movements in temporary differences during the year are as follows :

	At 1 July 2008 RM	Recognised in the income statement (Note 22) RM	Exchange difference RM	At 30 June 2009 RM	Recognised in the income statement (Note 22) RM	Exchange difference RM	At 30 June 2010 RM
Group							
Property, plant and equipment	5,391,298	29,578	-	5,420,876	(26,731)	-	5,394,145
Unabsorbed capital allowances	(948,145)	948,145	-	-	(235,511)	-	(235,511)
Tax losses carry-forwards	(402,000)	152,944	(7,513)	(256,569)	(41,544)	9,951	(288,162)
ICULS (equity component)	(604,161)	250,030	-	(354,131)	354,131	-	-
Unutilised reinvestment allowance	(7,739,296)	(1,230,454)	-	(8,969,750)	(915,860)	-	(9,885,610)
Others	-	-	-	-	217,981	-	217,981
	(4,302,304)	150,243	(7,513)	(4,159,574)	(647,534)	9,951	(4,797,157)
Company							
ICULS (equity component)	(604,161)	250,030	-	(354,131)	354,131	-	-

9. Deferred tax assets (cont'd)

Unrecognised deferred tax assets

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

	Group		Company	
	2010 RM	2009 RM (Restated)	2010 RM	2009 RM (Restated)
Property, plant and equipment	1,892,000	1,834,000	3,000	3,000
Unutilised reinvestment allowances	(25,891,000)	(17,225,000)	-	-
Unabsorbed capital allowances	(2,924,000)	(2,559,000)	-	(7,000)
Tax losses carry-forwards	(7,340,000)	(7,082,000)	(2,258,000)	(2,318,000)
Others	(2,246,000)	12,000	-	-
	(36,509,000)	(25,020,000)	(2,255,000)	(2,322,000)

Deferred tax assets have not been recognised in respect of the above items 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 balances available to the Group and the Company respectively.

10. Non-current asset held for sale - Group

	2010 RM	2009 RM
At 1 July	400,655	801,310
Change in fair value (Note 19)	-	(400,655)
Written off (Note 19)	(400,655)	-
At 30 June	-	400,655

10.1 Estimate

Non-current asset held for sale consisted of a machine which was measured at the lower of its carrying amount and fair value less cost to sell following the intended disposal by management during financial year 2008. At 30 June 2010, the Group wrote off the carrying amount of the machinery after negotiations to dispose of the asset did not materialise.

Notes to the Financial Statements (Contd.)

11. Receivables, deposits and prepayments

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Trade					
Amount due from related parties	11.1	1,101,093	4,028,426	-	-
External parties		86,706,101	33,915,486	-	-
		87,807,194	37,943,912	-	-
Less: Allowance for doubtful debts	11.2	(257,813)	-	-	-
		87,549,381	37,943,912	-	-
Non-trade					
Amount due from subsidiaries	11.1	-	-	37,482,368	18,745,388
Amount due from related parties	11.1	1,075,258	1,475,213	-	75,810
Other receivables		890,106	1,030,098	33,038	64,322
Deposits		106,735	94,507	2,000	2,000
Prepayments		669,505	375,965	-	20,000
		2,741,604	2,975,783	37,517,406	18,907,520
		90,290,985	40,919,695	37,517,406	18,907,520

11.1 Amount due from related parties and subsidiaries

The trade amount due from related parties of the Group is subject to normal trade terms.

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

11.2 Allowance for doubtful debts

An estimate for doubtful debts is made when collection of the amount is no longer probable. Allowance for doubtful debts is provided by management for delinquent balances with reference to past default experience and customers' creditworthiness.

Included in trade and other receivables of the Group is RM3,885,151 (2009 : RM4,847,534) which has been long outstanding. The Directors are of the opinion that the balance is recoverable and no doubtful debt allowance is necessary.

11.3 Analysis of foreign currency exposure for significant receivables

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

	Group 2010 RM	Group 2009 RM
US Dollar ("USD")	77,524,499	15,513,019
Euro Dollar ("EUR")	466,384	54,023

Notes to the Financial Statements (Contd.)

12. Inventories - Group

	2010 RM	2009 RM
Raw materials	39,434,294	16,160,236
Work-in-progress	11,038,968	11,000,222
Manufactured inventories	11,915,018	4,772,927
Consumables	45,996	31,593
Packing materials	24,676	23,294
	62,458,952	31,988,272

12.1 Security

The inventories are pledged to licensed banks as securities for borrowings granted to certain subsidiaries as disclosed in Note 16.1 to the financial statements.

12.2 Estimate

The write down of inventories to net relisable value during the year amounted to RM1,502,000 (2009 : RM1,088,275) and is included in cost of sales. The need to write down to net realisable value is determined based on management's review for inventory obsolescence and decline in net realisable value below cost.

Inventories amounting to RM1.2 million (2009 : RM5.0 million) are considered to be slow moving. No write down has been made as the Directors are of the opinion that these inventories can be realised at above their cost.

13. Cash and cash equivalents

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Deposits with licensed banks		11,717,498	5,556,169	7,676,662	4,537,035
Cash and bank balances	13.2	6,776,014	7,996,219	86,885	13,683
		18,493,512	13,552,388	7,763,547	4,550,718

13.1 Security

Included in deposits with licensed banks and cash and bank balances of the Group and the Company is RM8,728,283 (2009 : RM4,537,035) and RM7,676,662 (2009 : RM4,537,035) respectively held in lien as securities for borrowings granted to certain subsidiaries (Note 16.1).

Notes to the Financial Statements (Contd.)

13. Cash and cash equivalents (cont'd)

13.2 Analysis of foreign currency exposure for significant cash and bank balances

Cash and bank balances denominated in currencies other than the functional currencies of the Group entities are as follows :

	Group 2010 RM	Group 2009 RM
USD	635,884	5,232,256
EUR	235,795	-

14. Share capital - Group/Company

	2010 Amount RM	2010 Number of shares	2009 Amount RM	2009 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				
At 1 July	51,685,813	51,685,813	51,685,813	51,685,813
Issue of shares at par pursuant to conversion of ICULS	23,330,787	23,330,787	-	-
At 30 June	75,016,600	75,016,600	51,685,813	51,685,813

15. Reserves

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Non-distributable :					
Capital reserve					
- ICULS (equity component)	25	-	16,360,758	-	16,360,758
Exchange translation reserve	15.1	(576,402)	(325,687)	-	-
Warrants reserve	15.2	3,699,893	3,699,893	3,699,893	3,699,893
Share premium		15,170,314	15,170,314	15,170,314	15,170,314
Accumulated losses		-	-	(18,437,234)	(10,113,877)
Treasury shares	15.3	(15,853)	(12,058)	(15,853)	(12,058)
		18,277,952	34,893,220	417,120	25,105,030
Distributable :					
Retained earnings		9,648,480	13,957,340	-	-
		27,926,432	48,850,560	417,120	25,105,030

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

15. Reserves (cont'd)

15.1 Exchange translation reserve

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

15.2 Warrants reserve

The warrants reserve represents the value allocated to the issue of Warrants 2005/2015. When the warrants are exercised or expire, the warrants reserve remains in equity, although it may be transferred to another reserve account within equity.

15.3 Treasury shares

The shareholders of the Company in the Extraordinary General Meeting held on 29 May 2008, approved the Company's plan to repurchase up to 10% of its issued and paid-up share capital which comprises ordinary shares with par value of RM1 each.

During the year, the Company repurchased 10,000 (2009 : 55,500) of its issued share capital from the open market at an average price of RM0.375 (2009 : RM0.22) per share. The total consideration paid was RM3,795 (2009 : RM12,058) including transaction costs of RM45 (2009 : RM219). The repurchase was financed by internally generated funds.

The shares bought back are being held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965.

No treasury shares were re-issued during the current financial year. At 30 June 2010, the Company held 65,500 (2009 : 55,500) of its shares. The number of outstanding ordinary shares of RM1 each in issue after the set-off is 74,951,100 (2009 : 51,630,313).

16. Borrowings

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current :				
Secured				
Bank overdrafts	2,419,191	1,722,011	-	-
Bankers' acceptances	43,036,302	33,240,412	-	-
Revolving credit	31,520,737	30,200,000	-	-
Export credit refinancing	463,000	-	-	-
Trust receipt	1,824,886	-	-	-
Term loans	2,467,956	4,430,336	-	-
Finance lease liabilities	2,268,921	504,759	-	-
	84,000,993	70,097,518	-	-
Unsecured				
ICULS (liability component) (Note 25)	-	1,054,511	-	1,054,511
	84,000,993	71,152,029	-	1,054,511

Notes to the Financial Statements (Contd.)

16. Borrowings (cont'd)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Non-current :				
Secured				
Term loans	1,891,788	3,640,245	-	-
Finance lease liabilities	7,076,165	1,761,386	-	-
	8,967,953	5,401,631	-	-

16.1 Interest rates and securities

The interest rates of the borrowings are as follows :

	Group	
	2010 % per annum	2009 % per annum
Bank overdrafts	6.13 - 8.00	8.00
Bankers' acceptances	3.88 - 8.50	3.41 - 8.00
Revolving credit	4.12 - 6.18	3.68 - 6.37
Export credit refinancing	3.30 - 3.50	Nil
Trust receipts	7.05 - 7.30	Nil
Term loans - fixed rate	6.35	4.06 - 7.50
- variable rate	4.85 - 7.30	5.50 - 7.75
Finance lease liabilities	1.95 - 7.82	2.65 - 4.00
ICULS (liability component)	5.00	5.00

The secured borrowings of the Group are secured by way of :

i) a debenture creating fixed and floating charges over all the assets of certain subsidiaries;
ii) legal charges over the freehold land, leasehold land and buildings of certain subsidiaries (Note 3.3 and Note 4.1);
iii) deposits and bank balances of the Group and the Company held in lien (note 13.1);
iv) jointly and severally guaranteed by certain Directors; and
v) collateralised by corporate guarantee by the Company.

Finance lease liabilities are secured as the rights to the assets under the finance lease that revert to the lessor in the event of default.

16. Borrowings (cont'd)

16.2 Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
2010						
Bank overdrafts (RM)	2011	2,419,191	2,419,191	-	-	-
Bankers' acceptances (RM)	2011	43,036,302	43,036,302	-	-	-
Revolving credit (RM)	2011	31,520,737	31,520,737	-	-	-
Export credit refinancing (RM)	2011	463,000	463,000	-	-	-
Trust receipt (RM)	2011	1,824,886	1,824,886	-	-	-
Term loans						
- RM						
- Fixed rate	2011	491,992	491,992	-	-	-
- Variable rate	2011-2014	917,126	313,158	162,804	441,164	-
- Thai Baht ("THB")						
- Variable rate	2012	2,950,626	1,662,806	1,287,820	-	-
Finance lease liabilities						
- RM	2013 – 2014	6,264,479	1,606,908	1,741,358	2,916,213	-
- THB	2014	3,080,607	662,013	687,065	1,731,529	-
		92,968,946	84,000,993	3,879,047	5,088,906	-
2009						
Bank overdrafts (RM)		1,722,011	1,722,011	-	-	-
Bankers' acceptances (RM)	2010	33,240,412	33,240,412	-	-	-
Revolving credit (RM)	2010	30,200,000	30,200,000	-	-	-
Term loans						
- RM						
- Fixed rate	2011	2,166,240	1,674,266	491,974	-	-
- Variable rate	2011	326,016	167,520	158,496	-	-
- THB						
- Fixed rate	2010	880,107	880,107	-	-	-
- Variable rate	2012	4,698,218	1,708,443	1,708,443	1,281,332	-
Finance lease liabilities						
- RM	2014	2,169,447	477,339	517,398	1,174,710	-
- THB	2012	96,698	27,420	69,278	-	-
ICULS (liability component)	2010	1,054,511	1,054,511	-	-	-
		76,553,660	71,152,029	2,945,589	2,456,042	-
Company						
2009						
ICULS (liability component)	2010	1,054,511	1,054,511	-	-	-

The term loans of the Group are repayable as follows :

i) monthly instalments of RM1,258, RM13,960, RM14,000 and RM83,333 each over a period of 60 months, 96 months, 48 months and 60 months respectively; and

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

16. Borrowings (cont'd)

16.3 Finance lease liabilities

Finance lease liabilities are payable as follows :

	2010			2009		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Group						
Less than 1 year	2,844,838	575,917	2,268,921	651,327	146,568	504,759
Between 1 and 5 years	7,776,824	700,659	7,076,165	1,959,941	198,555	1,761,386
	10,621,662	1,276,576	9,345,086	2,611,268	345,123	2,266,145

17. Payables and accruals

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Current					
Trade payables	17.1	86,616,346	18,579,173	-	-
Non-trade					
Amount due to subsidiaries	17.4	-	-	35,890,043	2,531,928
Amount due to Directors	17.4	51,286	61,277	51,286	57,272
Other payables	17.1	2,881,896	804,202	4,001	6,452
Accrued expenses		1,542,498	1,485,926	45,760	46,640
		4,475,680	2,351,405	35,991,090	2,642,292
		91,092,026	20,930,578	35,991,090	2,642,292
Non-current					
Other payables	17.2	11,569,769	-	-	-

17.1 Trade payables

Included in trade payables of the Group is an amount of RM576,887 (2009 : RM1,727,093) being advance payment made by a subsidiary to certain suppliers for the purchase of raw materials.

17.2 Other payables

The non-current other payables of the Group is in respect of the purchase of plant and machinery and is not payable within the next 12 months.

17. Payables and accruals (cont'd)

17.3 Analysis of foreign currency exposure for significant payables

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

	Group 2010 RM	Group 2009 RM
USD	4,086,085	1,749,155

17.4 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.

18. Revenue

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Sale of goods	590,888,455	368,065,993	-	-
Dividend income (gross)	-	81,673	6,425,627	81,673
Interest income	117,941	100,141	117,941	100,141
Management fee from subsidiaries	-	-	768,000	48,000
Rental income	16,000	-	-	-
	591,022,396	368,247,807	7,311,568	229,814

19. Operating profit/(loss)

Operating profit/(loss) is arrived at:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
After charging :				
Amortisation of prepaid lease payments (Note 4)	79,005	79,002	27,251	27,249
Auditors' remuneration				
- Auditors of the Company	105,000	105,000	30,000	30,000
- Other auditors	23,500	15,864	-	-
Depreciation of property, plant and equipment (Note 3)	14,895,990	14,011,824	933	932

Notes to the Financial Statements (Contd.)

19. Operating profit/(loss) (cont'd)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors' emoluments :				
Fees				
- Current Directors	104,000	31,000	104,000	31,000
- Past Director	-	4,000	-	4,000
Other remuneration				
- Directors of the Company	1,170,480	686,080	480,000	480,000
- Other Directors				
- Current Directors	204,360	196,980	-	-
- Past Director	-	269,400	-	-
Rental of equipment	3,654,866	687,034	-	-
Rental of premises	96,064	64,829	-	-
Rental of motor vehicle	-	11,257	-	-
Personnel expenses (excluding executive Directors)				
- Wages, salaries and others	17,337,895	11,734,842	120,000	72,000
- Contribution to Employees' Provident Fund	844,934	880,012	13,920	8,640
Change in fair value of non-current asset held for sale (Note 10)	-	400,655	-	-
Inventories written down (Note 12)	1,502,000	1,088,275	-	-
Inventories written off	81,709	-	-	-
Bad debts written off	185,410	-	85,410	-
Allowance for doubtful debts	257,813	-	-	-
Loss on disposal of plant and equipment	1,896,114	30,646	-	-
Impairment of investment in a subsidiary (Note 5)	-	-	6,750,000	-
Non-current asset held for sale written off (Note 10)	400,655	-	-	-
And crediting :				
Dividend (gross) from :				
- quoted investments in Malaysia	1,860	81,673	1,860	81,673
- subsidiaries	-	-	6,423,767	-
Gain on disposal of quoted investments (Note 6)	-	14,131	-	14,131
Gain on disposal of plant and equipment	-	30,646	-	-
Gain on foreign currency exchange (net)	2,577,847	999,878	-	-
Interest income	141,791	148,883	117,941	100,142

20. Key management personnel compensation

Key management personnel compensation are as follows :

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors' fee	20,000	6,000	20,000	6,000
Short-term employee benefits	933,600	917,393	600,000	552,000
Defined contribution plan	111,948	110,087	13,920	8,640
	1,065,548	1,033,480	633,920	566,640

Notes to the Financial Statements (Contd.)

20. Key management personnel compensation (cont'd)

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 Group and of the Company.

21. Finance costs

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest expense :				
Bank borrowings	4,122,639	3,973,291	-	-
Finance lease liabilities	377,505	217,001	-	-
ICULS (Note 25)	112,028	165,007	112,028	165,007
Total interest expense	4,612,172	4,355,299	112,028	165,007
Less : Interest expense capitalised in capital work-in-progress (Note 3.4)	-	(95,699)	-	-
	4,612,172	4,259,600	112,028	165,007

22. Tax expense

Recognised in the income statement

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current tax expense				
- current year	(50,246)	52,478	367,080	-
- prior years	285,715	-	-	-
Total current tax	235,469	52,478	367,080	-
Deferred tax expense				
- reversal of temporary differences	(392,184)	(99,787)	-	-
- crystallisation of deferred tax assets (ICULS)	354,131	250,030	354,131	250,030
- prior year	(609,481)	-	-	-
Total deferred tax	(647,534)	150,243	354,131	250,030
Total tax expense	(412,065)	202,721	721,211	250,030

Notes to the Financial Statements (Contd.)

22. Tax expense (cont'd)

Reconciliation of effective tax expense

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Profit/(Loss) for the year	2,342,803	1,834,699	(1,353,328)	(995,821)
Total tax expense	(412,065)	202,721	721,211	250,030
Profit/(Loss) excluding tax	1,930,738	2,037,420	(632,117)	(745,791)
Tax calculated using Malaysian tax rate at 25%	482,684	509,355	(158,029)	(186,448)
Effect of different tax rate in foreign jurisdiction	35,753	(5,830)	-	-
Effect of tax incentive	(522,459)	(122,449)	-	-
Non-deductible expenses	452,655	421,351	1,785,587	65,792
Income not subject to tax	-	(3,533)	(1,243,942)	(3,533)
Crystallisation of deferred tax on ICULS	354,131	250,030	354,131	250,030
Deferred tax assets recognised	(1,001,665)	(1,479,510)	(16,750)	-
Deferred tax assets not recognised	128,270	775,366	-	124,189
Tax savings from utilisation of tax losses	-	(15,720)	-	-
Others	(17,668)	(126,339)	214	-
Over provision in prior years	(323,766)	-	-	-
Tax expense	(412,065)	202,721	721,211	250,030

A foreign subsidiary of the Group was granted promotional privileges under the Investment Promotion Act, B.E.2520 for a period of eight years from the date income is first derived for manufacturing of printed circuit boards.

Another subsidiary was granted pioneer status under Section 7(3) of the Promotion of Investment Act, 1986 for a period of 5 years from 1 March 2007 for the manufacturing of complete box built wireless technology products. Under the pioneer status, 70% of the subsidiary's statutory income is exempted from income tax.

23. 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 RM2,661,169 (2009 : RM2,026,128) and the weighted average number of ordinary shares outstanding during the year of 52,037,112 (2009 : 51,658,442).

Diluted earnings per ordinary share

2010

Diluted earnings per share is not applicable as the exercise price of the warrants is higher than the market price of the Company's ordinary shares.

23. Basic earnings per ordinary share - Group (cont'd)

Diluted earnings per ordinary share (cont'd)

2009

The diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders and after adjusting for savings on interest expense arising from the conversion of ICULS of RM2,934,835 and on weighted average number of ordinary shares outstanding during the year of 91,659,584 calculated as follows :

	2009
Weighted average number of shares	51,658,442
Effect of ICULS	40,001,142
	91,659,584

The diluted earnings per ordinary share did not consider the effect of warrants as the exercise price of the warrants was higher than the market price of the Company's ordinary shares.

24. 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 30.6.2010**
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 warrants. 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.

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

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

Upon the maturity of the ICULS on the 16 June 2010, the outstanding RM23,330,787 ICULS were converted into 23,330,787 ordinary shares of RM1 each.

The main features of the ICULS were as follows :

i) The ICULS were 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;

Notes to the Financial Statements (Contd.)

25. Irredeemable convertible unsecured loan stocks ("ICULS") (cont'd)

ii) The ICULS were 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 was payable semi-annually in arrears.

The residual value, after deducting the liability component from the fair value of the instrument as a whole, was split between the conversion option of the ICULS and warrants as follows :

	Group/Company			
	Liability component of ICULS RM	**Equity component of ICULS RM (Note 15)**	**Equity component of Warrants 2005/2015 RM (Note 15)**	**Total RM**
At the date of issuance of ICULS				
- nominal value	5,006,216	16,541,762	3,457,555	25,005,533
- deferred tax asset	-	1,159,403	242,338	1,401,741
	5,006,216	17,701,165	3,699,893	26,407,274
At 1 July 2008	2,054,630	16,360,758	3,699,893	22,115,281
Interest expense (Note 21)	165,007	-	-	165,007
Interest paid	(1,165,126)	-	-	(1,165,126)
At 30 June 2009/1 July 2009	1,054,511	16,360,758	3,699,893	21,115,162
Interest expense (Note 21)	112,028	-	-	112,028
Interest paid	(1,166,539)	-	-	(1,166,539)
Conversion of ICULS to share capital	-	(16,360,758)	-	(16,360,758)
At 30 June 2010	-	-	3,699,893	3,699,893

Analysis at 30 June :

	Group/Company	
	2010 RM	**2009 RM**
- Carrying value of ICULS	-	17,769,400
- Carrying value of Warrants 2005/2015	3,699,893	3,699,893
- Deferred tax asset (Note 9)	-	(354,131)
	3,699,893	21,115,162

25. Irredeemable convertible unsecured loan stocks ("ICULS") (cont'd)

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

	Group/Company	
	2010	**2009**
	RM	**RM**
Within 1 year	-	1,054,511

Interest expense on the ICULS was 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.

26. 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 point of time during the tenure of the ESOS, which shall be in force for a period of five years.

iii) Not more than 50% (or such percentage as allowable by the relevant authorities) of new shares of the Company available under the ESOS should be allocated in aggregate to the Directors 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.

Notes to the Financial Statements (Contd.)

26. Share-based payments (cont'd)

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.

The shareholders have also at the Extraordinary General Meeting held on 6 December 2004 approved to offer the ESOS 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 Director
Tai Keik Hock	8%
Tai Lee Keow	8%
Tai Lee See	8%
Tan Bak Seng	8%
Tai Yeong Sheng	8%

No ESOS was granted by the Company as at to date.

27. Related parties

27.1 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 Inc Sdn. Bhd. in which, Madam Tai Lee See, daughter of Mr. Tai Keik Hock is a Director and/or substantial shareholder.

27. Related parties (cont'd)

27.2 The significant related party transactions of the Group and the Company, other than as disclosed elsewhere in the financial statements are as follows :

	2010 RM	2009 RM
Group		
Company in which a Director has a substantial financial interest		
- Research and development expenses	-	1,090,000
- Tooling and engineering cost charged	-	3,507
Company connected by a common Director		
- Sales	-	355,738
Company		
Advances to subsidiaries	-	325,000
Management fee charged to subsidiaries	768,000	48,000
Advances from subsidiaries	4,547,000	-
Dividends from a subsidiary	6,423,767	-

27.3 Transactions with Directors and key management personnel

There were no transactions with the Directors and key management personnel other than as disclosed in Note 20 to the financial statements.

27.4 Non-trade balances with related parties outstanding at balance sheet date are disclosed in Notes 11 and 17 to the financial statements. All the amounts outstanding are unsecured and expected to be settled in cash.

28. Contingent liabilities, unsecured - Company

The Company issued corporate guarantees to financial institutions as securities for banking facilities granted to certain subsidiaries amounting to RM174,000,000 (2009 : RM112,000,000) of which, RM88,104,085 (2009 : RM71,661,701) were utilised at balance sheet date.

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 the policies for managing each of these risks and they are summarised below.

29. Financial instruments (cont'd)

Interest rate risk

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 16 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 liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirement. In addition, the Group and the Company strive 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. The currencies giving rise to this risk are primarily the USD and EUR. A subsidiary has entered into forward exchange contracts to hedge the purchase of raw materials over the next six months.

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.

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 89% (2009 : 97%) of the total trade receivables at 30 June.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets 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					
2010					
Financial asset					
Deposits with licensed banks	1.80 - 2.50	11,717	11,717	-	-

29. Financial instruments (cont'd)

Effective interest rates and repricing analysis (cont'd)

	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					
2010					
Financial liabilities					
Bank overdrafts	6.13 - 8.00	2,419	2,419	-	-
Bankers' acceptances	3.88 - 8.50	43,036	43,036	-	-
Revolving credit	4.12 - 6.18	31,521	31,521	-	-
Export credit refinancing	3.30 - 3.50	463	463	-	-
Trust receipts	7.05 - 7.30	1,825	1,825	-	-
Term loans - fixed rate	6.35	492	492	-	-
- variable rate	4.85 - 7.30	3,868	3,868	-	-
Finance lease liabilities	1.95 - 7.82	9,345	2,269	7,076	-
Group					
2009					
Financial assets					
Cash and bank balances	1.30 - 5.30	5	5	-	-
Deposits with licensed banks	1.70 - 2.00	5,556	5,556	-	-
Financial liabilities					
Bank overdrafts	8.00	1,722	1,722	-	-
Bankers' acceptances	3.41 - 8.00	33,240	33,240	-	-
Revolving credits	3.68 - 6.37	30,200	30,200	-	-
Term loans - fixed rate	4.06 - 7.50	3,046	2,554	492	-
- variable rate	5.50 - 7.75	5,024	5,024	-	-
Finance lease liabilities	2.65 - 4.00	2,266	505	1,761	-
ICULS (liability component)	5.00	1,054	1,054	-	-
Company					
2010					
Financial asset					
Deposits with licensed banks	1.97	7,677	7,677	-	-

Notes to the Financial Statements (Contd.)

29. Financial instruments (cont'd)

Effective interest rates and repricing analysis (cont'd)

	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
2009					
Financial asset					
Deposits with licensed banks	1.70	4,537	4,537	-	-
Financial liability					
ICULS (liability component)	5.00	1,054	1,054	-	-

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, payables 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 :

	2010		2009	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Non-current quoted shares	99,659	3,329,000	99,659	1,968,000
Term loans (fixed rate)	491,992	491,000	3,046,347	3,046,000
Finance lease liabilities	9,345,086	9,345,000	2,266,145	2,266,000
Other non-current payables	11,569,769	*	-	*
ICULS (liability component)	-	-	1,054,511	*
Company				
Non-current quoted shares	99,659	3,329,000	99,659	1,968,000
Other non-current payables	11,569,769	*	-	*
ICULS (liability component)	-	-	1,054,511	*

* It was not practicable to estimate the fair value of these financial liabilities due to the lack of information on discount rate and the inability to estimate the fair value without incurring excessive costs. However, the Directors believe that there was no significant difference between the fair value and the book value of these financial liabilities.

Notes to the Financial Statements (Contd.)

29. Financial instruments (cont'd)

Fair values (cont'd)

Recognised financial instruments (cont'd)

The Company issued financial guarantees to financial institutions for banking 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

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 30 June are as follows :

	2010		2009	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Forward foreign exchange contracts to hedge foreign payables (EUR - within 1 year)	222,000	200,000	-	-

Forward exchange contracts are market to market using listed market prices.

30. Segmental information - Group

The Group has 2 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Provision of electronic manufacturing services ("EMS") and Original Equipment Manufacturer (OEM)/Original Design Manufacturer (ODM) in complete box built products
- Manufacturing and sales of 2-layer solid wood parquet flooring

Other non-reportable segment comprises operations related to investment holding.

Performance is based on segment profit/(loss) before tax as included in the internal management reports that are reviewed by the Group's Managing Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities operating within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence, no disclosure is made on segment liabilities.

Notes to the Financial Statements (Contd.)

30. Segmental information - Group (cont'd)

2010	EMS and OEM/ODM in complete box built products RM	Solid wood parquet flooring RM	Total for reportable segments RM	Other non-reportable segment RM	Consolidated total RM
External revenue	585,936,752	4,951,703	590,888,455	133,941	591,022,396
Elimination of inter-segment sales	-	-	-	-	-
Segment revenue	585,936,752	4,951,703	590,888,455	133,941	591,022,396
Profit/(loss) before tax	6,398,506	(3,351,228)	3,047,278	(1,116,540)	1,930,738
Elimination of inter-segment profits	-	-	-	-	-
Segment profit/(loss)	6,398,506	(3,351,228)	3,047,278	(1,116,540)	1,930,738
Included in the measure of segment profit/(loss) are :					
Depreciation of property, plant and equipment	14,577,818	317,239	14,895,057	933	14,895,990
Amortisation of prepaid lease payments	39,480	12,274	51,754	27,251	79,005
Non-current asset held for sale written off	-	400,655	400,655	-	400,655
Inventories written down	-	1,502,000	1,502,000	-	1,502,000
Allowance for doubtful debts	-	257,813	257,813	-	257,813
Finance costs	4,294,769	154,226	4,448,995	163,177	4,612,172
Segment assets	254,949,956	15,062,546	270,012,502	13,324,034	283,336,536
Included in the measure of segment assets are :					
Capital expenditure	46,744,520	9,312	46,753,832	-	46,753,832

Notes to the Financial Statements (Contd.)

30. Segmental information - Group (cont'd)

2009	EMS and OEM/ODM in complete box built products RM	Solid wood parquet flooring RM	Total for reportable segments RM	Other non-reportable segment RM	Consolidated total RM
External revenue	362,497,469	5,568,524	368,065,993	181,814	368,247,807
Elimination of inter-segment sales	-	-	-	-	-
Segment revenue	362,497,469	5,568,524	368,065,993	181,814	368,247,807
Profit/(loss) before tax	4,865,897	(2,015,044)	2,850,853	(813,433)	2,037,420
Elimination of inter-segment profits	-	-	-	-	-
Segment profit/(loss)	4,865,897	(2,015,044)	2,850,853	(813,433)	2,037,420
Included in the measure of segment profit/(loss) are :					
Depreciation of property, plant and equipment	12,811,916	1,198,976	14,010,892	932	14,011,824
Amortisation of prepaid lease payments	39,480	12,273	51,753	27,249	79,002
Change in fair value of non-current asset held for sale	-	400,655	400,655	-	400,655
Inventories written down	1,088,275	-	1,088,275	-	1,088,275
Finance costs	3,807,690	220,479	4,028,169	231,431	4,259,600
Segment assets	155,121,569	18,278,050	173,399,619	10,263,534	183,663,153
Included in the measure of segment assets are :					
Capital expenditure	9,237,790	53,151	9,290,941	-	9,290,941

Notes to the Financial Statements (Contd.)

30. Segmental information - Group (cont'd)

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	Singapore RM	Europe RM	United States RM	Korea RM	Thailand RM	Consolidated RM
2010							
Revenue from external customers	378,887,069	2,104,370	3,223,198	414,291	1,025,285	205,368,183	591,022,396
Segment assets	189,280,533	-	-	-	-	94,056,004	283,336,537
Capital expenditure	38,935,614	-	-	-	-	7,818,218	46,753,832
2009							
Revenue from external customers	234,430,388	1,807,242	2,507,743	1,104,709	1,593,680	126,804,045	368,247,807
Segment assets	144,948,557	-	-	-	-	38,714,596	183,663,153
Capital expenditure	8,071,231	-	-	-	-	1,219,710	9,290,941

31. Operating lease commitments - Group

Non-cancellable operating lease commitments:

	2010 RM	2009 RM
Future minimum lease rental payables		
Not more than 1 year	1,127,095	2,744,760
More than 1 year and not later than 5 years	4,403,552	228,730
	5,530,647	2,973,490

Operating lease payments represent rental payable by subsidiaries for the use of plant and machinery.

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 39 to 91 are 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 at 30 June 2010 and of their financial performance and cash flows for the year then ended.

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

Tai Lee Keow

Tai Yeong Sheng

Penang,

Date : 21 October 2010

Statutory Declaration Pursuant To Section 169(16) of The Companies Act, 1965

I, **Tai Yeong Sheng**, 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 39 to 91 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 21 October 2010.

Tai Yeong Sheng

Before me : **CHEAH BENG SUN**
DJN, AMN, PKT, PJK, PJM, PK (No: P103)
Persuruhjaya Sumpah
(Commissioner for Oaths)
Penang

Independent auditors' report to the members of EG Industries Berhad

Report on the Financial Statements

We have audited the financial statements of EG Industries Berhad, which comprise the balance sheets as at 30 June 2010 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 39 to 91.

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 judgement, 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 2010 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.

Independent auditors' report to the members of EG Industries Berhad (Contd.)

Report on Other Legal and Regulatory Requirements (cont'd)

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
1857/02/12 (J)
Chartered Accountant

Date : 21 October 2010

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 Nineteenth 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 Friday, 10 December 2010 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 YEONG SHENG		
4.	Re-election of Director, ANG SENG WONG		
5.	Re-election of Director, TAI KEIK HOCK		
6.	Re-appointment of Auditors, KPMG		
7.	To authorize the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		
8.	To approve the Proposed Renewal of Authority for the Share Buy Back		
9.	To approve the Proposed Amendment to Article 160 of the Articles of Association of the Company		

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 ____________ , 2010.

____

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

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

   The ordinary resolution 7 proposed under Agenda No. 6, is a renewal of the previous year mandate and if passed, will authorize the Directors of the Company to issue shares up to a maximum ten per cent (10%) of the issue share capital of the company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

   The renewal of this mandate would provide flexibility to the Company for any possible fund raising exercise, including but not limited to further placing of shares, for purpose of funding future investment projects, working capital and/or acquisitions. This authority is to avoid any delay and cost involved in convening a general meeting to approve such issuance of shares. The Company did not exercise the mandate under Section 132D of the Companies Act, 1965 given by the shareholders at the Eighteenth Annual General Meeting held on 23 December 2009.

   Resolution 8

   - Proposed Renewal of Authority for the Share Buy Back

   The Share Buy Back will enable the Company to utilize 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 stabilize the supply and demand of the Company's shares in the open market and thereby supporting its fundamental value. Please refer to the Circular to Shareholders dated 18 November 2010.

   Special Resolution

   Resolution 9

   - Proposed Amendment to Article 160 of the Articles of Association of the Company

   The Special Resolution if approved, will bring the Company's Articles of Association in line with the implementation of eDividend whereby all listed issuers are required to provide eDividend to the shareholders effective 1 September 2010, with the objective to promote greater efficiency of the dividend payment system. Please refer to Annexure "A" enclosed with the annual report for details on the implementation of eDividend.

FOLD ALONG THIS LINE

STAMP

The Secretary
EG INDUSTRIES BERHAD (222897-W)
c/o SYMPHONY CORPORATEHOUSE SDN. BHD. (476777-A)

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

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