EG INDUSTRIES BERHAD

222897-W

Visions of Generations

Annual Report 2018

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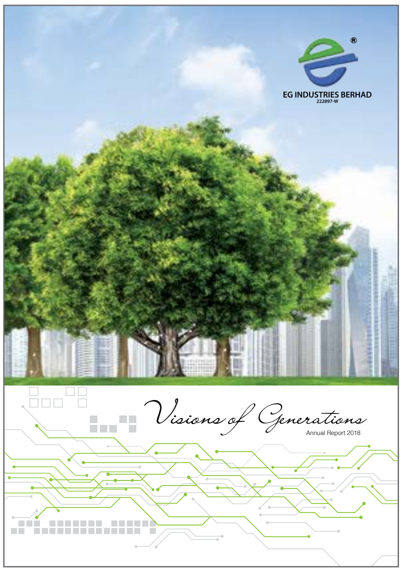

Visions of Generations

Incorporated in 1991, EG Industries Berhad expanded its business with rapid growth and became a listed company in 1992. To date, with the knowledge and experience gathered throughout decades of dedication, the Company has become one of the world's leading Electronic Manufacturing Services. The visual with a group of tree signifies the talents of EG Industries Berhad come from different generations, gathering together to form a stronger force. Additionally, the skyscrappers are symbols for the achievements attained by the Company throughout the years. Striving to improve its business on the international level as well as expanding further, EG Industries Berhad is leading towards a greater future with exceptional visions of generations.

Our Achievement For The Year

TOP 50 GLOBAL EMS PROVIDERS MMI 2017

Manufacturing Market Insider (MMI), a newsletter specializing in the Electronics Manufacturing Services (EMS) industry has released its annual "MMI Top 50 EMS Providers in 2017" in March 2018 edition. This newsletter featured the world's largest EMS providers and SMT Technologies Sdn Bhd is listed as one of the market leading EMS providers in the World. The Group achieved record high revenue of RM1.0 billion in 2017, a 33% growth in comparison to 2016. With such, it is believed that the group will continue to rise and make a greater achievement in the coming years.

ISO 9001 : 2015 ISO 14001 : 2015 ISO 13485 : 2016 OHSAS 18001 : 2007 MS 1722 : 2011

THAILAND

SMT INDUSTRIES CO., LTD
196, Moo.10, 304 Industrial Park
Thatoom Sub-district, Srimahaphot District,
Prachinburi Province, 25140 Thailand
o : 66(0)3 727 4423 f : 66(0)3 727 4425

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1-10-7, SUNTECH@Penang Cybercity,
Lintang Mayang Pasir 3,
11950 Bayan Baru, Penang, Malaysia.
o: +604 645 9882 f: 604 646 9882
w: www.eg.com.my

MALAYSIA

SMT TECHNOLOGIES SDN BHD
Plot 102 & 102A, Bakar Arang Industrial Estate,
08000 Sungai Petani, Kedah, Malaysia.
o: +604 422 9881 f: +604 422 9885
w: www.esmtt.com
f: www.facebok.com/smttechnologies

WE PROVIDE ONE-STOP VERTICAL INTEGRATION + SOLUTION

As a value added one-stop vertical integration (VI) manufacturing partner to our customers, we have extend the VI scope to VI+ with inclusion of optimize distribution and marketing solutions to distribute and market our customers' products at highest quality, lowest cost and shortest time.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Terence Tea Yeok Kian
(Group Executive Chairman)

Dato' 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, WARRANTS AND RCPS

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

Alliance Bank Malaysia Berhad
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd
Ambank Islamic Berhad
Bangkok Bank Berhad
Bank Islam Malaysia 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

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 activities and to undertake procurement, sales, marketing and distribution activities for electronics and electrical products and related components

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

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

Investment holding company listed on Main Board of Bursa Malaysia.

EG INDUSTRIES BERHAD
(222897-W)

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

To undertake Research and Development activities for electronic, electrical, telecommunication and technology products and operate a shared services outsourcing in financial and administration processes and IT services

95.50%
MASTIMBER INDUSTRIES SDN BHD
[418438-V]

Dormant

100%
EG OPERATIONS SDN BHD [1075362-W]

Dormant

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

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

GROUP FINANCIAL HIGHLIGHTS

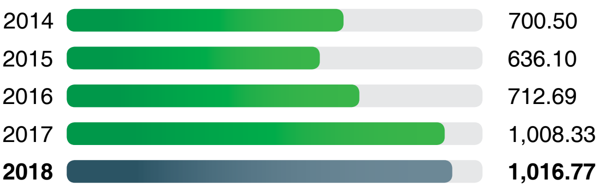
Year ended June 30	2014*	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	700.50	636.10	712.69	1,008.33	1,016.77
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	37.08	58.02	56.56	60.79	60.22
Profit Before Tax	6.12	23.63	21.22	22.35	18.94
Profit Attributable to the owners of the Company	2.03	26.48	17.03	22.25	18.48
Shareholders' Funds	123.62	144.45#	235.44	263.58	322.20
Basic earnings per ordinary share (sen)	2.71	35.39	10.57	8.42^	6.96
Net assets per ordinary share (RM)	1.65	1.87#	1.11	1.25	1.21

* 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.

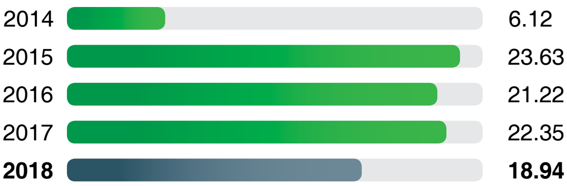
^ The basic earnings per ordinary share have been restated as per audited financial statement for the financial year ended 30 June 2018.

Revenue (RM' million)

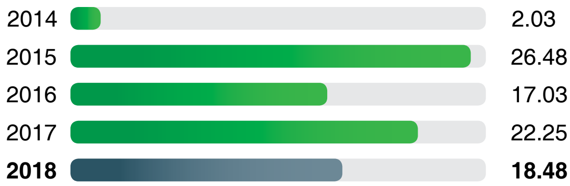


Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") (RM' million)

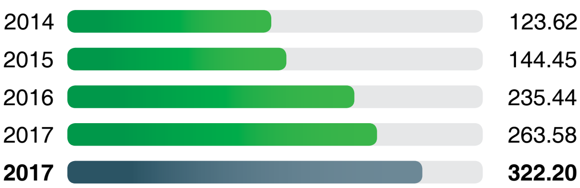
Profit Before Tax (RM' million)



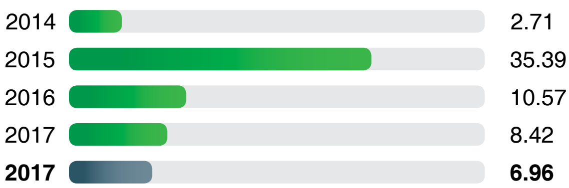
Profit Attributable to the owners of the Company (RM' million)



Shareholders' Funds (RM' million)



Basic earnings per ordinary share (sen)



MANAGEMENT DISCUSSION AND ANALYSIS

It is my privilege to present to you the annual report of EG Industries Berhad (EG) for the financial year ended 30 June 2018 (FY2018).

Growth for the Electronic Manufacturing Service (EMS) industry, particularly in Asia, was hindered by longer lead times for numerous components, such as capacitors, resistors and memory. The global shortage of multi-layer ceramic capacitors resulted in prices of MLCC increasing by 35-45%*, which played the biggest role in the slowdown of the EMS sector. Nonetheless, under the agile and solid management team, I am pleased to report that we persevered despite challenging economic conditions and managed to achieve topline growth in the year under review.

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, information and communications technology (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.

The investment holding company has five wholly-owned subsidiaries (excluding dormant companies), namely SMT Technologies Sdn Bhd (SMTT), SMT Industries Co. Ltd. (Thailand) (SMTI), EG Electronic Sdn Bhd (EESB), EG R&D Sdn Bhd (ERSB) and EG Global Sdn Bhd (EGSB).

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.

These two main subsidiaries are supported by the other three. EESB is an original equipment manufacturer/ original design manufacturer in complete box-build products. ERSB undertakes research and development activities for the electronic, electrical, telecommunication and other technological products. EBSB carries out procurement, sales, marketing and distribution activities for E&E products and related components.

Share Performance (1 July 2017 to 30 June 2018)

Year High	RM0.86
Year Low	RM0.47
Year Close	RM0.47
Trading Volume	189.2 million shares
Market Capitalization	RM126.0 million

* Source: https://www.sourcetoday.com/supply-chain/expect-near-term-mlcc-shortages-higher-prices

FINANCIAL REVIEW

In spite of the technology sector slowing down due to macroeconomic factors, the Group still recorded more than RM1 billion in revenue for the second consecutive year. This was achieved on the back of higher sales from existing consumer electronics products.

The year under review was fraught with various external challenges that had an impact on overall operations and financial performance, including longer material lead-time, a change of a new complex product model with smaller components, and increased freight inward costs. On top of that, we incurred higher depreciation costs arising from enlarged machinery base, and a one-off corporate exercise expense for the issuance of a 1-for-4 renounceable rights issue of redeemable convertible preference shares (RCPS).

Consequently, these factors hampered the Group's financial performance for the year under review. The Group's FY2018 gross profit fell 19.3% to RM47.5 million from RM58.8 million a year ago, while the Group also noted 15.6% lower profit before tax of RM18.9 million from RM22.4 million previously, and 17.0% weaker net profit of RM18.5 million from RM22.3 million in the previous corresponding year. Still, the Group is sure of our stature and prospects in the EMS sector, in light of our track record, customer-centric approach, and innovation-led management.

ASSETS, LIABILITIES AND EQUITY

The Group's total asset base decreased to RM654.7 million as at 30 June 2018 from RM689.2 million a year ago. This is mainly due to lower property, plant and equipment to RM167.2 million on the back of higher depreciation from the Group's larger asset base, as well as reduced trade and other receivables to RM242.4 million on efficient payment collection.

Cash and cash equivalents and fixed deposits with licensed banks rose significantly to RM59.9 million in FY2018 from RM33.5 million in the previous financial year ended 30 June 2017 (FY2017) on unutilised funds from the RCPS issued in October 2017.

As at 30 June 2018, the Group's total liabilities dipped to RM332.9 million from RM426.4 million previously. This resulted from lower trade payables which declined to RM143.7 million from RM209.4 million a year ago due to fewer purchases corresponding with revenue. In line with the Group's prudent financial policy, we pared down total group borrowings by 14.8% to RM183.8 million from RM215.8 million previously.

Shareholders' equity increased to RM322.2 million from RM263.6 million previously on the issuance of RCPS.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

CAPITAL STRUCTURE AND CAPITAL RESOURCES

Having invested substantially in prior years, capital expenditure (CAPEX) in the year under review moderated to RM15.1 million from RM56.1 million in the previous year. The CAPEX incurred was used to purchase additional machineries and equipment to enhance operational efficiency and construction of factory.

Nonetheless, the Group remains committed to improving its operations in pursuit of becoming a formidable force and a leading EMS and vertical integration provider.

The reduction in borrowings coupled with higher cash and cash equivalents in FY2018 resulted in EG's net gearing declining to 0.38 times from 0.69 times in the preceding year. This allows the Group financial dexterity to fund future expansion towards reaching our goals.

DIVIDEND

In order to bolster EG's position as one of the leading EMS and vertical integration providers in Malaysia, the Group has adopted the practice of continuously reinvesting its earnings into its operations. For this reason, no dividend was proposed or declared in FY2018.

OPERATIONAL HIGHLIGHTS

EG is proud to be included in the prestigious list of Manufacturing Market Insider Top 50 EMS providers in 2017, being one of the only two Malaysia-based companies featured in the list. This not only signifies the excellent quality of our services and products, but also cements our competitive edge over our peers.

This achievement would not have been possible if not for the determination and teamwork of the management and staff, and I hope that this accomplishment serves as a motivating factor for all of us at EG to continue pursuing greater heights.

ANTICIPATED OR KNOWN RISKS

As a provider of EMS to worldwide brands, the Group's operations are exposed to several risks. The following are among the key potential risks and uncertainties that may adversely impact the business, financial condition and the results of the operations:

- **Exchange rate risk**
  The Group has bank borrowings denominated in foreign currencies, namely US Dollar (USD) and the Thai Baht (THB). In the event the value of USD and THB strengthens or the Malaysian Ringgit weakens, there will be an negative impact on the Group. Nevertheless, the Group has a natural hedge as the Group's EMS services are denominated in USD and THB since it is used primarily for the export market.

- **Credit risk**
  As a company that is involved in a great amount of business transactions, there is a risk that one or more of our customers defaults, thereby heightening trade receivables collection risk. With multiple clients, as a contingency measure, we conduct thorough financial background checks of our potential customers to ensure business solvency for the foreseeable future.

- **Volatile prices of raw materials**
  Other than that, possible fluctuations in price of raw materials such as [silicon and copper] may also play a part in hindering the industry's progress. To minimise the impact of this issue, the Group [actively monitors the prices of raw materials and alerts customers of such movements with a view to mitigate risk at both ends].

GROWTH STRATEGIES

Even so, our future outlook of the EMS industry remains optimistic going forward, with the constant need to develop new products to cater to the population's demand, and the ever-growing importance of EMS in line with the global drive of specialisation, productivity and efficiency.

GROWTH STRATEGIES (Cont'd)

We intend to implement the following strategies to capture the growth opportunities and cement our market position in this vastly competitive environment:

- **To increase number of box-build assembly jobs in Sungai Petani plant**
  Being a vertical integrated solutions provider, we are able to provide the full suite of services to our customers, namely design and development, tooling design and fabrication, plastic injection, surface mount technology and PCBA, as well as the final assembly. This allows us to customise products to meet customers' demands, especially with box-build assembly products.

  Our enlarged Sungai Petani plant had a utilisation rate of 70% as at 30 June 2018, providing us appropriate capacity to cater to the demand for EMS in the foreseeable future. Furthermore, our focus remains on improving our product quality through continuous research and development.

- **Expanding production capacity and enhancing automation for new factory**
  With the global demand for EMS products expected to grow to USD1.7 trillion in 2021 from USD1.4 trillion in 2016*, we want to better position ourselves to capitalize on this prospect.

  We announced in September 2018 the intention to acquire the land and factory neighbouring our existing Sungai Petani manufacturing factory for RM12.4 million to expand our production land area. Upon expected completion of land acquisition in mid-2019, this would increase the Group's factory land area by approximately 80% from 31,000 square metre (sq m) to 55,000 sq m altogether.

  Beyond the land size, EG has set in motion our goal of moving towards Industry 4.0. In this respect, the newly-acquired land and factory will be the Group's first fully automated manufacturing facility, where we will be allocating RM30 million for CAPEX in FY2019 to fund the purchase of automated machineries and equipment for the new plant.

- **Expanding production capacity and enhancing automation for new factory (Cont'd)**

  The enlarged production capacity and enhanced capabilities would substantially increase our ability to take on more jobs to sustain our growth momentum going forward. Moreover, the strategic location of the land would enable greater streamlining across our operations, hence optimising our workflow processes to enhance cost-efficiency.

- **To undertake more jobs in the automotive and medical industries**
  The rapid advancement of technology has elevated EMS to be a core service that is needed in almost every high-tech industry. This is one of the reasons we chose to enter the automotive and medical industries.

  We see that these are huge markets that have immense potential, and given our expertise in providing complete vertical integration solutions, we believe we are able to seize this opportunity to serve their vast and ever-evolving requirements.

- **Commencement of International Procurement Hub**

  To address the volatile prices of raw materials, we launched our International Procurement Hub (IPC) in December 2017. With IPC, we are able to source for raw materials at more competitive prices through larger-scale procurement activities and in turn, improve our overall bottomline indicators.

  We are optimistic that the commencement of our IPC will play a part in our long-term strategy to enjoy economies of scale and help drive the company to achieve sustainable growth going forward.

APPRECIATION

On behalf of the Board Directors, we would like to thank our dedicated management team and staff whom contributed tirelessly to the betterment of the company. Your hard work and commitment have enabled us to weather the storm amid unfavourable market conditions. Together, we will continue to break boundaries and grow as a team.

Dato' Terence Tea
Group Chairman

Dato' Alex Kang
Group Chief Executive Officer/Executive Director

* Source: https://www.businesswire.com/news/home/20170928005520/en/Worldwide-Electronics-Manufacturing-Services-Market-2017-Edition

DATO' TERENCE TEA YEOK KIAN

Group Executive Chairman

Age	50
Gender	Male
Nationality	Singaporean

Qualifications

- Diploma in Electronics and Electrical Engineering from Singapore Polytechnic
- Ph.D. in Business Administration (Honorary) from Honolulu University

Working Experiences & Occupations

Dato' Terence Tea Yeok Kian PBM is a successful entrepreneur and highly regarded member of the business community bringing with him a wealth of experience in the business circle. He has extensive experience in the electronics, corporate finance businesses and provides invaluable advices to the Board, giving his views on corporate matters such as mergers, acquisitions and other strategic moves.

Doubling up as the Executive Chairman and Managing Director of major shareholder Accrelist Ltd, he positioned Accrelist Ltd as a Fintech company with forays into mobile payment solutions and artificial intelligence retail technology solutions through its wholly owned subsidiary, WE9Pay Pte. Ltd., WE Crowdfunding Pte. Ltd. through medical aesthetics chain Refresh Laser Clinics, and Blockchain technology through an investment in Amazingtech Pte. Ltd.

Dato' Terence also saw potential and increased to current 65.82% of Accrelist Ltd.'s shareholdings in Jubilee Industries Holdings Ltd., a full-fledged one-stop provider of electronic components, plastic injection moulds and moulding solutions, in a move that saw Jubilee Industries Holdings Ltd. being a subsidiary of Accrelist Ltd. and the former owning a 100% stake in WE Components.

As the Group Executive Chairman of EG Industries Berhad, Dato' Terence develops the strategic direction of the Group, building new businesses with a view to taking them to greater heights. EG Industries Berhad is a group of companies which are based in Malaysia with a factory in Thailand and Sungai Petani. They are a leading EMS provider for electrical and electronic products for several industries including consumer electronics, ICT, medical, automotive and telecommunications across the region.

Working Experiences & Occupations (Cont'd)

Dato' Terence is also a member of Singapore Institute of Directors. As an active member of the community, he helms several appointments such as an honorary patron of the Singapore Productivity Association and Sembawang Citizen's Consultative Committee, a member of River Valley School Advisory Committee, and Chairman of Eng Yong Tong Tay Si Association. He 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 was also voted the TOP Entrepreneur of the Small Medium Business Association in Singapore.

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

DATO' ALEX KANG PANG KIANG

Group Chief Executive Officer/ Executive Director

Age	46
Gender	Male
Nationality	Malaysian

Qualifications

- 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 Experiences & Occupations

Dato' 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.

Dato' 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. He was also conferred a Datoship on 18 August 2018 for his achievements and societal contributions.

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

5

ANG SENG WONG

Senior Independent Non-Executive Director

Age 56

Gender Male

Nationality Malaysian

Qualification

- Master of Business Administration from Cardiff Metropolitan University
- Bachelor of Arts and Bachelor of Business from Chisholm Institute of Technology

Working Experiences & Occupations

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 Committees

Chairman of Audit Committee
Chairman of Nomination Committee
Member of Remuneration 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

5

DIRECTORS' PROFILE (Cont'd)

LIM SZE YAN

Independent Non-Executive Director

Age 41

Gender Male

Nationality Malaysian

Qualifications

- 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 Experiences & Occupations

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 Committees

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

5

LEE KEAN TEONG

Independent Non-Executive Director

Age	60
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 Experiences & Occupations

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 Committees

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

Age	53
Gender	Male
Nationality	Malaysian

Qualification

- Master's Degree in Engineering (University of South Australia, Australia)

Working Experiences & Occupations

Mr. Mogan is responsible for EG Group's Quality Management, Research & Development and Strategic Planning.

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.

Other Board Committee

Chairman of the Group's Risk Management Committee.

CHLOE LIM CHIEW HWA

Chief Admin Officer

Age	59
Gender	Female
Nationality	Malaysian

Qualification

- Master of Science in Chemistry (Indian Institute of Technology, Kanpur, India)

Working Experience & Occupation

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.

Other Board Committee

Nil

CHERYL NG SZE MUN

Group Chief Financial Officer

Age	32
Gender	Female
Nationality	Malaysian

Qualification

- Bachelor of Accounting degree from the University of Deakin, Australia (2008)
- Member of The Association of Chartered Certified Accountants (ACCA), United Kingdom
- Fellow and member of Malaysia Institute of Accountants (MIA)

Working Experiences & Occupations

Ms. Cheryl Ng joined the Group in 2014 as Finance Manager and was appointed as the Group Chief Financial Officer in July 2016.

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.

Other Board Committees

Nil

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 KEY MANAGEMENT PROFILE (Cont'd)

LOW JOO HIANG

Production Director

Age 49
Gender Male
Nationality Malaysian

Qualification

- Diploma in Electronic Engineering Federal Institute of Technology, Kuala Lumpur

Working Experiences & Occupations

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 is currently responsible for overall manufacturing operation, production planning and logistic.

Other Board Committee

Nil

TAI CHEE SEONG

New Product Introduction (NPI) Director

Age 53
Gender Male
Nationality Malaysian

Qualification

- Master of Business Administration (Heriot-Watt University, Edinburgh)

Working Experiences & Occupations

Mr. Tai Chee Seong joined EG Group in 2008 as Process Engineering Manager and was appointed as the New Product Introduction (NPI) Director in September 2018.

Mr. Tai started his career in electronics industry since 1990. He gained his experience and knowledge in electronics industry in various western, japanese and local firms before joining the Group.

He is currently taking lead of the group NPI function, Product Process Analysis and also Wire Harness Manufacturing.

Other Board Committee

Nil

JOHNNY KHONG HONG WAI

Business Development (BD) Director

Age 52
Gender Male
Nationality Malaysian

Qualification

- Bachelor of Electronics & Electrical degree (University College Dublin, Republic of Ireland)

Working Experiences & Occupations

Mr. Johnny Khong joined EG Group in 2013 as BD Senior Manager and was appointed as the BD Director in July 2018.

Mr. Johnny started his career in the electronics components manufacturing in 1993 and gained his electronics distribution experience while working in the World's Top 3 Components Distribution Company before joining the Group. He is currently overseeing the operations of the Group Business Development Department, leading the team to meet Company's goals and to enhance the Company's performance.

Other Board Committee

Nil

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 SUSTAINABILITY STATEMENT

EG Industries Berhad and its group of companies ("the Group" or "EG") carry on the business of provision of electronic manufacturing services for computer peripherals and consumer electronic/electrical and automotive industrial products, original equipment manufacturer/original design manufacturer in complete box built products and also research and development activities for electronic, electrical, telecommunication and technology products and operate a shared services outsourcing centre rendering Business Process Outsourcing (BPO) in financial and administration processes and IT service.

The Board of Directors ("Board") of EG is mindful of the need to develop businesses in a sustainable and responsible manner and endeavour to strike a balance between business profitability performance to create values for its shareholders and its responsibility towards environment and social obligations.

This Sustainability Statement, which is prepared in accordance with Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad, sets out the Group's long term growth strategy that incorporates sustainable development and management of economic, environmental and social risks and opportunities, taking into consideration the salient concerns of the Group's key stakeholders.

GOVERNANCE STRUCTURE

The Group has been considering the sustainability aspect of the operation as one of the Group's priorities and key factors in achieving long-term success. The Board is satisfied that an adequate risk management and internal control framework is in place to identify, assess and manage the sustainability risks by The Risk Management Committee ("RMC"). The RMC reports directly to the Board on risk management and sustainability matters faced by the Group, is supported by a working group comprising the Group Chief Executive Officer and other key Management staff. The Board is responsible to provide oversight and review to the Group's sustainability performance and reporting.

KEY SUSTAINABILITY AREAS

1. ECONOMIC

As a public listed company, EG committed to its shareholders to maintain a sustainable business performance and growing their financial interests. In term of financial performance, the Group has recorded over RM1 billion revenue in current financial year and consistently achieved profits over the past five financial years despite the challenging global competitions for Electronic Manufacturing Services market. Through maintaining strong growth in businesses, the Group is responsible for safeguarding the employment opportunities for Malaysian and providing long-term benefits to its stakeholders.

LOCAL EMPLOYMENT AND OPERATIONS

As a responsible business entity, EG not only focuses on the business performance but also strives to fulfil its corporate social responsibility to the local communities, especially the community at the Group's significant location of operation. EG helps to develop the local community through creating local employment opportunities and generating substantial economic activities from large scale of manufacturing activities by purchasing from the local suppliers.

The Group strived to develop the skills of the local labour force and employed majority local workers surrounding the factory location. Besides, the Group offer its employees with various performance incentives, employee awards and training programme in order to cultivate more talent within the Group to sustain the future growth.

The Innovation award competition is held every year which open to all level of employees aimed to encourage employee to think creatively and "innovate" to improve the conventional day to day operations in their workplace and solve the current challenges faced by the Group. Cash rewards will be given to Top 10 selected innovators.


Innovation Awards 2018

Performance Incentive Management Program ("PIM") was launched in 2015 to promote employee-led innovation, which further drives innovative culture in EG. In this program, all employees are given an opportunity to present their ideas or proposal to the panelist during interview session. Innovative ideas which help to enhance operation efficiency and promote cost reduction will be rewarded with cash incentives through the PIM Program.

PIM Awards 2018

On 18th July 2018, EG celebrated the 4th EG I SMTT **Transformation Day "The Love Resolution"** with a total participation of more than 1,500 employees. In conjunction with the celebration, Long Service Award was presented to 143 employees, who have worked for more than 10 years in the company. This is to celebrate the milestones of their continuous service and honoring their loyalty and contribution to the company.

SUPPLIER RELATIONS

EG values the partnership with the supplier for long term mutual growth. To assure of the quality of raw materials supplied and ethical procurement practices, the Group established a supplier audit system to evaluate, assess and rate suppliers. In addition, the Group has established a quality management system which all issues with supplier can be addressed in timely and systematic manner.

CUSTOMER RELATIONS

EG recognises the importance of maintaining strong customer relationship as it affected the Group's ability to obtain competitive trade terms and business. The Group establishes customer feedback system to measure customers' satisfaction in term of quality, service, delivery, pricing and value in order to enhance our overall customer relations and continuous improvement on customer experience for sustainability growth of businesses.

INVESTOR RELATIONS

EG conducts business and disseminates information in a transparent manner in order to build trust and confidence. The Group's corporate website www.eg.com.my provides information on the Group including announcements, quarterly financial results and important corporate events with the objective to foster and maintain a good relationship and provide timely information to various stakeholders of the Group.

In addition, Annual General Meeting is held every year to provide a platform for the shareholders to engage directly with the Board and the key management staffs.

2. ENVIRONMENT

ENVIRONMENTAL COMPLIANCE

EG recognises the importance of protecting the environment and thus strives to comply with all relevant environmental, legal and other legislative requirements in meeting the customer's expectation and satisfaction.

The Group has obtained accreditation of ISO 14001:2015 which is the foundation for the Group Environmental Management System which aims to monitor, control and improve overall environmental performance throughout operations and supply chain. As electronics 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 responsible disposal of waste water.

WASTE MANAGEMENT

The Group has a comprehensive waste management system. Industrial wastes are handled in a systematic manner where 3R (reduce, reuse and recycle) is in use. The Group is engaging Department of Environment (DOE) Malaysia approved waste contractors to handle the scheduled wastes in its factories.

3. SOCIAL

The Board acknowledges, whilst pursuing corporate growth in enhancing shareholder value that a sustainable business is one which enriches its employees, the surrounding community and is environmentally friendly.

WORKPLACE

EG recognises the importance of maintaining high standard for the occupational health and safety of its employees, suppliers and visitors so as to reduce work-related injury and diseases. Health risk protocols are carried out for new recruits, suppliers and visitors entering our premises. The Group's employee's safety is protected by constant monitoring of the workplace, ensuring that safety standards at the machines and plants are implemented, organising training programmes and encouraging awareness such as fire drills.

The Group has established a systematic approach through accreditation of OHSAS18001:2007 (Occupational Health and Safety Management System since April 2010) and MS 1722: Part 1 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.

The Group business principle is to respect human rights in workplace and across its supply chain. Respect for human rights underpins the Code covers non-employment of child labour, forced labour, non-discriminatory practice in recruitment process, all employees are treated with dignity and health and safety at workplace. In fact, the Group is adopting International Labour Organisation (ILO) Standards and EICC as well as requiring its suppliers and business partners to comply with the standards.

TRAINING AND DEVELOPMENT

The Group believes that the sustainability of the Group is highly dependent on the quality and talent of our people. Therefore, the Group put significant attention into creating a workplace that improves the performance of its people. The Group believe that learning is a crucial foundation of our corporate culture in order to inspire value creation. As an organisation that expands through consistent learning and adaptation, the Group designs various career development programmes to encourage our employees grow together within the Group.

Continuous professional education and training, conducted internally or by attendance externally, are part of career development plan for employees. These talent development plans are aimed at equipping employees with technical skills and knowledge in relation to projects and tasks so that these could be executed to meet customers' needs and expectation as well as embedding soft skills for the creation of a new generation of leaders in the Group. This serves as a part of self-enrichment to our people as well as to keep our business sustainable.

In year 2018, the Group has implemented the IATF 16949 Standard to enable the manufacturing and expansion of business in the Automotive industry. Many trainings have been conducted for the employees to equip them with technical skills and knowledge in Automotive products.

The Group also launched a SMTT Team Based Approach Continue Improvement Program ("STACIP") which is an in house training programme that aims to train employee on the importance of maintaining quality mind-set at all time and to develop continuous improvement for excellent manufacturing quality performance.

STACIP Closing Dinner 2017

STACIP Closing & Appreciation Awards Giving 2017

MOVING FORWARD

The Group will continue enhance its sustainable framework and strategy to further improve the sustainability activities. Meanwhile, the Group shall concurrently review current measures, resources and structure of the organization that generate returns for shareholders while balancing the interests of other stakeholders.

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

GIVING BACK TO LOCAL COMMUNITIES

As a responsible corporate citizen, EG strives to contribute to the society by providing assistance to the needy segments within the communities which is beyond its responsibilities towards business and operations.

Every year, the Group has dedicated significant time, effort and monetary contribution to enrich our communities' sustainability. During the financial year, several events were organised:

Jamboree Bedong – 15th October 2017

EG is one of the main sponsors of the cycling activity named Mini Jamboree Bedong organised by the local school, SJK(C) Sin Kuo Min. The objective of the Mini Jamboree Bedong is to encourage more people to join sports activities and to promote health conscious societies.

Flood Donation – 4th December 2017

On 5 November 2017, a total of 1,025 victims involving 316 families were evacuated to temporary relief centers due to flash floods happened in Kedah. EG has contributed foods and necessities to the flood victims to ease the burden of their daily needs.

Blood Donation – 15th May 2018

A blood Donation Campaign was conducted in EG's premise in collaboration with Hospital Sultan Abdul Halim. This year, a total of 340 employees from the Group participated in this Campaign to save thousand lives.

Kiwanis Chartering Ceremony – 28th July 2018

The Kiwanis Club of Penang Central (also known as Kelab Kiwanis Pulau Pinang Sentral) has held its Chartering Ceremony and Installation of Board of Directors at the Equatorial Hotel on 28th July 2018. As the Gold Sponsor of the event, EG has donated a total of RM3,000.00 to the Club, which aims to serve the general community with focus on special needs of children and youth. This is part of the Group social initiatives to spread love, joy and help more children in the world.

"Sayangi Bandar Kita Sungai Petani" – 10th October 2018

The Group had collaborated with the local council, Majlis Perbandaran Sungai Petani Kedah to uplift and repaint a tunnel located at the Bakar Arang Industry Zone. The Group had sponsored to install a "Sayangi Bandar Kita Sungai Petani" signage at the tunnel to increase local community awareness to create a clean environment.

The Group also encourage its employees to get involved in volunteering activities to make a positive contribution to the local communities.

CORPORATE GOVERNANCE OVERVIEW 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 2017 ("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 detailed application of the Company's corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance (MCCG) is set out in the Corporate Governance Report that is available on the Company's website, www.eg.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

PART 1 – BOARD RESPONSIBILITIES

1.1 Strategic Aims, Values and Standards

The Board is committed to promoting good business conduct and maintaining an ethical corporate culture that engenders integrity, transparency and fairness.

The Board takes cognisance that good corporate governance is not simply about codes or rules as it involves strong leadership, a positive culture, robust systems and risk management. These all encourage and reinforce behaviours that ensure Company acts to protect the interests of the Company and its stakeholders.

While the recommended best practices of the Malaysian Code on Corporate Governance ("MCCG"), if applied, should achieve the relevant intended outcomes, what does seem indisputable is that there is no one-size-fits-all approach given that not all best practices will be apposite for all businesses or companies.

In achieving the relevant intended outcomes, the Board in its best endeavour, adopts appropriate, practical and effective governance standards and practices and policies, considering and balancing the expectations and interests of various stakeholders as part of the Board's overall responsibilities to ensure the best interests of the Company are served. In this regard, the Board strategize the Company's objectives and practices. In addition, the Company also promoted its Business Code of Conducts.

1.2 Chairman

There is a clear separation of duties and responsibilities of the Group Executive Chairman and the Group Chief Executive Officer to ensure a balance of power and authority so that no one individual has unfettered powers of decision making. The difference in the roles of the Group Executive Chairman and the Group Chief Executive Officer provides a clear segregation of responsibility and accountability.

1.3 Separation of the Positions of Chairman and Chief Executive Officer

There is a clear separation of duties and responsibilities of the Group Executive Chairman and the Group Chief Executive Officer. 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 objectives.

1.4 The Company Secretary

The Board is supported by a suitable qualified and competent Company Secretary. The Company Secretary plays an advisory role to the Board in relation to the Company's Constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its functions.

The roles and the responsibilities of the Company Secretary are as follows:

a) Attend and ensure that all meetings are properly convened and the proceedings of all meetings including pertinent issues, substance of inquiries and responses , suggestions and proposals are duly recorded and minuted;
b) Provides support to the Chairman to ensure the effective functioning of the Board and assists the Chairman in preparation of conduct of meetings;

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART 1 – BOARD RESPONSIBILITIES (Cont'd)

1.4 The Company Secretary (Cont'd)

The roles and the responsibilities of the Company Secretary are as follows: (Cont'd)

c) Update and advise the Board on Board procedures and ensure that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and all matters associated with the maintenance of the Board or otherwise required for its efficient operation;
d) Ensure proper upkeep of statutory registers and records of the Company; and
e) Advise the Board on compliance of statutory and regulatory requirements.

1.5 Conduct of Meetings

The Board met five (5) times during the financial year under review to approve, amongst others, the quarterly and annual financial results, business strategies and business plans, to review business performance of the company and to ensure that the proper internal control systems are in place. Board and Board Committees meeting papers accompanying notes and explanations for agenda items were sent to the Directors at least 7 days before the meeting. Time is allocated for Directors to raise other matters not covered by the formal agenda.

The summary of attendance of the Directors in office at the Board Meetings held during the financial year ended 30 June 2018 was as follows:

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

2. Demarcation of Responsibilities

2.1 Board Charter

The Board had on 29 May 2014 formalized a Board Charter ("Charter") to document these roles and responsibilities to ensure accountability of the Board. The Board is guided by the Charter, which provides a reference for Directors in relation to the Board's role, powers, duties and functions. The Charter also serves as a reference point for the Board's activities where the Board has established clear functions reserved for the Board and those delegated to the Management. The Charter provides guidance for Directors and Management on the responsibilities of the Board, its Committees and requirements of Directors.

The Charter is subject to periodical review by the Board as and when required to ensure consistency with the Board's strategic intent as well as in line with the latest statutory and regulatory requirements.

Salient terms of the Charter are made available at the Company's website at www.eg.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART 1 – BOARD RESPONSIBILITIES (Cont'd)

3. Promoting Good Business Conduct and Corporate Culture

3.1 Code of Conduct

The Board commits towards establishing a corporate culture to nurture a high standard of ethical conduct throughout the Group and to promote ethical corporate environment in the country.

The Code of Conduct sets out basic principles and guidelines to all Directors, management and employees of EG and its subsidiary companies ("the Group").

The Code of Conduct of EG Directors, adopted by the Board on May 2018 is guided by the framework issued by the Companies Commission of Malaysia. It covers implementation of internal systems and processes for matters regarding compliance with statutory and listing obligations by the Company. The Code of Conduct of EG Directors is available on the Company's website at www.eg.com.my.

3.2 Whistleblowing Policy

The Board has formalized and adopted the Whistleblowing Policy since 29 May 2014. The Whistleblowing Policy is available at the Company's website at www.eg.com.my.

The Whistleblowing Policy serves as an essential part of the Group's internal control system setting out a framework for all employees and stakeholders of the Group to report any concern about any malpractice within the Group. It also helps to nurture a good organizational culture within the Group and develop a culture of openness, transparency, accountability and integrity, which ultimately formulates standards of corporate behavior creating an ethical corporate climate.

Confidentiality of all matters raised and the identity of the whistleblower are protected under this policy.

PART 2 – BOARD COMPOSITION

4. Board's Objectivity

4.1 Board Composition

The Board consisted of 5 members, comprising the Group Executive Chairman, Group Chief Executive Officer and 3 Independent Non-Executive Directors. Mr. Ang Seng Wong is the Senior Independent Director and act as the point of contact for shareholders and other stakeholders.

The Independent Non-Executive Directors of the Company are independent of management and free from any business relationship which could materially interfere with the exercise of their judgment. They provide guidance, unbiased, fully balanced and independent views, advice and judgment to may aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that the highest standards of conduct and integrity were maintained by the Group.

All members of the Board have extensive professional background as stated in the respective Profiles of Directors of the Annual Report 2018. The Board composition and size have been assessed by the Board through the Nomination Committee. There was no change in the Board's composition during the financial year under review. The Independent Non-Executive Directors make up more than half of the Board membership.

4.2 Tenure of Independent Director

The Board is mindful of the recommendation of the code where the tenure of an Independent Director should not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART 2 – BOARD COMPOSITION (Cont'd)

4. Board's Objectivity (Cont'd)

4.2 Tenure of Independent Director (Cont'd)

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 ten (10) years cumulatively by 30 January 2019. 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.

The Board continues to believe that tenure should not form part of the assessment criteria. It is of the view that the fiduciary duties of Directors are the primary concern of all Directors, regardless of their status. The Board firmly believes that the ability of a Director to serve effectively is dependent of his/her calibre, qualification, experience and personal qualities, particularly his/her integrity and objectivity. It also believes there are significant advantages to be gained from long-serving Directors who possess insight and knowledge of the Company's business and affairs in view of the continuous challenges faced by the Company.

The Board on basis of the above, intends to retain Mr. Ang Seng Wong who has served the Board as Independent Non-Executive Director for 10 years cumulatively by 30 January 2019, without re-designation, in the best interest of the company and subject to an annual shareholders' approval at the forthcoming 27th AGM, on which the relevant motion will be put to vote under the normal practice where an ordinary resolution shall be passed.

4.3 Diversity of Board and Senior Management

The Board strive for an effective and balanced Board and acknowledges the importance of Board diversity, including gender, ethnicity, background, tenure, age, nationality and professional experience, which establish the context for decisions being made objectively.

The Board ensures the senior management is of sufficient calibre to implement corporate strategies and objectives, taking into account the legitimate needs and promote sustainability and safeguard interest of stakeholders.

4.4 Gender Diversity

The Board is of the view that gender is not the only criterion when considering and determining the suitability of Board candidates. The Board does not have a policy on Boardroom gender diversity as the Board believes in providing equal opportunities to all genders based on merit and selecting the best or suitable candidate. The Board's consideration of a candidate's identity diversity shall coincide with the skills and experiences desirable and required to attain the Company's strategic objectives and goals.

4.5 Board Appointment

The Board is responsible for the appointment of new candidates to the Board or Board Committees upon the recommendation of the Nomination Committee.

The Nomination Committee is mainly responsible to conduct review on the composition of the Board and to recommend suitable candidates for new appointment to the Board or Board Committees, among others.

The Nomination Committee will evaluate nominations, if any, of Board and Board Committees' members. Criteria to be used in the selection process shall take into consideration the current and future needs of the Company, the candidate's capabilities, professionalism, integrity, expertise and experience, as well as the required right mix of skills, experience and knowledge of the Board.

During the financial year under review, there was no appointment of new member to the Board or Board Committees.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART 2 – BOARD COMPOSITION (Cont'd)

4. Board's Objectivity (Cont'd)

4.6 Nomination Committee (NC)

The Nomination Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the Committee are:

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

During the financial year ended 30 June 2018, the Nomination Committee met one (1) time and the attendance of each member is as follows:

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

The Nomination Committee assesses the effectiveness of the Board as a whole and the contribution of each individual director including the Independent Non-Executive Directors ("INED"). All assessments and evaluations carried out by the Nomination Committee in discharging its functions have been documented.

The performances of the Board as a whole as well as the Board Committees are assessed annually via an assessment's questionnaires which are guided by the Corporate Governance Guide issued by Bursa Malaysia.

During the financial year under review, the Nomination Committee conducted the evaluation of the performance of the Board based on the evaluation criteria as described above. After the appraisal, the Nomination Committee reported the results of all evaluation to the Board for review and deliberation. The findings of the assessment which was carried out on 30 August 2018 confirmed that the Board have discharged their duties and responsibilities effectively for financial year 2018.

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

5. Overall Effectiveness of the Board and its Individual Directors

5.1 Annual Evaluation

The Nomination Committee assesses the effectiveness of the Board as a whole and the contribution of each individual director including the Independent Non-Executive Directors (INED). All assessments and evaluations carried out by the Nomination Committee in discharging its functions have been documented.

The performances of the Board as a whole as well as the Board Committees are assessed annually via an assessment's questionnaires which are guided by the Corporate Governance Guide issued by Bursa Malaysia.

During the financial year under review, the NC conducted the evaluation of the performance of the Board based on the evaluation criteria as described above. After the appraisal, the NC reported the results of all evaluation to the Board for review and deliberation. The findings of the assessment which was carried out on 30 August 2018 confirmed that the Board have discharged their duties and responsibilities effectively for financial year 2018.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART 2 – BOARD COMPOSITION (Cont'd)

5. Overall Effectiveness of the Board and its Individual Directors (Cont'd)

5.1 Annual Evaluation (Cont'd)

Directors' Continuing Education

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.

Name of Directors	Type of Training	No. of hours attended
Dato' Terence Tea Yeok Kian	CSR - Organisational Development for Paradigm Change	8
Dato' Kang Pang Kiang	CSR - Organisational Development for Paradigm Change	8
Mr. Ang Seng Wong	CSR - Organisational Development for Paradigm Change	8
Mr. Lim Sze Yan	CSR - Organisational Development for Paradigm Change	8
Mr. Lee Kean Teong	CSR - Organisational Development for Paradigm Change	8

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.

PART 3 – REMUNERATION

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The Board does not have any formal remuneration policy. The remuneration package of each Executive Director is structured so as to link rewards to corporate and individual performance.

During the financial year 2018, the Remuneration Committee had performed its duty to assess annually the remuneration package of its Executive Directors and proposed the remuneration of Executive Directors to the Board for consideration. In the case of Executive Directors, the remuneration comprises salary and allowances and bonus. The Independent Directors are paid only Directors' Fees.

6.2 Remuneration Committee

The Remuneration Committee comprises the following members consisting of all Independent Non-Executive Directors. The members of the Remuneration Committee are:

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

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART 3 – REMUNERATION (Cont'd)

6. Level and Composition of Remuneration (Cont'd)

6.2 Remuneration Committee (Cont'd)

During the financial year ended 30 June 2018, the Remuneration Committee met one (1) time and the attendance of each member is as follows:

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

The Remuneration Committee is primarily responsible for recommending the policy and framework of Directors's remuneration, including the terms and remuneration of the Executive Directors, to the Board in order to align with the business strategy and long term objectives of the Company. The remuneration of the Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to govern the Group effectively. The remuneration of Executive Directors is structured to link rewards to corporate and individual performance.

7. Remuneration of Directors

7.1 Details of Directors' Remuneration

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 2018 are as follows:

Category	Fees (RM)	Salaries and Other Emoluments (RM)	Total (RM)
Company			
Executive Directors			
Dato' Terence Tea Yeok Kian	5,000	540,272	545,272
Dato' Kang Pang Kiang	5,000	377,196	382,196
Non Executive Directors			
Ang Seng Wong	48,000	Nil	48,000
Lim Sze Yan	36,000	Nil	36,000
Lee Kean Teong	36,000	Nil	36,000
Total	**130,000**	**917,468**	**1,047,468**

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART 3 – REMUNERATION (Cont'd)

7. Remuneration of Directors (Cont'd)

7.1 Details of Directors' Remuneration (Cont'd)

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 2018 are as follows: (Cont'd)

Category	Fees (RM)	Salaries and Other Emoluments (RM)	Total (RM)
Group			
Executive Directors			
Dato' Terence Tea Yeok Kian	5,000	540,272	545,272
Dato' Kang Pang Kiang	5,000	377,196	382,196
Non Executive Directors			
Ang Seng Wong	48,000	Nil	48,000
Lim Sze Yan	36,000	Nil	36,000
Lee Kean Teong	36,000	Nil	36,000
Total	**130,000**	**917,468**	**1,047,468**

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

PART 1 – AUDIT COMMITTEE

8. EFFECTIVE AND INDEPENDENT AUDIT COMMITTEE

8.1 The Chairman of the Audit Committee is not the Chairman of the Board

The Company complied with Practice 8.1 of the Code which stipulated that the Chairman of the Audit Committee is not the Chairman of the Board.

The Audit Committee is chaired by an Independent Non-Executive Director, Mr. Ang Seng Wong who is the Senior Independent Non-Executive Director and who is not the Chairman of the Board.

The Company complied with Practice 8.1 of the Code which stipulated that the Chairman of the AC is not the Chairman of the Board.

The Audit Committee is chaired by Mr. Ang Seng Wong who is not the Chairman of the Board.

8.2 Former Key Audit Partner

During the financial year under review, the Audit Committee has adopted an external auditors policy duly approved by the Board and provide therein, among other guidelines, a former key audit partner is required to serve a cooling-off period of at least 2 years before being appointed, in any event, as a member of the Audit Committee.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

PART 1 – AUDIT COMMITTEE (Cont'd)

8. EFFECTIVE AND INDEPENDENT AUDIT COMMITTEE

8.3 Assessment on the Suitability, Objectivity and Independence of External Auditor

The Audit Committee would review and monitor the suitability, objectivity and independence of the external auditors on an annual basis. The Audit Committee is satisfied with the result of the assessment and subsequently made the necessary recommendation to the Board.

The Audit Committee has obtained a written assurance from the external auditors confirming that they were and has been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The Audit Committee met with the external auditors four (4) times during the financial year 2018 without the presence of Management and Executive Directors in compliance with the recommendations of the Code. The Audit Committee would meet 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.

The Audit Committee is satisfied with the competence and independence of the external auditors and had recommended the re-appointment of the external auditors to the Directors at the AGM. During the Board meeting held on 30 August, the Board upon concurrence with the assessment conducted by the Audit Committee, approved the re-appointment of the external auditors, Messrs UHY for shareholders' approval at the 27th AGM.

8.4 Qualification of the Audit Committee

The Audit Committee members are financially literate and the Audit Committee's composition and performance are reviewed by the Nomination Committee and recommended to the Board for its approval.

One (1) of the members of the Audit Committee is a member of the Malaysian Institute Accountants ("MIA") thus fulfilling the requirement under Paragraph 15.09(1)(c)(i) of the Listing Requirements which required at least one (1) of the Audit Committee to be a member of the MIA.
The Audit Committee members are financially literate and the Audit Committee's composition and performance are reviewed by the Nomination Committee and recommended to the Board for its approval.

One (1) of the members of the Audit Committee is a member of the Malaysian Institute Accountants ("MIA") thus fulfilling the requirement under Paragraph 15.09(1)(c)(i) of the Listing Requirements which required at least one (1) of the Audit Committee to be a member of the MIA.

8.5 Composition of the Audit Committee

The Audit Committee comprises of 3 member, all of whom are Independent Non-Executive Directors and their performance are reviewed by the Nomination Committee annually and recommended to the Board for its approval. The members of the AC are:

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

The Company has complied with Paragraph 15.09(1)(c) of the Listing Requirements, which stipulates that "all members of the Audit Committee must be non-executive directors, with a majority of them being independent directors" and the Step-Up Practice 8.4 of the Code which recommends that the Audit Committee should comprise solely of Independent Directors.

The Audit Committee members are aware of the need to continuously develop and increase their knowledge in the area of accounting and auditing standards, given the changes and development in this area from time to time. The Audit Committee members will keep themselves abreast of relevant developments by attending relevant trainings going forward.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

PART 2 – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. Risk Management and Internal Control Framework

9.1 Establishment of Risk Management and Internal Control Framework

The Board has formally endorsed an on-going risk management and internal control framework which included the following key elements:

- 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;
- Ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- Ascertaining the extent to which the Group's assets are accounted for and safeguarded from losses;
- Appraising the reliability and usefulness of data and information generated for management; and
- Review the Risk Management Report from the Risk Management Committee.

The risk management and internal control framework is applied continuously throughout the financial year to determine, evaluate and manage significant risks of the Group. This is further assured by the implementation of an internal control and risk management system that has been integrated in the Group's operations and working culture. Therefore, any significant risks arising from factors within the Group and from changes in the business environment can be addressed on a timely basis.

The risk management and internal control system of the Group is designed to manage rather than eliminate the risk of failure in achieving the Group's corporate objectives, and the system may only provide reasonable but not absolute assurance against any material misstatement or loss.

9.2 Features of the Risk Management and Internal Control Framework

The risk management and internal control system of the Group, comprising the respective frameworks, procedures, management processes, monitoring processes described in this Report, is considered appropriate. While the Board acknowledges that the risk management and internal control system does not eliminate the possibility of collusion or deliberate circumvention of procedures by employees, human errors and/or other unforeseen circumstances that might result in poor judgement, an assurance was received from the Group Chief Executive Officer, Group Chief Financial Officer and Risk Management Officer that the risk management and internal control system of the Group is operating adequately and effectively.

The features of its risk management and internal control framework and the adequacy and effectiveness of this framework are detailed in the Statement on Risk Management and Internal Control included in the Annual Report 2018.

9.3 Risk Management Committee

This practice is not adopted by the Company. The function of Risk Management Committee is currently assumed by the Audit Committee.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

PART 2 – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (Cont'd)

10. Effective Governance, Risk Management and Internal Control Framework

10.1 Internal Audit Function

The Group Internal Audit function was outsourced to an independent professional firm, Kloo Point Risk Management Services Sdn Bhd which was appointed by the Board of Directors on 24 February 2017 who reports directly to the Audit Committee. The following summary sets out the work of the Audit committee carried out during the financial year under review in discharging its functions and duties and how the Audit committee met its responsibilities:

- The Audit Committee oversees the Internal Audit functions, for which the external firm reports directly to the Audit Committee and has direct access to the Audit Committee Chairman, and ensures the Internal Auditor will attend at the Audit Committee meetings upon invitation.
- Considered and approved the remit of the Internal Audit function ensuring it is independent of the activities they audit and perform with impartiality, proficiency and due professional care.
- Discussed, reviewed and approved the competency, adequacy of resources, audit scope, and annual planning of the Internal Audit department.
- Reviewed and examined the work performed by the Internal Audit and reports, audit findings as well as monitoring the implementation of recommendations.
- Commissioned investigations conducted by the Internal Audit department.
- Reviewed operational, financial and compliance audits, as well as fraud investigations conducted.
- Monitored the corrective actions taken on the outstanding audit issued to ensure that all key risks and control lapses have been addressed.
- Assessed the performance of the Internal Audit function for continuous improvement purposes for which is responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.

During the FY2018, the Internal Auditors attended the Audit Committee's Meeting and tabled their audit findings on Sales Order Cycle and Store Control to the Audit Committee for their notation.

The Internal Audit function is detailed in the Audit Committee Report included in the Annual Report 2018.

PART C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WIITH STAKEHOLDERS

PART 1 – COMMUNICATION WITH STAKEHOLDERS

11. Communication Between the Company and Stakeholders

11.1 Effective, Transparent and Regular Communication with its Stakeholders

In maintaining the commitment to effective communication with shareholders, the Board always ensures that the shareholders are informed of the financial performance and major corporate activities of the Company. Such information is communicated to shareholders and investors through various disclosures and announcements to Bursa Securities, including the quarterly financial results, annual reports and where appropriate, circulars and press releases.

Apart from the mandatory announcements through Bursa Securities, the Company also maintains its website at www.eg.com.my to let the shareholders and investors to access the corporate information, financial information, corporate governance matters and business activities f the group. The Company's website also serves as a forum for the shareholder and stakeholder to communicate with the Company.

The Company's Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information about the financial results and activities undertaken by the Group.

PART C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WIITH STAKEHOLDERS (Cont'd)

PART 1 – COMMUNICATION WITH STAKEHOLDERS (Cont'd)

11. Communication Between the Company and Stakeholders (Cont'd)

11.1 Effective, Transparent and Regular Communication with its Stakeholders (Cont'd)

The Company's AGM provides a useful forum for shareholders to engage directly with the Company's Directors. At each AGM, the Directors of the Company would be present to answer any questions that shareholders will ask. Ample times were given to shareholders to field questions for each agenda of the Notice of the AGM. The external auditors were also present to answer question pertaining to the audited accounts.

PART 2 – CONDUCT OF GENERAL MEETINGS

12. Shareholders are Able to Participate, Engage the Board and Senior Management

12.1 Notice of AGM

The Company's Annual Reports provided to shareholders comprises information on financial performance, business activities, corporate Governance, sustainability, risk management and internal control system, among others. Apart from complying with the listing Requirements and consistent with the MCCG, the Group also strives to enhance the contents of the Annual Report attributable to the development in governance and sustainability initiatives and practices. The Annual Report will be delivered to all shareholders of the Company, together with the notice of AGM at least 28 days before the AGM day.

12.2 Attendance at General Meetings

At each AGM, the Group Executive Chairman, Group Chief Executive Officer, Group Chief Financial Officer, Senior Management personnel together with the Head of the Board Committees would be present at the meetings to answer any questions that the shareholders may ask. They will participate in a discussion with shareholders when necessary to ensure they are given as accurate and fair representation of the Group's performance and position.

External Auditors were also requested to be present at the AGM to answer any questions on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Company and the independent audit review of the Company's financial position.

12.3 Voting

All resolutions set out in the Notice of General Meetings will be voted by poll as required under Paragraph 8.29A(1) of the Main Market Listing Requirements since 1 July 2016.

The Company had conducted poll voting for all resolutions set out in the Notice of AGM since 2017. All shareholders were briefed on the voting procedures by the independent scrutineer prior to the poll voting at the general meetings and the polling process for the resolutions will normally be conducted upon completion of deliberation of all items to be transacted at the AGM.

COMPLIANCE STATEMENT

The Board is satisfied that to the best of its knowledge, the Company has substantially complied with the principles and practices set out in the Code as well as the relevant Listing Requirements for the financial year 2018. Any practices in the Code which have not been implemented during the financial year will be reviewed by the board and implemented where possible and relevant to the Group's business.

This Statement is made in accordance with the resolution of the Board dated 19 October 2018.

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 organization 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, ISO 13485 and ISO 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 programs 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 2018. The Group Risk Management Policy formalised and adopted by the Board are available in EGIB Intranet (eDoc Con).

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 quarterly basis.

During the financial year ended 30 June 2018, the internal audit's scope covered the review of business processes on Sales Order Cycle and Store Control.

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 2018 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 19 October 2018.

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 2018

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

	Date of Meetings					
	1/8/2017	29/8/2017	31/10/2017	27/11/2017	23/2/2018	24/5/2018
Ang Seng Wong - Chairman	√	√	√	√	√	√
Lim Sze Yan	√	√	√	√	√	√
Lee Kean Teong	√	√	√	√	√	√

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 2018:

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 2018;
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 four (4) 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 recommendation 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 2018 were RM30,000.

ADDITIONAL COMPLIANCE INFORMATION

NON-AUDIT FEES

The non-audit fees paid to the external auditor during the year was RM30,000.

MATERIAL CONTRACTS

There were no material contracts subsisting at the end of financial year ended 30 June 2018 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 27 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 AND REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS")

(i) On 11 November 2015, the Company has completed the renounceable Rights Issue of 115,241,392 new ordinary shares of RM0.50 each in EG Industries Berhad ("EG") (Rights Shares) together with 57,620,696 free detachable warrants (Warrants) on the basis of three (3) Rights Shares for every two (2) existing ordinary shares of RM0.50 each held on 12 October 2015 together with one (1) Warrant for every two (2) Rights Shares subscribed at an issue price of RM0.50 per Rights Share ("Rights Issue with Warrants").

The proceeds of RM57.62 million from the Right Issue with Warrants have been fully utilised as at 30 June 2018.

(ii) On 19 October 2017, the Company has completed the Rights Issue of 52,890,970 Redeemable Convertible Preference Shares (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. ("Rights Issue of RCPS").

The details and status of the utilisation of proceeds of RM50.25 million from the Rights Issue of RCPSs are as follows:

Details	Proposed Utilisation RM'000	Actual Utilisation 30.06.18 RM'000	Intended Timeframe of Utilisation (from 19 Oct 2017)
Purchase of equipment and machinery	15,000	6,578	Within 18 months
Purchase of raw materials for box-build segment	10,000	10,000	Within 12 months
Expansion of R&D facilities	1,400	-	Within 12 months
Acquisition of intellectual property	1,000	-	Within 12 months
Repayment of bank borrowings	10,000	10,000	Within 12 months
Acquisition of new businesses or assets	10,000	-	Within 24 months
Working capital comprising general operating expenses and salaries	746	746	Within 12 months
Estimated expenses in relation to the Corporate Exercises	2,100	2,100	Within 2 months
	50,246	**29,424**	

DIRECTORS' REPORT

for the year ended 30 June 2018

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 2018.

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 financial year	18,484	(2,161)

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
Dato' Kang Pang Kiang*
Dato' Terence Tea Yeok Kian*
Lee Kean Teong

The Director who held office in the subsidiaries (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report:

Khong Hong Wai
Lim Chiew Hwa
Low Joo Hiang
Mogan A/L Karupiah
Ng Sze Mun
Ong Kah Hin

* *Director of the Company and its subsidiaries*

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 1.7.2017	Bought	Bonus Issue	(Sold)	At 30.6.2018
The Company					
Direct interests					
Dato' Terence Tea Yeok Kian					
- own	10,090,900	-	2,522,725	-	**12,613,625**
Dato' Kang Pang Kiang					
- own	8,252,000	-	2,603,300	-	**10,855,300**
Indirect interests					
Dato' Terence Tea Yeok Kian					
- own*	24,972,616	6,647,500	6,243,154	-	**37,863,270**

	Number of ordinary shares of Thai Baht ("THB") 10 each			
	At 1.7.2017	Transferred	(Sold)	At 30.6.2018
Related corporation				
SMT Industries Co., Ltd				
Direct interest				
Dato' Terence Tea Yeok Kian	1 [(a)]	-	-	**1**
Dato' Kang Pang Kiang	1 [(a)]	-	-	**1**

	Number of redeemable convertible preference shares			
	At 1.7.2017	Bought	(Sold)	At 30.6.2018
The Company				
Direct interests				
Dato' Terence Tea Yeok Kian				
- own	-	2,522,725	-	**2,522,725**
Dato' Kang Pang Kiang				
- own	-	2,603,300	-	**2,603,300**

Directors' interests in shares (Cont'd)

	Number of redeemable convertible preference shares			
	At 1.7.2017	Bought	(Sold)	At 30.6.2018
Indirect interests				
Dato' Terence Tea Yeok Kian				
- own*	-	6,243,154	-	**6,243,154**

	Number of warrants 2015/2020			
	At 1.7.2017	Bought	(Sold)	At 30.6.2018
<u>The Company</u>				
Dato' Terence Tea Yeok Kian				
- own	5,000,000	984,300	-	**5,984,300**
Dato' Kang Pang Kiang				
- own	4,075,600	802,321	-	**4,877,921**

* 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 2018 had any interest in the ordinary shares and warrants of the Company or its related corporations during the financial year.

Warrants

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

	Exercise price per ordinary share			Number of warrants outstanding	
Warrants	Before adjustment	After adjustment	Expiry date	30.6.2018	30.6.2017
Warrants 2015/2020	RM0.50	RM0.42	3.11.2020	**68,963,282**	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.

During the financial year, adjustments were made in accordance with the provisions of the Deed Poll to reflect the consequential revision in the increase in the number of Warrants and the revision in exercise price upon the implementation of the Rights Issue and Bonus Issue.

The warrant held at an adjusted exercise price of RM0.42 per ordinary shares within 5 years from the initial 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 Note 21 to 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 27 to the financial statements.

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

Issue of shares and debentures

During the financial year, the Company increased its issued and paid-up share capital by way of:

(a) Issuance of 52,890,970 new ordinary shares via bonus issue pursuant to the Rights issue and Bonus issue; and

(b) Issuance of 2,317,800 new ordinary shares at the issue price of RM0.95 each pursuant to conversion of 2,317,800 redeemable convertible preference shares ("RCPS") on the basis of 1 ordinary share for 1 RCPS held.

No debentures were issued during the financial year.

Treasury shares

During the financial year, the Company has disposed a total of 304,000 treasury shares with a total consideration received of RM232,496.

The treasury shares are being disposed in accordance with Section 127 (7)(b) of the Companies Act 2016 and further relevant details are disclosed in Note 12 to the financial statements.

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 as disclosed in Note 14 to the financial statements.

Redeemable convertible preference shares ("RCPS")

The terms of the conversion of the RCPS are disclosed in Note 13 to the financial statements.

As at the end of the financial year, the number of RCPS in issue is 50,573,170 shares.

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 RM14,000. No indemnity was given to or insurance effected for auditors of the Company.

Other statutory information

Before the financial statements of the Group and of the Company were prepared, 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 2018 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.

Subsidiaries

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

Subsequent event

Details of the event subsequent to the end of the financial reporting period are disclosed in Note 31 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 21 to the financial statements.

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

Dato' Terence Tea Yeok Kian

Dato' Kang Pang Kiang

Penang

19 October 2018

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	**167,206**	184,464	**-**	-
Investment properties	4	**3,770**	3,197	**-**	-
Investments in subsidiaries	5	**-**	-	**143,666**	78,185
Other investments	6	**6,738**	7,954	**6,738**	7,954
Intangible assets	7	**20,049**	21,173	**72**	-
Deferred tax assets	8	**1,493**	772	**-**	-
Total non-current assets		**199,256**	217,560	**150,476**	86,139
Inventories	9	**151,869**	130,082	**-**	-
Trade and other receivables	10	**242,397**	307,400	**81,255**	70,320
Current tax assets		**1,279**	705	**-**	-
Fixed deposits with licensed banks	11	**18,822**	15,481	**6,135**	6,069
Cash and bank balances		**41,139**	17,979	**259**	655
Total current assets		**455,506**	471,647	**87,649**	77,044
Total assets		**654,762**	689,207	**238,125**	163,183
Equity					
Share capital	12	**102,080**	104,086	**102,080**	104,086
Treasury shares	12	**-**	(137)	**-**	(137)
Redeemable convertible preference shares - Equity component	13	**42,118**	-	**42,118**	-
Reserves	14	**178,005**	159,627	**49,698**	48,644
Total equity attributable to owners of the Company		**322,203**	263,576	**193,896**	152,593
Non-controlling interests		**(361)**	(762)	**-**	-
Total equity		**321,842**	262,814	**193,896**	152,593

STATEMENTS OF FINANCIAL POSITION (Cont'd)

as at 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Liabilities					
Loans and borrowings	15	**9,370**	14,193	**-**	-
Redeemable convertible preference shares - Liability component	13	**4,025**	-	**4,025**	-
Provision for retirement benefits	16	**431**	322	**-**	-
Deferred tax liabilities	8	**121**	121	**-**	-
Total non-current liabilities		**13,947**	14,636	**4,025**	-
Loans and borrowings	15	**174,480**	201,600	**-**	-
Trade and other payables	17	**143,690**	209,357	**40,204**	10,590
Provision	18	**800**	800	**-**	-
Current tax liabilities		**3**	-	**-**	-
Total current liabilities		**318,973**	411,757	**40,204**	10,590
Total liabilities		**332,920**	426,393	**44,229**	10,590
Total equity and liabilities		**654,762**	689,207	**238,125**	163,183

The notes on pages 56 to 121 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	19	**1,016,766**	1,008,330	**593**	452
Cost of sales		**(969,347)**	(949,545)	**-**	-
Gross profit		**47,419**	58,785	**593**	452
Administrative expenses		**(19,549)**	(19,679)	**(2,474)**	(1,894)
Distribution expenses		**(3,261)**	(3,233)	**-**	-
Other expenses		**(2,860)**	(5,470)	**(77)**	-
Other income		**6,092**	2,863	**41**	-
Operating profit/(loss)		**27,841**	33,266	**(1,917)**	(1,442)
Finance costs	20	**(8,897)**	(10,917)	**(244)**	-
Profit/(Loss) before tax	21	**18,944**	22,349	**(2,161)**	(1,442)
Tax expense	23	**(460)**	(99)	**-**	-
Profit/(Loss) for the financial year		**18,484**	22,250	**(2,161)**	(1,442)
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		**(1,216)**	2,930	**(1,216)**	2,930
Foreign currency translation differences for foreign operations		**(2,920)**	2,965	**-**	-
Total other comprehensive (expense)/income for the financial year, net of tax		**(4,136)**	5,895	**(1,216)**	2,930
Total comprehensive income/ (expense) for the financial year		**14,348**	28,145	**(3,377)**	1,488

The notes on pages 56 to 121 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

for the financial year ended 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		**18,484**	22,250	**(2,161)**	(1,442)
Non-controlling interests		**-**	-	**-**	-
		18,484	22,250	**(2,161)**	(1,442)
Total comprehensive income/ (expense) attributable to:					
Owners of the Company		**14,348**	28,145	**(3,377)**	1,488
Non-controlling interests		**-**	-	**-**	-
		14,348	28,145	**(3,377)**	1,488
Basic earnings per ordinary share (sen)	24	**6.96**	8.42	**-**	-
Diluted earnings per ordinary share (sen)	24	**5.81**	7.72	**-**	-

The notes on pages 56 to 121 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2018

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	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 (restated)		83,154	(128)	22,628	(1,872)	8,492	20,932	28,462	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 financial year		-	-	-	2,930	2,965	-	-	-	5,895	-	5,895
Profit for the financial year		-	-	-	-	-	-	-	22,250	22,250	-	22,250
Total comprehensive income for the financial year		-	-	-	2,930	2,965	-	-	22,250	28,145	-	28,145
Treasury 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		104,086	(137)	22,628	1,058	11,457	-	28,462	96,022	263,576	(762)	262,814

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

for the financial year ended 30 June 2018

Group	Note	Share capital RM'000	RCPS-Equity component RM'000	Treasury shares RM'000	Warrants reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Capital 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 2017		104,086	-	(137)	22,628	1,058	11,457	28,462	96,022	263,576	(762)	262,814
Foreign currency translation differences for foreign operations		-	-	-	-	-	(2,920)	-	-	(2,920)	-	(2,920)
Fair value of available-for-sale financial assets		-	-	-	-	(1,216)	-	-	-	(1,216)	-	(1,216)
Total other comprehensive expense for the financial year		-	-	-	-	(1,216)	(2,920)	-	-	(4,136)	-	(4,136)
Profit for the financial year		-	-	-	-	-	-	-	18,484	18,484	-	18,484
Total comprehensive income for the financial year		-	-	-	-	(1,216)	(2,920)	-	18,484	14,348	-	14,348
Issuance of RCPS		-	46,270	-	-	-	-	-	-	46,270	-	46,270
Conversion of RCPS to ordinary shares	12	2,202	(2,134)	-	-	-	-	-	127	195	-	195
Share issuance expenses		-	(2,018)	-	-	-	-	-	-	(2,018)	-	(2,018)
Allocation of warrants reserve		(4,208)	-	-	4,208	-	-	-	-	-	-	-
Treasury shares sold	12	-	-	137	-	-	-	96	-	233	-	233
Dilution of interest arising from acquisition of additional equity interest in subsidiary	5	-	-	-	-	-	-	-	(401)	(401)	401	-
Total transactions with owners of the Company		(2,006)	42,118	137	4,208	-	-	96	(274)	44,279	401	44,680
At 30 June 2018		**102,080**	**42,118**	**-**	**26,836**	**(158)**	**8,537**	**28,558**	**114,232**	**322,203**	**(361)**	**321,842**

The notes on pages 56 to 121 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2018

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	Accumulated losses RM'000	Total equity RM'000
		Attributable to owners of the Company							
			Non-distributable						
At 1 July 2016 (restated)		83,154	(128)	22,628	(1,872)	20,932	28,462	(2,062)	151,114
Total other comprehensive expense for the financial year									
- Fair value of available-for-sale financial assets		-	-	-	2,930	-	-	-	2,930
Loss for the financial year		-	-	-	-	-	-	(1,442)	(1,442)
Total comprehensive income/ (expense) for the financial 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		104,086	(137)	22,628	1,058	-	28,462	(3,504)	152,593

STATEMENT OF CHANGES IN EQUITY (Cont'd)

for the financial year ended 30 June 2018

Company	Note	Share capital RM'000	RCPS-Equity component RM'000	Treasury shares RM'000	Warrants reserve RM'000	Fair value reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	Total equity RM'000
		← Attributable to owners of the Company						→	
			← Non-distributable				→		
At 1 July 2017		104,086	-	(137)	22,628	1,058	28,462	(3,504)	152,593
Total other comprehensive expense for the financial year									
- Fair value of available-for-sale financial assets		-	-	-	-	(1,216)	-	-	(1,216)
Loss for the financial year		-	-	-	-	-	-	(2,161)	(2,161)
Total comprehensive expense for the financial year		-	-	-	-	(1,216)	-	(2,161)	(3,377)
Issuance of RCPS		-	46,270	-	-	-	-	-	46,270
Conversion of RCPS to ordinary shares		2,202	(2,134)	-	-	-	-	127	195
Share issuance expenses		-	(2,018)	-	-	-	-	-	(2,018)
Allocation of warrants reserve		(4,208)	-	-	4,208	-	-	-	-
Treasury shares sold		-	-	137	-	-	96	-	233
Total transactions with owners of the Company		(2,006)	42,118	137	4,208	-	96	127	44,680
At 30 June 2018		**102,080**	**42,118**	**-**	**26,836**	**(158)**	**28,558**	**(5,538)**	**193,896**

The notes on pages 56 to 121 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax from continuing operations		**18,944**	22,349	**(2,161)**	(1,442)
Adjustments for:					
Depreciation of property, plant and equipment	3	**31,109**	26,972	**-**	1
Depreciation of investment properties	4	**54**	33	**-**	-
Amortisation of intangible assets	7	**1,212**	522	**17**	-
Interest expense	20	**8,897**	10,917	**244**	-
Dividend income		**(2)**	(2)	**(2)**	(2)
Gain on disposal of a subsidiary		**(65)**	-	**(50)**	-
Gain on disposal of property, plant and equipment		**(56)**	(75)	**-**	-
Interest income		**(626)**	(581)	**(127)**	(87)
Provision for retirement benefits	16	**112**	85	**-**	-
Provision for slow moving stocks		**100**	1,475	**-**	-
Impairment loss on plant and equipment		**-**	712	**-**	-
Loss/(Gain) on foreign exchange, net - unrealised		**1,316**	(1,212)	**-**	-
Operating profit/(loss) before changes in working capital		**60,995**	61,195	**(2,079)**	(1,530)
Inventories		**(21,887)**	(12,727)	**-**	-
Trade and other receivables		**71,572**	(43,702)	**(10,935)**	1,167
Trade and other payables		**(71,307)**	46,557	**29,614**	(301)
Cash generated from/(used in) operations		**39,373**	51,323	**16,600**	(664)
Tax paid		**(1,754)**	(1,904)	**-**	-
Tax refunded		**1**	-	**-**	-
Dividend received		**2**	2	**2**	2
Net cash generated from/(used in) operating activities		**37,622**	49,421	**16,602**	(662)

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Subscription of shares in subsidiaries		**-**	-	**(65,481)**	-
Acquisition of:					
- plant and equipment	A	**(14,917)**	(49,702)	**-**	-
- treasury shares		**-**	(9)	**-**	(9)
- intangible assets		**(89)**	(8,957)	**(89)**	-
- investment properties	B	**-**	(145)	**-**	-
Interest received		**626**	581	**127**	87
Proceeds from disposal of:					
- plant and equipment		**139**	107	**-**	-
- a subsidiary company		**50**	-	**50**	-
Net cash (used in)/generated from investing activities		**(14,191)**	(58,125)	**(65,393)**	78
Cash flows from financing activities					
(Repayment)/Drawdown of bank borrowings, net		**(27,833)**	13,258	**-**	-
Repayment of finance lease liabilities		**(5,382)**	(4,588)	**-**	-
Repayment of term loans		**(3,609)**	(3,076)	**-**	-
Interest paid		**(8,653)**	(10,917)	**-**	-
(Placement)/Withdrawal of pledged deposits		**(2,954)**	(5,168)	**(66)**	534
Proceeds from sale of treasury shares		**233**	-	**233**	-
Proceeds from issuance of RCPS		**50,246**	-	**50,246**	-
Payment of share issuance expenses		**(2,018)**	-	**(2,018)**	-
Net cash generated from/(used in) financing activities		**30**	(10,491)	**48,395**	534
Net increase/(decrease) in cash and cash equivalents		**23,461**	(19,195)	**(396)**	(50)
Effect of exchange rate fluctuations on cash and bank balances		**(298)**	(181)	**-**	-
Cash and cash equivalents at 1 July 2017/2016		**17,976**	37,352	**655**	705
Cash and cash equivalents at 30 June	C	**41,139**	17,976	**259**	655

Notes

A. Acquisition of property, plant and equipment

Payments for acquisition of property, plant and equipment is arrived at as follows:

	Group	
	2018 RM'000	2017 RM'000
Additions of property, plant and equipment	**(15,161)**	(56,108)
Finance lease arrangement	**244**	5,046
Term loan	**-**	1,360
Cash payments	**(14,917)**	(49,702)

The Group also obtained additional finance lease amounting to RM1,940,106 (2017: RMNIL) to finance the purchase of property, plant and equipment acquired during financial year 2017.

B. Acquisition of investment properties

During the financial year, the Group acquired investment properties with an aggregate cost of RMNIL (2017: RM1,825,472) of which RMNIL (2017: RM1,680,000) acquired by means of term loan. The balance of RMNIL (2017: RM145,472) 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	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances		**41,139**	17,979	**259**	655
Bank overdrafts	15	**-**	(3)	**-**	-
		41,139	17,976	**259**	655

The notes on pages 56 to 121 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 2018 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 2018 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 19 October 2018.

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:

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

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 26. Other than that, the adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company.

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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (Cont'd)

- 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*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features With Negative Compensation*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures – Long-term interest in Associates and Joint Ventures*
- IC Interpretation 23, *Uncertainty Over Income Tax Treatments*
- Amendments to MFRS 3 – *Business Combinations (Annual Improvements to MFRSs 2015 – 2017 Cycle)*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRSs 2015 – 2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRSs 2015 – 2017 Cycle)*
  Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRSs 2015 – 2017 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, *Share-Based Payment*
- Amendment to MFRS 3, *Business Combinations*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Amendment to MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendment to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
- Amendment to MFRS 138, *Intangible Assets*
- Amendment to IC Interpretation 12, *Service Concession Arrangements*
- Amendment to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendment to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendment to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132, *Intangible Assets—Web Site Costs*

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*

Note:

* *Entities that meet the specific criteria in MFRS 4, Paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

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.

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 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

Based on the analysis of the the Group's and the Company's financial assets and liabilities as at 30 June 2018 on the basis of facts and circumstances that existed at that date, the Directors of the Group and of the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(1) Classification and measurement of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

(2) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investment securities.

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

(2) Impairment of financial assets (Cont'd)

Under MFRS 9, loss allowances will be measured on either:

- 12 months ECLs: ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: ECLs that arise from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. A financial asset's credit risk deemed not increased significantly if the asset has low credit risk at the reporting date. However, the Group and the Company have adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

(3) Classification and measurement of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in case where the fair value option is taken for financial liabilities, the part of fair value change due to entity's own credit risk is recoded in other comprehensive income rather than in profit or loss, unless this create an accounting mismatch.

Based on the assessments undertaken to date, the Group and the Company do not expect the above new requirements to affect the classification and measurements of its financial assets and financial liabilities. On the ECL impact, the Group and the Company expects an insignificant impact on the loss allowance for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature of the Group's and the Company's disclosures about its financial instruments particularly in the year of adoption of the new standard. Comparatives for financial year ended 30 June 2018 will not be restated.

(ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with the core principle by applying the following steps:

- Identify the contracts with a customer;
- Identify the performance obligation in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when the entity satisfies a performance obligation.

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

(ii) MFRS 15 *Revenue from Contracts with Customers* (Cont'd)

The Group and the Company has assessed the impact of initial application of MFRS 15 on its businesses and apart from providing more extensive disclosure on the Group's and the Company's revenue transactions, the Directors of the Group and of the Company do not expect significant impact on the Group and the Company's financial statements.

(iii) MFRS *16 Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(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
- Note 10 - Trade and other receivables

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 acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; 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 acquiree 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 subsidiaries 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 are 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 of intangible assets are as follows:

	Years
Software	3 - 10
Intellectual property	10

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.

2. Significant accounting policies (Cont'd)

(h) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the 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.

2. Significant accounting policies (Cont'd)

(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.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference shares

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(iv) 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) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component. Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

2. Significant accounting policies (Cont'd)

(k) 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.

(l) 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.

(m) 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.

(i) 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.

(n) 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.

(o) 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.

2. Significant accounting policies (Cont'd)

(o) Income tax (Cont'd)

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 and increase in export sales 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.

(p) Employee benefits

(i) Short-term employee benefits

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

A 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.

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.

2. Significant accounting policies (Cont'd)

(q) 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.

(r) 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)

(s) 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.

(t) 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.

(u) 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.

(v) 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 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 July 2017	1,831	-	5,844	25,533	338,997	1,871	5,130	10,815	2,891	15,677	405	408,994
Additions	-	-	-	6,531	6,327	62	413	388	264	198	978	15,161
Disposals	-	-	-	-	(640)	-	(55)	-	(189)	-	-	(884)
Reclassification	-	-	-	526	300	10	-	-	-	-	(836)	-
Transfer to investment properties (Note 4)	-	-	(687)	-	-	-	-	-	-	-	-	(687)
Foreign exchange differences	(17)	-	-	(108)	(1,147)	(2)	(5)	(20)	(7)	(10)	-	(1,316)
Written off	-	-	-	-	(26,211)	-	-	-	-	-	-	(26,211)
At 30 June 2018	**1,814**	**-**	**5,157**	**32,482**	**317,626**	**1,941**	**5,483**	**11,183**	**2,959**	**15,865**	**547**	**395,057**

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 2016	-	596	-	8,372	168,485	877	2,935	7,587	1,931	2,905	-	193,688
Depreciation charge for the financial year	-	88	46	859	24,371	53	353	537	299	366	-	26,972
Disposal	-	-	-	-	(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 2017/1 July 2017	-	-	730	9,557	196,373	945	3,275	8,206	2,143	3,301	-	224,530

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 financial year	-	-	141	903	27,333	81	452	706	290	1,203	-	31,109
Disposals	-	-	-	-	(611)	-	(54)	-	(136)	-	-	(801)
Transfer to investment properties (Note 4)	-	-	(60)	-	-	-	-	-	-	-	-	(60)
Written off	-	-	-	-	(26,211)	-	-	-	-	-	-	(26,211)
Foreign exchange differences	-	-	-	(53)	(627)	(1)	(4)	(20)	(7)	(4)	-	(716)
Accumulated - depreciation	-	-	811	10,407	193,997	1,021	3,652	8,719	2,290	4,500	-	225,397
- impairment losses	-	-	-	-	2,260	4	17	173	-	-	-	2,454
At 30 June 2018	**-**	**-**	**811**	**10,407**	**196,257**	**1,025**	**3,669**	**8,892**	**2,290**	**4,500**	**-**	**227,851**
Carrying amounts												
At 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 July 2017	1,831	-	5,114	15,976	142,624	926	1,855	2,609	748	12,376	405	184,464
At 30 June 2018	**1,814**	**-**	**4,346**	**22,075**	**121,369**	**916**	**1,814**	**2,291**	**669**	**11,365**	**547**	**167,206**

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

	Office equipment RM'000	Total RM'000
Company		
Cost		
At 1 July 2016/30 June 2017/30 June 2018	**1**	**1**
Accumulated depreciation		
At 1 July 2016/30 June 2017/30 June 2018	**1**	**1**
Carrying amounts		
At 1 July 2016	1	1
At 30 June 2017/1 July 2017	-	-
At 30 June 2018	**-**	**-**

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 RM13,199,197 (2017: RM17,098,969) and RM626,360 (2017: RM694,618) respectively.

3.2 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 15.1 to the financial statements:

	2018 RM'000	2017 RM'000
Carrying amounts		
Freehold land	**1,814**	1,831
Short term leasehold land and improvements	**4,346**	1,464
Buildings	**22,075**	5,660
Plant and machinery	**15,225**	65,437
	43,460	74,392

4. Investment properties - Group

	Buildings RM'000
Cost	
At 1 July 2016	1,440
Additions	1,825
At 30 June 2017/1 July 2017	3,265
Transfer from property, plant and equipment	687
At 30 June 2018	**3,952**
Accumulated depreciation	
At 1 July 2016	35
Depreciation charge for the financial year	33
At 30 June 2017/1 July 2017	68
Transfer from property, plant and equipment	60
Depreciation charge for the financial year	54
At 30 June 2018	**182**
Carrying amounts	
At 1 July 2016	1,405
At 30 June 2017	3,197
At 30 June 2018	**3,770**

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

	2018 RM'000	2017 RM'000
Rental income	**265**	185
Direct operating expenses:		
- income generating	**114**	90

4.1 Fair value information

The fair value of the investment properties as at 30 June 2018 is classified as level 3 in the fair value hierarchy and is determined to be approximately RM5,478,800 (2017: RM3,243,780).

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. Investment properties - Group (Cont'd)

4.2 Security

Investment properties are charged as security to financial institutions for borrowings granted to the Group as disclosed in Note 15.1 to the financial statements.

4.3 Transfer from property, plant and equipment

During the financial year, a property has been transferred from property, plant and equipment to investment properties, since the building was no longer used by the Group and would be leased to a third party.

5. Investments in subsidiaries - Company

	2018 RM'000	2017 RM'000
Unquoted shares, at cost		
At 1 July 2017/2016	**87,235**	87,235
Subscription of shares in subsidiaries	**65,481**	-
At 30 June	**152,716**	87,235
Less: Accumulated impairment loss	**(9,050)**	(9,050)
At 30 June	**143,666**	78,185

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective ownership interest and voting interest 2018 %	Effective ownership interest and voting interest 2017 %	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	95.5	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

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

Details of the subsidiaries are as follows: (Cont'd)

Name of subsidiary	Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %	Principal activities
EG R&D Sdn. Bhd.	Malaysia	100	100	To undertake Research and Development activities for electronic, electrical, telecommunication and technology products and operate a shared services outsourcing in financial and administration processes and IT services
EG Operations Sdn. Bhd.	Malaysia	100	100	Dormant
EG Global Sdn. Bhd.	Malaysia	-	100	Dormant
Subsidiary of SMT Technologies Sdn. Bhd.				
Glisten Knight Sdn. Bhd.*	Malaysia	100	100	Investment holding activities and to undertake procurement, sales, marketing and distribution activities for electronics and electrical products and related components.

* Not audited by UHY
\# Shares are held in trust by Directors for EG Industries Berhad

5.1 Non-controlling interest in a subsidiary

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

	Mastimber Industries Sdn. Bhd. 2018 RM'000	2017 RM'000
NCI percentage of ownership interest and voting interest	**4.50%**	9.50%
Carrying amount of NCI	**(361)**	(762)
Profit allocated to NCI	**-**	-

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

5.1 Non-controlling interest in a subsidiary (Cont'd)

	Mastimber Industries Sdn. Bhd. 2018 RM'000	Mastimber Industries Sdn. Bhd. 2017 RM'000
Summarised financial information before intra-group elimination		
At 30 June		
Current assets	**40**	48
Non-current liabilities	**(8,061)**	(8,061)
Current liabilities	**(7)**	(11)
Net liabilities	**(8,028)**	(8,024)
Year ended 30 June		
Loss for the financial year	**(4)**	(2)
Total comprehensive expense	**(4)**	(2)
Cash flows (used in)/generated from operating activities	**(4)**	33
Net (decrease)/increase in cash and cash equivalents	**(4)**	33

5.2 Additional investment in subsidiary companies during the financial year

(i) On 27 November 2017, SMT Technologies Sdn. Bhd. ("SMTT"), a wholly-owned subsidiary company of the Company, increased its paid up share capital from 20,000,000 to 60,000,000 ordinary shares. The Company subscribed additional 40,000,000 ordinary shares of RM1 per share in SMTT by way of cash.

(ii) On 30 November 2017, SMT Industries Co., Ltd. ("SMTI"), a wholly-owned subsidiary company of the Company, increased its paid up share capital from 25,000,000 to 45,000,000 ordinary shares. The Company subscribed additional 20,000,000 ordinary shares of THB10 (RM1.27) per share in SMTI by way of cash.

5.3 Acquisition of non-controlling interests

On 29 September 2017, the Company acquired 499,999 ordinary shares in Mastimber Industries Sdn. Bhd. ("MISB") for a total cash consideration of RM1. Consequently, MISB became a 95.5% owned subsidiary company of the Company.

The effect of changes in the equity interest that is attributable to the owners of the Parent is as follows:

	RM'000
Carrying amount of non-controlling interests acquired	(401)
Consideration paid to non-controlling interests	-
Decrease in parent's equity	(401)

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

5.4 Disposal of a subsidiary company

On 28 February 2018, the Company disposed its 100% equity interest in EG Global Sdn. Bhd. for a cash consideration of RM50,000, which had resulted a gain of RM49,998. The subsidiary company has not commenced operation since its establishment in year 2014.

The effect of the disposal of EG Global Sdn. Bhd. on the financial position of the Group as at the date of disposal was as follows:

	Group RM'000
Analysis of assets and liabilities over which control was lost	
Cash and cash equivalent	-
Other payable	(2)
Amount due to holding company	(13)
Total net liabilities disposed	(15)
Analysis of gain or loss in profit or loss for the financial year	
Consideration received	50
Net liabilities disposed	15
Gain on disposal of a subsidiary company	65
Net cash inflow on disposal of a subsidiary company	
Consideration received in cash	50
Less: Cash and cash equivalents disposed	-
Net cash inflow on disposal of a subsidiary company	50

There was no disposal in the previous financial year.

6. Other investments - Group/Company

	2018 RM'000	2017 RM'000
Non-current		
Available-for-sale financial assets		
Quoted shares in Malaysia	**32**	36
Quoted shares outside Malaysia	**6,706**	7,918
	6,738	7,954
Market value of quoted shares	**6,738**	7,954

7. Intangible assets

Group	Goodwill RM'000	Software cost RM'000	Intellectual property RM'000	Total RM'000
Cost				
At 1 July 2016	10,148	2,999	-	13,147
Addition	-	82	8,875	8,957
Foreign exchange differences	-	16	-	16
At 30 June 2017/1 July 2017	10,148	3,097	8,875	22,120
Addition	-	89	-	89
Foreign exchange differences	-	(1)	-	(1)
At 30 June 2018	**10,148**	**3,185**	**8,875**	**22,208**
Amortisation				
At 1 July 2016	-	418	-	418
Amortisation for the financial year	-	300	222	522
Foreign exchange differences	-	7	-	7
At 30 June 2017/1 July 2017	-	725	222	947
Amortisation for the financial year	-	324	888	1,212
At 30 June 2018	**-**	**1,049**	**1,110**	**2,159**
Carrying amounts				
At 1 July 2016	10,148	2,581	-	12,729
At 30 June 2017	10,148	2,372	8,653	21,173
At 30 June 2018	**10,148**	**2,136**	**7,765**	**20,049**

Company	Software cost RM'000
Cost	
At 1 July 2017	-
Addition	89
At 30 June 2018	**89**

7. Intangible assets (Cont'd)

Company	Software cost RM'000
Amortisation	
At 1 July 2017	-
Amortisation for the financial year	17
At 30 June 2018	**17**
Carrying amounts	
At 30 June 2018	**72**

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 5% in the budget for each of the financial year, 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 2019.

In determining the recoverable amount of the CGUs, the projected cash flows were discounted using a pre-tax discount rate of 8% (2017: 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.

7.3 Software cost

Software cost paid is for the acquisition of computer software that are not integral to other equipment.

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Property, plant and equipment						
- capital allowance	**-**	-	**(9,668)**	(8,803)	**(9,668)**	(8,803)
Unutilised reinvestment allowance	**6,579**	2,799	**-**	-	**6,579**	2,799
Unutilised increased in export allowance	**3,515**	6,000	**-**	-	**3,515**	6,000
Provisions	**440**	655	**-**	-	**440**	655
Other temporary differences	**506**	-	**-**	-	**506**	-
Tax assets/(liabilities)	**11,040**	9,454	**(9,668)**	(8,803)	**1,372**	651
Set off of tax	**(9,547)**	(8,682)	**9,547**	8,682	**-**	-
Net tax assets/(liabilities)	**1,493**	772	**(121)**	(121)	**1,372**	651

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

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 financial year are as follows:

	At 30.6.2016 RM'000	Recognised in profit or loss (Note 23) RM'000	Exchange difference RM'000	At 30.6.2017/ 1.7.2017 RM'000	Recognised in profit or loss (Note 23) RM'000	Exchange difference RM'000	At 30.6.2018 RM'000
Group							
Property, plant and equipment							
- capital allowance	(8,074)	(729)	-	(8,803)	(865)	-	**(9,668)**
Unutilised reinvestment allowance	6,762	(3,963)	-	2,799	3,780	-	**6,579**
Increase in export allowance	-	6,000	-	6,000	(2,485)	-	**3,515**
Provisions	364	291	-	655	(215)	-	**440**
Other temporary differences	(109)	104	5	-	505	1	**506**
	(1,057)	1,703	5	651	720	1	**1,372**

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

Unrecognised deferred tax assets

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

	2018 RM'000	2017 RM'000
Group		
Unutilised increased export allowance	**46,412**	63,306

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.

The comparative figures have been restated to reflect the revised tax loss carry-forwards and unutilised increased export allowance available to the Group.

9. Inventories - Group

	2018 RM'000	2017 RM'000
Raw materials	**66,551**	60,925
Work-in-progress	**35,803**	12,711
Manufactured inventories	**49,515**	56,446
	151,869	130,082

The amount of inventories recognised as slow moving and cost of sales during the financial year amounted to RM100,067 (2017: RM1,474,742) and RM872,331,064 (2017: RM847,647,461) respectively.

10. Trade and other receivables

	Note	2018 RM'000	2017 RM'000
Group			
Trade			
Trade receivables			
- third parties		**228,681**	277,931
- related parties		**-**	6,323
		228,681	284,254
Non-trade			
Other receivables		**2,912**	11,986
Deposits		**210**	318
Prepayments	10.1	**10,594**	10,842
		13,716	23,146
		242,397	307,400
Company			
Non-trade			
Amount due from subsidiaries	10.2	**80,923**	70,199
Other receivables		**321**	110
Deposits		**2**	2
Prepayments		**9**	9
		81,255	70,320

10.1 Prepayments

Included in prepayments of the Group are amounts prepaid for the purchase of inventories amounting to RM9,489,420 (2017: RM8,852,433).

10.2 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 15.1).

12. Share capital and treasury shares - Group/Company

	2018		2017	
	Amount RM'000	Number of shares ('000)	Amount RM'000	Number of shares ('000)
Issued and fully paid:				
At 1 July (restated)	**104,086**	**211,564**	83,154	211,564
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 12.1)	**-**	**-**	20,932	-
Issue pursuant to:				
- Conversion of redeemable convertible preference shares (Note 12.2)	**2,202**	**2,318**	-	-
- Bonus shares (Note 12.3)	**-**	**52,891**	-	-
Allocation of warrants reserve	**(4,208)**	**-**	-	-
At 30 June	**102,080**	**266,773**	104,086	211,564

12.1 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.

Included in the amount of share capital is share premium amounting to RM20,392,113 (2017: RM20,392,113).

12.2 Conversion from 2,317,800 redeemable convertible preference shares ("RCPS") to 2,317,800 ordinary shares with the conversion ratio of 1 new ordinary share for 1 RCPS held.

12.3 During the financial year, the Company issued 52,890,970 new ordinary shares via bonus issue pursuant to the Rights issue and Bonus issue.

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.

12.4 Treasury shares

	2018		2017	
	Amount RM'000	Number of shares ('000)	Amount RM'000	Number of shares ('000)
Treasury shares				
At 1 July	**(137)**	**(304)**	(128)	(294)
Acquisition of treasury shares	**-**	**-**	(9)	(10)
Treasury shares sold	**137**	**304**	-	-
At 30 June	**-**	**-**	(137)	(304)

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

12.4 Treasury shares (Cont'd)

For the financial year ended 30 June 2018, the Company repurchased NIL (2017: 10,000) of its issued share capital from the open market. The average price paid for the shares repurchased was RMNIL (2017: RM0.89) per share. The total consideration paid was RMNIL (2017: RM8,868) including transaction costs of RMNIL (2017: 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.

During the financial year, the Company has disposed a total of 304,000 treasury shares with a total consideration received of RM232,496.

The treasury shares are being disposed in accordance with Section 127 (7)(b) of the Companies Act 2016.

At 30 June 2018, the Company held NIL (2017: 304,000) of its shares as treasury shares. The number of outstanding ordinary shares in issue after deducting treasury shares held is 266,772,762 (2017: 211,259,992).

13. Redeemable convertible preference shares

On 15 June 2017, the proposed renounceable rights issue of up to 67,296,172 new Redeemable Convertible Preference Shares ("RCPS") at an indicative issue price of RM0.95 each was approved by the shareholders at the Extraordinary General Meeting of the Company. The proceeds of the rights issue was partially used for repayment of the Group's borrowing and expansion of the Group's electronic manufacturing services ("EMS") business.

The entitlement basis of the RCPS is on 1 RCPS for every 4 existing ordinary shares held on 20 September 2017.

On 6 October 2017, the Company had received valid and full subscription for a total of 52,890,970 RCPS at an issue price of RM0.95 each together with 52,890,970 bonus shares and additional 11,342,586 warrants 2015/2020 issued arising from the adjustment pursuant to the Rights issue and Bonus issue. The total proceeds of the Rights issue amounted to RM50,246,421.

The RCPS was listed on the main Market of Bursa Malaysia Securities Berhad on 19 October 2017.

The RCPS issued by the Company are redeemable at any time at the discretion of the Company from and including the third anniversary of the issue date up to the day immediately preceding the maturity date and the accrued but unpaid periodic preference dividend payments shall be due and payable upon redemption of the RCPS.

During the financial year, 2,317,800 RCPS were converted into 2,317,800 ordinary shares of RM0.95 each of the Company. At the end of the financial year, the number of RCPS in issue is 50,573,170 (2017: NIL).

The main features of the RCPS are as follows:

(i) The RCPS shall be convertible to new ordinary shares at a fixed conversion price of RM0.95, at the option of the holder, at any time commencing from date of listing up to and including the maturity date of 5 years from the issue date;

(ii) The Company has an option to redeem the RCPS from the third anniversary of the issue date of the RCPS up to the day immediately preceding the maturity date and any RCPS not redeemed or converted shall be automatically converted into new ordinary shares;

(iii) The holders of the RCPS shall have the right to receive a cumulative preference dividend at the rate of 2% per annum. Where there is no distributable profit, the entitlement to the preferential dividend shall be accumulated;

(iv) The RCPS shall rank pari passu among themselves, and will rank ahead in regards to payment of dividends in all classes of shares of the Company; and

(v) The RCPS shall rank in priority to the ordinary shares in any distribution of assets in the event of liquidation, dissolution or winding-up of the Company.

13. Redeemable convertible preference shares (Cont'd)

The RCPS recognised in the statements of financial position is summarised as follows:

	Group and Company		
	Liability component of RCPS RM'000	Equity component of RCPS RM'000	Total RM'000
At the date of issuance of RCPS- nominal value	3,976	46,270	50,246
At date of issuance	3,976	46,270	50,246
Conversion of RCPS into ordinary shares	(195)	(2,134)	(2,329)
Interest expense (Note 20)	244	-	244
Share issuance expenses	-	(2,018)	(2,018)
	4,025	42,118	46,143

The fair value of the liability component of the RCPS at 30 June 2018 amounted to RM4,024,708. The fair value is calculated using cash flow discounted at a rate based on the borrowings rate of 6.12% and are within Level 2 of the fair value hierarchy.

14. Reserves

	Note	2018 RM'000	2017 RM'000
Group			
Non-distributable:			
Warrants reserve	14.1	**26,836**	22,628
Fair value reserve	14.2	**(158)**	1,058
Translation reserve	14.3	**8,537**	11,457
Capital reserve	14.4	**28,558**	28,462
		63,773	63,605
Distributable:			
Retained earnings		**114,232**	96,022
		178,005	159,627

14. Reserves (Cont'd)

	Note	2018 RM'000	2017 RM'000
Company			
Non-distributable:			
Warrants reserve	14.1	**26,836**	22,628
Fair value reserve	14.2	**(158)**	1,058
Capital reserve	14.4	**28,558**	28,462
Accumulated losses		**(5,538)**	(3,504)
		49,698	48,644

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

14.1 Warrants reserve

In 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.

During the financial year, the Company issued 11,342,586 additional Warrants 2015/2020 and the exercise price was adjusted from RM0.50 to RM0.42 per share pursuant to the Rights issue and Bonus issue as disclosed in Note 12 in accordance with Condition 4 of the Third Schedule of the Deed Poll dated 29 September 2015 constituting the Warrants 2015/2020 which provides that the exercise price and/or the number of warrants shall from time to time be adjusted, calculated or determined by the Board.

The summary of the adjustments to the exercise price and number of the outstanding Warrants pursuant to the Rights issue and Bonus issue is set out below:

	Before the Rights issue and Bonus issue	After the Rights issue and Bonus issue
Exercise price (RM)	0.50	0.42
No. of outstanding Warrants 2015/2020	57,620,696	68,963,282
Adjusted ratio	One (1) additional Warrants for five (5) existing Warrants held	

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.

As at 30 June 2018, the total number of Warrants 2015/2020 which remained unexercised was 68,963,282 (2017: 57,620,696).

14.2 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.

14. Reserves (Cont'd)

14.3 Translation reserve

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

14.4 Capital reserve

Capital reserve arose from the capital reduction exercise.

15. Loans and borrowings - Group

	2018 RM'000	2017 RM'000
Non-current:		
Secured		
Term loans	**4,696**	7,661
Finance lease liabilities	**4,674**	6,532
	9,370	14,193
Current:		
Secured		
Bank overdrafts	**-**	3
Bankers' acceptances	**106,377**	155,824
Trust receipts	**-**	10,092
Term loans	**2,946**	3,590
Finance lease liabilities	**3,765**	5,105
Trade financing	**61,392**	26,986
	174,480	201,600

15.1 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 3.2) 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.

15. Loans and borrowings - Group (Cont'd)

15.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
	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	**4,147**	**382**	**3,765**	5,676	571	5,105
Between 1 and 5 years	**5,026**	**362**	**4,664**	6,995	506	6,489
More than 5 years	**10**	**-**	**10**	45	2	43
	9,183	**744**	**8,439**	12,716	1,079	11,637

16. 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:

	2018 RM'000	2017 RM'000
Present value of obligations - non current	**431**	322

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

	2018 RM'000	2017 RM'000
At 1 July	**322**	215
Amount recognised in profit or loss		
- Current service cost	**106**	80
- Interest cost	**6**	5
- Foreign exchange differences	**(3)**	22
At 30 June	**431**	322

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

The principal actuarial assumptions used are as follows:

	2018	2017
Discount rate	**2.5%**	4.5%
Inflation rate	**2.5%**	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.

17. Trade and other payables

	Note	2018 RM'000	2017 RM'000
Group			
Trade			
- third parties		**135,559**	197,165
- related parties		**382**	892
		135,941	198,057
Non-trade			
Other payables		**1,658**	4,578
Deferred revenue		**13**	-
Deposit		**90**	46
Accruals		**5,988**	6,676
		7,749	11,300
		143,690	209,357
Company			
Non-trade			
Amount due to subsidiaries	17.1	**39,968**	10,358
Other payables		**88**	54
Accruals		**148**	178
		40,204	10,590

17. Trade and other payables (Cont'd)

17.1 Amount due to subsidiaries

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

18. Provision - Group

	Warranties	
	2018 RM'000	2017 RM'000
At 1 July/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.

19. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Invoiced value of goods sold less discounts and returns	**1,015,753**	1,008,241	**-**	-
Dividend income	**2**	2	**2**	2
Interest income	**127**	87	**127**	87
Management fee	**-**	-	**464**	363
Service fee	**884**	-	**-**	-
	1,016,766	1,008,330	**593**	452

20. Finance costs

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expenses on:				
Bankers'acceptances/Trade financing	**6,826**	8,799	**-**	-
Finance lease liabilities	**663**	778	**-**	-
Term loans	**993**	1,269	**-**	-
Bank overdrafts	**24**	62	**-**	-
RCPS - Liability component	**244**	-	**244**	-
Others	**147**	9	**-**	-
	8,897	10,917	**244**	-

21. Profit/(Loss) before tax

Profit/(Loss) before tax is arrived at:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
After charging:				
Auditors' remuneration				
- Statutory audit				
- UHY	**113**	111	**39**	39
- other auditors	**117**	114	**-**	-
- Other services				
- UHY	**30**	110	**30**	110
- other auditors	**30**	-	**30**	-
Depreciation of property, plant and equipment (Note 3)	**31,109**	26,972	**-**	1
Depreciation of investment properties (Note 4)	**54**	33	**-**	-
Amortisation of intangible assets (Note 7)	**1,212**	522	**17**	-
Directors' remuneration:				
Directors of the Company				
- fees	**130**	130	**130**	130
- other emoluments	**834**	1,066	**834**	1,066
- contributions to Employees' Provident Fund	**84**	84	**84**	84
Other Directors				
- other emoluments	**148**	817	**-**	-
- contributions to Employees' Provident Fund	**18**	97	**-**	-
Past Directors				
- other emoluments	**-**	113	**-**	-
- contributions to Employees' Provident Fund	**-**	13	**-**	-
Impairment loss on plant and machineries	**-**	712	**-**	-
Provision for retirement benefits (Note 16)	**112**	85	**-**	-
Provision for slow moving stocks	**100**	1,475	**-**	-
Loss on foreign exchange, net				
- realised	**-**	2,938	**25**	-
- unrealised	**1,316**	-	**-**	-

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

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental of equipment	**76**	75	**-**	-
Rental of motor vehicle	**-**	1	**-**	-
Rental of premises	**185**	187	**-**	-
and after crediting:				
Dividend income from:				
- quoted shares	**2**	2	**2**	2
Gain on foreign exchange, net				
- realised	**3,696**	-	**-**	-
- unrealised	**-**	1,212	**-**	-
Gain on disposal of property, plant and equipment	**56**	75	**-**	-
Gain on disposal of a subsidiary company	**65**	-	**50**	-
Interest income	**499**	581	**-**	87
Rental income	**5**	3	**-**	-
Rental income from investment properties	**265**	185	**-**	-

22. Employee benefits

22.1 Staff costs

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and others	**45,177**	45,934	**-**	-

Included in staff costs of the Group are RM2,681,514 (2017: RM2,618,054) representing contributions to Employees' Provident Fund.

22. Employee benefits (Cont'd)

22.2 Key management personnel compensation

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' fees	**130**	130	**130**	130
Short-term employee benefits	**2,143**	2,696	**834**	1,066
Contributions to Employees' Provident Fund	**237**	276	**84**	84
	2,510	3,102	**1,048**	1,280

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.

23. Tax expense

Recognised in profit or loss

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense				
Malaysian				
- current year	**1,322**	1,734	**-**	-
- prior year	**(142)**	68	**-**	-
Total current tax recognised in profit or loss	**1,180**	1,802	**-**	-
Deferred tax income				
(Reversal)/Origination of temporary differences	**(720)**	(1,882)	**-**	-
Prior year	**-**	179	**-**	-
Total deferred tax recognised in profit or loss	**(720)**	(1,703)	**-**	-
Total tax expense	**460**	99	**-**	-

23. Tax expense (Cont'd)

Reconciliation of tax expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) before tax	**18,944**	22,349	**(2,161)**	(1,442)
Income tax calculated using Malaysian tax rate at 24% (2017: 24%)	**4,547**	5,364	**(519)**	(346)
Effect of different tax rate in foreign jurisdiction	**(18)**	-	**-**	-
Effect of tax incentives	**(828)**	-	**-**	-
Effect of unrecognised temporary difference	**(4,055)**	-	**-**	-
Non-deductible expenses	**986**	1,528	**519**	346
Non-taxable income	**-**	(1,148)	**-**	-
Recognition of previously unrecognised deferred tax assets	**-**	(6,000)	**-**	-
Others	**(30)**	108	**-**	-
(Over)/Under provision of taxation in prior years	**(142)**	247	**-**	-
	460	99	**-**	-

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.

24. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 30 June 2018 was based on the profit attributable to ordinary shareholders of RM18,483,996 (2017: RM22,250,158) and on the weighted average number of ordinary shares outstanding during the year of 265,714,548 (2017:264,155,222).

24. Earnings per ordinary share - Group (Cont'd)

Diluted earnings per ordinary share

The fully diluted earnings per share has been computed based on adjusted profit attributable to ordinary shareholders of RM18,483,996 (2017: RM22,250,158) divided by the adjusted weighted average number of ordinary shares outstanding after adjusting the effect of all dilutive potential ordinary shares of 317,954,153 (2017: 288,112,415) calculated as follows:

	2018 '000	2017 '000
Issued ordinary shares at 1 July 2017/2016	**211,260**	211,270
Effect of Bonus issue	**52,891**	52,891
Effect of treasury shares disposed/(repurchased)	**264**	(6)
Effect of conversion of RCPS during the year	**1,299**	-
Weighted average number of ordinary shares	**265,714**	264,155
Effect of exercise of warrants	**16,298**	23,957
Effect of conversion of RCPS	**35,942**	-
Adjusted weighted average number of ordinary shares	**317,954**	288,112

The comparative basic and diluted earnings per share of the Group have been restated as a result of the bonus issue.

25. Warrants

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

Warrants	Exercise price per ordinary share Before adjustment	Exercise price per ordinary share After adjustment	Expiry date	Number of warrants outstanding 30.6.2018	Number of warrants outstanding 30.6.2017
Warrants 2015/2020	RM0.50	RM0.42	3.11.2020	**68,963,282**	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.

During the financial year, adjustments were made in accordance with the provisions of the Deed Poll to reflect the consequential revision in the increase in the number of Warrants and the revision in exercise price upon the implementation of the Rights Issue and Bonus Issue.

The warrant held at an adjusted exercise price within 5 years from the initial date of the issue of the warrants.

26. Reconciliation of liabilities arising from financing activities

Group	At 1 July 2017 RM'000	Financing cash flows (i) RM'000	Foreign exchange adjustments RM'000	New finance lease RM'000	RCPS-Liability component (Note 13) RM'000	Other changes RM'000	At 30 June 2018 RM'000
Term loans (Note 15)	11,251	(3,609)	-	-	-	-	**7,642**
Finance lease liabilities (Note 15)	11,637	(5,382)	-	2,184	-	-	**8,439**
Other bank borrowings (Note 15)	192,902	(27,833)	2,700	-	-	-	**167,769**
RCPS - Liability component (Note 13)	-	-	-	-	3,781	244	**4,025**
	215,790	(36,824)	2,700	2,184	3,781	244	**187,875**

(i) The cash flows from loan and borrowings make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.

Company	At 1 July 2017 RM'000	RCPS-Liability component (Note 13) RM'000	Other changes RM'000	At 30 June 2018 RM'000
RCPS - Liability component (Note 13)	-	3,781	244	4,025

27. Related parties

27.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control 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, WE Total Engineering Sdn. Bhd. (previously known as Jubilee Manufacturing Sdn. Bhd.) and WE Components Pte. Ltd..

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.

27. Related parties (Cont'd)

27.2 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 to the financial statements, are as follows:

	2018 RM'000	2017 RM'000
(a) Transactions with companies in which certain Directors have a substantial financial interest		
Group		
Sales	**-**	6,462
Purchase of raw materials	**(2,102)**	(2,871)
Purchase of toolings	**(45)**	(119)
(b) Transaction with subsidiaries		
Company		
Additional investment in subsidiaries	**(65,481)**	-
Advances given	**38,619**	1,430
License fee	**17**	-
Management fee received	**464**	363

The non-trade balances with related parties outstanding at the end of the reporting period are disclosed in Note 10 and Note 17 to the financial statements. All the outstanding balances are expected to be settled in cash or partially capitalised as paid-up share capital.

28. Financial instruments

28.1 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			
2018			
Group			
Other investments	**6,738**	**-**	**6,738**
Trade and other receivables (exclude prepayments and non-refundable deposits)	**231,803**	**231,803**	**-**
Fixed deposits with licensed banks	**18,822**	**18,822**	**-**
Cash and bank balances	**41,139**	**41,139**	**-**
	298,502	**291,764**	**6,738**
Company			
Other investments	**6,738**	**-**	**6,738**
Trade and other receivables (exclude prepayments and non-refundable deposits)	**81,246**	**81,246**	**-**
Fixed deposits with licensed banks	**6,135**	**6,135**	**-**
Cash and bank balances	**259**	**259**	**-**
	94,378	**87,640**	**6,738**
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

28. Financial instruments (Cont'd)

28.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets (Cont'd)			
2017			
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

	Carrying amount RM'000	FL RM'000
Financial liabilities		
2018		
Group		
Loans and borrowings	**183,850**	**183,850**
RCPS- Liability component	**4,025**	**4,025**
Trade and other payables (excluding deferred revenue)	**143,677**	**143,677**
	331,552	**331,552**
Company		
Trade and other payables	**40,204**	**40,204**
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

28. Financial instruments (Cont'd)

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net (losses)/gains on:				
Available-for-sale financial assets				
- recognised in other comprehensive (expense)/ income	**(1,216)**	2,930	**(1,216)**	2,930
Loans and receivables	**628**	581	**129**	87
Financial liabilities measured at amortised cost	**(8,897)**	(10,917)	**(244)**	-
	(9,485)	(7,406)	**(1,331)**	3,017

28.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

28.4 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.

28. Financial instruments (Cont'd)

28.4 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:

	2018 RM'000	2017 RM'000
Group		
Domestic	**115,920**	116,725
Asia Pacific (other than Malaysia)	**100,454**	156,994
Others	**12,307**	10,535
	228,681	284,254

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				
2018				
Not past due	**156,062**	**-**	**-**	**156,062**
Past due 1 - 30 days	**66,845**	**-**	**-**	**66,845**
Past due 31 - 60 days	**2,582**	**-**	**-**	**2,582**
Past due 61 - 90 days	**2,027**	**-**	**-**	**2,027**
Past due more than 90 days	**1,165**	**-**	**-**	**1,165**
	228,681	**-**	**-**	**228,681**
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

28. Financial instruments (Cont'd)

28.4 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 4 (2017: 7) customers who collectively contributed 85% (2017: 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 RM175,411,613 (2017: RM147,388,975) 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.

28. Financial instruments (Cont'd)

28.5 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.

28. Financial instruments (Cont'd)

28.5 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
2018							
Group							
Non-derivative financial liabilities							
Bankers' acceptances	106,377	3.35 - 5.50	106,377	106,377	-	-	-
Trade financing	61,392	3.00 - 3.60	61,392	61,392	-	-	-
Term loans	7,642	5.25 - 6.12	8,575	3,292	1,318	3,437	528
Finance lease liabilities	8,439	4.25 - 6.94	9,183	4,147	2,049	2,977	10
RCPS - Liability component	4,025	2.00	4,025	715	758	2,552	-
Trade and other payables (excluding deferred revenue)	143,677	-	143,677	143,677	-	-	-
	331,552		333,229	319,600	4,125	8,966	538
Company							
Non-derivative financial liabilities							
Trade and other payables	40,204	-	40,204	40,204	-	-	-
Financial guarantees	-	-	175,412	175,412	-	-	-
	40,204		215,616	215,616	-	-	-

28. Financial instruments (Cont'd)

28.5 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
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	-	-	147,389	147,389	-	-	-
	10,590		157,979	157,979	-	-	-

28. Financial instruments (Cont'd)

28.6 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.

28.6.1 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	
2018	
Trade and other receivables	**186,351**
Trade and other payables	**(127,901)**
Cash and bank balances	**22,036**
Fixed deposits with licensed banks	**1,887**
Loans and borrowings	**(147,770)**
Net exposure	**(65,397)**
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

28. Financial instruments (Cont'd)

28.6 Market risk (Cont'd)

28.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis

A 5% (2017: 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		
2018		
USD	**2,485**	**(2,485)**
2017		
USD	(304)	304

A 5% (2017: 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.

28.6.2 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.

28. Financial instruments (Cont'd)

28.6 Market risk (Cont'd)

28.6.2 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments				
Financial assets	**18,822**	15,481	**6,135**	6,069
Financial liabilities	**(180,233)**	(204,539)	**(4,025)**	-
	(161,411)	(189,058)	**2,110**	6,069
Floating rate instruments				
Financial liabilities	**(7,642)**	(11,254)	**-**	-

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 RM'000	100 bp decrease RM'000
Group		
2018		
Floating rate instruments	**(58)**	**58**
2017		
Floating rate instruments	(86)	86

28. Financial instruments (Cont'd)

28.6 Market risk (Cont'd)

28.6.3 Other price risk

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

Risk management objectives, policies and processes for managing the risk

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

Equity price risk sensitivity analysis

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

28.7 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.

28. Financial instruments (Cont'd)

28.7 Fair value information (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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2018										
Group										
Financial asset										
Quoted shares	6,738	-	-	6,738	-	-	-	-	6,738	6,738
Financial liabilities										
Term loans – variable rate	-	-	-	-	-	-	(7,642)	(7,642)	(7,642)	(7,642)
Finance lease liabilities	-	-	-	-	-	-	(8,663)	(8,663)	(8,663)	(8,439)
	-	-	-	-	-	-	(16,305)	(16,305)	(16,305)	(16,081)
Company										
Financial asset										
Quoted shares	6,738	-	-	6,738	-	-	-	-	6,738	6,738

28. Financial instruments (Cont'd)

28.7 Fair value information (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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total 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

28. Financial instruments (Cont'd)

28.7 Fair value information (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. (2017: 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 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bond).

Non-derivative financial instruments

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. In respect of the liability component of RCPS, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

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.

29. 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") as Original Equipment Manufacturer (OEM) and Original Design Manufacturer (ODM) for electronic and electrical products. OEM products are produced in accordance with the design specifications provided by customers whereas for ODM products, the Group provide an additional "design" service.

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

29. Operating segment (Cont'd)

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.

Segment liabilities

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

2018	EMS and OEM/ODM for electronic and electrical products RM'000	Other non-reportable segment RM'000	Consolidated total RM'000
External revenue	**1,015,718**	**1,048**	**1,016,766**
Segment profit/(loss)	**19,573**	**(629)**	**18,944**
Included in the measure of segment profit are:			
Gain on disposal of a subsidiary company	**-**	**65**	**65**
Gain on disposal of property, plant and equipment	**56**	**-**	**56**
Depreciation of property, plant and equipment	**(30,767)**	**(342)**	**(31,109)**
Amortisation of intangible assets	**(307)**	**(905)**	**(1,212)**
Depreciation of investment properties	**-**	**(54)**	**(54)**
Finance costs	**(8,468)**	**(429)**	**(8,897)**
Interest income	**499**	**127**	**626**
Provision for slow moving stocks	**(100)**	**-**	**(100)**
Loss on foreign exchange, net - unrealised	**(1,315)**	**(1)**	**(1,316)**
Segment assets	**615,792**	**38,970**	**654,762**
Included in the measure of segment assets are:			
Additions to property, plant and equipment	**15,146**	**15**	**15,161**

29. Operating segment (Cont'd)

2017	EMS and OEM/ODM for electronic and electrical products RM'000	Other non-reportable segment RM'000	Consolidated total RM'000
External revenue	1,008,241	89	1,008,330
Segment profit/(loss)	22,110	239	22,349
Included in the measure of segment profit/(loss) 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

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
2018						
Revenue from external customers	**400,902**	**89,441**	**51,175**	**402,820**	**72,428**	**1,016,766**
Non-current assets	**122,090**	**-**	**-**	**68,935**	**-**	**191,025**
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

29. Operating segment (Cont'd)

Major customers

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

	Revenue		Segment
	2018 RM'000	2017 RM'000	
Customer A	**213,213**	398,972	EMS and OEM/ODM for electronic and electrical products
Customer B	**401,992**	204,472	
Customer C	**296,513**	126,054	

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.

There were no changes in the Company's approach to capital management during the year. The debt-to-equity ratios at 30 June 2018 and at 30 June 2017 were as follows:

	Group	
	2018 RM'000	2017 RM'000
Total loans and borrowings (Note 15)	**183,850**	215,793
RCPS- Liability component (Note 13)	**4,025**	-
	187,875	215,793
Less: Cash and cash equivalents	**(41,139)**	(17,976)
Net debt	**146,736**	197,817
Total equity	**321,842**	262,814
Debt-to-equity ratio	**0.46**	0.75

31. Subsequent event

Subsequent to the end of the financial reporting period, the Group entered into a Sale and Purchase Agreement ("SPA") with S&O Electronics (Malaysia) Sdn. Bhd. ("S&O" or "Vendor") for the acquisition all that piece of leasehold land held under H.S. (M) 23422 PT 8545, Bandar Sungai Petani, Daerah Kuala Muda, Kedah with an approximately area of 24,200 square meter together with a factory building and a warehouse bearing assessment address at Lot 101-A, Jalan 4, Kawasan Perusahaan Bakar Arang, 08000 Sungai Petani, Kedah, for a total cash consideration of RM12,350,000 on 30 August 2018.

32. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

	1.7.2016	
	As previously reported RM'000	As restated RM'000
Consolidated statement of changes in equity		
Share capital	105,782	83,154
Other reserve	(22,628)	-

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 45 to 121 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

Dato' Terence Tea Yeok Kian
Director

Dato' Kang Pang Kiang
Director

Penang,

19 October 2018

STATUTORY DECLARATION

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

I, **Dato' Kang Pang Kiang (MIA Number: CA 27127)**, 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 45 to 121 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 19 October 2018.

Dato' Kang Pang Kiang
Before me:

Commisioner 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 statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for financial the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 121.

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 2018, 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(q)(i) to the financial statements The Group recorded RM1,016 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. - 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 50% of the Group's current assets as at 30 June 2018. 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 2018 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.

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 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
2239/07/20(J)
Chartered Accountant

19 October 2018

Penang

LIST OF PROPERTIES OF THE GROUP

Location	Age of Building	Date of Last Valuation	Area (sq. ft.)	Existing Use	Tenure	Net Book Value As at 30/06/18 (RM)
Lot 122 304 Industrial Park Tha Tum District Srimahapho Prachinburi, Thailand	10	05/04/2011	172,223	Factory, Office Building & Warehouse	Freehold	7,771,102
H.S.(M) 17426 P.T.No. 8543 Bandar Sungai Petani Daerah Kuala Muda Kedah	25	21/06/2017	174,240	Factory, Office Building & Warehouse	Leasehold (60 years) (08/10/2049)	17,047,134
H.S.(M) 17427 P.T.No. 8544 Bandar Sungai Petani Daerah Kuala Muda Kedah	5	31/07/2015	152,465	Factory, Office Building & Warehouse	Leasehold (60 years) (24/03/2050)	2,921,939
H.S.(M) 18565 P.T.No. Plot 35 Bandar Sungai Petani Daerah Kuala Muda Kedah	-	13/09/2014	121,968	Vacant Land	Leasehold (60 years) (12/09/2054)	614,855
1-18-1 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	5	18/12/2014	1,132	Office	Leasehold (99 years) (02/04/2095)	743,258
1-12A-16 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	4	18/12/2014	459	Office	Leasehold (99 years) (02/04/2095)	312,813
1-12A-17 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	4	18/12/2014	459	Office	Leasehold (99 years) (02/04/2095)	312,813
1-10-1 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	2	27/06/2016	1,711	Office	Leasehold (99 years) (02/04/2095)	1,149,565

LIST OF PROPERTIES OF THE GROUP (Cont'd)

Location	Age of Building	Date of Last Valuation	Area (sq. ft.)	Existing Use	Tenure	Net Book Value As at 30/06/18 (RM)
1-10-2 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	2	27/06/2016	915	Office	Leasehold (99 years) (02/04/2095)	637,108
1-10-7 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	2	27/06/2016	2,164	Office	Leasehold (99 years) (02/04/2095)	1,445,035

STATISTICS OF SHAREHOLDINGS

as at 19 October 2018

PAID-UP CAPITAL : RM134,936,331-00
CLASS OF SHARES : ORDINARY SHARES OF RM0.50 EACH
VOTING RIGHTS : ONE VOTE PER SHARE

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	53	1.13	2,239	0.00
100 – 1,000	556	11.89	476,307	0.18
1,001 – 10,000	1,970	42.11	11,031,373	4.09
10,001 – 100,000	1,793	38.33	58,334,845	21.62
100,001 – 13,493,632 (*)	304	6.50	169,789,628	62.91
13,493,633 and above (**)	2	0.04	30,238,270	11.20
TOTAL	**4,678**	**100.00**	**269,872,662**	**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	%
Dato' Terence Tea Yeok Kian	12,613,625	4.67	37,863,270[(a)]	14.03
Dato' Kang Pang Kiang	10,855,300	4.02	-	-
Ang Seng Wong	-	-	-	-
Lim Sze Yan	-	-	-	-
Lee Kean Teong	-	-	-	-

[(a)] 37,863,270 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.	37,863,270	14.03	-	-
Dato' Terence Tea Yeok Kian	12,613,625	4.67	37,863,270[(a)]	14.03
Accrelist Limited (formerly known as WE Holdings Limited)	-	-	37,863,270[(a)]	14.03

[(a)] 37,863,270 shares held through Jubilee Industries Holdings Ltd

30 Largest Shareholders as at 19 October 2018

NO.	NAMES	NO. OF SHARES	%
1	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JUBILEE INDUSTRIES HOLDINGS LTD	15,147,500	5.6128
2	KENANGA NOMINEES (ASING) SDN BHD JUBILEE INDUSTRIES HOLDINGS LTD (023)	15,090,770	5.5918
3	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TERENCE TEA YEOK KIAN	12,500,000	4.6318
4	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (6000059)	10,540,300	3.9057
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	9,453,000	3.5028
6	TAN PHAIK IMM	8,008,500	2.9675
7	TAN HAN CHUAN	7,631,700	2.8279
8	LEE PAK HOONG	6,537,221	2.4223
9	LEE TEIK HEE	6,021,600	2.2313
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	5,838,475	2.1634
11	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JUBILEE INDUSTRIES HOLDINGS LTD	5,000,000	1.8527
12	GIAP SENG CAPITAL SDN. BHD.	4,665,892	1.7289
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	3,864,900	1.4321
14	LIM HOOI PHENG	3,033,700	1.1241
15	JUBILEE INDUSTRIES HOLDINGS LTD	2,625,000	0.9727
16	LOW SUAN KONG	1,783,547	0.6609
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YOON MENG @ LOH YOON MIN (E-IMO)	1,650,000	0.6114
18	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING MING	1,500,000	0.5558
19	LOW CHOON YEN	1,482,000	0.5491
20	LOW SOOK MENG	1,456,375	0.5397
21	AMANAHRAYA TRUSTEES BERHAD CIMB ISLAMIC EQUITY AGGRESSIVE FUND	1,426,475	0.5286
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG WEI YEE	1,278,000	0.4736
23	MARIAM PARINEH	1,250,000	0.4632
24	SIM MUI KHEE	1,205,100	0.4465
25	GREENWARD CHEMICAL ENGINEERING SDN. BHD.	1,168,900	0.4331
26	AMANAHRAYA TRUSTEES BERHAD CIMB ISLAMIC AL-AZZAM EQUITY FUND	1,110,375	0.4114
27	LEE CHIP HWA	1,055,600	0.3911
28	CHUA ENG KIAT	1,049,900	0.3890
29	LYE YHIN CHOY	1,000,000	0.3705
30	GOH CHEE MENG	930,000	0.3446
	TOTAL	**135,304,830**	**50.14**

STATISTICS OF WARRANT 2015/2020 HOLDINGS

as at 19 October 2018

NO. OF WARRANTS : 68,963,282
VOTING RIGHTS : ONE VOTE PER WARRANT

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	196	14.25	10,505	0.02
100 – 1,000	78	5.67	53,225	0.08
1,001 – 10,000	364	26.47	1,873,255	2.72
10,001 – 100,000	603	43.85	21,695,080	31.46
100,001 – 3,448,163 (*)	132	9.60	34,559,477	50.11
3,448,164 and above (**)	2	0.15	10,771,740	15.62
TOTAL	**1,375**	**100.00**	**68,963,282**	**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	%
Dato' Terence Tea Yeok Kian	5,984,300	8.68	-	-
Dato' Kang Pang Kiang	4,877,921	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	%
Dato' Terence Tea Yeok Kian	5,984,300	8.68	-	-
Dato' Kang Pang Kiang	4,877,921	7.07	-	-

STATISTICS OF WARRANT 2015/2020 HOLDINGS (Cont'd)

as at 19 October 2018

30 Largest Warrant 2015/2020 Holders as at 19 October 2018

NO.	NAME	HOLDINGS	%
1	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TERENCE TEA YEOK KIAN	5,984,300	8.6775
2	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (6000059)	4,787,440	6.9420
3	SIM MUI KHEE	1,099,999	1.5951
4	LOW SUAN KONG	1,046,860	1.5180
5	LEE CHIP HWA	912,500	1.3232
6	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOH YEW PENG	897,645	1.3016
7	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOH YEW PENG	897,645	1.3016
8	ANGELA KUNG CHUI PING	834,400	1.2099
9	NG KIAT SIONG	691,921	1.0033
10	LOW SOOK MENG	673,947	0.9773
11	TAN CHIN TIANG	666,890	0.9670
12	YANG KIM SOON	635,772	0.9219
13	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIAN WOON SENG (020)	621,967	0.9019
14	LOW CHOON YEN	598,489	0.8678
15	LEE MEI LENG	598,430	0.8678
16	TEY YEE YEE	558,787	0.8103
17	CHUA CHIN CHYANG	538,893	0.7814
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD ONG CHIN CHEW	500,015	0.7250
19	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW POV LAN	500,000	0.7250
20	EE KIM CHENG	450,000	0.6525
21	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KENG CHEW HAR	437,000	0.6337
22	LEE BEE GEOK	411,121	0.5961
23	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM ANN KOK	410,434	0.5951
24	CHUA ENG KUI	368,000	0.5336
25	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR TAN HAK MENG	367,811	0.5333
26	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOH KIAN SOON	361,000	0.5235
27	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY LEE CHENG	357,710	0.5187
28	YAP YEOK THOU	349,987	0.5075
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW JOO TEOW (PENANG)	348,171	0.5049
30	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE JING YI	340,657	0.4940
	TOTAL	**27,247,791**	**39.51**

STATISTICS OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS") HOLDINGS

as at 19 October 2018

NO. OF RCCPS : 47,473,270
VOTING RIGHTS : NO VOTING RIGHTS ATTACHED

Size of Holdings	No. of Holders	%	No. of RCPS	%
1 – 99	33	2.22	1,581	0.00
100 – 1,000	242	16.25	153,575	0.32
1,001 – 10,000	844	56.68	3,358,895	7.08
10,001 – 100,000	313	21.02	9,477,256	19.96
100,001 – 2,373,662 (*)	53	3.56	21,520,109	45.33
2,373,663 and above (**)	4	0.27	12,961,854	27.30
TOTAL	**1,489**	**100.00**	**47,473,270**	**100.00**

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

DIRECTORS' RCPS HOLDINGS

Name of Directors	No. of RCPS Held			
	Direct Interest	%	Indirect Interest	%
Dato' Terence Tea Yeok Kian	2,522,725	5.32	6,243,154[a]	13.16
Dato' Kang Pang Kiang	2,603,300	5.48	-	-
Ang Seng Wong	-	-	-	-
Lim Sze Yan	-	-	-	-
Lee Kean Teong	-	-	-	-

[a] 6,243,154 shares held through Jubilee Industries Holdings Ltd

SUBSTANTIAL RCPS HOLDERS

Name of Substantial RCPS Holders	No. Of RCPS Held			
	Direct Interest	%	Indirect Interest	%
Jubilee Industries Holdings Ltd	6,243,154	13.16	-	-
Ong Keng Seng	3,203,400	6.75	-	-
Dato' Kang Pang Kiang	2,603,300	5.48	-	-
Dato' Terence Tea Yeok Kian	2,522,725	5.32	6,243,154[a]	13.16
Accrelist Limited (formerly known as WE Holdings Limited)	-	-	6,243,154[a]	13.16

[a] 6,243,154 shares held through Jubilee Industries Holdings Ltd

STATISTICS OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS") HOLDINGS (Cont'd)

as at 19 October 2018

30 Largest RCPS Holders as at 19 October 2018

NO.	NAME	HOLDINGS	%
1	KENANGA NOMINEES (ASING) SDN BHD JUBILEE INDUSTRIES HOLDINGS LTD (023)	4,718,154	9.9385
2	ONG KENG SENG	3,203,400	6.7478
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (6000059)	2,540,300	5.3510
4	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TERENCE TEA YEOK KIAN	2,500,000	5.2661
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	2,138,075	4.5037
6	SHIN LOON SDN BHD	1,400,000	2.9490
7	TAN PHAIK IMM	1,254,000	2.6415
8	LEE PAK HOONG	1,198,384	2.5243
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	1,035,600	2.1814
10	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JUBILEE INDUSTRIES HOLDINGS LTD	1,000,000	2.1064
11	GIAP SENG CAPITAL SDN. BHD.	933,178	1.9657
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN CHIN HOOI (MP0137)	900,000	1.8958
13	TAN LENG MOOI	822,700	1.7330
14	LOW SUAN KONG	766,547	1.6147
15	AMANAHRAYA TRUSTEES BERHAD CIMB ISLAMIC EQUITY AGGRESSIVE FUND	575,775	1.2128
16	JUBILEE INDUSTRIES HOLDINGS LTD	525,000	1.1059
17	SIM MUI KHEE	500,000	1.0532
18	TAN HAN CHUAN	500,000	1.0532
19	AMANAHRAYA TRUSTEES BERHAD CIMB PRINCIPAL EQUITY AGGRESSIVE FUND 1	467,525	0.9848
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL EQUITY AGGRESSIVEFUND 3 (980050)	445,200	0.9378
21	LEE TEIK HEE	417,000	0.8784
22	AMANAHRAYA TRUSTEES BERHAD CIMB ISLAMIC AL-AZZAM EQUITY FUND	381,175	0.8029
23	LIM HOOI PHENG	323,900	0.6823
24	KENANGA NOMINEES (TEMPATAN) SDN BHD PCB ASSET MANAGEMENT SDN BHD FOR CHOW KIM WENG	320,000	0.6741
25	CHUA ENG KIAT	305,900	0.6444
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YEM PHOI (J KUNING 2-CL)	303,200	0.6387
27	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING MING	300,000	0.6319
28	LOW SOOK MENG	291,275	0.6136
29	THAM CHUN KIT	264,700	0.5576
30	MARIAM PARINEH	250,000	0.5266
	TOTAL	**30,580,988**	**64.42**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the TWENTY SEVENTH ANNUAL GENERAL MEETING ("AGM") of the Company will be held at EG INDUSTRIES BERHAD, Plot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah on Friday, 30 November 2018 at 11:30 a.m. for the following purposes:

AGENDA

As Ordinary Business:

1. To lay before the Meeting the Audited Financial Statements for the financial year ended 30 June 2018 and the Reports of the Directors and Auditors thereon. (Please refer to Note 8)

2. To approve the payment of Directors' Fees of RM130,000.00 for the year ended 30 June 2018. Resolution 1

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

   (a) Mr. Ang Seng Wong Resolution 2

   (b) Mr. Lee Kean Teong Resolution 3

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

As Special Business:

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

5. Retention of Independent Director Resolution 5

   "That subject to the passing of Resolution 2, 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 6

   "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 7

   "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."

As Special Business: (Cont'd)

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

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

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

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

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

   AND THAT the Directors of the Company be and are hereby 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 Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed RRPT") Resolution 8

   "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 2018 ("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 2018

NOTES:

1. Only members of the Company whose names appear in the Record of Depositors as at 23 November 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the 27th 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 27th 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 to Ordinary and Special Business

   Item 1 of the Agenda

   The Agenda No. 1 is meant for discussion only under Section 340(1)(a) of the Companies Act 2016. Hence, item 1 of the Agenda is not put forward for voting.

   Resolution 5

   - 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 ten (10) years cumulatively by 30 January 2019. In applying the recommendation under the Malaysian Code of Corporate Governance 2017, 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.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

NOTES: (Cont'd)

8. Explanatory Notes to Ordinary and Special Business (Cont'd)

   Resolution 6

   - 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 30 November 2018. A renewal of this authority is being sought at the 27th AGM.

   Resolution 7

   - 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 2018.

   Resolution 8

   - Proposed Renewal of 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 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 2018.

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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Following is the statement made pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad:

1. Directors who are standing for re-election at the 27th Annual General Meeting of the Company are as follows:

   i) The Directors who are retiring by rotation pursuant to Article 98(1) of the Company's Articles of Association and seeking re-election are:

      - Mr. Ang Seng Wong
      - Mr. Lee Kean Teong

   The details of the two (2) Directors seeking for re-election are set out in the Directors' profile appearing on pages 12 and 14 of the Annual Report.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

   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 30 November 2018. A renewal of this authority is being sought at the 27th AGM.

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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 Seventh Annual General Meeting ("AGM") of the Company to be held at EG INDUSTRIES BERHAD, Plot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah on Friday, 30 November 2018 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.	Payment of Directors' Fees		
2.	Re-election of Director, MR. ANG SENG WONG		
3.	Re-election of Director, MR. LEE KEAN TEONG		
4.	Re-appointment of Auditors, MESSRS UHY		
5.	To retain Mr. Ang Seng Wong as an Independent Non-Executive Director of the Company		
6.	To authorise the allotment and issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016		
7.	To approve the Proposed Renewal of Authority for the Company to purchase its own ordinary shares ("Proposed Renewal of Share Buy-Back")		
8.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed RRPT")		

*Delete if inapplicable

Dated this ______ day of ______________, 2018.

____

Signature/Common Seal of Shareholder

NOTES:

1. Only members of the Company whose names appear in the Record of Depositors as at 23 November 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the 27th 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.
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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.
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8. Explanatory notes on Special Business

   Resolution 5

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     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.

NOTES: (Cont'd)

Resolution 6

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  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 30 November 2018. A renewal of this authority is being sought at the 27th AGM.

Resolution 7

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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 2018.

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STAMP

The Secretary

EG INDUSTRIES BERHAD (222897-W)

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

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

Please fold across the line and close

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