EG INDUSTRIES BERHAD

222897-W

ANNUAL REPORT 2012

Contents

Financial Statements

NOTICE IS HEREBY GIVEN that the TWENTY FIRST 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 Thursday, 27 December 2012 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 2012 and the Reports of the Directors and the Auditors thereon.	Resolution 1
2.	To approve the payment of Directors' Fees of RM98,000.00 for the year ended 30 June 2012.	Resolution 2
3.	To re-elect the following directors retiring in accordance with Article 98(1) of the Company's Articles of Association :-	
	(a) MS. TAI LEE KEOW	Resolution 3
	(b) MR. TAI YEONG SHENG	Resolution 4
4.	To re-elect the following director retiring in accordance with Article 105 of the Company's Articles of Association :-	
	MR. LIM SZE YAN	Resolution 5
5.	To re-elect the following director retiring under Section 129 of the Companies Act, 1965 :-	Resolution 6
	MR. TAI KEIK HOCK	
6.	To re-appoint MESSRS KPMG as auditors and to authorize the Directors to fix their remuneration.	Resolution 7

As Special Business:-

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

7. Ordinary Resolution - Authority for Directors to issue and allot shares in the Company pursuant to Section 132D of the Companies Act, 1965 — Resolution 8

   "THAT subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

8. Ordinary Resolution - 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 9

"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 5 December 2012. 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 9 November 2012 and an amount not exceeding the share premium reserve of RM15,170,314 based on the latest audited accounts as at 30 June 2012 and the latest unaudited management accounts as at 30 September 2012 of the Company.

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

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

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

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

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

AND THAT the Directors of the Company be and are hereby authorized to take all such steps and do all acts and deeds and to execute, sign and deliver on behalf of the Company all necessary documents to give full effect to and for the purpose of completing or implementing the Share Buy Back in the manner set out in 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."

9. Special Resolution - Proposed Amendments To Articles of Association of the Company Resolution 10

"THAT, the deletions, alteration, modifications and additions to the Company's Articles of Association as set out in Appendix III of the Circular to Shareholders dated 5 December 2012 be approved."

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

By Order of the Board

CHAI CHURN HWA (MAICSA 0811600)

Company Secretary

Penang

5 December 2012

NOTES:

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 19 December 2012 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the 21st Annual General Meeting or appoint proxy/proxies to attend and vote/or vote on his/her behalf .

2. 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.

3. Explanatory notes on Special Business

   Ordinary Resolutions

   Resolution 8

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

   The ordinary resolution 8 proposed under Agenda No. 7, 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 Twentieth Annual General Meeting held on 29 December 2011.

   Resolution 9

   - 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 5 December 2012.

   Special Resolution

   Resolution 10

   - Proposed Amendments to Articles of Association of the Company

   The proposed adoption of the Special Resolution will bring the Company's Articles of Association to be aligned with the amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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

- TAI LEE KEOW (Resolution 3)
- TAI YEONG SHENG (Resolution 4)
- LIM SZE YAN (Resolution 5)
- TAI KEIK HOCK (Resolution 6)

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

TAI LEE KEOW

Age	46
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 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	5

TAI YEONG SHENG

Age	35
Nationality	Malaysian
Qualification	Master of Business Administration - University of South Australia, Australia Bachelor of Engineering, Computer Engineering - McMaster University, Hamilton, Ontario, Canada
Position	Group Managing Director
Working Experience & Occupation	Vincent Tai Yeong Sheng served as Executive Director of the EG Group since December 2008 and became Group Managing Director in December 2011. Vincent Tai started his career as a Software Designer with Alcatel-Lucent Canada, Inc. (a global telecommunications solution provider located in Ottawa, Ontario, Canada) in 2000. He was promoted to Intermediate Software Designer in 2002. He gained multi-cultural and cross-country team development experience at Alcatel-Lucent Canada and also during his business trips to Alcatel-Lucent Belgium for handling some projects transfer. He received Alcatel High-Five Award in recognition for his excellent work. Upon his return to Malaysia, he joined an electronics manufacturing company as an engineer and was involved in engineering, manufacturing, and ICT (Information and Telecommunication Technologies). Subsequently, he served as Marketing Manager with a start-up consumer electronics product company and assumed roles in product development, brand management, marketing and distribution. After that, he worked with SMT Technologies Sdn. Bhd. ("SMTT") as Process Engineering Section Manager and subsequently as MIS (Management and Information System) Section Manager and Business Development Section Manager. He is currently one of the committee members of FMM Kedah/Perlis branch (Federations of Malaysian Manufacturers since 2010). He was previously an Industrial Advisor for the Faculty of Engineering & Science of Universiti Tunku Abdul Rahman. Mr Tai received full scholarship from Southern Ontario College, Canada prior to entering a university. He received his bachelor's degree in Computer Engineering with Distinction from McMaster University in 2000. He was a recipient of the university's Dean's Honour List and other academic scholarship and awards from 1996-2000. He assisted university professors as a teaching assistant in computer programming language from 1998 to 1999. He obtained his Master of Business Administration in 2008.
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	5

LIM SZE YAN (appointed on 28 February 2012)

Age	35
Nationality	Malaysian
Qualification	Bachelor of Commerce (Accounting & Finance Double Major) - Curtin University of Technology, Perth, Western Australia
Position	Independent Non-Executive Director
Working Experience & Occupation	Mr Lim is a member of CPA Australia and an associate member of FIAT-IFTA. He started his career as an audit assistant with Tay & Associate. Thereafter, he joined Aim Strong Ind. Sdn. Bhd. as Account Executive and subsequently, he was promoted as Business Development Manager and finally as General Manager since 2007. Currently, he is also an Executive Director of V-Hua Management Sdn. Bhd.
Date appointed to the Board	28 February 2012
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	1

TAI KEIK HOCK

Age	74
Nationality	Malaysian
Qualification	Secondary School
Position	Executive Chairman
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

Attendance at Board Meeting

Five Meetings were held during the financial year from 1 July 2011 to 30 June 2012. The details of attendance of Directors at the Board Meetings are as follows:-

Name of Directors	Date of Meetings				
	25/8/11	29/11/11	29/12/11	27/2/12	30/5/12
Tai Keik Hock	√	√	√	√	√
Tai Lee Keow	√	√	√	√	√
Tai Yeong Sheng	√	√	√	√	√
Kang Pang Kiang	√	√	√	√	√
Ang Seng Wong	√	√	√	√	√
Dr Damien Lim Yat Seng	√	√	√	√	√
Lim Sze Yan (Appointed on 28 February 2012)	X	X	X	X	√

Place, date and time of the Twenty First Annual General Meeting

The Twenty First Annual General Meeting of the Company is scheduled to be held on Thursday, 27 December 2012 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 2012 are as follows:-

Aggregate remuneration categorized into components:-

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	20,000	78,000	98,000
Salaries (RM)	809,092	-	809,092
Bonuses and Allowances (RM)	420,000	-	420,000
Benefits-in-kind (RM)	-	-	-
Total (RM)	1,249,092	78,000	1,327,092

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	-	4	4
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 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 2012, 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 Buybacks

During the financial year, the Company bought back 5,000 shares from the open market as follows:-

Date Purchased		Purchase price per share (RM)			Total Consideration *(RM)
	No. of Shares	Highest	Lowest	Average	
4 January 2012	5,000	0.345	0.345	0.345	1,725.00
Total	**5,000**	**0.345**	**0.345**	**0.345**	**1,725.00**

* 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 2012, a total of 80,000 ordinary shares were held as treasury shares.

Options, Warrants or Convertible Securities

There were no issuance of options, warrants or convertible securities by the Company and its subsidiaries companies during the financial year ended 30 June 2012.

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

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

Imposition of Sanctions/Penalties

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

Non-audit Fees

The non-audit fees paid to the external auditor during the year was RM42,421.00.

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 22 to the financial statements.

Revaluation of Landed Properties

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

Board of Directors

Executive Chairman
TAI KEIK HOCK

Group Managing Director
TAI YEONG SHENG

Executive Directors
TAI LEE KEOW
KANG PANG KIANG

Independent Non-Executive Directors
ANG SENG WONG
DR. DAMIEN LIM YAT SENG
LIM SZE YAN [Appointed on 28 February 2012]

Company Secretary
CHAI CHURN HWA [MAICSA 0811600]

Audit Committee
Chairman
ANG SENG WONG
[Appointed as Chairman on 30 April 2012]
[Independent Non-Executive Director]

Members
DR. DAMIEN LIM YAT SENG
[Independent Non-Executive Director]

LIM SZE YAN [Appointed on 28 February 2012]
[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
OCBC Al-Amin Bank Berhad
RHB Islamic Bank Berhad
Hong Leong Bank Berhad
Asian Finance Bank Berhad
Kasikorn Bank Public Company Limited (Thailand)
CIMB Thai Bank Public Company Limited (Thailand)

Stock Exchange Listing
Main Market of Bursa Malaysia Securities Berhad

TAI KEIK HOCK

TAI KEIK HOCK	
Age	74
Nationality	Malaysian
Qualification	Secondary School
Position	Executive Chairman
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

TAI LEE KEOW

TAI LEE KEOW	
Age	46
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 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	5

TAI YEONG SHENG

Age	35
Nationality	Malaysian
Qualification	Master of Business Administration - University of South Australia, Australia Bachelor of Engineering, Computer Engineering - McMaster University, Hamilton, Ontario, Canada
Position	Group Managing Director
Working Experience & Occupation	Vincent Tai Yeong Sheng served as Executive Director of the EG Group since December 2008 and became Group Managing Director in December 2011. Vincent Tai started his career as a Software Designer with Alcatel-Lucent Canada, Inc. (a global telecommunications solution provider located in Ottawa, Ontario, Canada) in 2000. He was promoted to Intermediate Software Designer in 2002. He gained multi-cultural and cross-country team development experience at Alcatel-Lucent Canada and also during his business trips to Alcatel-Lucent Belgium for handling some projects transfer. He received Alcatel High-Five Award in recognition for his excellent work. Upon his return to Malaysia, he joined an electronics manufacturing company as an engineer and was involved in engineering, manufacturing, and ICT (Information and Telecommunication Technologies). Subsequently, he served as Marketing Manager with a start-up consumer electronics product company and assumed roles in product development, brand management, marketing and distribution. After that, he worked with SMT Technologies Sdn. Bhd. ("SMTT") as Process Engineering Section Manager and subsequently as MIS (Management and Information System) Section Manager and Business Development Section Manager. He is currently one of the committee members of FMM Kedah/Perlis branch (Federations of Malaysian Manufacturers since 2010). He was previously an Industrial Advisor for the Faculty of Engineering & Science of Universiti Tunku Abdul Rahman. Mr Tai received full scholarship from Southern Ontario College, Canada prior to entering a university. He received his bachelor's degree in Computer Engineering with Distinction from McMaster University in 2000. He was a recipient of the university's Dean's Honour List and other academic scholarship and awards from 1996-2000. He assisted university professors as a teaching assistant in computer programming language from 1998 to 1999. He obtained his Master of Business Administration in 2008.
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	5

TAI YEONG SHENG

KANG PANG KIANG

KANG PANG KIANG	
Age	40
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 with Ernst & Young. He has experience in providing auditing, tax consultation and business advisory services to various clients, which include multinational companies. He joined EG's Group since 1999 with more than 10 years of experience in financial management, corporate restructuring exercises, financial planning, compliance and reporting, risk management and investor relations. He played a key role in the formulation and implementation of Group's strategic cost reduction plan and also responsible for the Group's corporate finance, financial management and financial strategies. He was awarded with PJK Medal in year 2012 by the Penang State Government for his valuable contributions and devoted services to the state.
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	5

ANG SENG WONG	
Age	50
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, AEU for their Masters program, OUM, UTM and Saudi General Organization for Technical Education and Vocational Training.
Date appointed to the Board	30 January 2009
Other Board Committee	Chairman of Audit Committee (Appointed on 30 April 2012), Chairman of Nomination Committee (Appointed on 30 November 2011) 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	5

ANG SENG WONG

DR DAMIEN LIM YAT SENG

DR DAMIEN LIM YAT SENG

Age	40
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	5

LIM SZE YAN (appointed on 28 February 2012)	
Age	35
Nationality	Malaysian
Qualification	Bachelor of Commerce (Accounting & Finance Double Major) - Curtin University of Technology, Perth, Western Australia Member of CPA Australia Associate member of FIAT-IFTA
Position	Independent Non-Executive Director
Working Experience & Occupation	Mr Lim graduated from Curtin University of Technology, Perth, Western Australia. He is a member of CPA Australia and an associate member of FIAT-IFTA. He started his career as an audit assistant with Tay & Associate from 2001 to 2003. Thereafter, Mr. Lim joined Aim Strong Ind. Sdn. Bhd. as Account Executive for the period from 2003 to 2005 and subsequently, he was promoted as Business Development Manager from 2005 to 2007 and finally as General Manager since 2007. Currently, he is also an Executive Director of V-Hua Management Sdn. Bhd.
Date appointed to the Board	28 February 2012
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	1

LIM SZE YAN

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 (Revised 2007) (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 four (4) 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.

The Chairman undertakes primary responsibility for organizing information necessary for the Board to deal with the agenda and in ensuring all Directors have full and timely access to the information relevant to the matters that will be deliberated at the Board meeting.

During the financial year ended 30 June 2012, the Board met 5 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.

1. DIRECTORS (continued)

1.2 Supply of Information (continued)

Name of Directors	No. of meetings attended
Tai Keik Hock	5/5
Tai Lee Keow	5/5
Tai Yeong Sheng	5/5
Kang Pang Kiang	5/5
Ang Seng Wong	5/5
Dr. Damien Lim Yat Seng	5/5
Lim Sze Yan [Appointed on 28 February 2012]	1/5

All proceedings from the Board meetings are recorded by way of minutes signed by the Chairman of the meeting.

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. Ang Seng Wong - Chairman, Independent Non-Executive Director

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

Mr. Lim Sze Yan - Independent Non-Executive Director

The duties and functions of the Nomination Committee are :-

a) To review regularly the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary.

b) To propose and identify new nominees for appointment to the Board of Directors.

c) To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

d) To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board.

e) To recommend to the Board, Directors to fill the seats on Board Committees.

f) To review annually the Board's mix of skills and experience and other qualities including core competencies which non-executive Directors should bring to the Board. This should be disclosed in the Annual Report.

g) To determine annually whether or not a Director is Executive, Non-Executive or Independent.

h) To access the effectiveness of the Board as a whole, the Committees of the Board and contribution by each individual director including independent non-executive directors as well as the Chief Executive Officer to the effectiveness of the Board.

i) To recommend to the Board for continuation (or not) in service of executive Director(s) and Directors who are due for retirement by rotation.

j) To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder.

1. DIRECTORS (continued)

1.3 Appointments to the Board (continued)

k) To orientate and educate new Directors on the nature of the business, current issues within the Company and the corporate strategy, the expectations of the Company concerning input from the Directors and the general responsibilities of Directors.

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 four (4) meetings held by the Nomination Committee.

1.4 Re-election of Directors

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

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

1.5 Directors' Training

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, all the directors had attended the Continuous Education Program as follows :

Name of Directors	Type of Training	No. of hours attended
Tai Keik Hock	Corporate Social Responsibility	8 hours
Tai Lee Keow	Corporate Social Responsibility	8 hours
Tai Yeong Sheng	Corporate Social Responsibility	8 hours
	Process Challenges & Solution for COB	16 hours
	Selling in Tough Times: Secrets to selling when no one is buying	8 hours
	Mobile APP Development Workshop 2011	8 hours
	Value Stream Mapping	8 hours
	Seminar on Indonesia Market Outlook & Entry Strategies	8 hours
	High Performance Skills for Managers	16 hours
Kang Pang Kiang	Corporate Social Responsibility	8 hours
	High Performance Skills for Managers	16 hours
Ang Seng Wong	Corporate Social Responsibility	8 hours
Dr. Damien Lim Yat Seng	Corporate Social Responsibility	8 hours
Lim Sze Yan	Corporate Social Responsibility	8 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. Tai Keik Hock – Executive Chairman
Mr. Ang Seng Wong – Independent Non-Executive Director
Mr. Lim Sze Yan – Independent Non-Executive Director [Appointed on 28 February 2012]

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.

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 2012 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 7.

5. ACCOUNTABILITY AND AUDIT (continued)

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 21 and the Audit Committee Report on pages 22 to 24.

5.3 Relationship with Auditors

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

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

INTRODUCTION

The Board is pleased to include a statement on the state of the Group's internal controls in accordance with paragraph 15.26 (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 to undertake an Enterprise Risk Management framework for the Group in the previous financial year. 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. It is to implement a systematic approach to identify, assess, monitor and manage risks, across EG Group.

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 a cycle 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.

For the financial year ended 30 June 2012, the amount of fees incurred in respect of the internal audit reviews performed by the professional firm was RM15,000.

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 & ISO13485:2003

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, and to safeguard shareholders' investments and the Group's assets.

This statement is made in accordance with the resolution passed in the Board of Directors' meeting held on 29 November 2012.

REVIEWED BY EXTERNAL AUDITORS

This Statement on Internal Control has been reviewed by the External Auditors pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, for inclusion in the Annual Report of EG Industries Berhad for the financial year ended 30 June 2012. The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of the internal controls.

Composition

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

ANG SENG WONG [Appointed as Chairman on 30 April 2012]
Chairman, Independent Non-Executive Director

DR. DAMIEN LIM YAT SENG [Resigned as Chairman on 30 April 2012]
Independent Non-Executive Director

LIM SZE YAN [Appointed on 28 February 2012]
Independent Non-Executive Director

Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, where all the members must be non-executive directors with a majority of whom shall be Independent Directors.

The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which results in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The members of the Audit Committee shall elect a Chairman from among their members who shall be an Independent Director. An alternate Director must not be appointed as a member of the Audit Committee.

The Board shall review the terms of office and performance of the Audit Committee and each of its members at least once (1) every three (3) years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

Authority

The Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company have authority to investigate any matter within its terms of reference, full and unrestricted access to any information pertaining to the Company and all the resources required to perform its duties. The Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity and be able to convene meetings/obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

Meetings

The Committee shall meet at least four (4) times in a year subject to the quorum of at least two (2) independent directors or more frequently as circumstances required or upon the request of any member of the Committee with due notice of issues to be discussed and shall record its deliberations and conclusions in discharging its duties and responsibilities. The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.

The Committee may regulate its own procedures, in particular:-

a) The calling of meetings;
b) The notice to be given of such meetings;
c) The voting and proceedings of such meetings;
d) The keeping of minutes; and
e) The custody, production and inspection of such minutes.

The Company Secretary shall act as Secretary of the Audit Committee and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation to Audit Committee members prior to each meeting.

The Secretary shall also be responsible for recording the proceedings of the Audit Committee and the minutes of meetings tabled at Board meetings.

Duties

The duties of the Audit Committee include the following:-

i) To review the quarterly results and the year-end financial statements, prior approval by the Board, focusing particularly on :-

- Changes in or implementation of accounting policies and practices;
- Significant adjustments or unusual events;
- Going concern assumption; and
- Compliance with applicable approved Financial Reporting Standards, regulatory and other legal requirements;

ii) To review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan, and to discuss to ensure co-ordination where more than one audit firm is involved;
iii) To review with the external auditor, the results of the interim and final audits and the Management's response thereto, including the status of previous audit recommendations;
iv) To review the assistance given by the Company's employees to the auditors, and any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information (in the absence of management where necessary);
v) To review the appointment and performance of external auditor, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
vi) To review with the external auditor, its evaluations of the system of internal controls;
vii) To review the adequacy of the internal audit scope, functions, authority, competency and resources of the internal audit function and that it has necessary authority to carry out its work;
viii) To review the internal audit programme, processes and reports to evaluate the findings of the internal audit and to ensure that appropriate and prompt remedial action is taken by Management on the recommendations of the internal audit function;
ix) To review any appraisal or assessment of the performance of the internal audit function;
x) To approve any appointment or termination of internal audit function;
xi) Take cognisance of resignations of internal audit function and provide an opportunity to submits its reasons for resigning;
xii) To consider any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
xiii) To verify the allocation of Employees' Share Option Scheme ("ESOS") in compliance with criteria as stipulated in the By laws of ESOS of the Company, if any;
xiv) To direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts; and
xv) Such other responsibilities as may be agreed to by the Audit Committee and the Board.

Summary of Activities

The Audit Committee met four times during the financial year ended 30 June 2012. Details on the attendance of each member are outlined below:-

	Date of Meetings			
	25/8/11	29/11/11	27/2/12	30/5/12
Ang Seng Wong – Chairman [Appointed as Chairman on 30 April 2012]	√	√	√	√
Dr. Damien Lim Yat Seng [Resigned as Chairman on 30 April 2012]	√	√	√	√
Lim Sze Yan [Appointed on 28 February 2012]	X	X	X	√

Summary of Activities (continued)

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

i) reviewed the external auditor's scope of work and audit plan for the financial year. Prior to the audit fieldwork, representatives from the external auditor presented their audit strategy and plan to the Audit Committee;
ii) reviewed with the external auditor the results of the interim and final audits, the management letter, including management's response and the evaluation of the system of internal controls;
iii) considered and recommended to the Board the re-appointment of the external auditor and approval of audit fees payable to the external auditor;
iv) met with external auditor twice (2) during the financial year without the presence of any Executive Directors, to discuss problems and reservations arising from the interim and final audits, if any, or any other matter the auditor may wish to discuss;
v) reviewed the internal audit function's resource requirements, adequacy of plan, functions and scope for the financial year under review;
vi) reviewed the performance and competency of Internal Audit Function;
vii) reviewed the internal audit plan, processes and reports which highlighted the audit issues, recommendations and Management's response. Discuss with Management and ensure appropriate actions were taken to improve the system if internal controls based on improvement opportunities identified in the internal audit reports;
viii) reviewed the adequacy and effectiveness of the governance and risk management processes as well as the internal control system through risk assessment reports from the internal auditor. Significant risk issues were summarized and communicated to the Board for consideration and resolution;
ix) reviewed the unaudited quarterly financial results of the Group and making relevant recommendations to the Board for approval. The review and discussions were conducted with the Group Chief Financial Officer;
x) reviewed the audited financial statements of the Group prior to submission to the Board for its consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved Financial Reporting Standards for entities other than private entities issued by the MASB. Any significant issues resulting from the audit of the financial statements by the external auditors were deliberated;
xi) reviewed related party transactions entered into by the Group, conflict of interest situations and report the same to the Board;
xii) reviewed the Statement on Internal Control and its recommendation to the Board for inclusion in the Annual report; and
xiii) pertinent issues of the Group which has significant impact on the results of the Group.

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 Internal Auditor 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. During the financial year, a cycle of internal audit was carried out with the total cost incurred of RM15,000.00.

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	13	0.55	377	0.00
100 – 1,000	678	28.44	653,299	0.87
1,001 – 10,000	1,103	46.27	5,225,735	6.97
10,001 – 100,000	500	20.97	15,303,386	20.40
100,001 – 3,750,829 (*)	85	3.56	26,642,527	35.51
3,750,830 and above (**)	5	0.21	27,191,276	36.25
TOTAL	**2,384**	**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	25,015	0.03	-	-
Tai Lee Keow	79	0.00	11,389,550[(a)]	15.18
Tai Yeong Sheng	8,036,153	10.71	15,202,264[(a)+(b)]	20.27
Kang Pang Kiang	100,800	0.13	-	-
Ang Seng Wong	-	-	-	-
Dr. Damien Lim Yat Seng	-	-	-	-
Lim Sze Yan (appointed on 28 February 2012)	-	-	-	-

(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. Tai Yeong Sheng	8,036,153	10.71	15,202,264[(a)+(b)]	20.27
3. A.A. Anthony Securities Sdn Bhd	3,952,859	5.27	-	-
4. Giap Seng Auto Supply Sdn Bhd	3,812,714	5.08	-	-
5. Tai Chee Seong	587,322	0.78	3,812,714[(b)]	5.08
6. Tai Lee Bee	168,126	0.22	3,812,714[(b)]	5.08
7. Tai Lee Keow	79	0.00	11,389,550[(a)]	15.18
8. Eng Giat Yang @ Ng Geek Hiang	-	-	11,389,550[(a)]	15.18
9. Tai Lee See	-	-	3,812,714[(b)]	5.08

(a) 11,389,550 shares held through Jupax Enterprise Sdn Bhd
(b) 3,812,714 shares held through Giap Seng Auto Supply Sdn Bhd

30 LARGEST SHAREHOLDERS AS AT 09 NOVEMBER 2012

	Name	Number of Shares	% of Shares
1	OSK NOMINEES (TEMPATAN) SDN BERHAD OSK CAPITAL SDN BHD FOR JUPAX ENTERPRISE SDN. BHD.	11,389,550	15.183
2	OSK NOMINEES (TEMPATAN) SDN BERHAD OSK CAPITAL SDN BHD FOR TAI YEONG SHENG	4,200,000	5.599
3	A.A. ANTHONY SECURITIES SDN. BHD. IVT (CI001)	3,952,859	5.269
4	TAI YEONG SHENG	3,836,153	5.114
5	GIAP SENG AUTO SUPPLY SDN. BERHAD	3,812,714	5.082
6	ANG HUAT KEAT	3,725,000	4.966
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH SIAN KOK	2,965,865	3.954
8	OSK NOMINEES (TEMPATAN) SDN BERHAD OSK CAPITAL SDN BHD FOR TAI LEE FUNG	900,000	1.200
9	KOAY PHAY YEE	745,000	0.993
10	TAN CHIN YEN	729,700	0.973
11	CHING BE LAN	716,700	0.955
12	LEE THEAN KANG	617,500	0.823
13	TAN TECK POH	599,000	0.798
14	TAI CHEE SEONG	587,322	0.783
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW (8026769)	563,100	0.751
16	TAI LEE SUN	500,901	0.668
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI NYUK THIN	500,000	0.667
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (BSI BK SG-NR)	500,000	0.667
19	CHU ENG HOCK	500,000	0.667
20	OSK NOMINEES (TEMPATAN) SDN BERHAD OSK CAPITAL SDN BHD FOR TAI LEE SUN	400,000	0.533
21	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	362,100	0.483
22	LOW AH LIN	361,000	0.481
23	OOI LENG HWA	345,000	0.460
24	CHEW YOKE PENG	301,000	0.401
25	NGO SEH TEE	300,000	0.400
26	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR LIEW YOON PECK	285,000	0.380
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIAN JIANN FWU	283,700	0.378
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM YON PIN (MP0108)	278,100	0.371
29	LEE TECK ONG @ LEE KOK CHEE	260,000	0.347
30	OOI CHIENG SIM	250,000	0.333

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

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	14	4.24	716	0.00
100 – 1,000	64	19.40	33,098	0.20
1,001 – 10,000	99	30.00	527,832	3.17
10,001 – 100,000	135	40.91	5,577,100	33.45
100,001 –833,516(*)	14	4.24	3,350,073	20.10
833,517 and above (**)	4	1.21	7,181,536	43.08
TOTAL	**330**	**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 Yeong Sheng	2,063,334	12.38	3,226,668[(a)]	19.36
Tai Lee Keow	-	-	3,226,668[(a)]	19.36
Tai Keik Hock	-	-	-	-
Kang Pang Kiang	-	-	-	-
Ang Seng Wong	-	-	-	-
Dr. Damien Lim Yat Seng	-	-	-	-
Lim Sze Yan (appointed on 28 February 2012)	-	-	-	-

(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. Jupax Enterprise Sdn Bhd	3,226,668	19.36	-	-
2. Tai Yeong Sheng	2,063,334	12.38	3,226,668[(a)]	19.36
3. Yeoh Sian Kok	1,061,334	6.37	-	-
4. Tai Lee Keow	-	-	3,226,668[(a)]	19.36
5. Eng Giat Yang @ Ng Geek Hiang	-	-	3,226,668[(a)]	19.36

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

30 LARGEST WARRANT 2005/2015 HOLDERS AS AT 09 NOVEMBER 2012

	Name	No. of Warrants Held	%
1	OSK NOMINEES (TEMPATAN) SDN BERHAD OSK CAPITAL SDN BHD FOR JUPAX ENTERPRISE SDN. BHD.	3,226,668	19.356
2	TAI YEONG SHENG	2,063,334	12.377
3	YEOH SIAN KOK	993,334	5.959
4	LEE ENG MIN	898,200	5.388
5	A.A. ANTHONY SECURITIES SDN. BHD. IVT (CI001)	521,273	3.127
6	TOK CHIN THIAM	500,000	2.999
7	LEE AH YEW	322,000	1.932
8	DOONG AMOOI @ DOONG CHONG LIAN	271,500	1.629
9	HAMIDAH BINTI ISMAIL	259,500	1.557
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD KHO CHIN LING	220,000	1.320
11	CHONG KHEE	196,000	1.176
12	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE ENG MIN (CCTS)	191,300	1.148
13	CHU WAN CHEK	164,000	0.984
14	NG PAH CHOR	160,000	0.960
15	LIM KOON LEONG	152,000	0.912
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH JOK KUWI (100705)	135,500	0.813
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SOON HENG (100580)	131,000	0.786
18	HOO SENG JOO	126,000	0.756
19	YANG SUK HWA	100,000	0.600
20	WONG YEE SAN	100,000	0.600
21	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VINCENT PHUA CHEE EE	100,000	0.600
22	LOO HONG KIAT	100,000	0.600
23	LIM KUM CHOY @ LIM KIM CHOY	100,000	0.600
24	LEE SIEW CHING	100,000	0.600
25	NG AH CHUNG	99,600	0.597
26	TAN WAH KIONG	95,000	0.570
27	ONG JIN EONG	95,000	0.570
28	PANG SWEE CHIEN	92,600	0.555
29	KEE NGENG HONG	90,000	0.540
30	LOO SHU CHENG	85,000	0.510

EG INDUSTRIES BERHAD
[222897-W]

Investment holding company

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 & plantation 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

100% — **EG ELECTRONIC SDN BHD**
[665423-W]

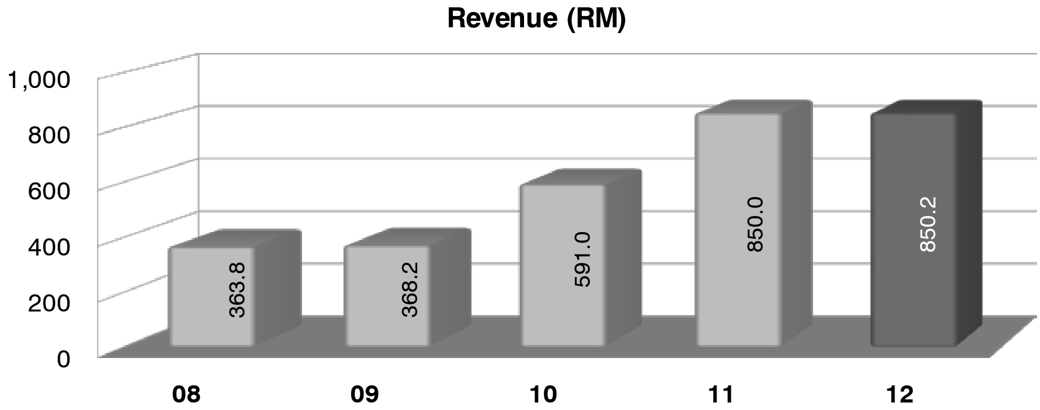
Original Equipment Manufacturer/ Original Design Manufacturer in complete box built products

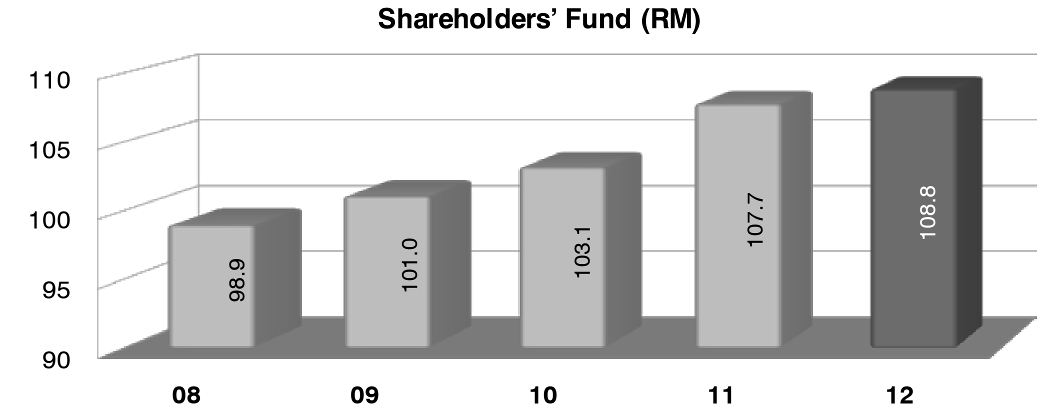
90.50% — **MASTIMBER INDUSTRIES SDN BHD**
[418438-V]

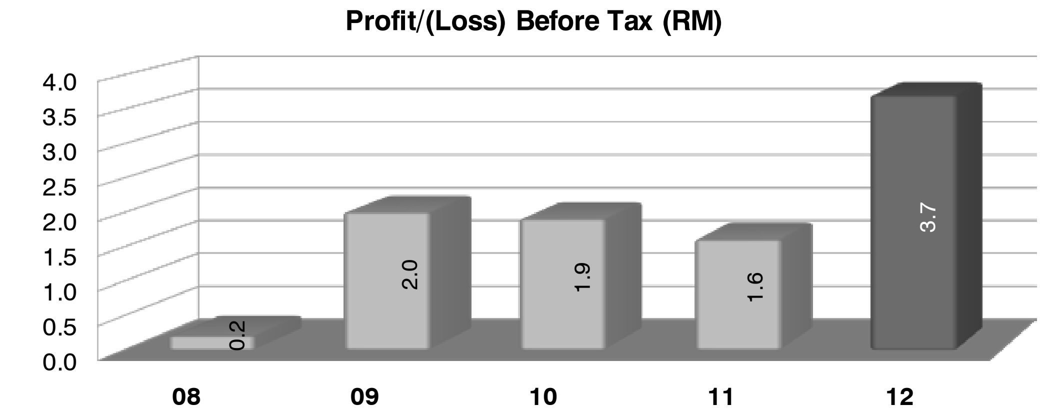
Manufacture and sale of 2-layer solid wood parquet flooring

Year ended June 30	2008	2009	2010	2011	2012
Revenue	363.8	368.2	591.0	850.0	850.2
Shareholders' Fund	98.9	101.0	103.1	107.7	108.8
Profit/(Loss) Before Tax	0.2	2.0	1.9	1.6	3.7

Amount in RM '000,000







Location	Age of Building	Date of Last Revaluation/ (Acquisition)	Area (sq. ft.)	Existing Use	Tenure	Net Book Value As at 30/06/12 (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)	1,271,627
Lot No. 25 & 32 Kawasan Perusahaan Kuala Ketil, Mukim of Tawar, District of Baling, Kedah	13	28/04/03	209,154	Factory, Office Building & Warehouse	Leasehold (60 years)	2,884,836
H.S.(M) 343/89 P.T.No.8543, Mukim Sg. Pasir, Daerah Kuala Muda Kedah	19	16/07/09	174,240	Factory, Office Building & Warehouse	Sub-leasehold (08/10/2049)	11,804,697
Lot 2, 8 & 16 Mukim of Bujang Daerah Kuala Muda Kedah	-	29/10/10	4,216,741	Palm Oil Plantation	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	4	-	172,223	Factory, Office Building & Warehouse	Freehold	9,324,474

The Group Corporate Social Responsibility objective is to be a responsible corporate citizen contributing to society and the development of the country as a whole, to be in line with the Malaysia Code on Corporate Governance. The corporate business would embrace responsibility for the impact of its activities on the environment, employees, communities, stakeholders and interested parties.

The Group of companies actively attended seminars, and trainings to keep updated with new requirements and implementation to fulfill requirements from Government agencies and customers. The Group of Companies has established and continues to embrace the sustainability programs, especially SMTT & SMTI, towards our Business Code of Conduct to ensure that working conditions are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible.

As a corporate citizen, the Group of companies contributes actively through its various activities and programmers. Safety is always our first priority. We aim to have zero fatalities and no incidents that harm people, or put our neighbours or facilities at risk.

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 work with 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.

Human rights

Our Business Principles include our aim to respect the human rights of our employees and support fundamental human rights in line with the legitimate role of business. We also work with customers, suppliers, outsourcing agents and others to support international efforts to improve understanding of the relationship between business and human rights.

Management System

With the continuous efforts, SMTT continued to be certified with ISO 13485:2003 (Medical Device - Quality Management System, since 2011); 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), and MS 1722: Part I 2005 (Since April 2010).

In order to sustain our management system, we have to work closely and build our partnership with our suppliers and vendors to comply with the customers' and legal requirements. On 22nd June 2012, SMTT organized a Supplier Conference to give awareness to suppliers and vendors on the Electronic Industry Coalition Citizenship (EICC Ver4.0) standards to ensure that the working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically. The suppliers are to have a policy to reasonably assure that the source of materials such as tantalum, tin, tungsten and gold in the products they manufacture does not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights abuses in the Democratic Republic of Congo or an adjoining country. They shall conduct due diligence on the source and chain of custody of these minerals and make their due diligence measures available to customers upon request.

Commitment towards CSR

Since 2008, our Group consistently contributed our caring to the society by organizing the Blood Donation Events in-house. It was encouraging to have a total of 110 donors this year. Moreover the donors come not only from our employees, we also have the valuable support from our Executive Director, Company Director, vendor, supplier, canteen caterer and even OKU (Orang Kurang Upaya), whose contributions were indeed very helpful and needful and at the same time add encouragement & motivation to the organizing committee to strive better in organizing the events in the coming year.

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, this year the Company managed to provide job to 13 OKU compared to last year 5 headcount only.

The company's CSR Committee continues to organize various activities to contribute to the society. On 16th August 2012, we organized a donation campaign to provide rice, sugar and other types of food to 17 poor families for Hari Raya Aidilfitri celebration, all the donation was contributed by the management and staffs of SMTT. Subsequently, on 13 July 2012, the Company's Employee Welfare Committee had organized a barbeque night whereby we invited the orphans from Kampung Che Bema Sungai Layar to have dinner and fun with the employees.

Whereas the management and staffs of our Thailand subsidiary - SMTI had on 16th June 2012, organized a dinner with the handicap children of Sotseksa School Prachinburi, Thailand.

Employees' Welfare

For the employees' welfare, apart from continuously organising activities such as Company Annual Dinner, Bowling, Badminton, Futsa and other competition, SMTT also organized Fire Drill Mock training together with Fire Brigade (Bomba). For the employee of SMTI, on 2nd October 2012, the Company organized a Sport Day participated by all the management and staffs.

The Group also continues to organize various training for the Directors, Top Management, Management and employees of the Company to improve their management skills in carry out their duty. Among those were High Performance Management Skills conducted on 13th & 14th October 2012 for SMTT and SMTI management staffs.

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 2012.

FINANCIAL OVERVIEW

For the financial year under review, the Group recorded a turnover of RM850.2 million as compared to RM849.7 million in the preceding year. The profit before tax has improved from RM1.6 million in the preceding year to RM3.7m in the current year. The profit after tax was RM1.4 million as compared to a profit after tax of RM2.2 million in the preceding year. The decrease in profit after tax of the Group in the current year was mainly due to the reversal of deferred tax amounting to RM2.3 million in the current year.

The Company's wholly owned subsidiary SMT Industries Co., Ltd. Thailand ("SMTI"), which is located at 304 Industrial Part in Prachinburi Province experienced sales revenue drop due to the impact from one of the worst floods in 50 years in Thailand. Industries' supply chain was severely disrupted in Thailand. Although the supply chain has been gradual by recovering in FQ3'12 and FQ4'12, the global demand did not accelerate as expected after the supply chain was back on track due to European debt crisis. SMTI was fortunate to be freed from the flood zone as its location and vicinity is 20 meters above sea level. More importantly, the Group had successfully demonstrated exceptional speed in executing business continuity plan that allowed SMTI to be the first among others of its customer's contract manufacturers to shift deliveries directly to the Group's customer which is located in Sungai Way. This has proven the Group's flexibility and resilience in handling crisis and business continuity due to strong management team as well as having strategic manufacturing locations.

On the other hand, the Malaysia subsidiary - SMT Technologies Sdn Bhd ("SMTT") experienced sales volume increase in FY2012 compared to the preceding year. Therefore, in overall, the Group was able to achieve slight sales revenue growth in FY2012 as compared to FY2011.

CORPORATE DEVELOPMENT

The Company does not have any new corporate exercise during the financial year.

FUTURE OUTLOOK

For the financial year under review, the Group's Malaysia EMS subsidiary has undergone a series of manufacturing and process automation to reduce the human dependency errors. One of the most significant improvements is SMTT's investment in Robotic Auto Soldering Machines and In-line Solder Paste Inspection (SPI) machines which can provide consistent productivity and quality assembly process. Furthermore, SMTT also launched a value stream mapping (VSM) project in FQ4'12 to improve its operational efficiency which is aimed for a leaner manufacturing processes and ultimately reduced operation costs.

Another major milestone that SMTT achieved in 2012 was the establishment of New Product Development (NPD) department. The new NPD department is now enabling SMTT to provide complete ODM (Original Design Manufacturing) solution for a full system product for some of its new overseas customers which include France and Denmark. Some of the NPD services offered include industrial design, mechanical engineering design, PCB layout and circuitry design, test development, tooling design, etc. Besides NPD capability, SMTT is also strengthening its Supply Chain Management and box build manufacturing capability. As a result, the Group is able to accomplish better hit rate in developing new businesses in overseas.

On 22 June 2012, SMTT hosted the first Supplier Conference and invited 150 vendors strategic suppliers. Some of the key messages related to quality, delivery, cost competitiveness and speed had been shared among all the suppliers so that they prepare themselves to support the Group's future strategies and growth plan.

Another Company's subsidiary - Glisten Knight Sdn. Bhd. ("GK") completed its planting of palm oil seeds in a total area of approximately 92-acres land which is located at Merbok district, Kedah. We expect the plantation to start contributing to the Group's bottom line from year 2015 onwards.

The global economy is seen to continue to be volatile and challenging due to the unresolved European debt crisis. The Group's long-term strategy is to provide complete ODM services so that it can contribute higher value adds and bottom line to the Group. In parallel with strengthening its capability to achieve the goal, the Group is also actively promoting corporate marketing by taking part in the international trade shows. In 2012, the group participated trade shows in Anaheim in February 2012, Denmark in September 2012 and Sweden in November 2012. We are optimistic about the Group's overall forward looking prospects and we anticipate further improved performance for the coming year barring any unforeseen circumstances.

After the flood, SMTI continues to win several new domestic and international customers.

AWARDS AND RECOGNITIONS

We are pleased to announce that SMTT received Supplier of the Year award from Western Digital Corporation on 19 November 2012. Also, SMTI received Best Support for Thailand Flood Recovery award from Western Digital Corporation on 19 November 2012, as a result of its tremendous support and speed for supporting its customer during Thailand flood.

SMTT had received ISO 13485 certification for Medical Device in September 2011 and also PUMM Top 50 Team Enterprise Awards Malaysia 2011 - Platinum Award in November 2011.

DIVIDEND

No dividend was declared for the year.

APPRECIATION

On behalf of the Board of Directors, I would like to welcome the new Independent Non-Executive Director – Mr Lim Sze Yan, who joined us on 28 February 2012. I would like to express our sincere gratitude to Mr Andrew Su Meng Kit who resigned on 30 November 2011, for his valuable contribution to the Group while he was on the Board.

I would like 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 2012.

Lastly, on behalf of the Group, I would like to take this opportunity to congratulate our Executive Director - Mr Kang Pang Kiang who had been awarded with PJK Medal in year 2012 by the Penang State Government for his valuable contributions and devoted services to the Penang state.

Thank you.

TAI KEIK HOCK
Executive Chairman

5 December 2012

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 2012.

Principal activities

The Company is an investment holding company whilst the principal activities of the subsidiaries are as stated in Note 4 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) for the year attributable to :		
Owners of the Company	1,388,478	(6,309,874)
Non-controlling interests	558	-
	1,389,036	(6,309,874)

Reserves and provisions

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

Dividend

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 Yeong Sheng
Tai Lee Keow
Ang Seng Wong
Dr. Damien Lim Yat Seng
Kang Pang Kiang
Lim Sze Yan (Appointed on 28.2.2012)
Andrew Su Meng Kit (Resigned on 30.11.2011)

Directors' interests in shares

The interests and deemed interests in the shares and warrants 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 :

	Number of ordinary shares of RM1 each			
The Company	At 1.7.2011	Bought	(Sold)	At 30.6.2012
Direct interest				
Tai Keik Hock				
- own	200,015	25,000	-	225,015
- others *	1,982,265	-	-	1,982,265
Tai Yeong Sheng				
- own	8,036,153	-	-	8,036,153
Tai Lee Keow				
- own	79	-	-	79
Kang Pang Kiang				
- own	80,800	-	-	80,800
Indirect interest				
Tai Keik Hock				
- others *	3,812,714	-	-	3,812,714
Tai Yeong Sheng				
- own	15,202,264	-	-	15,202,264
- others *	745,000	-	-	745,000
Tai Lee Keow				
- own	11,389,550	-	-	11,389,550

	Number of warrants 2005/2015			
The Company	At 1.7.2011	Bought	(Sold)	At 30.6.2012
Direct interest				
Tai Keik Hock				
- others *	42,000	-	-	42,000
Tai Yeong Sheng				
- own	2,063,334	-	-	2,063,334
Indirect interest				
Tai Yeong Sheng				
- own	3,226,668	-	-	3,226,668
Tai Lee Keow				
- own	3,226,668	-	-	3,226,668

* These are shares and warrants 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.

Directors' interests in shares (continued)

By virtue of their interests in the shares of the Company, Mr. Tai Yeong Sheng and Ms. Tai Lee Keow 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 2012 had any interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

Warrants

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

Warrants	Exercise price per ordinary share	Expiry date	Number of warrants outstanding as at 30.6.2012
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% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2005/2011. 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.

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's warrants as disclosed in the financial statements.

Issue of shares and debentures

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

Options granted over unissued shares

No options were granted to any person to take up the unissued shares of the Company during the financial year.

Other statutory information

Before the statements of comprehensive income and the statements of financial position 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 financial statements of the Group and of the Company 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, and

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 financial performance of the Group and of the Company for the financial year ended 30 June 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

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

……………………………………..…..

Tai Keik Hock

……………………………………..…..

Tai Yeong Sheng

Penang,

Date : 18 October 2012

	Note	30.6.2012 RM	30.6.2011 RM
Assets			
Property, plant and equipment	3	109,465,781	111,053,399
Other investments	5	2,571,482	3,242,464
Intangible asset	6	10,147,672	10,147,672
Deferred tax assets	7	4,101,490	6,414,713
Total non-current assets		126,286,425	130,858,248
Inventories	8	62,711,109	71,455,375
Current tax assets		172,536	-
Trade and other receivables	9	108,833,159	67,213,284
Cash and cash equivalents	10	24,241,058	18,828,808
Total current assets		195,957,862	157,497,467
Total assets		322,244,287	288,355,715
Equity			
Share capital	11	75,016,600	75,016,600
Reserves	12	34,281,907	33,213,201
Total equity attributable to owners of the Company		109,298,507	108,229,801
Non-controlling interests		(483,262)	(483,820)
Total equity		108,815,245	107,745,981
Liabilities			
Non-current payables	14	-	4,981,527
Loans and borrowings	13	15,525,213	12,499,281
Total non-current liabilities		15,525,213	17,480,808
Trade and other payables	14	71,064,161	64,005,844
Loans and borrowings	13	126,786,918	98,579,466
Current tax liabilities		52,750	543,616
Total current liabilities		197,903,829	163,128,926
Total liabilities		213,429,042	180,609,734
Total equity and liabilities		322,244,287	288,355,715

The notes on pages 51 to 98 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 RM	2011 RM
Continuing operations			
Revenue	15	850,226,572	849,658,090
Cost of sales		(830,717,920)	(829,847,757)
Gross profit		19,508,652	19,810,333
Administrative expenses		(9,752,210)	(9,593,359)
Distribution expenses		(1,541,627)	(1,794,287)
Other expenses		(978,265)	(2,419,370)
Other income		4,030,997	1,454,687
Operating profit		11,267,547	7,458,004
Finance costs	18	(7,579,099)	(5,895,693)
Profit before tax	16	3,688,448	1,562,311
Income tax expense	19	(2,299,412)	607,479
Profit for the year		1,389,036	2,169,790
Other comprehensive income/(expense), net of tax			
Foreign currency translation differences for foreign operations		352,878	(667,021)
Fair value of available-for-sale financial assets		(670,882)	(205,423)
Total other comprehensive expense for the year, net of tax		(318,004)	(872,444)
Total comprehensive income for the year		1,071,032	1,297,346
Profit for the year attributable to :			
Owners of the Company		1,388,478	2,814,590
Non-controlling interests		558	(644,800)
		1,389,036	2,169,790
Total comprehensive income attributable to :			
Owners of the Company		1,070,474	1,942,146
Non-controlling interests		558	(644,800)
		1,071,032	1,297,346
Basic earnings per ordinary share (sen)	20	1.85	3.75

The notes on pages 51 to 98 are an integral part of these financial statements.

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM	Warrants reserve RM	Fair value reserve RM	Translation reserve RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 July 2010										
- as previously stated	75,016,600	3,699,893	-	(576,402)	15,170,314	(15,853)	9,648,480	102,943,032	160,980	103,104,012
- effect of adopting FRS 139	-	-	3,348,228	-	-	-	-	3,348,228	-	3,348,228
At 1 July 2010	75,016,600	3,699,893	3,348,228	(576,402)	15,170,314	(15,853)	9,648,480	106,291,260	160,980	106,452,240
Foreign currency translation differences for foreign operation	-	-	-	(667,021)	-	-	-	(667,021)	-	(667,021)
Fair value of available-for-sale financial assets	-	-	(205,423)	-	-	-	-	(205,423)	-	(205,423)
Total other comprehensive expense for the year	-	-	(205,423)	(667,021)	-	-	-	(872,444)	-	(872,444)
Profit for the year	-	-	-	-	-	-	2,814,590	2,814,590	(644,800)	2,169,790
Total comprehensive income/(expense) for the year	-	-	(205,423)	(667,021)	-	-	2,814,590	1,942,146	(644,800)	1,297,346
Treasury shares acquired	-	-	-	-	-	(3,605)	-	(3,605)	-	(3,605)
At 30 June 2011	75,016,600	3,699,893	3,142,805	(1,243,423)	15,170,314	(19,458)	12,463,070	108,229,801	(483,820)	107,745,981

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM	Warrants reserve RM	Fair value reserve RM	Translation reserve RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 July 2011	75,016,600	3,699,893	3,142,805	(1,243,423)	15,170,314	(19,458)	12,463,070	108,229,801	(483,820)	107,745,981
Foreign currency translation differences for foreign operation	-	-	-	352,878	-	-	-	352,878	-	352,878
Fair value of available-for-sale financial assets	-	-	(670,882)	-	-	-	-	(670,882)	-	(670,882)
Total other comprehensive income/(expense) for the year	-	-	(670,882)	352,878	-	-	-	(318,004)	-	(318,004)
Profit for the year	-	-	-	-	-	-	1,388,478	1,388,478	558	1,389,036
Total comprehensive income/(expense) for the year	-	-	(670,882)	352,878	-	-	1,388,478	1,070,474	558	1,071,032
Treasury shares acquired	-	-	-	-	-	(1,768)	-	(1,768)	-	(1,768)
At 30 June 2012	75,016,600	3,699,893	2,471,923	(890,545)	15,170,314	(21,226)	13,851,548	109,298,507	(483,262)	108,815,245

The notes on pages 51 to 98 are an integral part of these financial statements.

	Note	2012 RM	2011 RM
Cash flows from operating activities			
Profit before tax from continuing operations		3,688,448	1,562,311
Adjustments for :			
Depreciation of property, plant and equipment	3	16,101,871	16,266,273
Dividend income	16	(71,023)	(28,247)
Loss/(Gain) on disposal of plant and equipment	16	498,336	(6,943)
Gain on disposal of other investments	16	-	(14,224)
Other investments written off	16	100	-
Interest income	16	(289,218)	(260,744)
Interest expense	18	7,579,099	5,895,693
Plant and equipment written off	16	-	1,961
Operating profit before changes in working capital		27,507,613	23,416,080
Change in inventories		8,934,310	(9,219,342)
Change in trade and other receivables		(40,735,737)	22,137,269
Change in trade and other payables		1,002,128	(22,802,850)
Cash (used in)/generated from operations		(3,291,686)	13,531,157
Income tax paid		(639,085)	(124,007)
Dividend received		70,792	28,247
Net cash (used in)/from operating activities		(3,859,979)	13,435,397
Cash flows from investing activities			
Acquisition of plant and equipment	A	(9,542,864)	(5,861,751)
Interest income		289,218	260,744
Proceeds from disposal of plant and equipment		92,058	1,037,611
Proceeds from disposal of other investments	16	-	14,224
Acquisition of treasury shares		(1,768)	(3,605)
Net cash used in investing activities		(9,163,356)	(4,552,777)
Cash flows from financing activities			
Drawdown of bank borrowings, (net)		23,769,038	13,466,140
Repayment for purchase of plant and machinery		-	(6,588,242)
Repayment of finance lease liabilities		(2,534,694)	(7,135,976)
Drawdown of term loan		5,430,000	-
Repayment of term loans		(1,775,450)	(2,484,317)
Interest paid		(7,579,099)	(5,895,693)
Placement of pledged deposits and bank balances		(483,500)	(3,194,834)
Net cash from/(used in) financing activities		16,826,295	(11,832,922)
Net increase/(decrease) in cash and cash equivalents		3,802,960	(2,950,302)
Effect of exchange rate fluctuations on cash held		1,408	(1,349)
Cash and cash equivalents at 1 July		4,394,387	7,346,038
Cash and cash equivalents at 30 June	B	8,198,755	4,394,387

Notes

A. *Acquisition of property, plant and equipment*

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM14,372,864 (2011 : RM16,829,661), of which RM4,830,000 (2011 : RM10,967,910) were acquired by means of finance lease arrangement. The balance of RM9,542,864 (2011 : RM5,861,751) was paid by cash.

B. *Cash and cash equivalents*

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts :

	Note	**2012 RM**	**2011 RM**
Deposits with licensed banks (excluding pledged deposits)		-	1,400,000
Cash and bank balances (excluding pledged bank balances)		11,845,099	5,505,691
Bank overdrafts	13	(3,646,344)	(2,511,304)
		8,198,755	4,394,387

The notes on pages 51 to 98 are an integral part of these financial statements.

	Note	30.6.2012 RM	30.6.2011 RM
Assets			
Property, plant and equipment	3	1,272,547	1,300,795
Investments in subsidiaries	4	67,766,981	67,766,981
Other investments	5	2,571,482	3,242,464
Non-current receivables	9	4,700,000	10,329,715
Total non-current assets		76,311,010	82,639,955
Trade and other receivables	9	16,340,664	8,652,146
Current tax assets		21,331	-
Cash and cash equivalents	10	11,116,270	10,941,313
Total current assets		27,478,265	19,593,459
Total assets		103,789,275	102,233,414
Equity			
Share capital	11	75,016,600	75,016,600
Reserves	12	368,594	7,351,118
Total equity		75,385,194	82,367,718
Liabilities			
Trade and other payables	14	28,404,081	19,846,286
Current tax liabilities		-	19,410
Total current liabilities		28,404,081	19,865,696
Total equity and liabilities		103,789,275	102,233,414

The notes on pages 51 to 98 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 RM	2011 RM
Continuing operations			
Revenue	15	331,545	6,056,991
Administrative expenses		(1,009,303)	(1,004,201)
Other income		-	14,224
Other expenses		(5,630,060)	(733)
Operating (loss)/profit		(6,307,818)	5,066,281
Finance costs	18	(292)	-
(Loss)/Profit before tax	16	(6,308,110)	5,066,281
Income tax expense	19	(1,764)	(1,271,483)
(Loss)/Profit for the year		(6,309,874)	3,794,798
Other comprehensive expense, net of tax			
Fair value of available-for-sale financial assets		(670,882)	(205,423)
Total comprehensive (expense)/income for the year		(6,980,756)	3,589,375
(Loss)/Profit for the year attributable to :			
Owners of the Company		(6,309,874)	3,794,798
Total comprehensive (expense)/income attributable to :			
Owners of the Company		(6,980,756)	3,589,375

The notes on pages 51 to 98 are an integral part of these financial statements.

	Attributable to owners of the Company						
	Non-distributable						
	Share capital RM	Warrants reserve RM	Fair value reserve RM	Share premium RM	Treasury shares RM	Accumulated losses RM	Total equity RM
At 1 July 2010							
- as previously stated	75,016,600	3,699,893	-	15,170,314	(15,853)	(18,437,234)	75,433,720
- effect of adopting FRS 139	-	-	3,348,228	-	-	-	3,348,228
At 1 July 2010	75,016,600	3,699,893	3,348,228	15,170,314	(15,853)	(18,437,234)	78,781,948
Total other comprehensive expense for the year							
- Fair value of available-for-sale financial assets	-	-	(205,423)	-	-	-	(205,423)
Profit for the year	-	-	-	-	-	3,794,798	3,794,798
Total comprehensive income/(expense) for the year	-	-	(205,423)	-	-	3,794,798	3,589,375
Treasury shares acquired	-	-	-	-	(3,605)	-	(3,605)
At 30 June 2011	75,016,600	3,699,893	3,142,805	15,170,314	(19,458)	(14,642,436)	82,367,718
At 1 July 2011	75,016,600	3,699,893	3,142,805	15,170,314	(19,458)	(14,642,436)	82,367,718
Total other comprehensive expense for the year							
- Fair value of available-for-sale financial assets	-	-	(670,882)	-	-	-	(670,882)
Loss for the year	-	-	-	-	-	(6,309,874)	(6,309,874)
Total comprehensive expense for the year	-	-	(670,882)	-	-	(6,309,874)	(6,980,756)
Treasury shares acquired	-	-	-	-	(1,768)	-	(1,768)
At 30 June 2012	75,016,600	3,699,893	2,471,923	15,170,314	(21,226)	(20,952,310)	75,385,194

The notes on pages 51 to 98 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 RM	2011 RM
Cash flows from operating activities			
(Loss)/Profit before tax from continuing operations		(6,308,110)	5,066,281
Adjustments for :			
Depreciation of property, plant and equipment	3	28,248	28,192
Other investments written off	16	100	-
Dividend income	16	(71,023)	(5,028,247)
Interest income	16	(260,522)	(260,744)
Gain on disposal of other investments	16	-	(14,224)
Interest expense	18	292	-
Operating loss before changes in working capital		(6,611,015)	(208,742)
Change in trade and other receivables		(2,058,803)	23,365,260
Change in trade and other payables		8,557,795	(10,644,804)
Cash (used in)/generated from operations		(112,023)	12,511,714
Income tax (paid)/refunded		(42,274)	2,062
Dividend received		70,792	3,777,756
Net cash (used in)/from operating activities		(83,505)	16,291,532
Cash flows from investing activities			
Acquisition of treasury shares		(1,768)	(3,605)
Acquisition of plant and equipment		-	(329)
Interest received		260,522	260,744
Proceeds from disposal of other investments		-	14,224
Subscription of shares in subsidiaries	4	-	(13,336,800)
Net cash from/(used in) investing activities		258,754	(13,065,766)
Cash flows from financing activities			
Interest paid		(292)	-
Long term advance to a subsidiary		-	(48,000)
Placement of pledged deposits		(253,796)	(3,167,842)
Net cash used in financial activities		(254,088)	(3,215,842)
Net (decrease)/increase in cash and cash equivalents		(78,839)	9,924
Cash and cash equivalents at 1 July		96,809	86,885
Cash and cash equivalents at 30 June	A	17,970	96,809

Note

A. *Cash and cash equivalents*

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amount :

	Note	2012 RM	2011 RM
Cash and bank balances	10	17,970	96,809

The notes on pages 51 to 98 are an integral part of these financial statements.

EG Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business of the Company 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 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 30 June 2012 do not include other entities.

The Company is principally engaged in investment holding activities while the principal activities of other Group entities are disclosed in Note 4 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 18 October 2012.

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

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company :

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to FRSs contained in the document entitled *"Improvements to FRSs (2012)"*
- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to FRS 10, FRS 11 and FRS 12)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132*, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- *FRS 9, Financial Instruments (2009)*
- *FRS 9, Financial Instruments (2010)*
- Amendments to FRS 7*, Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group's and the Company's financial statements for annual period beginning on 1 July 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

(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. All financial information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs 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 those disclosed in the following notes :

- Note 6.1 - Impairment testing for goodwill; and
- Note 8 - Inventories;

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, other than those disclosed in the following notes :

(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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 July 2011

For acquisitions on or after 1 July 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employee (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions between 1 January 2006 and 1 July 2011

For acquisitions between 1 January 2006 and 1 July 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

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.

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transitions between the Group and its non-controlling interest holders. 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.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

(vi) 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 associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (continued)

(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 reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not translated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(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 end of the reporting period, 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 other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(g)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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.

The gains or 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 income” or “other expenses” respectively in profit or loss.

(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 or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss 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 depreciation rates for the current and comparative periods are as follows :

	%
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 reviewed, and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating leases (continued)

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred. Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Goodwill are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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.

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.

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 profit or loss. 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 the end of each reporting period 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 since the last impairment loss was recognised. 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 profit or loss in the year in which the reversals are recognised.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured 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.

2. Significant accounting policies (continued)

(i) Cash and cash equivalents

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

(j) 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. The unwinding of the discount is recognised as finance cost.

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.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss 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 unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(l) 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 liability 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.

(ii) State plans

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

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances and traded discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Management fee income

Management fee income is recognised as it accrues, when the right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

2. Significant accounting policies (continued)

(n) Borrowing costs (continued)

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(o) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (EPS).

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, adjusted for own shares held.

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.

(p) 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 Group Managing Director, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(q) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured 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. Repurchased shares that are not subsequently cancelled 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 sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity and the resulting surplus or deficit on the transaction is presented in share premium.

(r) 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.

3. Property, plant and equipment

	Freehold land RM	Leasehold 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	Total RM
Group										
Cost										
At 1 July 2010	5,650,566	4,471,372	25,553,674	153,788,013	1,355,220	2,654,568	6,685,777	1,514,469	2,756,586	204,430,245
Additions	-	-	224,993	15,675,120	37,993	206,425	458,457	159,638	67,035	16,829,661
Disposals	-	-	-	(1,318,847)	-	-	-	(114,364)	-	(1,433,211)
Written off	-	-	-	-	-	(6,839)	-	-	-	(6,839)
Foreign exchange differences	(24,288)	-	(157,425)	(424,563)	(839)	(1,770)	(18,426)	(5,391)	-	(632,702)
At 30 June 2011/ 1 July 2011	5,626,278	4,471,372	25,621,242	167,719,723	1,392,374	2,852,384	7,125,808	1,554,352	2,823,621	219,187,154
Additions	-	-	22,756	13,938,497	34,327	105,568	266,286	-	5,430	14,372,864
Disposals	-	-	-	(10,161,725)	(43,172)	(34,500)	(144,398)	(39,000)	(8,000)	(10,430,795)
Foreign exchange differences	27,147	-	180,220	620,284	1,432	3,850	27,007	6,518	-	866,458
At 30 June 2012	5,653,425	4,471,372	25,824,218	172,116,779	1,384,961	2,927,302	7,274,703	1,521,870	2,821,051	223,995,681

3. Property, plant and equipment (continued)

	Freehold land RM	Leasehold 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	Total RM
Group										
Accumulated depreciation										
At 1 July 2010	-	803,930	3,838,510	77,629,240	720,687	2,227,541	4,435,249	1,085,999	1,596,002	92,337,158
Depreciation for the year	-	79,002	802,878	13,972,408	24,066	193,643	834,565	138,467	221,244	16,266,273
Disposals	-	-	-	(310,874)	-	-	-	(91,669)	-	(402,543)
Written off	-	-	-	-	-	(4,878)	-	-	-	(4,878)
Foreign exchange differences	-	-	(13,719)	(44,221)	(238)	(485)	(2,572)	(1,020)	-	(62,255)
At 30 June 2011/ 1 July 2011	-	882,932	4,627,669	91,246,553	744,515	2,415,821	5,267,242	1,131,777	1,817,246	108,133,755
Depreciation for the year	-	79,003	855,494	13,743,797	29,292	160,286	886,620	130,378	217,001	16,101,871
Disposals	-	-	-	(9,586,250)	(28,302)	(34,451)	(144,398)	(39,000)	(8,000)	(9,840,401)
Foreign exchange differences	-	-	24,443	99,247	514	985	7,626	1,860	-	134,675
At 30 June 2012	-	961,935	5,507,606	95,503,347	746,019	2,542,641	6,017,090	1,225,015	2,026,247	114,529,900
Carrying amounts										
At 1 July 2010	5,650,566	3,667,442	21,715,164	76,158,773	634,533	427,027	2,250,528	428,470	1,160,584	112,093,087
At 30 June 2011/ 1 July 2011	5,626,278	3,588,440	20,993,573	76,473,170	647,859	436,563	1,858,566	422,575	1,006,375	111,053,399
At 30 June 2012	5,653,425	3,509,437	20,316,612	76,613,432	638,942	384,661	1,257,613	296,855	794,804	109,465,781

3. Property, plant and equipment (continued)

Company	Leasehold land RM	Office equipment RM	Total RM
Cost			
At 1 July 2010	1,634,949	6,800	1,641,749
Addition	-	329	329
At 30 June 2011/1 July 2011/30 June 2012	1,634,949	7,129	1,642,078
Accumulated depreciation			
At 1 July 2010	308,825	4,266	313,091
Depreciation charge for the year	27,248	944	28,192
At 30 June 2011/1 July 2011	336,073	5,210	341,283
Depreciation charge for the year	27,249	999	28,248
At 30 June 2012	363,322	6,209	369,531
Carrying amounts			
At 1 July 2010	1,326,124	2,534	1,328,658
At 30 June 2011/1 July 2011	1,298,876	1,919	1,300,795
At 30 June 2012	1,271,627	920	1,272,547

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 RM29,273,641 (2011 : RM26,235,341).

3.2 Assets held in trust - Group

Motor vehicles with a carrying amount of RM58,916 (2011 : RM118,614) are registered in the name of certain Directors and held in trust on behalf of certain subsidiaries.

3. Property, plant and equipment (continued)

3.3 Security - Group

Property, plant and equipment of certain subsidiaries with the following carrying amounts are charged as securities to financial institutions for borrowings granted to the Group as disclosed in Note 13.1 to the financial statements :

	2012 RM	2011 RM
Carrying amounts		
Freehold land	5,653,425	5,626,278
Leasehold land	2,237,810	2,289,564
Buildings	20,316,612	20,993,573
Plant and machinery	72,269,965	58,902,856
Furniture and fittings	39,384	42,255
Office equipment	228,659	285,864
Tools and equipment	806,755	1,208,012
Factory renovation	794,804	1,006,375
	102,347,414	90,354,777

4. Investments in subsidiaries - Company

	2012 RM	2011 RM
Unquoted shares, at cost	74,516,981	61,180,181
Subscription of shares in subsidiaries	-	13,336,800
Less : Accumulated impairment loss	(6,750,000)	(6,750,000)
	67,766,981	67,766,981

Details of the subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %	Principal activities
SMT Technologies Sdn. Bhd.	Malaysia	100	100	Provision of Electronic Manufacturing Services for computer peripherals and consumer electronic/electrical products industries
Mastimber Industries Sdn. Bhd. #	Malaysia	90.5	90.5	Manufacture and sale of 2-layer solid wood parquet flooring
EG Electronic Sdn. Bhd.*	Malaysia	100	100	Original Equipment Manufacturer/Original Design Manufacturer in complete box built products
SMT Industries Co., Ltd *	Thailand	100	100	Provision of Electronic Manufacturing Services for computer peripherals, consumer electronic/electrical and automotive industrial products industries
Subsidiary of SMT Technologies Sdn. Bhd.				
Glisten Knight Sdn. Bhd. *	Malaysia	100	100	Investment holding company

* Not audited by KPMG
# Not audited by KPMG for 2012

5. Other investments - Group/Company

	2012 RM	2011 RM
Non-current		
Available for-sale financial assets		
Quoted shares in Malaysia	2,571,482	3,242,364
Unquoted shares in Malaysia	-	100
	2,571,482	3,242,464
Representing items :		
At cost	-	100
At fair value	2,571,482	3,242,364
	2,571,482	3,242,464
Market value of quoted shares	2,571,000	3,242,000

6. Intangible asset - Group

	Goodwill RM
At 1 July 2010	10,147,672
At 30 June 2011/1 July 2011	10,147,672
At 30 June 2012	10,147,672

6.1 Impairment testing for goodwill

For the purpose of annual impairment testing, goodwill arising from business combination has been allocated to the following cash generating units ("CGU") at which the goodwill is monitored for internal management purpose :

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. Value in use was determined by discounting the cash flow projections from the three-year business plan developed based on management's assessment of future trends and expectations of market development in the hard disk drive industry. The calculations of value in use are sensitive towards assumptions made on sales growth, gross margins and the pre-tax discount rate.

In determining the recoverable amount of the CGUs, the projected cash flows were discounted using a pre-tax discount rate of 10% (2011: 7.00%)

Based on management's assessment, no impairment is required as the recoverable amount exceeds the carrying amount of the goodwill.

There are no reasonably possible changes in significant assumptions used in the fair value calculations which would cause the recoverable amount of the CGUs to fall below its carrying amount.

7. Deferred tax assets

Recognised deferred tax assets and liabilities

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

	2012 RM	2011 RM
Group		
Property, plant and equipment - capital allowance	5,211,872	5,432,629
Tax loss carry-forwards	(528,062)	(554,151)
Unutilised reinvestment allowance	(8,935,610)	(10,635,610)
Provisions	(317,440)	(389,308)
Others	467,750	(268,273)
Net deferred tax assets recognised	(4,101,490)	(6,414,713)

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 1.7.2010 RM	Recognised in profit or loss (Note 19) RM	Exchange difference RM	At 30.6.2011 RM	Recognised in profit or loss (Note 19) RM	Exchange difference RM	At 30.6.2012 RM
Group							
Property, plant and equipment - capital allowance	5,394,145	38,484	-	5,432,629	(220,757)	-	5,211,872
Unabsorbed capital allowances	(235,511)	235,511	-	-	-	-	-
Tax losses carry-forwards	(288,162)	(277,263)	11,274	(554,151)	36,364	(10,275)	(528,062)
Unutilised reinvestment allowance	(9,885,610)	(750,000)	-	(10,635,610)	1,700,000	-	(8,935,610)
Provisions	-	(389,308)	-	(389,308)	71,868	-	(317,440)
Others	217,981	(486,254)	-	(268,273)	736,023	-	467,750
	(4,797,157)	(1,628,830)	11,274	(6,414,713)	2,323,498	(10,275)	(4,101,490)

7. Deferred tax assets (continued)

Unrecognised deferred tax assets

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Property, plant and equipment	1,000	2,000	1,000	2,000
Unutilised reinvestment allowance	(19,132,000)	(12,328,000)	-	-
Unabsorbed capital allowances	(7,000)	(7,000)	(7,000)	(7,000)
	(19,138,000)	(12,333,000)	(6,000)	(5,000)

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.

8. Inventories - Group

	2012 RM	2011 RM
Raw materials	30,155,289	52,466,288
Work-in-progress	9,638,440	8,046,789
Manufactured inventories	22,868,998	10,868,433
Consumables	30,261	48,044
Packing materials	18,121	25,821
	62,711,109	71,455,375

8.1 Security

The inventories are pledged to licensed banks as securities for borrowings granted to certain subsidiaries as disclosed in Note 13.1 to the financial statements.

8.2 Estimate

The write down of inventories to net relisable value during the year amounted to RM528,000 (2011 : RM4,613,469) and is included in cost of sales. The need to write down the cost of inventories is determined based on management's assessment of the use for the inventories and decline in net realisable value below cost.

Inventories amounting to RM3.5 million (2011 : RM2.9 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.

9. Trade and other receivables

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Non-current					
Non-trade					
Amount due from a subsidiary	9.1	-	-	4,700,000	10,329,715
Current					
Trade					
Trade receivables		106,237,713	64,684,042	-	-
Current					
Non-trade					
Amount due from subsidiaries	9.2	-	-	16,205,999	8,509,983
Other receivables		1,288,836	1,755,242	132,665	140,163
Deposits		106,306	47,467	2,000	2,000
Prepayments		1,200,304	726,533	-	-
		2,595,446	2,529,242	16,340,664	8,652,146
		108,833,159	67,213,284	16,340,664	8,652,146

9.1 Amount due from a subsidiary – non current

The non-trade amount due from a subsidiary is unsecured, interest-free and not repayable within the next twelve (12) months.

9.2 Amount due from subsidiaries - current

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

10. Cash and cash equivalents

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Deposits with licensed banks	12,395,959	13,312,459	11,098,300	10,844,504
Cash and bank balances	11,845,099	5,516,349	17,970	96,809
	24,241,058	18,828,808	11,116,270	10,941,313

Deposits with licensed banks

Included in cash and cash equivalents of the Group and of the Company are RM12,395,959 (2011 : RM11,923,117) and RM11,098,300 (2011 : RM10,844,504) respectively held in lien for borrowings granted to certain subsidiaries (Note 13.1).

11. Share capital - Group/Company

	2012		2011	
	Amount RM	Number of shares	Amount RM	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/30 June	75,016,600	75,016,600	75,016,600	75,016,600

12. Reserves

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Non-distributable :					
Translation reserve	12.1	(890,545)	(1,243,423)	-	-
Warrants reserve	12.2	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		-	-	(20,952,310)	(14,642,436)
Treasury shares	12.3	(21,226)	(19,458)	(21,226)	(19,458)
Fair value reserve	12.4	2,471,923	3,142,805	2,471,923	3,142,805
		20,430,359	20,750,131	368,594	7,351,118
Distributable :					
Retained earnings		13,851,548	12,463,070	-	-
		34,281,907	33,213,201	368,594	7,351,118

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

12.1 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

12.2 Warrants reserve

The warrants reserve represents the fair 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.

12.3 Treasury shares

The shareholders of the Company at 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 comprise ordinary shares with par value of RM1 each.

12. Reserves (continued)

12.3 Treasury shares (continued)

During the year, the Company repurchased 5,000 (2011 : 9,500) of its issued share capital from the open market at an average price of RM0.345 (2011 : RM0.370) per share. The total consideration paid was RM1,768 (2011 : RM3,605) including transaction costs of RM43 (2011 : RM90). 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 2012, the Company held 80,000 (2011 : 75,000) of its shares. The number of outstanding ordinary shares of RM1 each in issue after the set-off is 74,936,600 (2011 : 74,941,600).

12.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

13. Loans and borrowings - Group

	2012 RM	2011 RM
Non-current :		
Secured		
Term loans	4,476,977	621,962
Finance lease liabilities	11,048,236	11,877,319
	15,525,213	12,499,281
Current :		
Secured		
Bank overdrafts	3,646,344	2,511,304
Bankers' acceptances	64,385,436	46,868,911
Revolving credit	23,680,774	32,351,901
Export credit refinancing	-	221,000
Trust receipts	20,105,167	10,869,253
Term loans	1,236,041	1,433,273
Finance lease liabilities	7,494,178	4,323,824
Trade financing	6,238,978	-
	126,786,918	98,579,466

13. Loans and borrowings - Group (continued)

13.1 Securities

The loans and borrowings of the Group are secured as follows :

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);

iii) deposits held in lien of the Group and the Company (Note 10);

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.

13.2 Finance lease liabilities

Finance lease liabilities are payable as follows :

	2012			2011		
Group	**Future minimum lease payments RM**	**Interest RM**	**Present value of minimum lease payments RM**	**Future minimum lease payments RM**	**Interest RM**	**Present value of minimum lease payments RM**
Less than 1 year	8,426,926	932,748	7,494,178	5,274,117	950,293	4,323,824
Between 1 and 5 years	11,722,397	674,161	11,048,236	12,979,253	1,101,934	11,877,319
	20,149,323	1,606,909	18,542,414	18,253,370	2,052,227	16,201,143

14. Trade and other payables

		Group		Company	
	Note	**2012 RM**	**2011 RM**	**2012 RM**	**2011 RM**
Non-current					
Other payables	14.1	-	4,981,527	-	-
Current					
Trade payables		62,902,340	53,876,997	-	-

14. Trade and other payables (continued)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Non-trade					
Amount due to subsidiaries	14.2	-	-	28,293,473	19,732,458
Amount due to Directors	14.2	263,273	51,786	52,254	51,786
Other payables		5,481,704	8,095,991	8,354	3,782
Accruals		2,416,844	1,981,070	50,000	58,260
		8,161,821	10,128,847	28,404,081	19,846,286
		71,064,161	64,005,844	28,404,081	19,846,286

14.1 Non-current other payables

The non-current other payables of the Group were in respect of the purchase of plant and machinery and was not repayable within the next twelve (12) months.

14.2 Amount due to subsidiaries and Directors

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

15. Revenue

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Sale of goods	849,895,027	849,369,099	-	-
Dividend income (gross)	71,023	28,247	71,023	5,028,247
Interest income	260,522	260,744	260,522	260,744
Management fee from subsidiaries	-	-	-	768,000
	850,226,572	849,658,090	331,545	6,056,991

16. Profit/(Loss) before tax

Profit/(Loss) before tax is arrived at :

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
After charging :				
Auditors' remuneration				
- Statutory audit				
- KPMG	103,000	113,000	37,000	35,000
- other auditors	30,660	30,200	-	-
- Other services				
- KPMG	15,000	12,000	15,000	12,000
- Affiliates of KPMG Malaysia	11,600	16,600	3,600	3,600
Depreciation of property, plant and equipment (Note 3)	16,101,871	16,266,273	28,248	28,192
Plant and equipment written off	-	1,961	-	-
Directors' remuneration :				
Directors of the Company				
- fee	98,000	104,000	98,000	104,000
- other emoluments	1,229,092	1,170,720	480,000	480,000
Other Directors				
- others emoluments	119,420	219,520	-	-
Rental of equipment	248,960	12,040	-	-
Rental of premises	125,725	101,160	-	-
Personnel expenses (excluding Executive Directors)				
- Wages, salaries and others	25,054,568	22,079,723	128,268	123,000
- Contribution to Employees' Provident Fund	1,164,587	908,931	14,796	14,400
Inventories written down (Note 8.2)	528,000	4,613,469	-	-
Impairment loss for trade and other receivables, net	372,000	1,107,164	5,629,715	-
Loss on disposal of plant and equipment	498,336	-	-	-
Other investments written off	100	-	100	-
and after crediting :				
Dividend income from :				
- shares quoted in Malaysia	71,023	28,247	71,023	28,247
- subsidiaries	-	-	-	5,000,000
Gain on disposal of other investments	-	14,224	-	14,224
Gain on disposal of plant of equipment	-	6,943	-	-
Gain on foreign exchange (net)	1,957,352	372,978	-	-
Interest income	289,218	260,744	260,522	260,744

17. Key management personnel compensation

The key management personnel compensation are as follows :

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Directors' fee	20,000	20,000	20,000	20,000
Short-term employee benefits	2,240,017	1,718,000	608,268	603,000
Contribution to Employees' Provident Fund	181,305	148,224	14,796	14,400
	2,441,322	1,886,224	643,064	637,400

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.

18. Finance costs

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expense on :				
Bankers' acceptances	4,092,237	2,996,275	-	-
Trust receipts	921,723	271,655	-	-
Finance lease liabilities	1,143,473	1,031,903	-	-
Revolving credit	1,072,084	1,266,917	-	-
Others	349,582	328,943	292	-
	7,579,099	5,895,693	292	-

19. Income tax expense

Recognised in profit or loss

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Current tax expense				
Malaysian				
- current year	110,772	868,893	-	1,291,000
- prior years	(134,858)	152,458	1,764	(19,517)
Total current tax recognised in profit or loss	(24,086)	1,021,351	1,764	1,271,483
Deferred tax expense				
Origination/(Reversal) of temporary differences	2,286,429	(1,812,947)	-	-
Prior year	37,069	184,117	-	-
Total deferred tax recognised in profit or loss	2,323,498	(1,628,830)	-	-
Total income tax expense	2,299,412	(607,479)	1,764	1,271,483
Profit/(Loss) for the year	1,389,036	2,169,790	(6,309,874)	3,794,798
Total income tax expense	2,299,412	(607,479)	1,764	1,271,483
Profit/(Loss) excluding tax	3,688,448	1,562,311	(6,308,110)	5,066,281
Income tax calculated using Malaysian tax rate at 25%	922,112	390,578	(1,577,028)	1,266,570
Effect of different tax rate in foreign jurisdiction	24,217	29,622	-	-
Effect of tax incentives	(462,689)	(2,469,131)	-	-
Non-deductible expenses	164,356	225,134	1,444,470	45,636
Income not subject to tax	(90,145)	(10,127)	(17,756)	(10,127)
Deferred tax assets recognised	-	(750,000)	-	-
Deferred tax assets not recognised	1,701,000	1,674,251	250	-
Current tax losses not recognised	150,081	-	150,081	-
Others	(11,731)	(34,381)	(17)	(11,079)
(Over)/Under provision in prior years	(97,789)	336,575	1,764	(19,517)
	2,299,412	(607,479)	1,764	1,271,483

A foreign subsidiary of the Company 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 the manufacturing of printed circuit boards.

A local subsidiary of the Company 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.

20. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 30 June 2012 was based on the net profit attributable to the shareholders of RM 1,388,478 (2011 : RM2,814,590) and on the weighted average number of ordinary shares outstanding during the year of 74,939,155 (2011 : 75,002,236).

Diluted earnings per ordinary share

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.

21. 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 30.6.2012
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 2005/2015. 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.

22. Related parties

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 as disclosed below :

i) Subsidiaries of the Company as disclosed in Note 4 to the financial statements; and

ii) Key management personnel are defined in Note 17 to the financial statements.

22.1 Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows :

	2012 RM	2011 RM
Company		
i) Transactions with subsidiaries		
- Dividend income	-	5,000,000
- Management fee	-	768,000
- Advances from subsidiaries	865,000	4,057,000

ii) Transactions with Directors and key management personnel

There were no transactions with the Directors and key management personnel other than as disclosed in Note 17 to the financial statements.

iii) Non-trade balances with related parties outstanding at the end of the reporting period are as disclosed in Notes 9 and 14 to the financial statements. During the year, the Company recognised an impairment loss of RM5,629,715 (2011 : RM Nil) on the non-current receivable due from a subsidiary. All the amounts outstanding are unsecured and expected to be settled in cash

23. Contingent liabilities, unsecured - Company

The Company issued corporate guarantees to financial institutions as securities for banking facilities granted to certain subsidiaries amounting to RM179,497,285 (2011 : RM161,563,553) of which, RM 134,728,042 (2011 : RM109,725,732) were utilised at the end of the reporting period.

The Company has also undertaken to provide continuing financial support to enable a subsidiary to meet its financial obligations as and when they fall due.

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);
(b) Available-for-sale financial asset (AFS); and
(c) Other financial liabilities measured at amortised cost (OL).

2012	Carrying amount RM	L&R RM	AFS RM
Financial assets			
Group			
Other investments	2,571,482	-	2,571,482
Trade and other receivables (exclude prepayments and deposits)	107,526,549	107,526,549	-
Cash and cash equivalents	24,241,058	24,241,058	-
	134,339,089	131,767,607	2,571,482
Company			
Other investments	2,571,482	-	2,571,482
Trade and other receivables (exclude prepayments and deposits)	21,038,664	21,038,664	-
Cash and cash equivalents	11,116,270	11,116,270	-
	34,726,416	32,154,934	2,571,482

24. Financial instruments (continued)

24.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments categorised as follows (continued):

2011	Carrying amount RM	L&R RM	AFS RM
Financial assets			
Group			
Other investments	3,242,464	-	3,242,464
Trade and other receivables (exclude prepayments and deposits)	66,439,284	66,439,284	-
Cash and cash equivalents	18,828,808	18,828,808	-
	88,510,556	85,268,092	3,242,464
Financial assets			
Company			
Other investments	3,242,464	-	3,242,464
Trade and other receivables (exclude prepayments and deposits)	18,979,861	18,979,861	-
Cash and cash equivalents	10,941,313	10,941,313	-
	33,163,638	29,921,174	3,242,464

2012	Carrying amount RM	OL RM
Financial liabilities		
Group		
Loans and borrowings	142,312,131	142,312,131
Trade and other payables	71,064,161	71,064,161
	213,376,292	213,376,292
Company		
Trade and other payables	28,404,081	28,404,081
2011		
Financial liabilities		
Group		
Loans and borrowings	111,078,747	111,078,747
Trade and other payables	68,987,371	68,987,371
	180,066,118	180,066,118
Company		
Trade and other payables	19,846,286	19,846,286

24. Financial instruments (continued)

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Net gains /(losses) arising on :				
Available-for-sale financial assets				
- recognised in other comprehensive expense	(670,882)	(205,423)	(670,882)	(205,423)
- recognised in profit or loss	70,923	28,247	70,923	28,247
Loans and receivables	(82,782)	(846,420)	(5,369,193)	260,744
Financial liabilities at amortised cost	(7,579,099)	(5,895,693)	(292)	-
	(8,261,840)	(6,919,289)	(5,969,444)	83,568

24.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2012	2011
	RM	RM
Domestic	66,165,528	31,918,872
Asia Pacific	39,799,824	32,401,806
Others	272,361	363,364
	106,237,713	64,684,042

Impairment losses

The ageing of trade and other receivables as at the end of the reporting period was :

Group	Gross RM	Individual impairment RM	Net RM
2012			
Not past due	102,846,097	-	102,846,097
Past due 1 - 30 days	3,986,567	-	3,986,567
Past due 31 - 60 days	338,991	-	338,991
Past due 61 - 90 days	63,563	-	63,563
Past due more than 90 days	1,561,092	(1,269,761)	291,331
	108,796,310	(1,269,761)	107,526,549

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The ageing of trade and other receivables as at the end of the reporting period was (continued) :

	Gross RM	Individual impairment RM	Net RM
Group			
2011			
Not past due	59,915,535	-	59,915,535
Past due 1 - 30 days	3,151,152	-	3,151,152
Past due 31 - 60 days	184,155	-	184,155
Past due 61 - 90 days	29,245	-	29,245
Past due more than 90 days	4,442,743	(1,283,546)	3,159,197
	67,722,830	(1,283,546)	66,439,284
Company			
2012			
Not past due	26,668,379	(5,629,715)	21,038,664
Past due 1 - 30 days	-	-	-
Past due 31 - 60 days	-	-	-
Past due 61 - 90 days	-	-	-
Past due more than 90 days	-	-	-
	26,668,379	(5,629,715)	21,038,664
2011			
Not past due	18,979,861	-	18,979,861
Past due 1 - 30 days	-	-	-
Past due 31 - 60 days	-	-	-
Past due 61 - 90 days	-	-	-
Past due more than 90 days	-	-	-
	18,979,861	-	18,979,861

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade and other receivables during the financial year were:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
At 1 July	1,283,546	257,813	-	-
Impairment loss recognised	372,000	1,283,546	5,629,715	-
Impairment loss reversed	-	(176,382)	-	-
Impairment loss written off	(385,785)	(81,431)	-	-
At 30 June	1,269,761	1,283,546	5,629,715	-

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 4 customers who collectively contributed 95% (2011 : 93%) of the Group's trade receivables at 30 June.

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have good credit rating. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of the counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries of the Group. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM134,728,042 (2011 : RM109,725,732) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable other than the impairment of RM5,629,715 (2011 : RM Nil) recognised for the non-current receivable due from a subsidiary. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2012	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
Non-derivative financial liabilities							
Bank overdrafts	3,646,344	7.38 - 8.10	3,646,344	3,646,344	-	-	-
Bankers' acceptances	64,385,436	2.05 - 9.10	64,385,436	64,385,436	-	-	-
Revolving credit	23,680,774	5.07 - 6.38	23,680,774	23,680,774	-	-	-
Trust receipts	20,105,167	5.37 - 7.80	20,105,167	20,105,167	-	-	-
Term loans	5,713,018	6.13 - 7.60	6,514,603	1,765,650	1,477,740	3,271,213	-
Finance lease liabilities	18,542,414	2.65 - 7.42	20,149,323	8,426,926	7,219,963	4,502,434	-
Trade financing	6,238,978	7.60	6,238,978	6,238,978	-	-	-
Trade and other payables	71,064,161	-	71,064,161	71,064,161	-	-	-
	213,376,292		215,784,786	199,313,436	8,697,703	7,773,647	-
Company							
Non-derivative financial liabilities							
Trade and other payables	28,404,081	-	28,404,081	28,404,081	-	-	-

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis (continued)

2011	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
Non-derivative financial liabilities							
Bank overdrafts	2,511,304	7.55 - 8.10	2,511,304	2,511,304	-	-	-
Bankers' acceptances	46,868,911	4.78 - 9.10	46,868,911	46,868,911	-	-	-
Revolving credit	32,351,901	5.14 - 6.23	32,351,901	32,351,901	-	-	-
Export credit refinancing	221,000	3.33 - 3.50	221,000	221,000	-	-	-
Trust receipts	10,869,253	7.05 - 7.30	10,869,253	10,869,253	-	-	-
Term loans	2,055,235	5.00 - 7.56	2,577,750	1,519,742	360,864	697,144	-
Finance lease liabilities	16,201,143	2.65 - 4.00	18,253,370	5,274,117	6,297,209	6,682,044	-
Trade and other payables	68,987,371	-	68,987,371	64,005,844	4,981,527	-	-
	180,066,118		182,640,860	163,622,072	11,639,600	7,379,188	-
Company							
Non-derivative financial liabilities							
Trade and other payables	19,846,286	-	19,846,286	19,846,286	-	-	-

24. Financial instruments (continued)

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily the U.S. Dollar (USD) and Japanese Yen (JPY).

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in	
Group	**USD RM'000**	**JPY RM'000**
2012		
Trade and other receivables	64,093	-
Trade and other payables	(8,230)	(3,041)
Cash and bank balances	4,416	-
Net Exposure	60,279	(3,041)
2011		
Trade and other receivables	32,225	-
Trade and other payables	(801)	(3,905)
Cash and bank balances	1,294	-
Net Exposure	32,718	(3,905)

Currency risk sensitivity analysis

A 5% strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	**Profit or loss RM'000**
2012	
USD	(2,260)
JPY	114
2011	
USD	(1,227)
JPY	146

A 5% weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

24. Financial instruments (continued)

24.6.2 Interest rate risk

The Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risks that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-earning financial assets are mainly short term in nature and are mostly placed in short term deposits.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Fixed rate instruments				
Financial assets	12,395,959	13,312,459	11,098,030	10,844,504
Financial liabilities	(126,713,791)	(106,291,208)	-	-
	(114,317,832)	(92,978,749)	11,098,030	10,844,504
Floating rate instruments				
Financial liabilities	(15,598,340)	(4,787,539)	-	-

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis (continued)

(b) *Cash flow sensitivity analysis for variable rate instruments (continued)*

	Profit or loss	
	100 bp increase	**100 bp decrease**
	RM	**RM**
Group		
2012		
Floating rate instruments	(116,988)	116,988
2011		
Floating rate instruments	(35,907)	35,907

24.6.3 Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Company.

Equity price risk sensitivity analysis

The management is of the view that the results of the Group is not sensitive towards changes in equity price risk as there are no equity investments being designated as fair value through profit or loss. Changes in equity price risk for equity investments designated as available-for-sale is not significant to the total equity of the Company.

24.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

24. Financial instruments (continued)

24.7 Fair value of financial instruments (continued)

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows :

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Group	**RM**	**RM**	**RM**	**RM**
Financial asset				
Unquoted shares in Malaysia	-	-	100	*
Quoted shares in Malaysia	2,571,482	2,571,000	3,242,364	3,242,000
Finance liabilities				
Other payables	-	-	4,981,527	#
Finance lease liabilities	18,542,414	19,324,591	16,201,143	18,253,370
Company				
Financial assets				
Unquoted shares in Malaysia	-	-	100	*
Quoted shares in Malaysia	2,571,482	2,571,000	3,242,364	3,242,000
Advances to a subsidiary	4,700,000	#	10,329,715	#

* negligible

\# It is not practicable to estimate the fair value of this financial asset and liability due to the lack of information on discount rate, the term of repayment not being fixed and the inability to estimate the fair value without incurring excessive costs.

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Quoted shares in Malaysia

The fair value of financial assets that are quoted in an active market are determined by reference to their quoted closing price at the end of the reporting period.

Non-derivative financial liabilities

For finance leases, the market rate of interest is determined by reference to similar lease agreements.

24. Financial instruments (continued)

24.7 Fair value of financial instruments (continued)

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2012 %	2011 %
Finance leases	3.10	2.65 - 4.00

24.7.1 Fair value hierarchy

Comparative figures have not been presented for 30 June 2011 by virtue of the exemption provided in paragraph 44G of FRS 7.

The table below analysis financial instrument carried at fair value, by valuation method. The different levels have been defined as follows :

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2012				
Financial assets				
Investment in quoted shares	2,571	-	-	2,571

25. Operating segment

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.

25. Operating segment (continued)

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 Group Managing Director. Hence, no disclosure is made on segment liabilities.

	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
2012					
External revenue	842,241,024	7,586,003	849,827,027	399,545	850,226,572
Inter-segment revenue	-	-	-	-	-
Total revenue	842,241,024	7,586,003	849,827,027	399,545	850,226,572
Profit/(loss) before tax	4,380,630	(32,992)	4,347,638	(659,190)	3,688,448
Elimination of inter-segment profits	-	-	-	-	-
Segment profit/(loss)	4,380,630	(32,992)	4,347,638	(659,190)	3,688,448
Included in the measure of segment profit/(loss) are :					
Depreciation of property, plant and equipment	15,749,796	323,827	16,073,623	28,248	16,101,871
Inventories written down	528,000	-	528,000	-	528,000
Impairment for trade and other receivables	372,000	-	372,000	-	372,000
Finance costs	7,349,784	192,067	7,541,851	37,248	7,579,099
Segment assets	283,731,447	9,552,975	293,284,422	28,959,865	322,244,287
Included in the measure of segment assets are :					
Additions to property, plant and equipment	13,670,963	701,901	14,372,864	-	14,372,864

25. Operating segment (continued)

Segment liabilities (continued)

	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
2011					
External revenue	844,565,049	4,693,826	849,258,875	399,215	849,658,090
Inter-segment revenue	-	-	-	-	-
Total revenue	844,565,049	4,693,826	849,258,875	399,215	849,658,090
Profit/(loss) before tax	8,247,620	(6,787,357)	1,460,263	102,048	1,562,311
Elimination of inter-segment profits	-	-	-	-	-
Segment profit/(loss)	8,247,620	(6,787,357)	1,460,263	102,048	1,562,311

Included in the measure of segment profit/(loss) are :

	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
Depreciation of property, plant and equipment	15,972,499	292,830	16,265,329	944	16,266,273
Inventories written down	659,469	3,954,000	4,613,469	-	4,613,469
Impairment for trade and other receivables	819,051	288,113	1,107,164	-	1,107,164
Finance costs	5,684,538	167,668	5,852,206	43,487	5,895,693
Segment assets	262,429,366	9,329,476	271,758,842	16,596,873	288,355,715

Included in the measure of segment assets are :

	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
Additions to property, plant and equipment	16,650,550	178,782	16,829,332	329	16,829,661

25. Operating segment (continued)

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. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Malaysia	Singapore	Europe	United States	Korea	Thailand	Consolidated
	RM	RM	RM	RM	RM	RM	RM
2012							
Revenue from external customers	685,982,064	8,420,006	370,202	-	1,526,593	153,927,707	850,226,572
Non-current assets	72,001,401	-	-	-	-	47,612,052	119,613,453
2011							
Revenue from external customers	602,753,258	8,748,410	1,226,473	166,663	1,126,720	235,636,566	849,658,090
Non-current assets	81,856,647	-	-	-	-	39,344,424	121,201,071

Major customers

The following are major customers with revenue equal or more than 10% of Group revenue:

	Revenue		Segment
	2012	2011	
	RM'000	RM'000	
Customer A	631,855	576,227	EMS and OEM/ODM in complete box built products
Customer B	140,709	235,636	

26. Operating lease

Leases as lessee

Non-cancellable operating lease rentals are payable as follows :

	2012	2011
	RM	RM
Not more than 1 year	180,000	-
More than 1 year and not later than 5 years	-	-
	180,000	-

Operating lease payments represented rental payable by a subsidiary for the use of plant and machinery.

27. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants.

There were no changes in the Group's approach to capital management during the year.

28. Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 30 June, into realised and unrealised, pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows :

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Total retained earnings/ (accumulated loss) of the Company and its subsidiaries:				
-realised	5,632,274	2,908,478	(20,592,310)	(14,642,436)
-unrealised	5,972,491	6,414,713	-	-
	11,604,765	9,323,191	(20,592,310)	(14,642,436)
Add : Consolidation adjustments	2,246,783	3,139,879	-	-
Total retained earnings/ (accumulated losses)	13,851,548	12,463,070	(20,592,310)	(14,642,436)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

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 41 to 97 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 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 28 on page 98 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

…………………………………...…..
Tai Keik Hock

…………………………………...…..
Tai Yeong Sheng

Penang,

Date : 18 October 2012

STATUTORY DECLARATION

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

I, **Tai Keik Hock**, the Director primarily responsible for the financial management of EG Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 41 to 98 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 18 October 2012.

…………………………………...…..
Tai Keik Hock

Before me :

CHEAH BENG SUN
DJN, AMN, PKT, PJK, PJM, PK
(No. P103)
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Penang

Report on the Financial Statements

We have audited the financial statements of EG Industries Berhad, which comprise the statements of financial position as at 30 June 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 97.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity'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 2012 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 4 to the financial statements.

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

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 on page 98 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented base on the format prescribed by Bursa Malaysia Securities Berhad.

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
1857/02/14 (J)
Chartered Accountant

Date : 18 October 2012

Penang

This page is intentionally left blank

EG INDUSTRIES BERHAD [222897-W]

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 Twenty First 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 Thursday, 27 December 2012 at 11:30 a.m. and at any adjournment thereof.

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

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

	Ordinary Resolutions	**For**	**Against**
1.	Adoption of Reports and Audited Financial Statements		
2.	Payment of Directors' Fees		
3.	Re-election of Director, TAI LEE KEOW		
4.	Re-election of Director, TAI YEONG SHENG		
5.	Re-election of Director, LIM SZE YAN		
6.	Re-election of Director, TAI KEIK HOCK		
7.	Re-appointment of Auditors, KPMG		
8.	To authorize the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		
9.	To approve the Proposed Renewal of Authority for the Share Buy Back		
	Special Resolution		
10.	Proposed Amendments To 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 ______________, 2012.   Signature: ______________________

NOTES:

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 19 December 2012 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the 21st Annual General Meeting or appoint proxy/proxies to attend and vote/or vote on his/her behalf .

2. 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.

3. Explanatory notes on Special Business

   Ordinary Resolutions

   Resolution 8

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

   The ordinary resolution 8 proposed under Agenda No. 7, 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 Twentieth Annual General Meeting held on 29 December 2011.

   Resolution 9

   - 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 5 December 2012.

   Special Resolution

   Resolution 10

   - Proposed Amendments to Articles of Association of the Company

   The proposed adoption of the Special Resolution will bring the Company's Articles of Association to be aligned with the amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Please fold across the line and close

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.

Please fold across the line and close

EG INDUSTRIES BERHAD 222897-W
Lot 102, Jalan 4, Bakar Arang Industrial Estate,
08000 Sungai Petani, Kedah, Malaysia.
o +604 421 9881
f +604 425 9882
e eg@eg.com.my
w http://www.eg.com.my