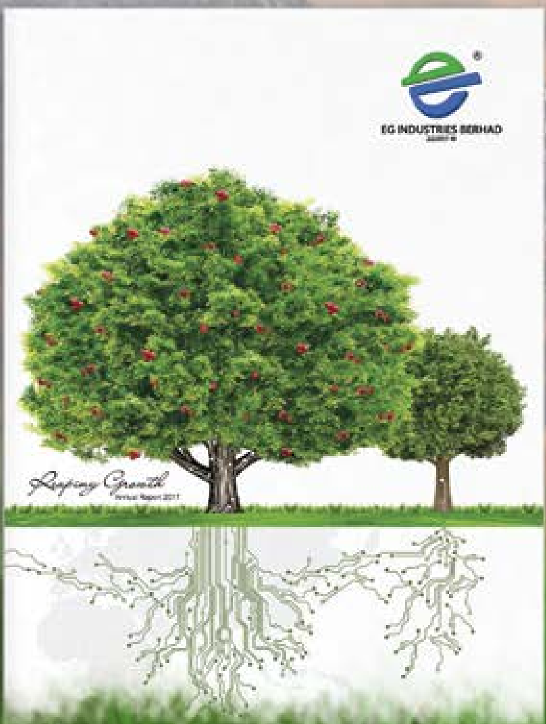
EG INDUSTRIES BERHAD
222897-W

Reaping Growth
Annual Report 2017

Contents



Reaping Growth

Knowledge is learned and experience is accumulated. In our journey towards evolving EG Industries Berhad's corporate culture and business practices, we have strengthened our foundation as the world's leading Electronic Manufacturing Services (EMS) and Vertical Integration provider. To date, we are reaping of the harvest of success that comprises our vision and missions. The successful path we have set in the past will lead us to achieve more in the future as EG Industries Berhad continues to evolve its business aspects with innovation.

Awards and Recognition

OUR ACHIEVEMENT FOR THE YEAR

1) Malaysia Website Awards 2016

On 10th January 2017, www.eg.com.my website has won for The Public's Favourite Websie. It has proven that we are one of the best developers and web designers in the country.

2) Excellence in Enterprise Innovation, Malaysia by Asia IoT Business Platform

The IOT innovative award symbolises a significant new milestone as recognition of EG R&D digital transformation effort towards a trending IOT era.

3) Golden Bull Award 2017

The winning of Super Golden Bull 2017 Award has epitomised the strength and growth of our business in the international arena.

4) Malaysia Top Business Excellence Award (MTBEA 2016)

The Group was honoured with Top Business Excellence and Top 20 (Best of the Best) awards at St Giles Wembley Hotel Penang. It is the highest recognition bestowed for exceptioncal products and services in the field.

Employees Awards and Recognition

1 Honesty Award

Employees are awarded for truthfulness and uprightness conduct in returning lost items.

2 Hero Award

Altruistic employees are recognised for their heroic character in helping to put out blazing fire at neighboring factory.

The 3rd Generation Best Knight was the continuation from the 1st & 2nd Best Knight generation. They were chosen from 196 of exempt staff of the company which shows improvement and outstanding performance in their position by respective department managers.

3rd Generation Best Knight Award

Corporate Information

Board of Directors

Terence Tea Yeok Kian
(Group Executive Chairman)

Alex, Kang Pang Kiang
(Group Chief Executive Officer / Executive Director)

Ang Seng Wong
(Senior Independent Non-Executive Director)

Lim Sze Yan
(Independent Non-Executive Director)

Lee Kean Teong
(Independent Non-Executive Director)

Audit Committee

Chairman

Ang Seng Wong
(Senior Independent Non-Executive Director)

Members

Lim Sze Yan
(Independent Non-Executive Director)

Lee Kean Teong
(Independent Non-Executive Director)

Company Secretary

CHAI CHURN HWA (MAICSA 0811600)

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

Auditor

UHY AF 1411
Chartered Accountants

Bankers

Ambank Islamic Berhad
Bangkok Bank Berhad
Bank Islam Malaysia Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Kasikorn Bank Public Company Limited (Thailand)
OCBC Al-Amin Bank Berhad
RHB Islamic Bank Berhad
Standard Chartered Bank Malaysia Berhad
TMB Bank Public Company Limited (Thailand)

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Group Structure

EG INDUSTRIES BERHAD
(222897-W)
Investment holding company listed on Main Board of Bursa Malaysia.

100%
SMT INDUSTRIES CO., LTD.
[0255549000227]

Provision of Electronic Manufacturing Services for computer peripherals, consumer electronic/electrical and automotive industrial products

100%
EG R&D SDN BHD
[1074691-M]

To undertake Research and Development activities for electronic, electrical, telecommunication and technology products; providing outsourcing services in Financial and Administration processes and other IT services.

100%
EG ELECTRONIC SDN. BHD.
[665423-W]

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

100%
SMT TECHNOLOGIES SDN. BHD. [279566-X]

Provision of Electronic Manufacturing Services for computer peripherals and consumer electronic/electrical products

100%
GLISTEN KNIGHT SDN BHD [354564-D]

Investment Holding

100%
EG OPERATIONS SDN BHD [1075362-W]

Dormant

100%
EG GLOBAL SDN. BHD.
[1108047-H]

Dormant

90.50%
MASTIMBER INDUSTRIES SDN BHD [418438-V]

Dormant

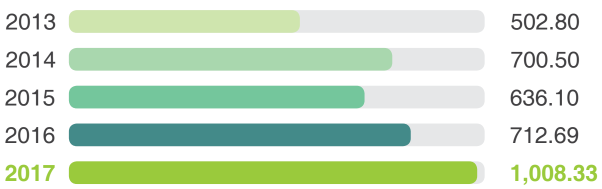
Group Financial Highlights

Year ended June 30	2013*	2014*	2015	2016	2017
Amount in RM' million					
Revenue	502.80	700.50	636.10	712.69	1,008.33
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	29.96	37.08	58.02	56.56	60.79
Profit Before Tax	3.75	6.12	23.63	21.22	22.35
Profit Attributable to the owners of the Company	1.83	2.03	26.48	17.03	22.25
Shareholders' Funds	115.85	123.62	144.45#	235.44	263.58
Basic earnings per ordinary share (sen)	2.44	2.71	35.39	10.57	10.53
Net assets per ordinary share (RM)	1.54	1.65	1.87#	1.11	1.25

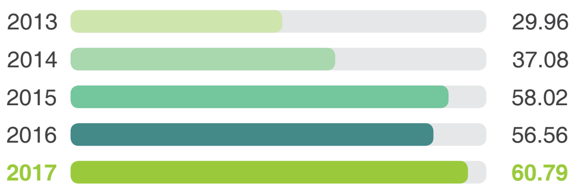
* The revenue for the financial years have been restated to conform to current year's presentation.

\# The Shareholders' Funds & Net assets per ordinary share have been restated as per audited financial statements for the financial year ended 30 June 2016.

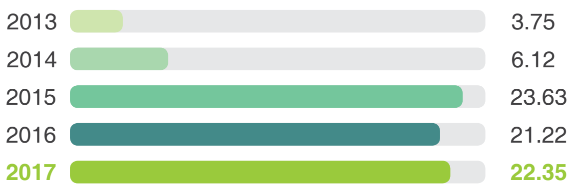
Revenue (RM' million)



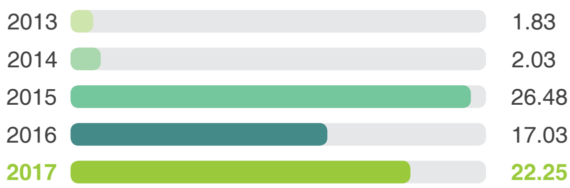
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") (RM' million)



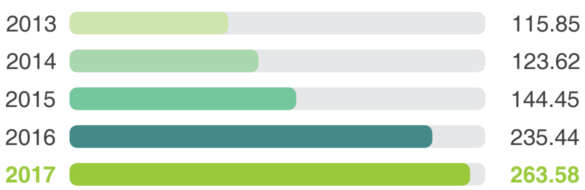
Profit Before Tax (RM' million)



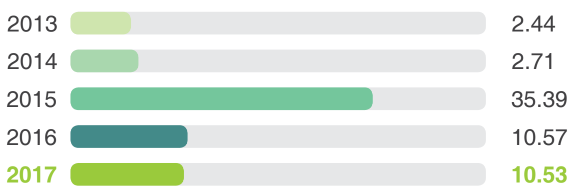
Profit Attributable to the owners of the Company (RM' million)



Shareholders' Funds (RM' million)



Basic earnings per ordinary share (sen)



Management Discussion and Analysis

We are thrilled to report that the financial year ended 30 June 2017 (FY2017) proved to be a momentous year for EG Industries Berhad (EG), as we surpassed the RM1 billion revenue mark for the first time in our corporate history.

This landmark achievement is a strong testimony of the management's successful strategic direction and the team's enduring efforts in the execution of our growth plans to reinforce our status as a leading and a one-stop Electronic Manufacturing Services (EMS) provider for global customers.

BUSINESS & OPERATIONS

EG is a leading EMS and Vertical Integration provider for world-renowned brand names of electrical and electronic (E&E) products for several industries including consumer electronics, ICT, medical, automotive and telecommunications.

EG has two primary business activities, namely printed circuit board assembly (PCBA) and box build, which entails high and low-mix printed circuit board and backplane assembly to total design, manufacturing, testing and shipping of completed product to customers' end users.

EG has three main subsidiaries which are SMT Technologies Sdn. Bhd. (SMTT), SMT Industries Co. Ltd. (Thailand) and EG R&D Sdn. Bhd. (EGRD). SMTT undertakes the provision of EMS for computer peripherals and consumer electronic/ electrical products industries in its manufacturing facility in Sungai Petani, Malaysia, whereas SMTI carries out similar EMS works for computer peripherals, consumer electronic/electrical and automotive industrial products in its Prachinburi plant in Thailand. EGRD undertakes research and development activities for the electronic, electrical, telecommunication and other technological products, and operate as shared services outsourcing center rendering BP outsourcing in financial and administration processess and IT services.

FINANCIAL REVIEW

Group revenue in FY2017 jumped to its highest-ever of RM1,008.3 million, marking a 41.5% increase compared to RM712.7 million previously. This strong growth was on the back of sales expansion in both PCBA and box build segments.

The Group's net profit in FY2017 grew at a rapid pace of 31.18% to RM22.3 million from RM17.0 million earlier. This is largely due to higher profit generated on the back of larger topline and lower deferred tax expenses incurred in FY2017 as the Group benefitted from reinvestment allowance on qualified capital expenditure (CAPEX) and export allowances by a local subsidiary, offset by the one-off gain from the disposal of investment properties of RM3.2 million recorded in previous financial year. In addition, the enlarged operations necessitated higher depreciation and amortisation, which increased to RM27.5 million from RM25.1 million previously, as well as higher finance costs, that increased to RM10.9 million from RM10.2 million a year ago.

ASSETS, LIABILITIES AND EQUITY

The Group's total asset base grew to RM689.2 million as at 30 June 2017 from RM617.7 million a year ago. The key factors for the increase were higher property plant and equipment to RM184.5 million on the expansion of the Sungai Petani plant, as well as increased trade and other receivables to RM307.4 million, in line with the higher revenue generated.

Intangible assets also grew from RM12.7 million to RM21.2 million, on acquisition of intangible assets of RM9.0 million during the year.

Cash and cash equivalents declined to RM33.5 million from RM49.1 million a year ago to support the larger asset base.

The Group's total liabilities increased to RM426.4 million as at 30 June 2017 from RM383.1 million previously. This was primarily due to higher trade payables which increased to RM209.4 million from RM171.0 million a year ago in line with higher orders from new and existing customers. Group's loan and borrowings increased slightly by 2.7% to RM215.8 million from RM210.0 million previously.

The higher reserves pushed shareholders' equity to RM263.6 million, from RM235.4 million previously.

CAPITAL STRUCTURE AND CAPITAL RESOURCES

EG incurred RM56.1 million in CAPEX in the year under review for the expansion of the Sungai Petani plant and the purchase of machinery as well as equipment. This was substantially higher than the CAPEX of RM28.8 million allocated the previous year. The CAPEX was mainly financed through internally generated funds and proceeds from the completed rights issues with warrants.

Despite the increase in borrowings in FY2017, EG maintained a healthy net gearing of 0.69 times, enabling speedy implementation of future expansion plans.

DIVIDEND

No dividend has been recommended or declared for FY2017. At present, the Group intends to reinvest earnings into the operations to strengthen our position to build long-term and sustainable growth story.

OPERATIONAL HIGHLIGHTS

EG was conferred several awards for outstanding innovation and growth, namely the Excellence in Enterprise Innovation Malaysia by IoT Business Platform, the Super Golden Bull at the Golden Bull Awards, the Public's Favourite Website at Malaysia Website Award 2016, Top Business Excellence and Top 20 (Best of the Best) Awards at Malaysia Top Business Excellence Award 2016. These awards symbolised a significant milestone as recognition to the Group's effort towards sustainable growth and business excellence.

ANTICIPATED OR KNOWN RISKS

The Group is subject to several risks from operating as a public listed company in Malaysia and as a provider of EMS to global brands. Among the key potential risks and uncertainties that could have a material adverse effect on the business, financial condition and the results of the operations of the Group are as follows:

- **Exchange rate risk**
  As the Group has bank borrowings denominated in foreign currencies, namely US Dollar (USD) and the Thai Baht (THB), the appreciation of the USD and THB or depreciation of the Malaysian Ringgit will have an impact on the Group. However, the Group has mitigated this risk by having a natural hedge because the Group's EMS services are primarily for the export market and hence are denominated in USD or THB.

- **Commercial risk**
  Just like any other industry, the EMS sector faces commercial risk as it is a highly competitive market with numerous competitors locally and abroad. Nevertheless, EG has been recognised as one of the leading EMS providers in the world, with award-winning innovative capabilities and a firm footing in the high-growth South East Asia (SEA) region.

GROWTH STRATEGIES

Nonetheless, we are optimistic of our future outlook as the EMS industry forges ahead, what with continuous development of new products, and maintained preference for outsourced manufacturing in order to be cost-efficient.

We intend to capitalise on this opportunity to further strengthen our market position in this highly competitive market with the following strategies:

- **To bid for more box build contracts in Sungai Petani plant, especially for consumer electronics products**
  From a user demand perspective, the increasing consumer affluence, and great technological advancements worldwide has led to rapid product evolution in consumer electronics to become more feature-rich, speedy and accurate. At the same time, suppliers of consumer electronics prefer to adopt the specialization route in operations, hence forming a collaborative network of experts to carry out individual tasks such as EMS, design, marketing and so on.

  These twin developments bode well for the EMS industry, pointing to a thriving future. With the utilization rate of 7% in our enlarged factory as at FY2017, we have the sufficient capacity and technical expertise to take on more orders in the meantime. We intend to allocate RM30 million for CAPEX in FY2018 to expand the factory in line with future market demand. At the same time, we are also focusing on enhancing innovation and research and development to boost overall efficiency and enhance product quality.

GROWTH STRATEGIES (Cont'd)

- **To incorporate box-build capabilities in Thailand manufacturing facility**
  We have seen great success in developing the box build segment in Sungai Petani and now we believe that we can replicate this feat in Thailand. We will build on our existing customer base in hard disk storage, consumer electronics and automotive.

- **To add a third business segment of distribution in FY2018**
  As a natural progression to our existing expertise, we are adding a third business segment of distribution in the coming year to allow customers to leverage on our position as the gateway to SEA region. We have been tasked by 3 existing customers to enter the SEA region and we are looking to do the same with other customers.

  We are establishing the in-house distribution channels and are hopeful that it will start contributing to group revenue in the coming financial year ending 30 June 2018 and onwards.

APPRECIATION

I would like to extend my appreciation to the Board, management team, and our employees for the fighting spirit that led to EG achieving new milestones despite the challenging business environment. EG's accomplishments today would not have been possible without your collective input. Together, let us steer the Group to reach greater heights.

TERENCE TEA YEOK KIAN
Executive Chairman

Directors' Profile

TERENCE TEA YEOK KIAN

Group Executive Chairman

Age	49
Gender	Male
Nationality	Singaporean

Qualification

Diploma in Electronics and Electrical Engineering from Singapore Polytechnic

Ph.D. in Business Administration (Honorary) from Honolulu University

Working Experience & Occupation

Mr. Terence Tea Yeok Kian is a successful entrepreneur and highly regarded member of the business community. Mr. Terence has extensive experience in the electronics, metal and resources businesses. Mr. Terence also holds various directorships in Jubilee Industries Holdings Ltd., Accrelist Ltd. (formerly known as WE Holdings Ltd.) and EG Industries Berhad. Jubilee Industries Holdings Ltd. has a number of subsidiaries across the Asian regions such as China, Thailand, Malaysia and India; whereas EG Industries Berhad is a group of companies which are based in Malaysia with a factory in Thailand. Mr. Terence is also a member of Singapore Institute of Directors.

As an active member of the community, Mr. Terence helms several appointments such as being the Chairman of the Eng Yong Tong Tay Si Association, an honorary patron of the Singapore Productivity Association and Sembawang Citizen's Consultative Committee, a patron of Nee Soon East Constituency and a member of River Valley School Advisory Committee.

Mr. Terence was awarded the Public Service Medal (PBM) by the President of the Republic of Singapore, as well as the Long Service Award (MOE) by Singapore's Ministry of Education. He is also the Top Entrepreneur 2015 of the Small Medium Business Association in Singapore.

For his business achievements and contributions to the community, he was conferred a Ph.D. in Business Administration (Honorary) from the Honolulu University.

Date appointed to the Board

18 July 2014

Other Board Committee

Nil

Other Directorships (in Public Companies that incorporated in Malaysia-Listed and Non-Listed)

Nil

Family relationships with other Directors and/or Major Shareholder of the listed issuer

Nil

Conflict of interest with listed issuer

Nil

Offences convicted for the past 5 years other than traffic offences, if any

Nil

No. of Board Meeting attended during the financial year

5

Directors' Profile (Cont'd)

ALEX KANG PANG KIANG

Group Chief Executive Officer / Executive Director

Age	45
Gender	Male
Nationality	Malaysian

Qualification
Double degrees in Bachelor of Commerce and Bachelor of Science from University of Auckland, New Zealand
Chartered Accountant of Malaysian Institute of Accountants (MIA)
Associate Chartered Accountant (ACA) of Chartered Accountant Association, New Zealand

Working Experience & Occupation
Mr. Alex 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 Group since 1999 and was appointed as Group Chief Executive Officer on 18 July 2014.

Mr. Alex has more than 15 years of experience in financial management, corporate restructuring exercises, financial planning, compliance and reporting, risk management and investor relations.

He plays a key role in the formulation and implementation of Group's strategic positioning and business expansion. He is responsible for the Group's overall planning and operations.

He is currently serving as the Executive Director of Jubilee Manufacturing Sdn. Bhd. He was awarded with PJK Medal in year 2012 by the Penang State Government in appreciation of his valuable contributions and services to the state. He had also secured two awards from the Malaysian Investor Relations Association (MIRA) as the Best Chief Executive Officer and Best Investor Relations Professional under the Micro-cap category of "The Investor Relations Awards 2015". The awards honour excellent performers in the field of Investor Relations by both professionals and listed entities in Malaysia.

Date appointed to the Board
23 November 2009

Other Board Committee
Nil

Other Directorships (in Public Companies that incorporated in Malaysia-Listed and Non-Listed)
Independent Non-Executive Director of Thong Guan Industries Berhad

Family relationships with other Directors and/or Major Shareholder of the listed issuer
Nil

Conflict of interest with listed issuer
Nil

Offences convicted for the past 5 years other than traffic offences, if any
Nil

No. of Board Meeting attended during the financial year
6

ANG SENG WONG

Senior Independent
Non-Executive Director

Age	55
Gender	Male
Nationality	Malaysian

Qualification
Masters of Business Administration, Bachelor of Arts and Bachelor of Business.

Working Experience & Occupation
Mr. Ang 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. As a professional activity, Mr. Ang is a HRDF and LPI certified trainer. He has conducted public and in-house programs for Petronas, Telekoms, NEC, Maxis, DRB-Hicom, Pantai Group, Columbia Hospital, MISC etc in Malaysia, Singapore, Thailand and Philippines. In addition he has also lectured in University Malaya for the European Union officers, AEU for the Executive 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
Chairman of Nomination Committee
Member of Remuneration Committee

Other Directorships (in Public Companies that incorporated in Malaysia-Listed and Non-Listed)
Nil

Family relationships with other Directors and/or Major Shareholder of the listed issuer
Nil

Conflict of interest with listed issuer
Nil

Offences convicted for the past 5 years other than traffic offences, if any
Nil

No. of Board Meeting attended during the financial year
6

LIM SZE YAN

Independent Non-Executive Director

Age	40
Gender	Male
Nationality	Malaysian

Qualification
Bachelor of Commerce (Accounting & Finance Double Major)
- Curtin University of Technology, Perth, Western Australia
Master of Business Administration
- Cardiff Metropolitan University, United Kingdom
Member of CPA Australia
Associate member of FIAT-IFTA

Working Experience & Occupation
Mr. Lim started his career as an audit assistant with Tay & Associate from 2001 to 2003. Thereafter, Mr. Lim joined Aim Strong Industries Sdn. Bhd. as an Account Executive for the period from 2003 to 2005 and subsequently, he was promoted as Business Development Manager from 2005 to 2007 and as General Manager from 2007 to October 2013. Currently, he is the Executive Director of Aim Strong Industries Sdn. Bhd. and V-Hua Management Sdn. Bhd.

Date appointed to the Board
28 February 2012

Other Board Committee
Chairman of Remuneration Committee
Member of Audit Committee
Member of Nomination Committee

Other Directorships (in Public Companies that incorporated in Malaysia-Listed & Non-Listed)
Nil

Family relationships with other Directors and/or Major Shareholder of the listed issuer
Nil

Conflict of interest with listed issuer
Nil

Offences convicted for the past 5 years other than traffic offences, if any
Nil

No. of Board Meeting attended during the financial year
6

LEE KEAN TEONG

Independent Non-Executive Director

Age	59
Gender	Male
Nationality	Malaysian

Qualifications
Chartered Accountant of Malaysian Institute of Accountants (MIA)
Chartered Accountant of Malaysian Institute of Certified Public Accountants (MICPA)
Fellow member of Certified Practising Accountants (CPA) Australia

Working Experience & Occupation
Mr Lee has been with KPMG Malaysia for more than 35 years and was a Partner with KPMG until his retirement on 31 December 2014.

He has extensive experience in auditing and management consulting throughout his career. He was the engagement partner for a wide range of companies which include public listed companies and multinationals in various industries, mainly in manufacturing, property development and construction, hotel, stock broking and financial institutions.

Date appointed to the Board
1 June 2016

Other Board Committee
Member of Audit Committee
Member of Nomination Committee
Member of Remuneration Committee

Other Directorships (in Public Companies that incorporated in Malaysia-Listed & Non-Listed)
Oriental Holdings Berhad
Kian Joo Can Factory Berhad
Advance Information Marketing Berhad

Family relationships with other Directors and/or Major Shareholder of the listed issuer
Nil

Conflict of interest with listed issuer
Nil

Offences convicted for the past 5 years other than traffic offences, if any
Nil

No. of Board Meeting attended during the financial year
5

Corporate Key Management Profile

MOGAN KARUPIAH

Group Chief Technical Officer

52	
Male	
Malaysian	

Mr. Mogan is responsible for EG Group's Quality Management, Research & Development and Strategic Planning. He is also the Chairman of the Group's Risk Management Committee. He joined SMTT in 2003, and has with him over 28 years of experience in Quality Management, Engineering and Production from Telecommunication, Audio/Video, Avionics, Computer Peripherals and various other industries. He holds a Master's Degree in Engineering from UniSA.

CHERYL NG SZE MUN

Group Chief Financial Officer

31	
Female	
Malaysian	

Ms. Cheryl Ng joined EG Group in 2014 as Finance Manager and was appointed as the Group Chief Financial Officer in July 2016. She holds a Bachelor of Accounting degree from the University of Deakin, Australia (2008). She is a Fellow member of The Association of Chartered Certified Accountants (ACCA), United Kingdom and member of Malaysia Institute of Accountants (MIA).

Ms Cheryl started her career in the accounting industry in 2008 and gained her financial and accounting experience while working in one of the Big Four Accounting firms and a Public Listed Co. before joining the Group. She is currently overseeing the overall operations of the Group Finance Department and also involves in the Group's corporate finance including investor relations, merger and acquisitions, legal and other regulatory compliances.

CHLOE LIM CHIEW HWA

Chief Admin Officer

58	
Female	
Malaysian	

Ms. Lim joined SMTT in year 2000, with over 21 years of working experience in QC/QA, management system and general administration. She is overseeing Legal Administration, Human Resource Management and Development for the entire organization. She holds a Master of Science in Chemistry.

Notes:
None of the key management personnel has any family relationship with any Director and/or Major Shareholder of the Company, nor any conflict of interest with the Company. They have not been convicted of any offences within the past (5) years other than traffic offences, if any.

LOW JOO HIANG

Production Director

48	
Male	
Malaysian	

Mr. Low joined SMTT in 1996, with over 22 years of working experience in various fields such as Assembly, Test, Process, Equipment, Surface Mount Technology (Front End), Back End line, Production Planning, Warehousing and Shipping. He holds a Diploma in Electronic Engineering and currently responsible for overall manufacturing operation, production planning and logistic.

JUSTON CHUAH WAH HONG

IT Director

48	
Male	
Malaysian	

Mr. Juston Chuah graduated from University of New South Wales, Sydney, Australia in 1993. He has been working in various industries with more than 20 years leading IT organizations in the fields of Application Development, ERP, HRMS and MES system support, Server and Infrastructure setup and Project Implementation.

Mr. Juston Chuah joined SMTT in April 2015 as IT Director. His areas of responsibility including IT Strategy Development, IT Change Management, Infrastructure and Security, Application Development, building strong working relationships with the business partners and provides Shared Services for entire group.

ONG KAH HIN

Engineering Director

52	
Male	
Malaysian	

Mr. Ong joined SMTT in November 2015. He is responsible for SMT Technologies Sdn Bhd, Malaysia and SMT Industries Co., Ltd, Thailand's New Product Introduction (NPI), Advance Manufacturing Development, Process Engineering and Test Engineering departments, covering full spectrum of high value added services including process design, new product introduction, advance process and test development. He had over 15 years of Operational Managerial position in dynamic high volume manufacturing environment for both Engineering and Manufacturing portfolio from his previous tenure.

Prior to joining SMTT, he gained extensive experience in the disk drive industry as PCBA Operations Director and Manufacturing Director - Head-stack & Disk Drive operations for Western Digital.

He holds a Master degree in Business Administration from University of Southern Queensland.

Notes:
None of the key management personnel has any family relationship with any Director and/or Major Shareholder of the Company, nor any conflict of interest with the Company. They have not been convicted of any offences within the past (5) years other than traffic offences, if any.

Corporate Social Responsibility Statement

The Group continues to embrace its corporate social responsibility (CSR) perspective by continuing to shows its sense of responsibility towards the community and the environment. The Group tenaciously commit and improve its sustainability programs, through compliance and endorsement of its Business Code of Conduct. The Code has been effectively promoted to ensure safe working conditions, workers are treated fairly and humanely, and manufacturing processes are environmentally responsible. The Code covers fair and ethical labour practices, health and safety at work, environmental sustainability, ethical business conduct and adherence to good management system.

In order to ensure the Code is more effectively executed, the Group has a comprehensive training and development program at all levels, stringent monitoring of processes, prompt respond towards changes in regulations or requirements from government agencies and customers as well as collaboration with charitable organisations. Ultimately, it will enable the Group to safeguard and promote ethical total supply chain.

HUMAN RIGHTS

The Group is committed to uphold the human rights of workers and to treat them with dignity and respect. This principle that underlies the Code covers non-employment of child labor, fair and non-discrimination of labor, health and safety at workplace. In fact, the Group is guided by Occupational Health and Safety Assessment Series (OHSAS), International Labour Organization (ILO) and Electronic Industry Citizenship Coalition (EICC) standards whilst operating its businesses across the regions.

MS 1722 : 2011

ISO 13485_2003

OHSAS 18001_2007

ISO 9001_2015

ISO 14001_2015

MANAGEMENT SYSTEM

The Group had successfully complied and maintain the certification of International Organization for Standardization (ISO) at which ISO deem to ensure products safety, reliability and quality. It helps to ensure that customers get consistent and good quality products and services. For example, the Group acquires accreditation for ISO 9001:2015 (Quality Management System since 1996) and ISO 13485:2003 (Medical Device – Quality Management System) since 2011. Besides that, the Group has established a systematic approach through accreditation of OHSAS 18001:2007 (Occupational Health and Safety Management System since April 2010) and MS 1722: Part I 2011 since April 2010 to control and improve occupational, health and safety performance which will protect employees from work hazards, ill health, injuries and fatalities.

ISO 14001:2015 is foundation for the Group Environmental Management System which aims to monitor, control and improve overall environmental performance throughout operations and supply chain. As electronic manufacturing are waste and water intensive, the Group's waste and water management focus to responsibly dispose or recycle electronic waste, efficiently used of water for manufacturing activities and responsibly dispose of waste water. Nevertheless, the Group is committed to ensure ethical supply chain through compliance with world's largest industry coalition dedicated to electronics supply chain responsibility – Electronic Industry Citizenship Coalition (EICC) Code of Conduct.

Corporate Social Responsibility Statement
(Cont'd)

COMMITMENT TOWARDS CSR

The Group's commitment to develop a sustainable future goes beyond its responsibilities towards business and operations. As a good corporate citizen, the Group has the responsibility to contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.

On 17th and 18th December 2016, the Group organized second treasure hunt - Amazing Hunt 2016 which was held in Langkawi Island. A total of 129 participants including our suppliers and customers from various countries had joined the event. During the event, our Group had taken this opportunity to contribute to the Langkawi's community through distribution of school shoes to orphanage in Langkawi and donated cash to Kelab Amal Langkawi.

The Company long term collaboration with Blood Bank Unit of Sultan Abdul Halim Hospital, Sungai Petani is organising in-house Blood Donation Campaign every year. This year, the campaign had attracted more than 120 donors from various level of the Group's workforce. The campaign had helped the hospital to relieve the insufficient blood supply. This noble act shows that we love, we care with warmth towards helping our society and towards harmony.

Blood Donation
24th May 2016 - SMT Technologies, Sungai Petani

Contribution to the Langkawi Community
17th & 18th December 2016 - Langkawi, Kedah

As a social enterprise, the Group has developed a program with Jabatan Kebajikan Masyarakat Malaysia to focus on hiring of workers with disabilities. The project was a huge success where total of 37 OKUs were hired. Through the project, they were empowered and finally integrated into society that could help to drive up our economy. We had successfully absorb them to be part of our workforce by having only to slight modify our operation and providing them with proper training to fulfil the open jobs.

Program with Jabatan Kebajikan Masyarakat Malaysia
Focus on hiring of workers with disabilities.

EMPLOYEES WELFARE

CARNIVAL & GOGO COLOUR RUN
15th July 2017 - SMT Technologies Sdn Bhd, Sungai Petani, Kedah

The Group organised various yearly events and activities such as Bowling, Badminton and Futsal to enhance teamwork and encourage employees to live a healthy lifestyle. In May 2016, the Group had organised a hiking activity in Penang National Park participated by more than 40 employees. This event aimed to create awareness of the importance to maintain physical fitness as after-work task. After the hiking event, positive feedbacks were received from the participants and this hiking event had successfully enhanced the unity among the participants.

In September 2016, the Group sponsored its employees to participate in Great Eastern Bubble Dash Run 2016. The 5km non-competition run aimed to foster quality time and create stronger bonding between the Group's management and employees. Employees run approximately 5km route and dashed through numerous of "Foam Zones". At "Foam Zones", employees were showered with colour bubbles and foam whilst listening to the latest and most popular tunes. The run was participated by approximately 50 employees.

In December 2016, the Group organised the second treasure hunt - Amazing Hunt 2016 which was held in Langkawi Island. A total of 129 participants had been divided into 12 groups comprised of the management, employees, customers and suppliers from various countries. Through this event, it enhanced the relationship between suppliers, customers and employees among the team members.

To celebrate our 3rd year glorious transformation day on 18th July 2017, the Group had hosted the biggest ever Carnival on 15th July 2017 that comprised of Supplier Day, GOGO Colour Run, Food Feast and Talent Show. The opening ceremony was honourably officiated by YB Dato' Dr. Ku Abd Rahman Bin Ku Ismail from Kedah Darul Aman state EXCO concurrently with exciting Zumba Dance, hundreds of balloons and colour powders. The event had attracted 3,000 participants which included employees and their family members, guests, suppliers and Sungai Petani communities. Ultimately, the event helps to foster unity within the Sungai Petani community and to promote a health conscious society.

BADMINTON TOURNAMENT
15 APR 2017 - MAX COURT

BOWLING TOURNAMENT
08 OCT 2016 - SEJATI BOWLING CENTER

HIKING DAY
07 MAY 2016 - PENANG NATIONAL PARK

BUBBLE DASH
22 SEP 2016 - QUEENSBAY, PENANG

PENANG BRIDGE MARATHON
27 NOV 2016 - PENANG

FUTSAL TOURNAMENT
26 AUG 2017 - SMC FUTSAL

AMAZING HUNT
17 DEC 2016
LANGKAWI

Corporate Governance Statement

The Board of Directors ("the Board") 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 the Malaysian Code on Corporate Governance 2012 ("the Code") pursuant to Paragraph 15.25 of the Bursa Malaysia Securities Berhad's Listing Requirements (the "Listing Requirements").

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 for the financial year ended 30 June 2017.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

a) Clear Functions of the Board and Management

The Board has five (5) members. Three (3) of the five (5) members are independent non-executive directors. A brief profile of each director is presented on pages 10 to 14 of this Annual Report.

The Board is led by Mr. Terence Tea Yeok Kian, the Group Executive Chairman and the executive management of the Group is led by Mr. Kang Pang Kiang, the Group Chief Executive Officer. The Directors combined in them have expertise and experience in various fields. Their expertise, experience and background resulted in thorough examination and deliberations of the various issues and matters affecting the Group. There is a clear division of responsibility between the Group Executive Chairman and the Group Chief Executive Officer to ensure balance of power and authority, such that no one individual has unfettered powers of decision making. The Group Executive Chairman is responsible for the overall long term strategic direction of the Group and the leadership of the Board to ensure effectiveness of the Board while the Group Chief Executive Officer plans and manages the Group's day-to-day activities in achieving corporate and business objective. The Independent Non-Executive Directors provide independent views, advices and judgment and take into account the interest of the Group and the various parties involved which shareholders, employees, customers, suppliers and other communities in which the Group conducts its business, and their presence brings an additional element of balance to the Board.

The Board notes that the Code also recommends that where the Chairman of the Board is not an independent director, the Board must comprise a majority of independent directors. The Board consists of 3 independent non-executive directors and 2 executive directors hence fulfilling the requirement of the Code.

To ensure the effective discharge of its function and responsibilities, the Board entrusts some of the Board's authorities and discretion on the Management Team as to properly constituted the Board Committees. The Board Committees are entrusted with specific responsibilities to oversee the Company's affairs, in accordance with their respective Terms of References.

The presence of the three (3) independent directors, with their different backgrounds and specialisations, complements the Board with a mix of industry-specific knowledge and broad business and commercial experience. They provide unbiased and independent views, advices and judgment to take account of the interests not only of the Group, but also the public shareholders. Three (3) non-executive directors are independent of management and free from any relationship, which could interfere with their independent judgment. The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two directors or one-third of the Board of the Company, whichever is higher, are independent directors.

The Board believes its current size and composition is appropriate for its purpose.

b) Board Charter

The Board of EG adopted a Board Charter in May 2013. The Board Charter outlines the roles and responsibilities of the Board, Chairman and Group Chief Executive Officer. It also clearly defines the divided functions of Executive Directors, Non-Executive Directors and three board committees, namely Audit Committee, Nomination Committee and Remuneration Committee.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

c) Roles and Responsibilities

The Board is responsible for the overall corporate governance of the Group, including its strategic direction, formation of policies and stewardship of the Group resources.

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group'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 Group; 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.

d) Formalised Ethical Standards through Code of Conducts

The Directors, officers and employees are required to observe and maintain high standard of integrity in carrying out their role and responsibilities and to comply with the Group's policies as well as the relevant applicable laws and regulations. The Board has adopted a formal Code of Conducts.

The Code of Conducts covers all aspects of the Group's business operations, such as show respect in the workplace, integrity in market place, ensure ethics in business relationships and effective communication.

e) Strategies Promoting Sustainability

The Board promotes good Corporate Governance in the application of sustainability practices by committing to the global environment, social, governance aspect throughout the Group, the benefits of which are believed to translate into better corporate performance.

f) Access to Information and Advice

All Board members are supplied with information on a timely manner, Board papers are circulated in sufficient time to enable the directors to obtain further information or clarification, where necessary, in order to be properly briefed before the meeting.

The Board papers provide, among others, periodical financial and corporate information, significant operational, financial and corporate issues, performance of the various business units and management proposals that requires Board's approval.

Detailed periodic briefings on industry outlook, company performance and forward previews are also conducted for the directors to ensure that the Board is well informed on the latest market and industry trends.

The Board has access to the advice and services of the Company Secretary. A procedure exists for the Board of Directors, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expenses.

g) Qualified and Competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its functions. The Company Secretary plays an advisory role to the Board in relation to the Company's Articles of Association, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary also ensures that deliberations at the Board meetings are well recorded and minuted.

2. STRENGTHEN COMPOSITION

a) Board Committees

The Board of Directors delegates certain responsibilities to the Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee.

All committees have written terms of reference and operating procedures, and the Board receives reports of their proceedings and deliberations.

b) Nomination Committee

The Nomination Committee comprises exclusively of Independent Non-Executive Directors namely:-

Mr. Ang Seng Wong	- Chairman, Senior Independent Non-Executive Director
Mr. Lim Sze Yan	- Independent Non-Executive Director
Mr. Lee Kean Teong	- Independent Non-Executive Director

Develop, Maintain and Review the criteria for Recruitment and Annual Assessment of Directors

The Nomination Committee is responsible for proposing new nominees to the Board and assessing the performance of the directors of the Company on an on-going basis.

The Board through the Nomination Committee reviews annually its required mix of skill and experience and other qualities, including core competencies which non-executive and executive directors should have and the effectiveness of the board as a whole, the committees of the board and the contribution of the directors.

In addition to the annual assessment of Independence, both Nominating Committee and the Board have carried out a separate assessment on the independence of Mr. Ang Seng Wong. His tenure of office as an Independent Non-Executive Director of the Company will be nine (9) years cumulatively by 30 January 2018. In applying the recommendation under the Code, the Board has assessed and with the recommendation of the Nominating Committee would strongly recommend to the members of the Company to vote in favour of the resolution for Mr. Ang Seng Wong to continue to act as an Independent Non-Executive Director. This is because he has demonstrated throughout the term of his office to be independent not only by the mere fulfilment of the criterion under the definition of an Independent Director in the Main Market Listing Requirements of Bursa Securities but subjectively too by exercising independent judgment when a matter is put before him for a decision. He also has the necessary knowledge of the business and operations of the Group and has the experience to make informed decision and to participate actively and contribute positively during deliberations or discussions at Board meetings. Mr. Ang Seng Wong also possesses strong knowledge in the practice of good corporate governance.

In respect of the assessment for the financial year ended 30 June 2017, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director, is satisfactory. The Board was also satisfied that the Board's composition in terms of size, the balance between Executive and Independent Directors and mix of skills was adequate.

The Board has access to the services of the Company Secretary to advise and to ensure that all appointments are properly made, that all necessary information is obtained from directors, both for the company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements or other regulatory requirements.

In accordance with the Company's Articles of Association, all directors who are appointed to the Board are subject to election by the shareholders at the first opportunity after their appointment. The Articles also provide that at least one-third of the Board is subject to re-election at regular intervals and at least once every three years.

2. STRENGTHEN COMPOSITION (CONT'D)

b) Nomination Committee (Cont'd)

Meetings

During the financial year ended 30 June 2017, the Nomination Committee met one (1) time and the attendance of each member is as follows:-

Nomination Committee	No. of Nomination Committee Meetings Attended
Ang Seng Wong	1/1
Lim Sze Yan	1/1
Lee Kean Teong	1/1

Gender Diversity

There is no lady director sitting in the Board. The Board acknowledges the general call and support for gender diversity in a Board's composition. However, the Board believes that appointment of board members, regardless of gender, should be based on experience, character, integrity and competency as these are the essential criteria for an effective Board.

c) Remuneration Committee

The Remuneration Committee comprises the following members:-

Mr. Lim Sze Yan	- Chairman, Independent Non-Executive Director
Mr. Ang Seng Wong	- Senior Independent Non-Executive Director
Mr. Lee Kean Teong	- Independent Non-Executive Director

The Remuneration Committee review, assess and recommend to the Board the remuneration packages of the Executive Directors in all forms, with other independent professional advice or outside advice as necessary. None of the Executive Directors participated in any way in determining their individual 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.

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 Group successfully. The remuneration of Executive Directors is structured to link rewards to corporate and individual performance.

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 2017 are as follows:-

Aggregate remuneration categorised into components:-

Company

	Fees (RM'000)	Salaries and Other Emoluments (RM'000)	Total (RM'000)
Executive	10	1,150	1,160
Non-Executive	120	-	120
Total (RM'000)	130	1,150	1,280

2. STRENGTHEN COMPOSITION (CONT'D)

c) Remuneration Committee (Cont'd)

Aggregate remuneration categorised into components:- (Cont'd)

Group

	Fees (RM'000)	Salaries and Other Emoluments (RM'000)	Total (RM'000)
Executive	10	1,150	1,160
Non-Executive	120	-	120
Total (RM'000)	130	1,150	1,280

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

	Number of Executive Directors	Number of Non-Executive Directors
0 to RM50,000	-	3
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	-	-
RM450,001 to RM500,000	1	-
RM500,001 to RM550,000	-	-
RM550,001 to RM600,000	-	-
RM600,001 to RM650,000	-	-
RM650,001 to RM700,000	1	-

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

	Number of Executive Directors	Number of Non-Executive Directors
0 to RM50,000	-	3
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	-	-
RM450,001 to RM500,000	1	-
RM500,001 to RM550,000	-	-
RM550,001 to RM600,000	-	-
RM600,001 to RM650,000	-	-
RM650,001 to RM700,000	1	-

2. STRENGTHEN COMPOSITION (CONT'D)

c) Remuneration Committee (Cont'd)

Meetings

During the financial year ended 30 June 2017, the Remuneration Committee met one (1) time and the attendance of each member is as follows:-

Remuneration Committee	No. of Remuneration Committee Meetings Attended
Lim Sze Yan	1/1
Ang Seng Wong	1/1
Lee Kean Teong	1/1

3. REINFORCE INDEPENDENCE

a) Annual Assessment of Independence

In line with the Code, the Board assessed the independence of the Independent Non-Executive Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board.

The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of Management in meeting approved goals and objectives, and monitor risk profile of the Company's business and the reporting of quarterly business performances.

The Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

b) Tenure of Independent Directors

The Board is aware of the recommended tenure of an Independent Director should not exceed a cumulative term of nine (9) years as recommended by the Code and that an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of nine (9) years tenure. Furthermore, the Board with the recommendation of the Nominating Committee must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as Independent after the respective Independent Director has served a cumulative term of nine (9) years.

The Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age. Their long service should not affect their independence as they are independent minded and they continue to provide the necessary check and balance in the best interest of the Company. The Independent Directors have each provided an undertaking to Bursa Securities upon their appointment confirming and declaring that they are "independent directors" as defined under paragraph 1.01 of the Main Market Listing Requirements. The Board agreed that ultimately the Independent Directors themselves are the best persons to determine whether they can continue to bring independent and objective judgement to Board deliberations.

For the financial year ended 30 June 2017, each of the Independent Non-Executive Directors had provided their annual confirmations of independence to the Board based on the Company's criteria of assessing independence in line with the definition of "independent directors" prescribed by the Main Market Listing Requirements. The Board had assessed and concluded that the three (3) Independent Non-Executive Directors of the Company, Mr. Ang Seng Wong, Mr. Lim Sze Yan and Mr. Lee Kean Teong continue to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

The Board's composition represents a mix of knowledge, skill and expertise relevant to the activities of the Group. A brief profile of each Director is presented on page 10 to page 14.

3. REINFORCE INDEPENDENCE (CONT'D)

c) Division of roles and responsibilities between Executive Director and Group Executive Chairman and Group Chief Executive Officer

There is a clear division of responsibility between the Group Executive Chairman and the Group Chief Executive Officer who are also Executive Directors to ensure balance of power and authority, such that no one individual has unfettered powers of decision making. The Group Executive Chairman is responsible for the overall long term strategic direction of the Group and the leadership of the Board to ensure effectiveness of the Board while the Group Chief Executive Officer plans and manages the Group's day-to-day activities in achieving corporate and business objective.

4. FOSTER COMMITMENT

a) Time Commitment

The Board schedules four (4) regular meetings a year, and meets additionally when necessary. During the year under review, the Board held six (6) meetings where it deliberated upon and considered a variety of matters including the Group's financial and operating results, major investments, corporate strategy, the business plan and direction of the Group.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. This is issued in sufficient time to enable the directors to obtain further information or clarification, where necessary before the meeting. All proceedings from the Board are recorded and signed by the Chairman of the meeting.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

The details of each Director's attendance at Board meetings held during the financial year ended 30 June 2017 are set out as follows:-

Name of Directors	No. of meetings attended	%
Terence Tea Yeok Kian	5/6	83.33
Kang Pang Kiang	6/6	100
Ang Seng Wong	6/6	100
Lim Sze Yan	6/6	100
Lee Kean Teong	5/6	83.33

b) Directors' Training

All the Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. 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.

From last AGM to the date of this Annual Report, the directors have attended the following training programmes to enhance their skills and knowledge. They were also encouraged to attend the conferences, seminars and programmes organised by third parties. The training needs of the director are evaluated and determined by the Board on an ongoing basis.

4. FOSTER COMMITMENT (CONT'D)

b) Directors' Training (Cont'd)

Name of Directors	Type of Training	No. of hours attended
Terence Tea Yeok Kian	Blue Ocean Strategy & Disruptive Innovation	8 hours
Kang Pang Kiang	Blue Ocean Strategy & Disruptive Innovation	8 hours
Ang Seng Wong	Applied Human Capital	16 hours
Lim Sze Yan	Blue Ocean Strategy & Disruptive Innovation	8 hours
Lee Kean Teong	The New Malaysian Code on Corporate Governance 2016 & The Companies Act 2016	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 Main Market Listing Requirements of Bursa Securities from time to time.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

a) Compliance with Applicable Financial Reporting Standards

In presenting the annual report, annual financial statements and quarterly announcements to shareholders, the Board aim to present a balanced and understandable assessment of the Group's position and prospects. The Board is assisted by the Audit Committee in scrutinising these reports.

In preparing the financial statements, the Board will ensure that the Group's financial statements have been prepared in accordance with the Companies Act 2016 and applicable approved accounting standards and that reasonable and prudent estimates have been made.

b) Directors' Responsibilities Statement

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 2017, 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.

c) Assessment of Suitability and Independence of External Auditors

The Audit Committee meets with the external auditors three (3) times a year to discuss their audit plan, audit findings and the Group's and Company's financial statements. Executive Directors and Management staff are also invited to attend the meeting pertaining to their specific role and department audit as at when necessary. The Audit Committee also meets with the external auditors additionally whenever it deems necessary. In addition, the external auditors are invited to attend the AGM of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

As part of the Audit Committee review process, the Audit Committee has obtained written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

6. RECOGNISE AND MANAGE RISKS

a) Sound Framework to Manage Risks

The Group has established the internal control procedures with clear lines of accountability and delegated authority to identify, evaluate and manage significant risks. The Group has an ongoing process for identifying, evaluating and managing key risk in the context of its business objectives.

Please refer to the Statement on Risk Management and Internal Control set out in pages 30 to 31 of this Annual Report.

b) Internal Audit Function

The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control is satisfactory and operating effectively.

The internal audit function was performed by an external consultant during the year to identify and assess the principal risks and to review the adequacy and effectiveness of the internal controls of the Group. Areas for improvement were highlighted and the implementation of recommendations was monitored. None of the internal control weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in this Annual Report.

For the financial year ended 30 June 2017, the amount of fees incurred in respect of the internal audit reviews performed by the professional firm was RM30,000.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

a) Corporate Disclosure Policy

The Company recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information.

These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decisions.

b) Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.eg.com.my provides relevant information on the Company and is accessible by the public. The website contains a link to all announcements made by the Company, annual reports and circulars as well as the corporate structure of the Company.

The announcement of the quarterly financial results is also made via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

a) Encourage Shareholder Participation at General Meetings and proactive engagements with Shareholders

The Company recognises the importance of communicating with its shareholders. The AGM is the principal forum for dialogue with shareholders. Notice of the AGM and the annual report are sent out to shareholders at least 21 days before the date of the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolution being proposed or about the Group's operations in general. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting.

Additionally, the Executive Directors and/or senior management may meet or release statements to the Press after the AGM to brief members of the media on the resolutions passed, and answer questions on the Group's operations fielded by the reporters.

In addition, the shareholders can also obtain up-to-date information on the Group's activities from the Company's website at www.eg.com.my.

b) Poll Voting

Pursuant to Paragraph 8.29A(1) of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company is required to ensure that any resolution set out in the notice of general meetings is voted by poll.

Statement on Risk Management and Internal Control

The Malaysian Code on Corporate Governance requires the Board of Directors ("the Board") to maintain an effective governance structure to ensure the appropriate management of risks and level of internal controls to safeguard shareholders 'investments and Company's assets and in compliance with paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board is pleased to present the statement on risk management and internal control of the Group comprising the Company and its subsidiary companies.

BOARD RESPONSIBILITY

The Board of Directors is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal control and risk management. The system of risk management and internal control covers finance, operations, management information systems and compliance with relevant laws, regulations, policies and procedures. Due to the inherent limitations of internal controls, the system is designed to manage, rather than eliminate the risk of failure to achieve business objectives and it can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

In pursuing its responsibility, the Board through the Risk Management Committee ("RMC") seeks to continuously enhance its efforts in identifying, evaluating and managing significant risks faced by the Group in its achievement of objectives and strategies. The RMC which comprises the Group Chief Technical Officer, Group Chief Executive Officer, Group Chief Financial Officer and head of divisions assist the Board in risk management matters within the Group. This process has been in place for the year under review and up to the date of approval of this statement.

It is also the responsibility of key management, head of subsidiary companies and heads of department to identify, evaluate and manage risks faced by the Group on an ongoing basis within defined parameters. The control structure and environment are supported by the following activities:

a) An organisation structure with defined lines of responsibilities, authority and accountability;
b) Internal policies, guidelines, procedures and manual, which are updated from time to time. The Company's subsidiaries are accredited with various ISO accreditations such as ISO 9001, 13485 and 14001. Documented internal procedures and standard operating procedures have been put in place and surveillance/certification audits are conducted on an annual basis by assessors of the ISO certification body to ensure that standard operating procedures are being adhered to;
c) Meetings held at operational and management levels to review of operational performance and resolve operational and management issues and formulates corrective measures to address issues identified;
d) Quarterly review of financial results by the Board and Audit Committee;
e) Training and development programmes attended by employees with the objective of enhancing their knowledge and competency;
f) Reviews on the system of internal control by an independent professional firm to whom the Company's outsourced its internal audit function. Results of such reviews are reported to the Audit Committee, who in turn reports to the Board;
g) Engage and appoint solicitors, financial advisors and other external professionals in respect of any corporate exercises undertaken by the Group.

RISK MANAGEMENT PROCESS

The Board regards risk management as an integral part of business operations. For the year under review, the RMC is chaired by the Group Chief Technical Officer assisted by the head of divisions to embed risk management and controls into the corporate culture, processes and structures within the Group. The RMC has identified and reviewed the major business risk factors affecting the Group and derive risk management strategies to manage and mitigate the risks identified. The RMC perform internal audit using spread sheets review and follow up every quarterly in year 2017. The Group Risk Management Policy formalised and adopted by the Board are available in EGIB Intranet (eDoc Con).

Statement on Risk Management and Internal Control (Cont'd)

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional firm who reports directly to the Audit Committee (the "Committee"). The internal audit function assists the Board and the Committee in providing independent assessment of the effectiveness and adequacy of the Group's system of internal controls. During the financial year under review, the internal auditor carried out a 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 Committee, on behalf of the Board, reviews internal control issues identified and recommendations from reports prepared by the internal auditor on a half yearly basis.

For the financial year under review, the internal audit's scope covered the Sourcing and Buying Process Cycle, Customer Credit Assessment and Credit Monitoring.

Based on the internal audit reviews conducted, none of the internal control weaknesses have resulted in any material losses that would require disclosure in the Annual Report.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice guide ("RPG") 5 issued by the Malaysian Institute of Accountants. RPG 5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

The Board has received assurance from the Group Chief Executive Officer, Group Chief Financial Officer and Risk Management Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board and management will continue to take adequate measures to strengthen the control environment in which the Group operates.

The Board is satisfied that the risk management and internal control system in place for the financial year ended 30 June 2017 and up to the date of this statement are adequate and effective to safeguard shareholders' investments, the Group's assets and the interest of other stakeholders. No material losses were incurred during the financial year under review as a result of weaknesses in risk management and the internal control system.

This statement was made in accordance with a Board of Directors' resolution dated 20 October 2017.

Audit Committee Report

COMPOSITION

The Audit Committee has 3 members, comprising all independent Non-Executive Directors. The structure of composition is consistent with the Listing Requirements. The members of the Audit Committee are as follows:-

CHAIRMAN	:	ANG SENG WONG Senior Independent Non-Executive Director
MEMBERS	:	LIM SZE YAN Independent Non-Executive Director
		LEE KEAN TEONG Independent Non-Executive Director

AUDIT COMMITTEE MEETING HELD DURING THE FINANCIAL YEAR 2017

The Audit Committee held six (6) meetings during the financial year under review with the details on the attendance of each member are outlined below:-

	Date of Meetings					
	30/8/2016	27/10/2016	30/11/2016	4/1/2017	24/2/2017	31/5/2017
Ang Seng Wong - Chairman	√	√	√	√	√	√
Lim Sze Yan	√	√	√	√	√	√
Lee Kean Teong	√	√	√	√	√	x

In line with the terms of reference of the Audit Committee, the following works were carried out by the Committee during the financial year ended 30 June 2017:-

a) Reviewed and discussed the quarterly unaudited financial results of the Group with the management before recommending them to the Board for approval and subsequent release to Bursa Malaysia Securities Berhad;
b) Reviewed and discussed the annual audited financial statements of the Company and its Group with the management before recommending them to the Board for approval and subsequent release to Bursa Malaysia Securities Berhad;
c) Interviewed staff at all levels on numerous occasions without the presence of management to assess the risk aspects of the operations;
d) Reviewed the annual internal audit plan and the audit programme with the internal auditors to ensure adequate audit coverage of the key risk areas;
e) Discussed the internal audit reports, their major findings, recommendations and the management's response in addressing the issues found to ensure that risk issues were adequately addressed;
f) Reviewed or appraised the performance of the internal auditors before recommending their re-nomination to the Board;
g) Reviewed and discussed with the external auditors, their annual audit planning memorandum which is inclusive of their areas of audit emphasis and audit procedures prior to commencement of their annual audit for the financial year ended 30 June 2017;
h) Reviewed with the external auditors and the management, the results and recommendations of the external auditors and any significant audit issues arising therefrom;
i) Appraised the performance and evaluated the independence and objectivity of the external auditors in providing their services and made recommendation to the Board on their re-appointment and the quantum of audit fees;
j) Met with the external auditors three (3) times without the presence of the management to facilitate discussions of additional matters in relation to audit issues noted in the course of their audit;
k) Reviewed on a quarterly basis the related party transaction within the Company or Group including any transaction to ensure that the transactions were on normal commercial terms which were not detrimental to the interest of minority;
l) Reviewed the Statement on Risk Management and Internal Control to be published in the Annual Report;
m) Reviewed the Risk Management Report through the quarterly presentations by Risk Management Chairman;
n) Made relevant recommendations to the Board for identified risks and mitigations actions; and
o) Surveyed and inspected factory and premises to ensure existing and potential risks were prevented and mitigated.

INTERNAL AUDIT FUNCTION

We have appointed an external firm to carry out the internal audit function.

Internal audit is responsible for the independent assessment of the adequacy and effectiveness of the internal control systems in place in anticipation of the risks exposure of key business processes and to provide assurance on the systems and recommend improvements to the systems if necessary, so as to enable the Group to achieve its corporate objectives.

The main activities carried out by the internal auditor involve:-

a) Reviewing and appraising the adequacy, effectiveness and application of accounting, financial, operational and other controls, recommending improvement in control and promoting effective control in the Group at reasonable cost;
b) Ascertaining the extent of compliance with established policies, procedures and statutory requirements;
c) Ascertaining the extent to which the Group's assets are accounted for and safeguarded from losses;
d) Appraising the reliability and usefulness of data and information generated for management; and
e) Review the Risk Management Report from the Risk Management Committee.

During the year, reviews of the existing internal controls covered under the audit plan revealed that they were satisfactory. In areas where controls were deemed inadequate, additional measures were recommended for implementation to address any weakness in the systems.

The cost incurred by the internal audit function in respect of financial year ended 30 June 2017 were RM30,000.

Additional Compliance Information

NON-AUDIT FEES

The non-audit fees paid to the external auditor during the year was RM110,000.

MATERIAL CONTRACTS

There were no material contracts subsisting at the end of financial year ended 30 June 2017 entered into by the Company and its subsidiaries involving the interests of the Directors and Major Shareholders.

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 25 to the financial statements.

REVALUATION OF LANDED PROPERTIES

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

UTILISATION OF PROCEEDS FROM THE COMPLETED RIGHTS ISSUE WITH WARRANTS

On 11 November 2015, the Company has completed a renounceable rights issue of 115,241,392 EGIB Shares together with 57,620,696 free Warrants-C at an issue price of RM0.50 per Share, raising RM57.62 million ("Completed Rights Issue with Warrants") used for expansion of the Group's EMS business.

The details and status of the utilisation of proceeds of RM57.62 million from the Completed Rights Issue with Warrants are as follows :

Details	Proposed utilisation RM'000	Actual utilisation as at 30.06.17 RM'000	Intended timeframe of utilisation from 11 November 2015
Repayment of bank borrowings	2,960	2,960	Within 6 months
Purchase and upgrade of machinery[(1)]	16,000	16,000	Within 24 months
Expansion and upgrade of factory[(2)]	20,000	16,063	Within 12 months
Purchase of inventory such as electronic component, PCB and plastic resin	5,000	5,000	Within 12 months
Acquisition of new businesses or assets[(3)]	8,000	-	Within 24 months
Working capital	3,660	3,660	Within 12 months
Expenses relating to the Completed Rights Issue with Warrants	2,000	2,000	Within 12 months Immediately
	57,620	**45,683**	

The abovementioned use of funds has resulted in the growth in capacity and capability of the Group in meeting growing customer demands, as reflected in the growth of its revenue in FYE 2016.

The timeline for the utilisation of the unutilised proceeds for expansion and upgrade of factory has exceeded the intended 12 months timeframe. In this respect, the Group intends to extend the said timeframe up to the end of 2017 to utilise the said proceeds and will make the necessary announcement to do so in due course.

The timeline for the utilisation of the unutilised proceeds for acquisition of new businesses or assets expires on 11 November 2017. In this respect, the Group will make the necessary public announcements and/or seek the necessary approvals required to either extend the timeline or vary the utilisation of proceeds.

Directors' Report

for the year ended 30 June 2017

The Directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

Principal activities

The Company is principally engaged in investment holding and provision of management service, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

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

Results

	Group RM'000	Company RM'000
Profit/(Loss) for the year	22,250	(1,442)

Reserves and provisions

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

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend to payment in respect of current financial year.

Directors of the Company

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

Ang Seng Wong
Lim Sze Yan
Kang Pang Kiang
Terence Tea Yeok Kian
Lee Kean Teong

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares			
	At 1.7.2016	Bought	(Sold)	At 30.6.2017
The Company				
Direct interests				
Terence Tea Yeok Kian				
- own	10,090,900	-	-	**10,090,900**
Kang Pang Kiang				
- own	8,252,000	-	-	**8,252,000**
Indirect interests				
Terence Tea Yeok Kian				
- own*	24,972,616	-	-	**24,972,616**

	Number of ordinary shares of Thai Baht ("THB") 10 each			
	At 1.7.2016	Transferred	(Sold)	At 30.6.2017
Related corporation SMT Industries Co., Ltd				
Direct interest				
Terence Tea Yeok Kian	1[(a)]	-	-	1
Kang Pang Kiang	1[(a)]	-	-	1

	Number of warrants 2015/2020			
	At 1.7.2016	Bought	(Sold)	At 30.6.2017
The Company				
Terence Tea Yeok Kian				
- own	5,000,000	-	-	5,000,000
Kang Pang Kiang				
- own	4,075,600	-	-	4,075,600

* Shares held through Jubilee Industries Holding Ltd.
[(a)] Share held in trust for EG Industries Berhad.

None of the other Directors holding office at 30 June 2017 had any interest in the ordinary shares and warrants of the Company or 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	
			30.6.2017	30.6.2016
Warrants 2015/2020	RM0.50	3.11.2020	57,620,696	57,620,696

Warrants 2015/2020 were issued on 4 November 2015 in conjunction with the issuance of 115,241,392 rights shares of RM0.50 each together with 57,620,696 free warrants. The warrants entitle the holders to subscribe for new ordinary shares in the Company on the basis of one (1) warrant for every two (2) rights shares subscribed. The warrant held at an exercise price of RM0.50 per ordinary share within 5 years from the date of the issue of the warrants.

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 a related corporation) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 25 to the financial statements.

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

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company and no debentures were issued 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 apart from the issue of warrants.

Indemnity and insurance cost

Expenses incurred on indemnity given or insurance effected for any Director or officer of the Company during the financial year amounted to RM4,667. No indemnity was given to or insurance effected for auditors of the Company.

Treasury Shares

During the financial year, the Company had repurchased a total of 10,000 ordinary shares from the open market for a total consideration (inclusive of commission, stamp duty and other charges) of RM8,868 at an average cost of RM0.89 per share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016.

As at 30 June 2017, the Company held as treasury shares a total of 304,000 of its 211,563,992 issued ordinary shares. Such treasury shares are held at a carrying amount of RM136,870 and further relevant details are disclosed in Note 12 to the financial statements.

Other statutory information

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

i) there are no bad debts to be written off and no provision needs to be 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 it necessary to write off any bad debts or provide for any doubtful debts, 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, or
ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2017 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.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 5 to the financial statements.

Significant event

Details of the significant event are disclosed in Note 31 to the financial statements.

Subsequent events

Details of the events subsequent to the end of the financial reporting period are disclosed in Note 32 to the financial statements.

Auditors

The auditors, Messrs UHY, have expressed their willingness to continue in office.

The auditors' remuneration is disclosed in Note 20 to the financial statements.

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

Terence Tea Yeok Kian

Kang Pang Kiang

Penang

Date : 31 October 2017

Statements of Financial Position

as at 30 June 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Property, plant and equipment	3	**184,464**	151,216	**-**	1
Investment properties	4	**3,197**	1,405	**-**	-
Investments in subsidiaries	5	**-**	-	**78,185**	78,185
Other investments	6	**7,954**	5,024	**7,954**	5,024
Intangible assets	7	**21,173**	12,729	**-**	-
Deferred tax assets	8	**772**	-	**-**	-
Total non-current assets		**217,560**	170,374	**86,139**	83,210
Inventories	9	**130,082**	124,359	**-**	-
Trade and other receivables	10	**307,400**	273,258	**70,320**	71,504
Current tax assets		**705**	603	**-**	-
Fixed deposits with licensed banks	11	**15,481**	9,812	**6,069**	6,603
Cash and bank balances		**17,979**	39,334	**655**	705
Total current assets		**471,647**	447,366	**77,044**	78,812
Total assets		**689,207**	617,740	**163,183**	162,022
Equity					
Share capital	12	**126,714**	105,782	**126,714**	105,782
Treasury shares	12	**(137)**	(128)	**(137)**	(128)
Reserves	13	**136,999**	129,786	**26,016**	45,460
Total equity attributable to owners of the Company		**263,576**	235,440	**152,593**	151,114
Non-controlling interests		**(762)**	(762)	**-**	-
Total equity		**262,814**	234,678	**152,593**	151,114

Statements of Financial Position (Cont'd)

as at 30 June 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Liabilities					
Provision for retirement benefits	15	**322**	215	**-**	-
Loans and borrowings	17	**14,193**	15,162	**-**	-
Deferred tax liabilities	8	**121**	1,057	**-**	-
Total non-current liabilities		**14,636**	16,434	**-**	-
Trade and other payables	14	**209,357**	170,950	**10,590**	10,908
Provision	16	**800**	800	**-**	-
Loans and borrowings	17	**201,600**	194,878	**-**	-
Total current liabilities		**411,757**	366,628	**10,590**	10,908
Total liabilities		**426,393**	383,062	**10,590**	10,908
Total equity and liabilities		**689,207**	617,740	**163,183**	162,022

The notes on pages 50 to 107 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	18	**1,008,330**	712,689	**452**	1,643
Cost of sales		**(949,545)**	(661,987)	**-**	-
Gross profit		**58,785**	50,702	**452**	1,643
Administrative expenses		**(19,679)**	(21,393)	**(1,894)**	(5,668)
Distribution expenses		**(3,233)**	(2,606)	**-**	-
Other expenses		**(5,470)**	(1,492)	**-**	-
Other income		**2,863**	6,229	**-**	1,559
Operating profit/(loss)		**33,266**	31,440	**(1,442)**	(2,466)
Finance costs	19	**(10,917)**	(10,216)	**-**	-
Profit/(Loss) before tax	20	**22,349**	21,224	**(1,442)**	(2,466)
Tax expense	22	**(99)**	(4,194)	**-**	-
Profit/(Loss) for the year		**22,250**	17,030	**(1,442)**	(2,466)
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale financial assets		**2,930**	(499)	**2,930**	(499)
Foreign currency translation differences for foreign operations		**2,965**	1,483	**-**	-
Total other comprehensive income/ (expense) for the year, net of tax		**5,895**	984	**2,930**	(499)
Total comprehensive income/ (expense) for the year		**28,145**	18,014	**1,488**	(2,965)

Statements of Profit or Loss and Other Comprehensive Income (Cont'd)

for the year ended 30 June 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) for the year attributable to :					
Owners of the Company		**22,250**	17,032	**(1,442)**	(2,466)
Non-controlling interests		**-**	(2)	**-**	-
		22,250	17,030	**(1,442)**	(2,466)
Total comprehensive income/ (expense) attributable to :					
Owners of the Company		**28,145**	18,016	**1,488**	(2,965)
Non-controlling interests		**-**	(2)	**-**	-
		28,145	18,014	**1,488**	(2,965)
Basic earnings per ordinary share (sen)	23	**10.53**	10.57	**-**	-
Diluted earnings per ordinary share (sen)	23	**8.27**	7.79	**-**	-

The notes on pages 50 to 107 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

Group	Note	Share capital RM'000	Treasury shares RM'000	Warrants reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Share premium RM'000	Capital reserve RM'000	Other Reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company											
		Non-distributable								Distributable			
At 1 July 2015		77,117	(120)	-	(1,373)	7,009	15,170	-	-	46,644	144,447	(760)	143,687
Foreign currency translation differences for foreign operations		-	-	-	-	1,483	-	-	-	-	1,483	-	1,483
Fair value of available-for-sale financial assets		-	-	-	(499)	-	-	-	-	-	(499)	-	(499)
Total other comprehensive (expense)/income for the year		-	-	-	(499)	1,483	-	-	-	-	984	-	984
Profit/(Loss) for the year		-	-	-	-	-	-	-	-	17,032	17,032	(2)	17,030
Total comprehensive (expense)/ income for the year		-	-	-	(499)	1,483	-	-	-	17,032	18,016	(2)	18,014
Private placement	12	9,603	-	-	-	-	5,762	-	-	-	15,365	-	15,365
Allocation of proceeds from rights issue		-	-	22,628	-	-	-	-	(22,628)	-	-	-	-
Rights issue with warrants	12	57,620	-	-	-	-	-	-	-	-	57,620	-	57,620
Par value reduction	12	(38,558)	-	-	-	-	-	28,462	-	10,096	-	-	-
Treasury shares acquired		-	(8)	-	-	-	-	-	-	-	(8)	-	(8)
Total transactions with owners of the Company		28,665	(8)	22,628	-	-	5,762	28,462	(22,628)	10,096	72,977	-	72,977
			1,										
At 30 June 2016		105,782	(128)	22,628	(1,872)	8,492	20,932	28,462	(22,628)	73,772	235,440	(762)	234,678

Consolidated Statement of Changes in Equity (Cont'd)

for the year ended 30 June 2017

Group	Note	Share capital RM'000	Treasury shares RM'000	Warrants reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Share premium RM'000	Capital reserve RM'000	Other Reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company											
		Non-distributable								Distributable			
At 1 July 2016		105,782	(128)	22,628	(1,872)	8,492	20,932	28,462	(22,628)	73,772	235,440	(762)	234,678
Foreign currency translation differences for foreign operations		-	-	-	-	2,965	-	-	-	-	2,965	-	2,965
Fair value of available-for-sale financial assets		-	-	-	2,930	-	-	-	-	-	2,930	-	2,930
Total other comprehensive income for the year		-	-	-	2,930	2,965	-	-	-	-	5,895	-	5,895
Profit for the year		-	-	-	-	-	-	-	-	22,250	22,250	-	22,250
Total comprehensive income for the year		-	-	-	2,930	2,965	-	-	-	22,250	28,145	-	28,145
Trasury shares acquired		-	(9)	-	-	-	-	-	-	-	(9)	-	(9)
Transfer in accordance with Section 618(2) of the Companies Act 2016	12	20,932	-	-	-	-	(20,932)	-	-	-	-	-	-
Total transactions with owners of the Company		20,932	(9)	-	-	-	(20,932)	-	-	-	(9)	-	(9)
At 30 June 2017		**126,714**	**(137)**	**22,628**	**1,058**	**11,457**	**-**	**28,462**	**(22,628)**	**96,022**	**263,576**	**(762)**	**262,814**

The notes on pages 50 to 107 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2017

Company	Note	Share capital RM'000	Treasury shares RM'000	Warrants reserve RM'000	Fair value reserve RM'000	Share premium RM'000	Capital reserve RM'000	Other Reserve RM'000	Accumulated losses RM'000	Total equity RM'000
		Attributable to owners of the Company								
		Non-distributable								
At 1 July 2015		77,117	(120)	-	(1,373)	15,170	-	-	(9,692)	81,102
Total other comprehensive expense for the year										
- Fair value of available-for-sale financial assets		-	-	-	(499)	-	-	-	-	(499)
Loss for the year		-	-	-	-	-	-	-	(2,466)	(2,466)
Total comprehensive expense for the year		-	-	-	(499)	-	-	-	(2,466)	(2,965)
Private placement	12	9,603	-	-	-	5,762	-	-	-	15,365
Treasury shares acquired		-	(8)	-	-	-	-	-	-	(8)
Rights issue with warrants	12	57,620	-	-	-	-	-	-	-	57,620
Par value reduction	12	(38,558)	-	-	-	-	28,462	-	10,096	-
Allocation of proceeds from rights issue		-	-	22,628	-	-	-	(22,628)	-	-
Total transactions with owners of the Company		28,665	(8)	22,628	-	5,762	28,462	(22,628)	10,096	72,977
At 30 June 2016		105,782	(128)	22,628	(1,872)	(20,932)	28,462	(22,628)	(2,062)	151,114

Statement of Changes in Equity (Cont'd)

for the year ended 30 June 2017

Company	Note	Share capital RM'000	Treasury shares RM'000	Warrants reserve RM'000	Fair value reserve RM'000	Share premium RM'000	Capital reserve RM'000	Other Reserve RM'000	Accumulated losses RM'000	Total equity RM'000
		← Attributable to owners of the Company →								
			← Non-distributable →							
At 1 July 2016		105,782	(128)	22,628	(1,872)	20,932	28,462	(22,628)	(2,062)	151,114
Total other comprehensive expense for the year										
- Fair value of available-for-sale financial assets		-	-	-	2,930	-	-	-	-	2,930
Loss for the year		-	-	-	-	-	-	-	(1,442)	(1,442)
Total comprehensive income/(expense) for the year		-	-	-	2,930	-	-	-	(1,442)	1,488
Treasury shares acquired		-	(9)	-	-	-	-	-	-	(9)
Transfer in accordance with Section 618(2) of the Companies Act 2016	12	20,932	-	-	-	(20,932)	-	-	-	-
Total transactions with owners of the Company		20,932	(9)	-	-	(20,932)	-	-	-	(9)
At 30 June 2017		**126,714**	**(137)**	**22,628**	**1,058**	**-**	**28,462**	**(22,628)**	**(3,504)**	**152,593**

The notes on pages 50 to 107 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 30 June 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax from continuing operations		**22,349**	21,224	**(1,442)**	(2,466)
Adjustments for :					
Depreciation of property, plant and equipment	3	**26,972**	24,711	**1**	11
Depreciation of investment properties	4	**33**	115	**-**	-
Amortisation of intangible assets	7	**522**	295	**-**	-
Interest expense	19	**10,917**	10,216	**-**	-
Dividend income		**(2)**	(4)	**(2)**	(4)
Gain on disposal of property, plant and equipment		**(75)**	(1,515)	**-**	(1,521)
Gain on disposal of investment properties		**-**	(3,233)	**-**	-
Interest income		**(581)**	(688)	**(87)**	(442)
Plant and equipment written off		**-**	180	**-**	-
Provision for retirement benefits	15	**85**	57	**-**	-
Provision for slow moving stocks		**1,475**	-	**-**	-
Provision for warranties	16	**-**	133	**-**	-
Impairment loss on plant and equipment		**712**	-	**-**	-
Inventories written down		**-**	433	**-**	-
Gain on foreign exchange, net-unrealised		**(1,212)**	(2,493)	**-**	(46)
Operating profit/(loss) before changes in working capital		**61,195**	49,431	**(1,530)**	(4,468)
Inventories		**(12,727)**	(31,754)	**-**	-
Trade and other receivables		**(43,702)**	(110,445)	**1,167**	(32,047)
Trade and other payables		**46,557**	61,302	**(301)**	(38,604)
Cash generated from/(used in) operations		**51,323**	(31,466)	**(664)**	(75,119)
Tax paid		**(1,904)**	(1,678)	**-**	-
Dividend received		**2**	4	**2**	4

Statements of Cash Flows (Cont'd)

for the year ended 30 June 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Net cash generated from/(used in) operating activities		**49,421**	(33,142)	**(662)**	(75,115)
Cash flows from investing activities					
Subscription of shares in subsidiaries		**-**	-	**-**	(300)
Acquisition of :					
- plant and equipment	A	**(49,702)**	(28,840)	**-**	-
- treasury shares		**(9)**	(8)	**(9)**	(8)
- intangible assets		**(8,957)**	-	**-**	-
- investment properties	B	**(145)**	(168)	**-**	-
Interest received		**581**	688	**87**	442
Proceeds from disposal of :					
- plant and equipment		**107**	3,296	**-**	2,700
- investment properties		**-**	5,799	**-**	-
Net cash (used in)/generated from investing activities		**(58,125)**	(19,231)	**78**	2,834
Cash flows from financing activities					
Issue of shares		**-**	72,985	**-**	72,985
Drawdown of bank borrowings, net		**13,258**	332	**-**	-
Repayment of finance lease liabilities		**(4,588)**	(7,162)	**-**	-
Repayment of term loans		**(3,076)**	(6,837)	**-**	-
Proceed from term loans		**-**	803	**-**	-
Interest paid		**(10,917)**	(10,216)	**-**	-
(Placement)/Withdrawal of pledged deposits		**(5,168)**	(1,255)	**534**	(200)
Net cash (used in)/generated from financing activities		**(10,491)**	48,650	**534**	72,785
Net (decrease)/increase in cash and cash equivalents		**(19,195)**	(3,723)	**(50)**	504
Effect of exchange rate fluctuations on cash and bank balances		**(181)**	237	**-**	-
Cash and cash equivalents at 1 July 2016/2015		**37,352**	40,838	**705**	201
Cash and cash equivalents at 30 June	C	**17,976**	37,352	**655**	705

Statements of Cash Flows (Cont'd)

for the year ended 30 June 2017

Notes

A. Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM56,107,822 (2016 : RM32,972,694), of which RM5,045,742 (2016 : RM4,132,278) were acquired by means of finance lease arrangement and RM1,360,000 (2016 : RM NIL) were acquired by means of term loan. The balance of RM49,702,080 (2016 : RM28,840,316) was paid by cash.

B. Acquisition of investment properties

During the financial year, the Group acquired investment properties with an aggregate cost of RM1,825,472 (2016 : RM168,329) of which RM1,680,000 (2016 : RM NIL) acquired by means of term loan. The balance of RM145,472 (2016 : RM168,329) was paid by cash.

C. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts :

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances		**17,979**	39,334	**655**	705
Bank overdrafts	17	**(3)**	(1,982)	**-**	-
		17,976	37,352	**655**	705

The notes on pages 50 to 107 are an integral part of these financial statements.

Notes to the Financial Statements

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

Plot 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 2017 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 financial year ended 30 June 2017 do not include other entities.

The Company is principally engaged in investment holding and provision of management service, whilst the principal activities of the other Group entities are disclosed in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 31 October 2017.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the current financial year :

- MFRS 14, *Regulatory Deferral Account*
- Amendments to MFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 10, MFRS 12 and MFRS 128, *Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 101, *Disclosure Initiative*
- Amendments to MFRS 116 and MFRS 138, *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 and MFRS 141, *Agriculture: Bearer Plants*
- Amendments to MFRS 127, *Equity Method in Separate Financial Statements*
- Annual Improvements to MFRSs 2012 – 2014 Cycle

Adoption of above new MFRSs and amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty Over Income Tax Treatments.*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 July 2017 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 July 2018 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

- from the annual period beginning on 1 July 2019 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

- from the annual period beginning on 1 July 2021 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2021.

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations in the respective financial years when the abovementioned standards, amendments or interpretations become effective.

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed (Cont'd)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below :

(i) MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and Company's functional currency. All financial information is presented in RM and has been rounded to nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs 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 estimates are 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 7.1- Impairment testing for goodwill
- Note 8- Deferred tax (assets)/liabilities

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 Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

(ii) Business Combination

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.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as :
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; plus
- 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.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

(iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in subsidiary that do not result in a loss of control as equity transactions 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 former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(v) Non-controlling interest

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 profit or loss and other 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.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(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.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the 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 retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currencies at the exchange rates 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.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve ("FCTR") in equity.

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

The assets and liabilities of operations denominated 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 July 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the 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 gain or loss on disposal.

2. Significant accounting policies (Cont'd)

(b) Foreign currency (Cont'd)

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(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.

(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(h)(i)).

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

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 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 equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise 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.

Fair value arising from 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.

(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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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, cancelled or expired. 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.

2. Significant accounting policies (Cont'd)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated 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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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 :

	%
Leasehold land	2
Buildings	1 - 5
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 at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (Cont'd)

(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. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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

(ii) Operating lease

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 and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. 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 land lease payments.

(f) Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land (other than prepaid lease payments) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment properties following a change in its use, evidenced by commencement of owner-occupation, for a transfer from investment properties to owner-occupied property or end owner-occupation, for a transfer from owner-occupied property to investment property.

Transfers between investment properties, property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

2. Significant accounting policies (Cont'd)

(g) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

Intangible assets, other than goodwill, comprises of software costs and intellectual property that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life for software costs and intellectual property are 10 years each.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(v) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when asset is derecognised.

(h) 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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.

2. Significant accounting policies (Cont'd)

(h) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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 financial 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 are 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.

(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 goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of 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 of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated 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 cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating 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 financial year in which the reversals are recognised.

(i) 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 the issue of instruments classified as equity are recognised as a deduction from equity.

2. Significant accounting policies (Cont'd)

(i) Equity instruments (Cont'd)

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are distributed as share dividends, the costs of the treasury shares is applied in the reduction of the equity attributable to the owners.

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. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares.

(j) Inventories

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

The cost of inventories is calculated using the first-in-first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. 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.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(m) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and 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.

2. Significant accounting policies (Cont'd)

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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 financial 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, 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 be applied 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date, deferred tax assets and liabilities are not discounted.

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.

Unutilised reinvestment allowance, increase in export sales allowance and investment tax allowance, being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(o) Employee benefits

(i) Short-term employee benefits

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

A 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 contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund, which is a defined contribution plan.

(iii) Defined benefit plan

The liability recognised in the consolidated statement of financial position relates to the Company's subsidiary in Thailand in respect of defined benefit pension plan. The liability represents the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefit will be paid.

2. Significant accounting policies (Cont'd)

(o) Employee benefits (Cont'd)

(iii) Defined benefit plan (Cont'd)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other component of equity in the year in which they arise.

(p) 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, 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 of revenue 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) 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.

(iv) Rental income

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(v) Services

Revenue from services rendered is recognised in profit or loss when the services are performed.

(vi) Management fee

Management fee is recognised on accrual basis when the services are rendered.

(q) 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.

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.

2. Significant accounting policies (Cont'd)

(r) 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, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

(s) 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. Operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Warrants reserve

Fair value from the issuance of warrants are credited to warrants reserve which is non-distributable. When the warrants are exercised or expired, the warrants reserve will be transferred to another reserve account within equity.

(u) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows :

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

	Freehold land RM'000	Long term leasehold land and improvements RM'000	Short term leasehold land and improvements RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Tools and equipment RM'000	Motor vehicles RM'000	Factory renovation RM'000	Capital work-in-progress RM'000	Total RM'000
Group												
Cost												
At 1 July 2015	1,630	3,058	3,734	25,025	259,172	1,523	3,453	7,870	2,346	2,932	3,002	313,745
Additions	-	-	-	1	28,275	102	958	1,028	607	1,307	694	32,972
Disposals	-	-	(1,635)	-	(738)	-	(52)	-	-	-	-	(2,425)
Transfer to investment property	-	-	-	(1,272)	-	-	-	-	-	-	-	(1,272)
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	(162)	(162)
Reclassification	-	-	-	-	-	-	-	9	-	287	(296)	-
Foreign exchange differences	43	-	-	-	2,121	4	9	48	19	1,002	-	3,246
Written off	-	-	-	-	(722)	(12)	(181)	(125)	(160)	-	-	(1,200)
At 30 June 2016/ 1 July 2016	1,673	3,058	2,099	23,754	288,108	1,617	4,187	8,830	2,812	5,528	3,238	344,904
Additions	-	-	687	1,476	41,809	155	865	442	159	6,886	3,629	56,108
Disposals	-	-	-	-	(161)	-	(51)	(6)	(149)	(3)	-	(370)
Reclassification	-	(3,058)	3,058	-	1,682	85	91	1,370	-	3,234	(6,462)	-
Foreign exchange differences	158	-	-	303	8,028	14	38	179	69	32	-	8,821
Written off	-	-	-	-	(469)	-	-	-	-	-	-	(469)
At 30 June 2017	**1,831**	**-**	**5,844**	**25,533**	**338,997**	**1,871**	**5,130**	**10,815**	**2,891**	**15,677**	**405**	**408,994**

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

	Freehold land RM'000	Long term leasehold land and improvements RM'000	Short term leasehold land and improvements RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Tools and equipment RM'000	Motor vehicles RM'000	Factory renovation RM'000	Capital work-in-progress RM'000	Total RM'000
Group												
Accumulated depreciation and impairment losses												
At 1 July 2015	-	557	445	7,399	145,388	848	2,920	7,073	1,686	2,611	-	168,927
Depreciation charge for the year	-	39	11	802	22,518	41	232	510	264	294	-	24,711
Transfer	-	-	-	(17)	-	-	-	-	-	-	-	(17)
Disposals	-	-	(456)	-	(150)	-	(38)	-	-	-	-	(644)
Written off	-	-	-	-	(685)	(12)	(179)	(125)	(19)	-	-	(1,020)
Foreign exchange differences	-	-	-	188	1,414	-	-	129	-	-	-	1,731
Accumulated												
- depreciation	-	596	-	8,372	166,225	873	2,918	7,414	1,931	2,905	-	191,234
- impairment losses	-	-	-	-	2,260	4	17	173	-	-	-	2,454
At 30 June 2016/ 1 July 2016	-	596	-	8,372	168,485	877	2,935	7,587	1,931	2,905	-	193,688

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

	Freehold land RM'000	Long term leasehold land and improvements RM'000	Short term leasehold land and improvements RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Tools and equipment RM'000	Motor vehicles RM'000	Factory renovation RM'000	Capital work-in-progress RM'000	Total RM'000
Group												
Accumulated depreciation and impairment losses												
Depreciation charge for the year		88	46	859	24,371	53	353	537	299	366	-	26,972
Disposals	-	-	-	-	(136)	-	(45)	(6)	(149)	(2)	-	(338)
Impairment loss	-	-	-	-	712	-	-	-	-	-	-	712
Reclassification	-	(684)	684	-	-	-	-	-	-	-	-	-
Written off	-	-	-	-	(469)	-	-	-	-	-	-	(469)
Foreign exchange differences	-	-	-	326	3,410	15	32	88	62	32	-	3,965
Accumulated												
- depreciation	-	-	730	9,557	193,401	941	3,258	8,033	2,143	3,301	-	221,364
- impairment losses	-	-	-	-	2,972	4	17	173	-	-	-	3,166
At 30 June 2017	**-**	**-**	**730**	**9,557**	**196,373**	**945**	**3,275**	**8,206**	**2,143**	**3,301**	**-**	**224,530**
Carrying amounts												
At 1 July 2015	1,630	2,501	3,289	17,626	113,784	675	533	797	660	321	3,002	144,818
At 30 June 2016/ 1 July 2016	1,673	2,462	2,099	15,382	119,623	740	1,252	1,243	881	2,623	3,238	151,216
At 30 June 2017	**1,831**	**-**	**5,114**	**15,976**	**142,624**	**926**	**1,855**	**2,609**	**748**	**12,376**	**405**	**184,464**

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

	Short term leasehold land RM'000	Office equipment RM'000	Total RM'000
Company			
Cost			
At 1 July 2015	1,634	7	1,641
Disposal	(1,634)	-	(1,634)
Written off	-	(6)	(6)
At 30 June 2016/30 June 2017	**-**	**1**	**1**
Accumulated depreciation			
At 1 July 2015	444	6	450
Depreciation charge for the year	11	-	11
Disposal	(455)	-	(455)
Written off	-	(6)	(6)
At 30 June 2016/1 July 2016	-	-	-
Depreciation charge for the year	-	1	1
At 30 June 2017	**-**	**1**	**1**
Carrying amounts			
At 1 July 2015	1,190	1	1,191
At 30 June 2016/1 July 2016	-	1	1
At 30 June 2017	-	-	-

3.1 Assets under finance lease - Group

Included in the carrying amount of plant and machinery and motor vehicles are assets acquired under finance lease amounting to RM17,793,587 (2016 : RM18,828,145).

3.2 Leasehold land - Group/Company

The long term leasehold land is with unexpired lease periods of more than 50 years while the short term leasehold land is with unexpired lease periods of less than 50 years.

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

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 17.1 to the financial statements :

	2017 RM'000	2016 RM'000
Carrying amounts		
Freehold land	**1,831**	1,673
Long term and short term leasehold land and improvements	**1,464**	4,561
Buildings	**5,660**	15,382
Plant and machinery	**65,437**	63,848
	74,392	85,464

4. Investment properties - Group

	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 July 2015	736	3,208	3,944
Transfer from property, plant and equipment	-	1,272	1,272
Additions	-	168	168
Disposals	(736)	(3,208)	(3,944)
At 30 June 2016/1 July 2016	-	1,440	1,440
Additions	-	1,825	1,825
At 30 June 2017	**-**	**3,265**	**3,265**
Accumulated depreciation			
At 1 July 2015	202	1,079	1,281
Transfer from property, plant and equipment	-	17	17
Depreciation charge for the year	22	93	115
Disposals	(224)	(1,154)	(1,378)
At 30 June 2016/1 July 2016	-	35	35
Depreciation charge for the year	-	33	33
At 30 June 2017	**-**	**68**	**68**

4. Investment properties - Group (Cont'd)

	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
Carrying amounts			
At 1 July 2015	534	2,129	2,663
At 30 June 2016	-	1,405	1,405
At 30 June 2017	**-**	**3,197**	**3,197**

The following are recognised in profit or loss in respect of investment properties :

	2017 RM'000	2016 RM'000
Rental income	**185**	135
Direct operating expenses :		
- income generating	**90**	28

4.1 Fair value information

The fair value of the investment properties as at 30 June 2017 is classified as level 3 in the fair value hierarchy and is determined to be approximately RM3,243,780 (2016 : RM1,570,000).

The fair value of investment properties is based on the sales comparison approach whereby sales price of similar property in the locality are adjusted for differences in key attributes such as location, time, size, tenure and other relevant factors. The Directors had determined the current use of these investment properties as their highest and best use.

4.2 Security

Investment properties are charged as security to financial institutions for borrowings granted to the Group as disclosed in Note 17.1 to the financial statements.

5. Investments in subsidiaries - Company

	2017 RM'000	2016 RM'000
Unquoted shares, at cost		
At 1 July 2016/2015	**87,235**	86,935
Subscription of shares in subsidiaries	**-**	300
	87,235	87,235
Less : Accumulated impairment loss	**(9,050)**	(9,050)
At 30 June	**78,185**	78,185

5. Investments in subsidiaries - Company (Cont'd)

Details of the subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Effective ownership interest and voting interest 2017 %	2016 %	Principal activities
SMT Technologies Sdn. Bhd.	Malaysia	100	100	Provision of Electronic Manufacturing Services for computer peripherals and consumer electronic/electrical products
Mastimber Industries Sdn. Bhd.*	Malaysia	90.5	90.5	Dormant
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
EG R&D Sdn. Bhd.	Malaysia	100	100	Research and development activities for electronic, electrical, telecommunication and technology products and operate a shared services outsourcing center rendering BP outsourcing in financial and administration processes and IT services
EG Operations Sdn. Bhd.	Malaysia	100	100	Dormant
EG Global Sdn. Bhd.*	Malaysia	100	100	Dormant
Subsidiary of SMT Technologies Sdn. Bhd.				
Glisten Knight Sdn. Bhd. *	Malaysia	100	100	Investment holding

* Not audited by UHY

5. Investments in subsidiaries - Company (Cont'd)

Non-controlling interest in a subsidiary

The Group's subsidiary that has material non-controlling interest ("NCI") is as follows :

	Mastimber Industries Sdn. Bhd. 2017 RM'000	Mastimber Industries Sdn. Bhd. 2016 RM'000
NCI percentage of ownership interest and voting interest	**9.50%**	9.50%
Carrying amount of NCI	**(762)**	(762)
Profit allocated to NCI	**-**	2
Summarised financial information before intra-group elimination		
At 30 June		
Current assets	**48**	50
Non-current liabilities	**(8,061)**	(8,061)
Current liabilities	**(11)**	(11)
Net liabilities	**(8,024)**	(8,022)
Year ended 30 June		
Loss for the year	**(2)**	(18)
Total comprehensive expense	**(2)**	(18)
Cash flows generated from/(used in) operating activities	**33**	(22)
Net increase/(decrease) in cash and cash equivalents	**33**	(22)

6. Other investments - Group/Company

	2017 RM'000	2016 RM'000
Non-current		
Available-for-sale financial assets		
Quoted shares in Malaysia	**36**	35
Quoted shares outside Malaysia	**7,918**	4,989
	7,954	5,024
Market value of quoted shares	**7,954**	5,024

7. Intangible assets - Group

	Goodwill RM'000	Software cost RM'000	Intellectual property RM'000	Total RM'000
Cost	10,148	2,833	-	12,981
At 1 July 2015				
Transfer from property, plant and equipment	-	162	-	162
Foreign exchange differences	-	4	-	4
At 30 June 2016/1 July 2016	10,148	2,999	-	13,147
Addition	-	82	8,875	8,957
Foreign exchange differences	-	16	-	16
At 30 June 2017	**10,148**	**3,097**	**8,875**	**22,120**
Amortisation				
At 1 July 2015	-	122	-	122
Amortisation for the year	-	295	-	295
Reclassification	-	1	-	1
At 30 June 2016/1 July 2016	-	418	-	418
Amortisation for the year	-	300	222	522
Foreign exchange differences	-	7	-	7
At 30 June 2017	**-**	**725**	**222**	**947**
Carrying amounts				
At 1 July 2015	10,148	2,711	-	12,859
At 30 June 2016	10,148	2,581	-	12,729
At 30 June 2017	**10,148**	**2,372**	**8,653**	**21,173**

7.1 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 is determined by discounting the cash flow projections from the three-year business plan developed based on management's assessment of future trends and market developments primarily in the hard disk drive industry and consumer electronic/electrical products industry. The values assigned to the key assumptions such as sales growth of 20% in the budget for financial year 2018 represent managements estimate derived from both external and internal sources (historical data). Management did not include or project any sales growth in their business plan beyond financial year 2018.

7. Intangible assets - Group (Cont'd)

7.1 Impairment testing for goodwill (Cont'd)

In determining the recoverable amount of the CGUs, the projected cash flows were discounted using a pre-tax discount rate of 8% (2016 : 8%)

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.

7.2 Intellectual property

Intellectual property paid is for the transfer of licensed technology and know-how in connection with the manufacture, application and sale of licensed products.

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following :

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group						
Property, plant and equipment - capital allowance	**-**	-	**(8,803)**	(8,074)	**(8,803)**	(8,074)
Tax loss carry-forwards	**-**	-	**-**	-	**-**	-
Unutilised reinvestment allowance	**2,799**	6,762	**-**	-	**2,799**	6,762
Increase in export allowance	**6,000**	-	**-**	-	**6,000**	-
Provisions	**655**	364	**-**	-	**655**	364
Other temporary differences	**-**	-	**-**	(109)	**-**	(109)
Tax assets/(liabilities)	**9,454**	7,126	**(8,803)**	(8,183)	**651**	(1,057)
Set off of tax	**(8,682)**	(7,126)	**8,682**	7,126	**-**	-
Net tax assets/ (liabilities)	**772**	-	**(121)**	(1,057)	**651**	(1,057)

Deferred tax assets/(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 Group can utilise the benefits therefrom.

8. Deferred tax assets/(liabilities) (Cont'd)

Recognised deferred tax assets/(liabilities) (Cont'd)

Management estimated the amount of deferred tax assets to be recognised using profit projections from the three-year business plan developed based on management's assessment of future trends and market developments primarily in the hard disk drive industry and consumer electronic/electrical products industry.

Movements in temporary differences during the year are as follows :

	At 30.6.2015 RM'000	Recognised in profit or loss (Note 22) RM'000	Exchange difference RM'000	At 30.6.2016/ 1.7.2016 RM'000	Recognised in profit or loss (Note 22) RM'000	Exchange difference RM'000	At 30.6.2017 RM'000
Group							
Property, plant and equipment - capital allowance	(5,970)	(2,104)	-	(8,074)	(729)	-	**(8,803)**
Tax loss carry-forwards	11	(11)	-	-	-	-	**-**
Unutilised reinvestment allowance	7,645	(883)	-	6,762	(3,963)	-	**2,799**
Increase in export allowance	-	-	-	-	6,000	-	**6,000**
Provisions	303	61	-	364	291	-	**655**
Other temporary differences	136	(246)	1	(109)	104	5	**-**
	2,125	(3,183)	1	(1,057)	1,703	5	**651**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

	2017 RM'000	2016 RM'000
Group		
Tax loss carry-forwards	**308**	15,801

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 therefrom.

9. Inventories - Group

	2017 RM'000	2016 RM'000
Raw materials	**60,925**	47,297
Work-in-progress	**12,711**	18,937
Manufactured inventories	**56,446**	58,125
	130,082	124,359

The amount of inventories recognised as cost of sales during the year amounted to RM847,647,461 (2016 : RM562,553,755).

10. Trade and other receivables

	Note	2017 RM'000	2016 RM'000
Group			
Trade			
Trade receivables			
- third parties		**277,931**	223,058
- related parties		**6,323**	-
		284,254	223,058
Non-trade			
Other receivables		**11,986**	17,720
Deposits	10.1	**318**	1,318
Prepayments	10.2	**10,842**	31,162
		23,146	50,200
		307,400	273,258
Company			
Non-trade			
Amount due from subsidiaries	10.3	**70,199**	71,355
Other receivables		**110**	44
Deposits		**2**	105
Prepayments		**9**	-
		70,320	71,504

10. Trade and other receivables (Cont'd)

10.1 Deposits

Included in deposits of the Group were earnest deposit pertaining to the acquisition of three units of condominium amounting to RM NIL (2016 : RM458,612) and acquisition of three units of office suite amounting to RM NIL (2016 : RM412,000).

10.2 Prepayments

Included in prepayments of the Group are amounts prepaid for the purchase of inventories amounting to RM8,852,433 (2016 : RM13,768,000) and prepaid for the purchase of machineries amounting to RM NIL (2016 : RM16,585,096).

10.3 Amount due from subsidiaries

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

11. Fixed deposits with licensed banks - Group and Company

The fixed deposits with licensed banks are with maturities of more than 3 months and are held in lien for borrowings granted to certain subsidiaries (Note 17.1).

12. Share capital and treasury shares - Group/Company

	2017		2016	
	Amount RM'000	Number of shares ('000)	Amount RM'000	Number of shares ('000)
Issued and fully paid :				
At 1 July	**105,782**	**211,564**	77,117	77,117
Par value reduction	-	-	(38,558)	-
Issue pursuant to :				
- Private placement, at RM0.80 each	-	-	9,603	19,206
- Rights issue, at RM0.50 each	-	-	57,620	115,241
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 12.2)	**20,932**	-	-	-
At 30 June	**126,714**	**211,564**	105,782	211,564

12.1 Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

12. Share capital and treasury shares - Group/Company (Cont'd)

12.2 In accordance with Section 618(2) of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

12.3 Treasury shares

The shareholders of the Company at 25th Annual General Meeting held on 9 December 2016, approved the Company's plan to repurchase up to 10% of its issued and paid-up share capital.

	2017		2016	
	Amount RM'000	Number of shares ('000)	Amount RM'000	Number of shares ('000)
Treasury shares				
At 1 July 2015/2016	**(128)**	**(294)**	(120)	(284)
Acquire of treasury shares	**(9)**	**(10)**	(8)	(10)
At 30 June	**(137)**	**(304)**	(128)	(294)

For the financial year ended 30 June 2017, the Company repurchased 10,000 (2016 : 10,000) of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.89 (2016 : RM0.78) per share. The total consideration paid was RM8,868 (2016 : RM7,893) including transaction costs of RM93 (2016 : RM93). The repurchase was financed by internally generated funds. The shares repurchased are held as treasury shares in accordance with the provision of Section 127 of the Companies Act, 2016.

No treasury shares were re-issued during the current financial year. At 30 June 2017, the Company held 304,000 (2016 : 294,000) of its shares as treasury shares. The number of outstanding ordinary shares in issue after deducting treasury shares held is 211,259,992 (2016 : 211,269,992).

13. Reserves

	Note	2017 RM'000	2016 RM'000
Group			
Non-distributable :			
Warrants reserve	13.1	**22,628**	22,628
Fair value reserve	13.2	**1,058**	(1,872)
Translation reserve	13.3	**11,457**	8,492
Share premium	13.4	**-**	20,932
Capital reserve	13.5	**28,462**	28,462
Other reserve	13.6	**(22,628)**	(22,628)
		40,977	56,014
Distributable :			
Retained earnings		**96,022**	73,772
		136,999	129,786

13. Reserves (Cont'd)

	Note	2017 RM'000	2016 RM'000
Company			
Non-distributable :			
Warrants reserve	13.1	**22,628**	22,628
Fair value reserve	13.2	**1,058**	(1,872)
Share premium	13.4	**-**	20,932
Capital reserve	13.5	**28,462**	28,462
Other reserve	13.6	**(22,628)**	(22,628)
Accumulated losses		**(3,504)**	(2,062)
		26,016	45,460

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

13.1 Warrants reserve

During the financial year 2016, the Company allotted 115,241,392 rights issue of RM0.50 each at a price of RM0.50 per ordinary share on the basis of three (3) rights shares for every two (2) ordinary shares held by existing shareholders, together with 57,620,696 free warrants on the basis of one (1) warrant for every two (2) rights shares subscribed.

The warrants reserve represents the fair value allocated to the issue of Warrants 2015/2020. When the warrants are exercised or expired, the warrants reserve remains in equity, although it may be transferred to another reserve account within equity.

13.2 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.

13.3 Translation reserve

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

13.4 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. During the financial year, the share premium is reclassified to share capital in accordance with Section 618(2) of the Companies Act 2016.

13.5 Capital reserve

Capital reserve arose from the capital reduction exercise.

13.6 Other reserve

Other reserve arose from the allocation of proceeds from rights issue in respect of fair value of warrants.

14. Trade and other payables

	Note	2017 RM'000	2016 RM'000
Group			
Trade payables			
Trade payables			
- third parties		**197,165**	161,059
- related parties		**892**	780
		198,057	161,839
Non-trade			
Other payables		**4,578**	4,182
Deposit		**46**	23
Accruals		**6,676**	4,906
		11,300	9,111
		209,357	170,950
Company			
Non-trade			
Amount due to subsidiaries	14.1	**10,358**	10,432
Other payables		**54**	237
Accruals		**178**	239
		10,590	10,908

14.1 Amount due to subsidiaries

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

15. Provision for retirement benefits - Group

A subsidiary in Thailand operates an unfunded defined benefit plan

Under the labour laws in Thailand, all employees with more than 120 days of service are entitled to Legal Severance Payment benefits ranging from 30 days to 300 days of final salary upon termination of service, including forced termination or retrenchment, or in the event of retirement. The present value of defined benefit obligations are as follows :

	2017 RM'000	2016 RM'000
Present value of obligations - non current	**322**	215

15. Provision for retirement benefits - Group (Cont'd)

The movements in the defined benefit obligations over the year is as follows :

	2017 RM'000	2016 RM'000
At 1 July	**215**	154
Amount recognised in profit or loss		
- Current service cost	**80**	50
- Interest cost	**5**	7
- Foreign exchange differences	**22**	4
At 30 June	**322**	215

The principal actuarial assumptions used are as follows :

	2017	2016
Discount rate	**4.5%**	4.5%
Inflation rate	**3.0%**	3.0%
Future salary increase		
- prior to age 30	**12.0%**	12.0%
- between age 30 to 40	**8.0%**	8.0%
- age 40 onwards	**6.0%**	6.0%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics in Thailand. The Thailand TMO08 tables contain the results of the most recent mortality investigation on policy holders of life insurance companies in Thailand. The Group accounts for this severance liability on an actuarial basis using the projected unit credit method.

16. Provision - Group

	Warranties	
	2017 RM'000	2016 RM'000
At 1 July	**800**	667
Provision	**-**	133
At 30 June	**800**	800

The provision for warranties represents estimated liabilities for defects arising from products sold under warranty. The provision is based on management's estimate made from historical warranty data associated with the products and judgement on the probability of a defect arising from products sold.

17. Loans and borrowings - Group

	2017 RM'000	2016 RM'000
Non-current :		
Secured		
Term loans	**7,661**	8,040
Finance lease liabilities	**6,532**	7,122
	14,193	15,162

	2017 RM'000	2016 RM'000
Current :		
Secured		
Bank overdrafts	**3**	1,982
Bankers' acceptances	**155,824**	172,292
Trust receipts	**10,092**	12,912
Term loans	**3,590**	3,625
Finance lease liabilities	**5,105**	4,067
Trade financing	**26,986**	-
	201,600	194,878

17.1 Security

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

i) legal charges over the freehold land, leasehold land, buildings and plant and machinery of certain subsidiaries (Note 3.3) and investment properties of the Group (Note 4.2);

ii) fixed deposits held in lien of the Group and of the Company (Note 11); and

iii) collateralised by corporate guarantee from 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.

17. Loans and borrowings – Group (Cont'd)

17.2 Finance lease liabilities

Finance lease liabilities are payable as follows :

	2017			2016		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Group						
Less than 1 year	**5,676**	**571**	**5,105**	4,660	593	4,067
Between 1 and 5 years	**6,995**	**506**	**6,489**	7,523	444	7,079
More than 5 years	**45**	**2**	**43**	45	2	43
	12,716	**1,079**	**11,637**	12,228	1,039	11,189

18. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Invoiced value of goods sold less discounts and returns	**1,008,241**	712,243	**-**	-
Dividend income	**2**	4	**2**	4
Interest income	**87**	442	**87**	442
Management fee	**-**	-	**363**	1,197
	1,008,330	712,689	**452**	1,643

19. Finance costs – Group

	2017 RM'000	2016 RM'000
Interest expenses on :		
Bankers' acceptances/Trade financing	**8,799**	6,938
Finance lease liabilities	**778**	858
Revolving credit	**-**	272
Term loans	**1,269**	2,060
Bank overdrafts	**62**	72
Others	**9**	16
	10,917	10,216

20. Profit/(Loss) before tax

Profit/(Loss) before tax is arrived at :

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
After charging :				
Auditors' remuneration				
- Statutory audit				
- UHY	**111**	111	**39**	39
- other auditors	**114**	106	**-**	-
- Other services				
- UHY	**110**	20	**110**	20
- other auditors	**-**	39	**-**	-
Depreciation of property, plant and equipment (Note 3)	**26,972**	24,711	**1**	11
Depreciation of investment properties (Note 4)	**33**	115	**-**	-
Amortisation of intangible assets (Note 7)	**522**	295	**-**	-
Directors' remuneration :				
Directors of the Company				
- fees	**130**	97	**130**	97
- other emoluments	**1,066**	868	**1,066**	868
- contributions to Employees' Provident Fund	**84**	87	**84**	87
Other Directors				
- other emoluments	**817**	879	**-**	-
- contributions to Employees' Provident Fund	**97**	104	**-**	-
Past Directors				
- fees	**-**	57	**-**	57
- other emoluments	**113**	90	**-**	-
- contributions to Employees' Provident Fund	**13**	11	**-**	-
Inventories written down	**-**	433	**-**	-
Impairment loss on plant and machineries	**712**	-	**-**	-
Provision for retirement benefit (Note 15)	**85**	57	**-**	-
Provision for slow moving stocks	**1,475**	-	**-**	-
Provision for warranties (Note 16)	**-**	133	**-**	-
Plant and equipment written off	**-**	180	**-**	-
Loss on foreign exchange, net				
- realised	**2,938**	1,188	**-**	-

20. Profit/(Loss) before tax (Cont'd)

Profit/(Loss) before tax is arrived at (Cont'd) :

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental of equipment	**75**	25	**-**	-
Rental of motor vehicle	**1**	-	**-**	-
Rental of premises	**187**	147	**-**	-
and after crediting :				
Dividend income from :				
- quoted shares	**2**	4	**2**	4
Gain on foreign exchange, net				
- unrealised	**1,212**	2,493	**-**	46
Gain on disposal of property, plant and equipment	**75**	1,515	**-**	1,521
Gain on disposal of investment properties	**-**	3,233	**-**	-
Interest income	**581**	688	**87**	442
Rental income	**3**	-	**-**	-
Rental income from investment properties	**185**	135	**-**	-

21. Employee benefits

21.1 Staff costs

Staff costs (excluding Directors' remuneration) are as follows :

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and others	**45,934**	35,254	**-**	-

Included in staff costs of the Group and of the Company are RM2,618,054 (2016 : RM2,786,449) and RM NIL (2016 : RM NIL) respectively representing contributions to Employees' Provident Fund.

21. Employee benefits (Cont'd)

21.2 Key management personnel compensation

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' fees	**130**	154	**130**	154
Short-term employee benefits	**2,696**	1,982	**1,066**	868
Contributions to Employees' Provident Fund	**276**	218	**84**	87
	3,102	2,354	**1,280**	1,109

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 Directors and certain members of senior management of the Group and of the Company.

22. Tax expense

Recognised in profit or loss

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
Malaysian				
- current year	**1,734**	900	**-**	-
- prior year	**68**	111	**-**	-
Total current tax recognised in profit or loss	**1,802**	1,011	**-**	-
Deferred tax (income)/expense				
(Reversal)/Origination of temporary differences	**(1,882)**	3,183	**-**	-
Prior year	**179**	-	**-**	-
Total deferred tax recognised in profit or loss	**(1,703)**	3,183	**-**	-
Total tax expense	**99**	4,194	**-**	-

22. Tax expense (Cont'd)

Reconciliation of tax expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before tax	**22,349**	21,224	**(1,442)**	(2,466)
Income tax calculated using Malaysian tax rate at 24% (2016: 24%)	**5,364**	5,093	**(346)**	(592)
Capital gain not subject to tax	**-**	(304)	**-**	(304)
Effect of tax incentives	**-**	(2,000)	**-**	-
Non-deductible expenses	**1,528**	2,549	**346**	850
Non-taxable income	**(1,148)**	(13)	**-**	(12)
Reversal of deferred tax assets recognised	**-**	-	**-**	58
Recognition of previously unrecognised deferred tax assets	**(6,000)**	(18)	**-**	-
Others	**108**	(1,224)	**-**	-
Under provision of taxation in prior years	**247**	111	**-**	-
	99	4,194	**-**	-

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 the income is first derived and a fifty percent reduction in the normal income tax rate on the net profit derived from promoted business for a period of five years for the manufacturing of printed circuit boards.

A local subsidiary of the Company has been granted pioneer status for research, design and development for electrical, electronic, telecommunication, car navigator, wireless technology base, microcontroller unit (MCU) base and Light Emitted Diode (LED) base products and provision of relevant implementation, technical service and maintenance and operates a shared services outsourcing center rendering BP outsourcing in financial and administration processes which exempts its statutory income derived from these activities from taxation for a period of 5 years beginning on 31 August 2014.

23. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 30 June 2017 was based on the profit attributable to ordinary shareholders of RM22,249,984 (2016 : RM17,030,928) and on the weighted average number of ordinary shares outstanding during the year of 211,264,252 (2016 : 161,126,170).

Diluted earnings per ordinary share

The fully diluted earnings per share has been computed based on adjusted profit attributable to ordinary shareholders of RM22,250,158 (2016 : RM17,030,928) divided by the adjusted weighted average number of ordinary shares, assuming the full exercise of warrants in issue during the year into potential ordinary shares of 268,884,948 (2016 : 218,746,866).

	2017 '000	2016 '000
Issued ordinary shares at 1 July 2016/2015	**211,270**	76,833
Effect of :		
- treasury shares repurchased	**(6)**	(6)
- rights issue with warrants	**-**	73,249
- private placement	**-**	11,050
Weighted average number of ordinary shares	**211,264**	161,126
Adjustment for assumed full exercise of warrants	**57,620**	57,620
Adjusted weighted average number of ordinary shares	**268,884**	218,746

24. Warrants

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

Warrants	Exercise price per ordinary share	Expiry date	Number of warrants outstanding 30.6.2017	Number of warrants outstanding 30.6.2016
Warrants 2015/2020	RM0.50	3.11.2020	57,620,696	57,620,696

Warrants 2015/2020 were issued on 4 November 2015 in conjunction with the issuance of 115,241,392 rights shares of RM0.50 each together with 57,620,696 free warrants. The warrants entitle the holders to subscribe for new ordinary shares in the Company on the basis of one (1) warrant for every two (2) rights shares subscribed. The warrant held at an exercise price of RM0.50 per ordinary share within 5 years from the date of the issue of the warrants.

25. Related parties

25.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly 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. Related parties may be individuals or other entities.

The Group has related party relationship with its significant investor, subsidiaries as disclosed in Note 5 to the financial statements and companies in which certain Directors have a substantial financial interest namely, Jubilee Manufacturing Sdn Bhd, WE Components Pte. Ltd. and Singyasin Holdings Pte. Ltd..

25. Related parties (Cont'd)

25.1 Identity of related parties (Cont'd)

Related parties also include key management personnel defined as those persons being having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management of the Group.

25.2 Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions other than key management personnel compensation as disclosed in the Note 21.2 to the financial statements, are as follows :

	2017 RM'000	2016 RM'000
(a) Transactions with companies in which certain Directors have a substantial financial interest		
Group		
Sales	**6,462**	-
Purchase of raw materials	**(2,871)**	(808)
Purchase of toolings	**(119)**	(188)
(b) Transaction with a subsidiary		
Company		
Advances given	**(1,430)**	(3,485)
Management fee received	**363**	1,197

The non-trade balances with related parties outstanding at the end of the reporting period are disclosed in Note 10 and Note 14 to the financial statements. All the outstanding balances are expected to be settled in cash or capitalised as paid-up share capital.

26. Contingent liabilities, unsecured - Company

The Company issued corporate guarantees to financial institutions for banking facilities granted to certain subsidiaries amounting to RM429,835,483 (2016 : RM229,334,922) of which, RM147,388,975 (2016 : RM194,571,338) were utilised at the end of the reporting period.

The Company has also undertaken to provide continuing financial support to enable certain subsidiaries to meet their financial obligations as and when they fall due.

27. Financial instruments

27.1 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 assets ("AFS"); and
(c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets			
2017			
Group			
Other investments	**7,954**	**-**	**7,954**
Trade and other receivables (exclude prepayments and non-refundable deposits)	**296,558**	**296,558**	**-**
Fixed deposits with licensed banks	**15,481**	**15,481**	**-**
Cash and bank balances	**17,979**	**17,979**	**-**
	337,972	**330,018**	**7,954**
Company			
Other investments	**7,954**	**-**	**7,954**
Trade and other receivables (exclude prepayments and non-refundable deposits)	**70,311**	**70,311**	**-**
Fixed deposits with licensed banks	**6,069**	**6,069**	**-**
Cash and bank balances	**655**	**655**	**-**
	84,989	**77,035**	**7,954**
Financial assets			
2016			
Group			
Other investments	5,024	-	5,024
Trade and other receivables (exclude prepayments and non-refundable deposits)	241,225	241,225	-
Fixed deposits with licensed banks	9,812	9,812	-
Cash and bank balances	39,334	39,334	-
	295,395	290,371	5,024

27. Financial instruments (Cont'd)

27.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets (Cont'd)			
2016			
Company			
Other investments	5,024	-	5,024
Trade and other receivables (exclude prepayments and non-refundable deposits)	71,504	71,504	-
Fixed deposits with licensed banks	6,603	6,603	-
Cash and bank balances	705	705	-
	83,836	78,812	5,024

	Carrying amount RM'000	FL RM'000
Financial liabilities		
2017		
Group		
Loans and borrowings	**215,793**	**215,793**
Trade and other payables	**209,357**	**209,357**
	425,150	**425,150**
Company		
Trade and other payables	**10,590**	**10,590**
2016		
Group		
Loans and borrowings	210,040	210,040
Trade and other payables	170,950	170,950
	380,990	380,990
Company		
Trade and other payables	10,908	10,908

27. Financial instruments (Cont'd)

27.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on :				
Available-for-sale financial assets				
- recognised in other comprehensive income/ (expense)	**2,930**	(499)	**2,930**	(499)
- recognised in profit or loss	**-**	-	**-**	-
Loans and receivables	**581**	708	**87**	442
Financial liabilities measured at amortised cost	**(10,917)**	(10,216)	**-**	-
	(7,406)	(10,007)	**3,017**	(57)

27.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.4 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. 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. 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.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated 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.

27. Financial instruments (Cont'd)

27.4 Credit risk (Cont'd)

Receivables (Cont'd)

Exposure to credit risk, credit quality and collateral (Cont'd)

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

	2017 RM'000	2016 RM'000
Group		
Domestic	**116,725**	129,213
Asia Pacific (other than Malaysia)	**156,994**	83,793
Others	**10,535**	10,052
	284,254	223,058

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was :

	Gross RM'000	Collective impairment RM'000	Individual impairment RM'000	Net RM'000
Group				
2017				
Not past due	**214,667**	**-**	**-**	**214,667**
Past due 1 - 30 days	**61,732**	**-**	**-**	**61,732**
Past due 31 - 60 days	**6,629**	**-**	**-**	**6,629**
Past due 61 - 90 days	**433**	**-**	**-**	**433**
Past due more than 90 days	**793**	**-**	**-**	**793**
	284,254	**-**	**-**	**284,254**
Group				
2016				
Not past due	75,292	-	-	75,292
Past due 1 - 30 days	62,742	-	-	62,742
Past due 31 - 60 days	81,898	-	-	81,898
Past due 61 - 90 days	1,560	-	-	1,560
Past due more than 90 days	1,566	-	-	1,566
	223,058	-	-	223,058

27. Financial instruments (Cont'd)

27.4 Credit risk (Cont'd)

Receivables (Cont'd)

Impairment losses (Cont'd)

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 7 (2016 : 6) customers who collectively contributed 95% (2016 : 95%) of the Group's trade receivables at 30 June.

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.

Exposure to credit risk, credit quality and collateral

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

The investments and other financial assets are unsecured.

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. 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 RM147,388,975 (2016 : RM194,571,338) 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 of the subsidiaries 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. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances are not considered overdue and are repayable on demand.

27. Financial instruments (Cont'd)

27.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when 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.

The Directors are of the opinion that the Group's banking facilities will continue to be available from its lenders and that the Group will be able to generate sufficient cash flows from operations to meet its liabilities as and when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

27. Financial instruments (Cont'd)

27.5 Liquidity risk (Cont'd)

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 :

	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2017							
Group							
Non-derivative financial liabilities							
Bank overdrafts	3	3.1	3	3	-	-	-
Bankers' acceptances	155,824	2.20 - 5.55	155,824	155,824	-	-	-
Trust receipts	10,092	3.69 - 3.82	10,092	10,092	-	-	-
Trade financing	26,986	2.25 - 2.40	26,986	26,986	-	-	-
Term loans	11,251	5.11 - 5.66	12,456	3,934	3,249	3,767	1,506
Finance lease liabilities	11,637	2.45 - 7.57	12,716	5,676	3,670	3,325	45
Trade and other payables	209,357	-	209,357	209,357	-	-	-
	425,150		427,434	411,872	6,919	7,092	1,551
Company							
Non-derivative financial liabilities							
Trade and other payables	10,590	-	10,590	10,590	-	-	-
Financial guarantees	-	-	429,835	429,835	-	-	-
	10,590		440,425	440,425	-	-	-

27. Financial instruments (Cont'd)

27.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2016							
Group							
Non-derivative financial liabilities							
Bank overdrafts	1,982	7.50	1,982	1,982	-	-	-
Bankers' acceptances	172,292	2.25 - 7.85	172,292	172,292	-	-	-
Trust receipts	12,912	3.72 - 3.82	12,912	12,912	-	-	-
Term loans	11,665	5.25 - 8.60	17,329	10,596	2,958	2,800	975
Finance lease liabilities	11,189	2.84 - 8.02	12,228	4,660	4,253	3,270	45
Trade and other payables	170,950	-	170,950	170,950	-	-	-
	380,990		387,693	373,392	7,211	6,070	1,020
Company							
Non-derivative financial liabilities							
Trade and other payables	10,908	-	10,908	10,908	-	-	-
Financial guarantees	-	-	229,335	229,335	-	-	-
	10,908		240,243	240,243	-	-	-

27. Financial instruments (Cont'd)

27.6 Market risk

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

27.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases, cash and cash equivalents and borrowings that are denominated in a currency other than the respective functional currency of the Group entities. The currency giving rise to this risk is primarily the United States Dollar ("USD").

Exposure to foreign currency risk

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

	Denominated in USD RM'000
Group	
2017	
Trade and other receivables	**292,704**
Trade and other payables	**(197,424)**
Cash and bank balances	**10,361**
Fixed deposits with licensed banks	**2,026**
Loans and borrowings	**(99,668)**
Net exposure	**7,999**
2016	
Trade and other receivables	221,662
Trade and other payables	(160,236)
Cash and bank balances	25,041
Fixed deposits with licensed banks	2,298
Loans and borrowings	(102,158)
Net exposure	(13,393)

27. Financial instruments (Cont'd)

27.6 Market risk (Cont'd)

27.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis

A 5% (2016 : 5%) strengthening of the RM against the USD at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss increase RM'000	Profit or loss decrease RM'000
Group		
2017		
USD	**304**	**(304)**
2016		
USD	(509)	509

A 5% (2016: 5%) weakening of the RM against the USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

27.6.2 Interest rate risk

The Group's 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 fixed deposits.

27. Financial instruments (Cont'd)

27.6 Market risk (Cont'd)

27.6.2 Interest rate risk (Cont'd)

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	**15,481**	9,812	**6,069**	6,603
Financial liabilities	**(204,539)**	(196,393)	**-**	-
	(189,058)	(186,581)	**6,069**	6,603
Floating rate instruments				
Financial liabilities	**(11,254)**	(13,647)	**-**	-

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 hedge 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.

	Profit or (loss)	
	100 bp increase	100 bp decrease
	RM'000	RM'000
Group		
2017		
Floating rate instruments	**(86)**	**86**
2016		
Floating rate instruments	(104)	104

27. Financial instruments (Cont'd)

27.6 Market risk (Cont'd)

27.6.3 Other price risk (Cont'd)

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 are not significant to the total equity of the Group.

27.7 Fair value information

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

27. Financial instruments (Cont'd)

27.7 Fair value informations (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017										
Group										
Financial asset										
Quoted shares	7,954	-	-	7,954	-	-	-	-	7,954	7,954
Financial liabilities										
Term loans – variable rate	-	-	-	-	-	-	(11,251)	(11,251)	(11,251)	(11,251)
Finance lease liabilities	-	-	-	-	-	-	(11,927)	(11,927)	(11,927)	(11,637)
	-	-	-	-	-	-	(23,178)	(23,178)	(23,178)	(22,888)
Company										
Financial asset										
Quoted shares	7,954	-	-	7,954	-	-	-	-	7,954	7,954

27. Financial instruments (Cont'd)

27.7 Fair value informations (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016										
Group										
Financial asset										
Quoted shares	5,024	-	-	5,024	-	-	-	-	5,024	5,024
Financial liabilities										
Term loans – variable rate	-	-	-	-	-	-	(11,665)	(11,665)	(11,665)	(11,665)
Finance lease liabilities	-	-	-	-	-	-	(11,549)	(11,549)	(11,549)	(11,189)
	-	-	-	-	-	-	(23,214)	(23,214)	(23,214)	(22,854)
Company										
Financial asset										
Quoted shares	5,024	-	-	5,024	-	-	-	-	5,024	5,024

The Company provides financial guarantees to banks for credit facilities granted to certain subsidiaries. The fair value of such guarantees is negligible as the probability of the subsidiaries defaulting on the credit lines is remote.

27. Financial instruments (Cont'd)

27.7 Fair value informations (Cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfers between fair value levels

There has been no transfer between the fair value levels during the financial year. (2016 : no transfer in either direction).

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial liabilities.

Non-derivative financial liabilities

Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The carrying amount of floating rate term loans approximate fair value as their effective interest rate changes accordingly to movements in the market interest rate.

28. Operating segment

The Group has 1 segment, as described below, which is the Group's strategic business unit. The strategic business unit offers different products and services, and is managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports on at least a quarterly basis. The following summary describes the operation of the Group's reportable segment :

- Provision of electronic manufacturing services ("EMS") and Original Equipment Manufacturer (OEM)/Original Design Manufacturer (ODM) for electronic and electrical products.

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

Performance is measured based on segment profit/(loss) before tax as included in the internal management reports that are reviewed by the Group's Chief Executive Officer, 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 that operate within these industries.

Segment assets

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

28. Operating segment (Cont'd)

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group Chief Executive Officer. Hence, no disclosure is made on segment liabilities.

	EMS and OEM/ODM for electronic and electrical products RM'000	Other non-reportable segment RM'000	Consolidated total RM'000
2017			
External revenue	1,008,241	89	1,008,330
Inter-segment revenue	-	-	-
Total revenue	1,008,241	89	1,008,330
Segment profit	21,810	239	22,049
Included in the measure of segment profit are :			
Gain on disposal of property, plant and equipment	75	-	75
Depreciation of property, plant and equipment	(26,757)	(215)	(26,972)
Amortisation of intangible assets	(243)	(279)	(522)
Depreciation of investment properties	-	(33)	(33)
Finance costs	(10,771)	(146)	(10,917)
Interest income	581	-	581
Provision for slow moving stocks	(1,475)	-	(1,475)
Impairment loss on plant and machineries	(712)	-	(712)
Gain on foreign exchange, net - unrealised	1,206	6	1,212
Segment assets	647,482	41,725	689,207
Included in the measure of segment assets are :			
Additions to property, plant and equipment	55,598	510	56,108

28. Operating segment (Cont'd)

	EMS and OEM/ODM for electronic and electrical products RM'000	Other non-reportable segment RM'000	Consolidated total RM'000
2016			
External revenue	712,243	446	712,689
Inter-segment revenue	-	-	-
Total revenue	712,243	446	712,689
Segment profit/(loss)	23,684	(2,460)	21,224
Included in the measure of segment profit/(loss) are :			
Gain on disposal of investment properties	3,233	-	3,233
(Loss)/Gain on disposal of property, plant and equipment	(8)	1,523	1,515
Property, plant and equipment written off	(180)	-	(180)
Depreciation of property, plant and equipment	(24,645)	(66)	(24,711)
Amortisation of intangible assets	(295)	-	(295)
Depreciation of investment properties	(97)	(18)	(115)
Finance costs	(10,157)	(59)	(10,216)
Interest income	688	-	688
Inventory written down	(433)	-	(433)
Gain on foreign exchange, net - unrealised	2,493	-	2,493
Segment assets	591,368	26,372	617,740
Included in the measure of segment assets are :			
Additions to property, plant and equipment	32,463	509	32,972

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Malaysia RM'000	Singapore RM'000	Europe RM'000	Thailand RM'000	Others RM'000	Consolidated RM'000
2017						
Revenue from external customers	**283,538**	**143,574**	**7,077**	**399,170**	**174,971**	**1,008,330**
Non-current assets	**126,675**	**-**	**-**	**82,159**	**-**	**208,834**
2016						
Revenue from external customers	229,338	164,855	53,671	196,506	68,319	712,689
Non-current assets	111,205	-	-	54,145	-	165,350

28. Operating segment (Cont'd)

Major customers

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

	Revenue		Segment
	2017 RM'000	2016 RM'000	
Customer A	**398,972**	195,177	EMS and OEM/ODM for electronic and electrical products
Customer B	**204,472**	195,586	
Customer C	**126,054**	164,854	

29. Capital commitments - Group

	2017 RM'000	2016 RM'000
Contracted but not provided for		
- Buildings	-	3,388
- Plant and equipment	-	4,132

30. 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 are of the opinion that the Group's banking facilities will continue to be available from its lenders and that the Group and the Company will be able to generate sufficient cash flows from operations to meet their liabilities as and when they fall due.

31. Significant event

Corporate exercises

During the financial year, the Company proposed to undertake the following corporate exercises :

(a) a renounceable rights issue of up to 67,296,172 Redeemable Convertible Preference Shares ("RCPS") at an indicative issue price of RM0.95 per RCPS on the basis of 1 RCPS for every 4 existing EG Industries Berhad Shares held on the Entitlement Date;
(b) a bonus issue of up to 67,296,172 Bonus Shares on the basis of 1 Bonus Share for every RCPS subscribed under the Proposed Rights Issue; and
(c) proposed amendments to the Memorandum and Articles of Association of the Company to facilitate the issuance of RCPS.

The above proposed corporate exercises were approved by shareholders via an Extraordinary General Meeting held on 15 June 2017.

32. Subsequent event

Subsequent to the end of the financial reporting period the Company completed the corporate exercises as stated in Noted 31 and 52,890,970 RCPS together with 52,890,970 Bonus Shares issued pursuant to the Rights Issue and Bonus Issue respectively, and 11,342,586 Additional Warrants-C issued pursuant to the Rights Adjustments were listed on 19 October 2017.

33. 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries :				
- realised	**95,865**	76,983	**(3,504)**	(2,062)
- unrealised	**(562)**	(3,680)	**-**	-
	95,303	73,303	**(3,504)**	(2,062)
Add : Consolidation adjustments	**719**	469	**-**	-
Total retained earnings/ (accumulated losses)	**96,022**	73,772	**(3,504)**	(2,062)

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

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the financial statements set out on pages 39 to 107 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2017 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 33 on page 108 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 :

Terence Tea Yeok Kian

Kang Pang Kiang

Penang,

Date : 31 October 2017

Statutory declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, **Kang Pang Kiang (IC no : 720204-07-5107)**, the Director primarily responsible for the financial management of EG Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 39 to 108 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 above named at Georgetown in the State of Penang on 31 Octorber 2017.

Kang Pang Kiang

Before me :

Commissioner for Oaths

Independent Auditors' Report

to the members of EG Industries Berhad (Company No. 222897-W) (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of EG Industries Bhd., which comprise the statement of financial position as at 30 June 2017 of the Group and of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 107.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*How our audit addressed the key audit matters*
Revenue recognition Refer to note 2(p)(i) to the financial statements The Group recorded RM1,008 million of revenue for the current financial year. Revenue of the Group comprises provision of Electronic Manufacturing Services for computer peripherals and consumer electronic/electrical products and provision as Original Equipment Manufacturer/Original Design Manufacturer in complete box built products. We have identified revenue recognition as a key audit matter as revenue recognition is a presumed fraud risk. Revenue recognition is susceptible to the higher risk that the revenue is recognised before the transfer of risk and rewards of ownership of goods to the customers.	We designed and performed the following key procedures, among others : • Assessed and tested the key controls in the revenue recognition process over the capture, authorisation, and recording of the revenue transactions. • Tested the effectiveness of controls on the processes related to revenue recognition relevant to our audit. • Performed sample testing on revenue and checked that the revenue recognition criteria are appropriately applied. • Performed cut-off tests to check whether the Group has complied with proper cut-off procedures and revenue is recognised in the appropriate accounting period.

Key Audit Matters (cont'd)

Key audit matters	*How our audit addressed the key audit matters*
Recoverability of trade receivables Refer to Note 10 – Trade and other receivables to the financial statements The trade receivables balance represented 60% of the Group's current assets as at 30 June 2017. The Group makes impairment loss on trade receivables, if necessary, based on the analysis of the aging of trade receivables, taking into consideration past payment trend of the customers. The recognition of impairment loss on trade receivables involves estimates and judgements by the Directors and there is a risk that any impairment loss, if required, may be different to those estimated. This matter has been identified as a key audit matter.	We designed and performed the following key procedures, among others : • Inquired and assessed the Group's process in identifying debts that are potentially doubtful of recovery. • Tested the reliability of the aging of trade receivables by testing the age profile of the debts to the respective invoices. • Checked the subsequent collections and past payment trend for samples of trade receivables. • Evaluated whether any impairment loss was required for trade receivables as at 30 June 2017 with reference to the age and past payment trend of trade receivables.

We have determined that there are no key audit matters in the audit of the financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries, of which we have not acted as auditors, are disclosed in note 5 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out on in Note 33 on page 108 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Independent Auditors' Report (Cont'd)

to the members of EG Industries Berhad (Company No. 222897-W) (Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm number : AF 1411
Chartered Accountants

Yeoh Aik Chuan
2239/07/18(J)
Chartered Accountant

Date : 31 October 2017

Penang

List of Properties of the Group

Location	Age of Building	Date of Last Valuation/ (Acquisition)*	Area (sq. ft.)	Existing Use	Tenure	Net Book Value As at 30/06/17 (RM)
Lot 122 304 Industrial Park Tha Tum District Srimahapho Prachinburi, Thailand	9	05/04/2011	172,223	Factory, Office Building & Warehouse	Freehold	7,490,435
H.S.(M) 17426 P.T.No. 8543 Bandar Sungai Petani Daerah Kuala Muda Kedah	24	02/04/2012	174,240	Factory, Office Building & Warehouse	Leasehold (60 years) (08/10/2049)	10,316,950
H.S.(M) 17427 P.T.No. 8544 Bandar Sungai Petani Daerah Kuala Muda Kedah	4	12/08/2013*	152,465	Factory, Office Building & Warehouse	Leasehold (60 years) (24/03/2050)	3,011,866
H.S.(M) 18565 P.T.No. Plot 35 Bandar Sungai Petani Daerah Kuala Muda Kedah	-	03/09/2014	121,968	Vacant Land	Leasehold (60 years) (12/09/2054)	638,943
1-18-1 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	4	18/12/2014	1,132	Office	Leasehold (99 years) (02/04/2095)	755,133
1-12A-16 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	3	18/12/2014	459	Office	Leasehold (99 years) (02/04/2095)	316,875
1-12A-17 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	3	18/12/2014	459	Office	Leasehold (99 years) (02/04/2095)	316,875
1-10-1 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	1	27/06/2016	1,711	Office	Leasehold (99 years) (02/04/2095)	1,164,543

List of Properties of the Group (Cont'd)

Location	Age of Building	Date of Last Valuation/ (Acquisition)*	Area (sq. ft.)	Existing Use	Tenure	Net Book Value As at 30/06/17 (RM)
1-10-2 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	1	27/06/2016	915	Office	Leasehold (99 years) (02/04/2095)	645,409
1-10-7 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	1	27/06/2016	2,164	Office	Leasehold (99 years) (02/04/2095)	1,463,863

Statistics of Shareholdings

as at 13 October 2017

PAID-UP CAPITAL	:	RM105,781,996-00
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER SHARE

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	23	0.51	678	0.00
100 – 1,000	575	12.65	502,397	0.24
1,001 – 10,000	2,183	48.03	12,730,892	6.02
10,001 – 100,000	1,539	33.86	51,242,302	24.22
100,001 – 10,578,198 (*)	224	4.93	128,215,107	60.60
10,578,199 and above (**)	1	0.02	18,872,616	8.92
TOTAL	**4,545**	**100.00**	**211,563,992**	**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	%
Terence Tea Yeok Kian	10,090,900	4.77	24,972,616[(a)]	11.80
Kang Pang Kiang	8,252,000	3.90	-	-
Ang Seng Wong	-	-	-	-
Lim Sze Yan	-	-	-	-
Lee Kean Teong	-	-	-	-

(a) 24,972,616 shares held through Jubilee Industries Holdings Ltd

SUBSTANTIAL SHAREHOLDERS

	No. of Ordinary Shares Held			
Name of Substantial Shareholders	Direct Interest	%	Indirect Interest	%
Jubilee Industries Holdings Ltd.	24,972,616	11.80	-	-
Terence Tea Yeok Kian	10,090,900	4.77	24,972,616[(a)]	11.80
Accrelist Limited (formerly known as WE Holdings Limited)	-	-	24,972,616[(a)]	11.80

(a) 24,972,616 shares held through Jubilee Industries Holdings Ltd

Statistics of Shareholdings (Cont'd)

as at 13 October 2017

30 Largest Shareholders as at 13 October 2017

NO.	NAMES	NO. OF SHARES	%
1	KENANGA NOMINEES (ASING) SDN BHD JUBILEE INDUSTRIES HOLDINGS LTD (023)	18,872,616	8.9205
2	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TERENCE TEA YEOK KIAN	10,000,000	4.7267
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	8,280,400	3.9139
4	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (6000059)	8,000,000	3.7814
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	7,555,400	3.5712
6	LEE PAK HOONG	4,793,537	2.2658
7	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JUBILEE INDUSTRIES HOLDINGS LTD	4,000,000	1.8907
8	TAN PHAIK IMM	3,973,800	1.8783
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	3,969,900	1.8765
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SHAIFUL HAMIDI BIN BASIRDIN	3,850,000	1.8198
11	GIAP SENG AUTO SUPPLY SDN. BERHAD	3,732,714	1.7643
12	JUBILEE INDUSTRIES HOLDINGS LTD	2,100,000	0.9926
13	TAN HAN CHUAN	2,000,000	0.9453
14	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF DANA ADIB	1,520,000	0.7185
15	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD FOR PACIFIC DANA AMAN (3717 TRO1)	1,465,800	0.6928
16	AMANAHRAYA TRUSTEES BERHAD PUBLIC EHSAN MIXED ASSET GROWTH FUND	1,366,900	0.6461
17	LOW SUAN KONG	1,350,000	0.6381
18	LEE TEIK HEE	1,300,000	0.6145
19	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF TACTICAL FUND	1,300,000	0.6145
20	LIM HOOI PHENG	1,295,600	0.6124
21	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING MING	1,200,000	0.5672
22	LOW SOOK MENG	1,165,100	0.5507
23	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR PACIFIC RECOVERY FUND	1,143,000	0.5403
24	TAN LENG MOOI	1,030,000	0.4869
25	MARIAM PARINEH	1,000,000	0.4727
26	LOW CHOON YEN	985,600	0.4659
27	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF DANA ALIF	950,000	0.4490
28	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EMERGING OPPORTUNITIES FUND	918,800	0.4343
29	SIM MUI KHEE	914,000	0.4320
30	AMANAHRAYA TRUSTEES BERHAD CIMB ISLAMIC EQUITY AGGRESSIVE FUND	912,800	0.4315
	TOTAL	100,945,967	47.71

Statistics of Warrant 2015/2020 Holdings

as at 13 October 2017

NO. OF WARRANTS	:	57,620,696
VOTING RIGHTS	:	ONE VOTE PER WARRANT

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	53	4.12	2,553	0.00
100 – 1,000	87	6.76	67,075	0.12
1,001 – 10,000	459	35.66	2,806,593	4.87
10,001 – 100,000	594	46.15	21,840,500	37.90
100,001 – 2,881,033 (*)	92	7.15	23,903,975	41.49
2,881,034 and above (**)	2	0.16	9,000,000	15.62
TOTAL	**1,287**	**100.00**	**57,620,696**	**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	%
Terence Tea Yeok Kian	5,000,000	8.68	-	-
Kang Pang Kiang	4,075,600	7.07	-	-
Ang Seng Wong	-	-	-	-
Lim Sze Yan	-	-	-	-
Lee Kean Teong	-	-	-	-

SUBSTANTIAL WARRANTHOLDERS

	No. Of Warrants Held			
Name of Substantial Warrants Holders	Direct Interest	%	Indirect Interest	%
Terence Tea Yeok Kian	5,000,000	8.68	-	-
Kang Pang Kiang	4,075,600	7.07	-	-

Statistics of Warrant 2015/2020 Holdings (Cont'd)

as at 13 October 2017

30 Largest Warrant 2015/2020 Holders as at 13 October 2017

NO.	NAMES	HOLDINGS	%
1	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TERENCE TEA YEOK KIAN	5,000,000	8.6774
2	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (6000059)	4,000,000	6.9420
3	SIM MUI KHEE	855,000	1.4838
4	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOH YEW PENG	750,000	1.3016
5	TOH YEW PENG	750,000	1.3016
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIAN WOON SENG (020)	711,000	1.2339
7	KHOE BOON HUAT	660,000	1.1454
8	CHIONG KIN PENG	601,000	1.0430
9	TEY YEE YEE	596,300	1.0349
10	NG KIAT SIONG	580,000	1.0066
11	TAN CHIN TIANG	557,200	0.9670
12	LOW SOOK MENG	545,550	0.9468
13	YANG KIM SOON	531,200	0.9219
14	LOW CHOON YEN	500,050	0.8678
15	LEE MEI LENG	500,000	0.8677
16	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KENG CHEW HAR	500,000	0.8677
17	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KENG CHEW HAR (SMT)	500,000	0.8677
18	CHUA CHIN CHYANG	457,000	0.7931
19	TEY YEE YEE	439,700	0.7631
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG KOK FOO (E-TCS)	400,000	0.6942
21	LOW SUAN KONG	350,000	0.6074
22	LEE BEE GEOK	343,500	0.5961
23	CHOK MOI SOON	300,000	0.5206
24	QUAH CHONG BENG	300,000	0.5206
25	LIM HUN GUAN	295,000	0.5120
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG PENG CHEONG (E-PRA)	272,000	0.4721
27	LIM SOO HOON	267,700	0.4646
28	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR TAN HAK MENG	251,500	0.4365
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD ONG CHIN CHEW	250,000	0.4339
30	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOOI LAI KIAT	250,000	0.4339
	TOTAL	22,213,700	38.73

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the TWENTY SIXTH ANNUAL GENERAL MEETING ("AGM") of the Company will be held at EG INDUSTRIES BERHAD, Lot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah on Monday, 27 November 2017 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 2017 and the Reports of the Directors and the Auditors thereon. — Resolution 1

2. To approve the payment of Directors' Fees of RM130,000.00 for the year ended 30 June 2017. — Resolution 2

3. To re-elect the following Directors retiring in accordance with Article 98(1) of the Company's Articles of Association:-
   a) Mr. Lim Sze Yan — Resolution 3
   b) Mr. Terence Tea Yeok Kian — Resolution 4

4. To re-appoint Messrs UHY as auditors and to authorise the Directors to fix their remuneration. — Resolution 5

As Special Business:-

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

5. Retention of Independent Director — Resolution 6

   "That Mr. Ang Seng Wong be hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next AGM."

6. To authorise the allotment and issuance of shares pursuant to Sections 75 and 76 of the Companies Act, 2016 — Resolution 7

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit and in the interest of the Company, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed 10% of the total number of shares issued of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

7. Proposed Renewal of Authority for the Company to purchase its own ordinary shares ("Proposed Renewal of Share Buy-Back") — Resolution 8

   "THAT subject to the provisions of the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to allocate the maximum amount of funds not exceeding the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) for the purpose of purchasing such amount of ordinary shares in the Company ("the Shares") on the stock market of Bursa Securities at any time as may be determined by the Directors of the Company provided that the aggregate number of the Shares which may be purchased and/or held by the company shall not exceed ten per centum (10%) of the total number of issued shares 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,

As Special Business:- (Cont'd)

7. 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 authorised 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 Statement, which would include the maximum funds to be allocated by the Company for the purpose and that following completion of the Share Buy-Back, the power to cancel or retain as treasury shares, any or all of the shares so purchased, resell on Bursa Malaysia Securities Berhad or distribute as dividends to the Company's shareholders or subsequently cancel, any or all of the treasury shares, with full power to assent to any condition, revaluation, modification, variation and/or amendment in any manner as may be required by any relevant authority or otherwise as they seem fit in the best interest of the Company."

8. Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed RRPT") Resolution 9

   "THAT, subject always to the provisions of the Companies Act, 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and/or any other regulatory authorities, the authority be and is hereby given for SMT Technologies Sdn Bhd to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business which are necessary for the day-to-day operations as set out in Section 2.4 of the Company's Circular to Shareholders dated 31 October 2017 ("Circular") on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders and that such authority shall continue to be in force until:-

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

   (b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

   whichever is the earlier.

   AND THAT, the Directors of the Company be and are hereby authorised to complete and do all such acts including executing any documents as may be required to give full effect to such transactions authorised by this resolution.

9. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 2016.

By Order of the Board

CHAI CHURN HWA (MAICSA 0811600)

Company Secretary

Penang

31 October 2017

NOTES :

1. Only members of the Company whose names appear in the Record of Depositors as at 17 November 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the 26th AGM of the Company or to appoint proxy(ies) to attend and vote on the member's behalf.

2. To be valid, the original signed and/or sealed Proxy Form 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 the AGM or any adjournment thereof.

3. A member of the Company is entitled to appoint not more than two (2) proxies to attend, vote and speak on such member's behalf.

4. Where a member appoints more than one (1) proxy to attend and vote at the AGM, the appointment shall be invalid unless the member specifies in the Proxy Form the proportion of the shareholdings to be represented by each proxy.

5. If the appointer is a corporation, the Proxy Form must be executed under its Common Seal or under the hand of its attorney duly authorised in writing.

6. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies it may appoint in respect of each Omnibus Account it holds.

7. Pursuant to Paragraph 8.29A(1) of the Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 26th AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-polling process and verify the results of the poll.

8. Explanatory notes on Special Business

   Resolution 6

   - To retain Mr. Ang Seng Wong as an Independent Non-Executive Director of the Company

     Mr. Ang Seng Wong is currently the Senior Independent Non-Executive Director of our Company who has served on our Board since 30 January 2009. His tenure of office as an Independent Non-Executive Director of the Company will be nine (9) years cumulatively by 30 January 2018. In applying the recommendation under the Malaysian Code of Corporate Governance 2012, the Board has assessed and with the recommendation of the Nomination Committee would strongly recommend to the members of the Company to vote in favour of the resolution for Mr. Ang Seng Wong to continue to act as an Independent Non-Executive Director.

     The Board is satisfied that Mr. Ang Seng Wong has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The length of his service does not interfere with his ability and exercise of independent judgment as Independent Director. Therefore, the Board has recommended that the approval of the shareholders be sought for him to continue to act as the Senior Independent Non-Executive Director of the Company.

   Resolution 7

   - To authorise the allotment and issuance of shares pursuant to Sections 75 and 76 of the Companies Act, 2016

     The proposed resolution is a renewal of the previous year mandate and if passed, will authorise 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 best interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next AGM.

     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.

     This general mandate for issue of shares ("the Mandate") was sought for in the preceding year and the Board did not carry out the Mandate since the AGM of the Company until the latest practicable date before the printing of this Annual Report. The Mandate will expire on 27 November 2017. A renewal of this authority is being sought at the 26th AGM.

NOTES : (Cont'd)

Resolution 8

- Proposed Renewal of Authority for the Company to purchase its own ordinary shares ("Proposed Renewal of 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 Statement to Shareholders dated 31 October 2017.

Resolution 9

- Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed RRPT")

  The proposed Resolution is in relation to the Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, if passed will give the power to the Group to transact with the parties related to the Group. Please refer to Section 2.4 of the Circular to Shareholders dated 31 October 2017.

Personal data privacy :

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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Proxy Form

EG INDUSTRIES BERHAD (222897-W)

CDS ACCOUNT NO.	
NO. OF SHARES HELD	

*I/We (full name and in block letters) ____

*NRIC No. (new) / Company No. : ______________________________ of (full address) ______________________

____

being a member of EG INDUSTRIES BERHAD, hereby appoint :

First Proxy

Full Name (in block letters)		Proportion of Shareholdings	
NRIC No.		No. of Shares	%
Address			

*and/or **Second Proxy** (as the case may be)

Full Name (in block letters)		Proportion of Shareholdings	
NRIC No.		No. of Shares	%
Address			

or failing *him/her/them, the Chairman of the meeting, as my/our proxy(ies) to vote for *me/us on *my/our behalf at the Twenty Sixth Annual General Meeting ("AGM") of the Company to be held at EG INDUSTRIES BERHAD, Lot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah on Monday, 27 November 2017 at 11:30 a.m. or at any adjournment thereof in the manner as indicated below and, if no voting instruction is given, in the manner as my proxy(ies) may think fit :

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, MR. LIM SZE YAN		
4.	Re-election of Director, MR. TERENCE TEA YEOK KIAN		
5.	Re-appointment of Auditors, UHY		
6.	To retain Mr. Ang Seng Wong as an Independent Non-Executive Director of the Company		
7.	To authorise the allotment and issuance of shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
8.	To approve the Proposed Renewal of Authority for the Company to purchase its own ordinary shares ("Proposed Renewal of Share Buy-Back")		
9.	To approve the Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed RRPT")		

*Delete if inapplicable

Dated this ______ day of ______________, 2017.

____

Signature / Common Seal of Shareholder

NOTES:

1. Only members of the Company whose names appear in the Record of Depositors as at 17 November 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the 26th AGM of the Company or to appoint proxy(ies) to attend and vote on the member's behalf.
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Personal Data Privacy :

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 October 2017.

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.
Tel : +(604) 422 9881
Fax : +(604) 422 9885
Email: eg@eg.com.my
www.eg.com.my