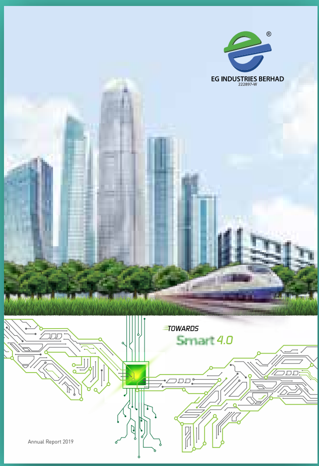
EG INDUSTRIES BERHAD

222897-W

TOWARDS Smart 4.0

Annual Report 2019



Towards Smart 4.0

The design shows lush green trees flourishing amid tall, modern buildings which depicts the commitment of EG Industries to serve its customers holistically, by adapting and thriving in an environment that continues to change and grow. Like the strong roots of a tree, the digital lines of a circuit board represent the widespread adoption of smart technologies and solutions that enable EG Industries to embrace the exciting changes of Industry 4.0. These digital lines also resemble two hands with the tips of two index fingers on a chip – this illustrates the joint-venture initiatives of EG Industries which produce a synergy of exciting possibilities. The digital lines that rise through the solid tree trunks reflect how EG Industries continues to be a one-stop vertical Integration solutions provider to local and international customers.

28th Annual General Meeting

EG INDUSTRIES BERHAD
Plot 102, Jalan 4,
Bakar Arang Industrial Estate,
08000 Sungai Petani, Kedah.

Friday
29 November 2019
11:30 a.m.

CONTENTS

TECHNOLOGIES

TOWARDS Smart Manufacturing cenTer

1st October 2018 was an auspicious day for the Group, as EG Industries completed the Sales and Purchase Agreement of Plot 101 between SMT Technologies and S&O Electronics, culminating in a Handover Ceremony of Plot 101.

The new manufacturing facility will be EG's first smart manufacturing plant, demonstrating the Group's commitment to embracing Industry 4.0 and becoming one of the leading smart EMS providers in Malaysia. With the additional capacity at improved capability, this allows the Group to enhance its operational efficiency and raise the standards of quality control. In the long run, the Group hopes to increase its bottomline and in turn generate long-term benefits to its stakeholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

- **Dato' Terence Tea Yeok Kian**
  (Group Executive Chairman)
- **Dato' Alex Kang Pang Kiang**
  (Group Chief Executive Officer)
- **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

170-09-01 Livingston Tower
Jalan Argyll
10050 Georgetown, Penang
Tel : 04-2294390
Fax : 04-2265860

REGISTRAR FOR SHARES, WARRANTS

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

AUDITOR

UHY (AF 1411)
Chartered Accountants

BANKERS

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
HSBC Bank Malaysia Berhad
Kasikorn Bank Public Company Limited (Thailand)
OCBC Al-Amin Bank Berhad
Standard Chartered Bank Malaysia Berhad
TMB Bank Public Company Limited (Thailand)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

GROUP STRUCTURE

EG INDUSTRIES BERHAD
222897-W

Investment holding company listed on Main Board of Bursa Malaysia.

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

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

100%
GLISTEN KNIGHT SDN. BHD.
[354564-D]

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

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

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

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

95.50%
MASTIMBER INDUSTRIES SDN. BHD.
[418438-V]

Dormant

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 center rendering BP outsourcing in financial and administration processes and IT services.

49.00%
TM SMT SDN. BHD.
[1322005-T]

Wholesale of computer hardware, software and peripherals.

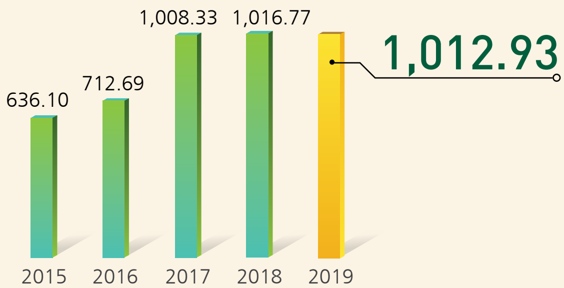
GROUP FINANCIAL HIGHLIGHTS

Year ended June 30	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	636.10	712.69	1,008.33	1,016.77	**1,012.93**
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	58.02	56.56	60.79	60.22	**52.94**
Profit Before Tax	23.63	21.22	22.35	18.94	**13.10**
Profit Attributable to the Owners of the Company	26.48	17.03	22.25	18.48	**12.58**
Shareholders' Funds	144.45#	235.44	263.58	322.20	**331.80**
Basic earnings per ordinary share (sen)	35.39	10.57	8.42^	6.96	**4.78**
Net assets per ordinary share (RM)	1.87#	1.11	1.25	1.21	**1.31**

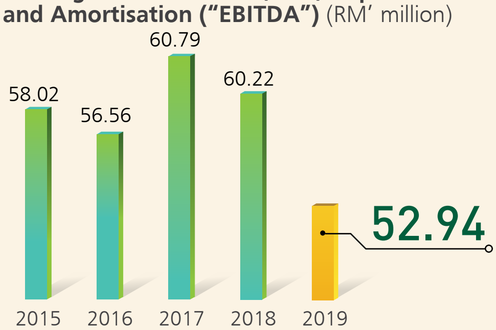
\# The Shareholders' Funds & Net assets per ordinary share have been restated as per audited financial statements for the financial year ended 30 June 2016.

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

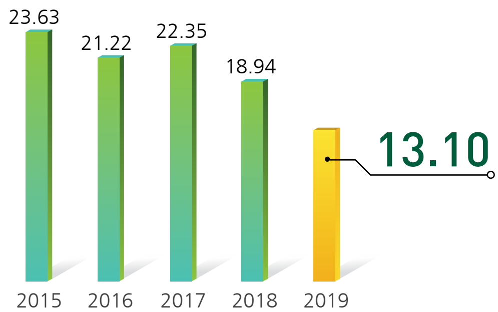
Revenue (RM'million)



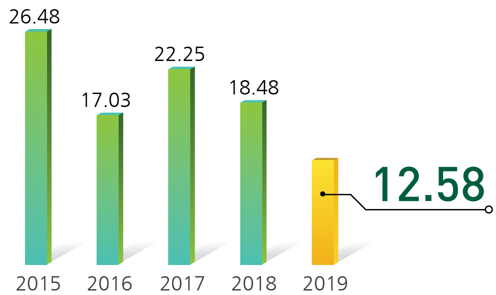
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") (RM' million)



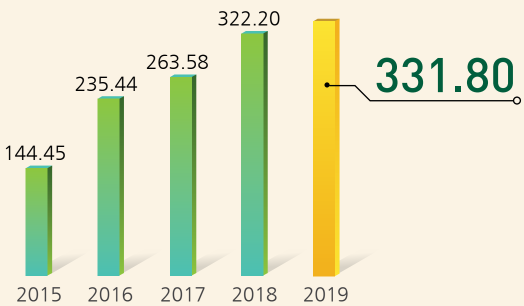
Profit Before Tax (RM' million)



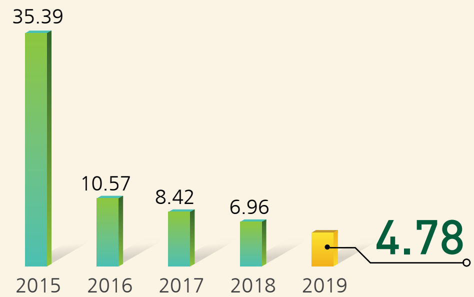
Profit Attributable to the owners of the Company (RM' million)



Shareholders' Funds (RM' million)



Basic earnings per ordinary share (sen)



MANAGEMENT DISCUSSION AND ANALYSIS

We represent the Board of Directors to present to you the annual report of EG Industries Berhad (EG) for the financial year ended 30 June 2019 (FY2019).

We are pleased to report that despite the harsher market conditions stemming from the ongoing trade war between US and China, we recorded more than RM1.0 billion in revenue for the third successive year. EG is no stranger to tough circumstances, and once again proved our resilience 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) which entails high and low-mix printed circuit board and backplane assembly, and box build, that encompasses total design, manufacturing, testing and shipping of completed product to customers' end users.

The investment holding company has six wholly-owned subsidiaries (excluding dormant companies) as below:

	Subsidiary	Principal activities
1	SMT Technologies Sdn Bhd (SMTT)	Provision of EMS for computers peripherals and consumer electronic/ electrical products industries in its manufacturing facility in Sungai Petani, Malaysia
2	SMT Industries Co. Ltd. (Thailand)	Provision of EMS for computers peripherals, consumer electronic/ electrical and automotive industrial products in its Prachinburi plant in Thailand
3	EG Electronic Sdn Bhd	Original equipment manufacturer/ original design manufacturer in complete box-build products
4	EG R&D Sdn Bhd	Research and development activities for the electronic, electrical, telecommunication and other technological products

The investment holding company also has an associate company as below:

	Associate Company	Principal activities
1	TM SMT Sdn Bhd (TM SMT)	Wholesale of computer hardware, software and peripherals.

* Source: http://www.bnm.gov.my/files/publication/ar/en/2018/ar2018_book.pdf

Share Performance (25 October 2018 to 24 October 2019)

Year High	Year Low	Year Close	Trading Volume	Market Capitalization
RM0.52	RM0.365	RM0.455	135.2 million shares	RM117.1 million

OPERATIONAL HIGHLIGHTS

- **Expansion of Production Space**
  In October 2019, we had completed the RM12.4 million land-acquisition of the neighbouring manufacturing plant in Sungai Petani, which increases our factory production space by approximately 80% from 31,000 square metre (sq m) to 55,000 sq m altogether.

  With the RM30 million CAPEX allocated for this plant over FY2019 and upcoming financial years, this will be our first fully-automated manufacturing facility that will allow us to take on larger-scale jobs going forward.

OPERATIONAL HIGHLIGHTS (Cont'd)

- **Joint Venture with Quanta Storage Inc (QSI)**
  As a testament to our endeavours towards continuous progress, EG's subsidiary SMTT had entered into a joint venture (JV) with Taiwan-based QSI to form a joint venture company TM SMT in May 2019. SMTT holds 49% while the remaining 51% is owned by QSI.

  EG injected capital contribution of RM2.0 million into TM SMT, which is entrusted to undertake all contract manufacturing works for Western Digital (WD), a common customer for both EG and QSI. Furthermore, this allows EG to enlarge its market coverage for WD to include solid state drive alongside its current hard disk drive segments.

  Crucially, this JV will also enable EG to leverage on QSI's robotic automation technology in EG's manufacturing facilities in Malaysia and Thailand which is in line with our vision to embrace Industry 4.0 practices.

  TM SMT would also establish a solid foundation to potentially serve other customers in Malaysia and Thailand.

FINANCIAL REVIEW

In spite of the technology sector slowing down in line with global macroeconomic pressures, the Group still recorded more than RM1 billion in revenue for the third consecutive year. This was achieved on the back of higher sales from new customer products.

The year under review was fraught with several challenges that had adverse effects on our overall operations and financial performance. This included the higher labour costs due to the new minimum wage rate implemented in January 2019 and product transition process where certain existing high-margin box build consumer electronics products reached its End-of-Life stage and were to be replaced with new models. Furthermore, the Group also had shifted a few production lines from Malaysia to Thailand, which resulted in lower overall shipping volume for the year under review.

Consequently, these factors hindered the Group's financial performance for the year under review. The Group's FY2019 gross profit fell 17.5% from RM47.4 million a year ago to RM39.1 million, while the Group also noted 30.7% lower profit before tax of RM13.1 million from RM18.9 million previously. Net profit moderated 31.9% to RM12.6 million from RM18.5 million in the previous corresponding year. Nevertheless, we are optimistic of our prospects in the EMS sector, in light of our strong track record, innovation-driven management and customer-centric approach.

ASSETS, LIABILITIES AND EQUITY

The Group's total asset base increased to RM715.5 million as at 30 June 2019 from RM654.8 million a year ago. This is mainly due to higher property plant and equipment of RM234.0 million on the back of the recent purchase of the neighbouring manufacturing plant in Sungai Petani, as well as increasing machinery requirements across the various facilities.

Cash and cash equivalents declined to RM39.9 million in FY2019 from RM60.0 million in the previous financial year ended 30 June 2018 (FY2018), in line with the purchase of the Group's new manufacturing facility and greater working capital needs related to the upcoming mass production of several new models.

As at 30 June 2019, the Group's total liabilities rose to RM384.1 million from RM332.9 million previously. This resulted from higher trade payables which increased to RM187.4 million from RM143.7 million a year ago due to higher purchase of raw material towards year end for next quarter production ramp. In line with the Group's purchase of its neighbouring production plant, total group incurred 4.4% higher borrowings to RM192.0 million from RM183.9 million previously.

Shareholders' equity increased to RM331.8 million from RM322.2 million previously on higher retained earnings and larger share capital base.

CAPITAL STRUCTURE AND CAPITAL RESOURCES

As the Group strives for improved automation to enhance operational efficiency, the Group has allocated more budget towards capital expenditure (CAPEX) in the year under review. FY2019 CAPEX amounted to RM100.3 million from RM15.2 million in the previous year. The CAPEX incurred was used to purchase the production facility in the Group's neighbouring land as well as equipment to set up the Group's first smart manufacturing plant.

With this, the Group is optimistic of reducing its reliance on labour and ensure greater quality control of its products going forward.

The increase in borrowings coupled with lower cash and cash equivalents in FY2019 resulted in EG's net gearing to rise to 0.46 times from 0.38 times in the preceding year. Nonetheless, the Group's gearing level remains in a robustly manageable and is able to take on more borrowings to fund future expansion.

DIVIDEND

In order to propel 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 FY2019.

ANTICIPATED OR KNOWN RISKS

Being reputed globally as an integrated EMS provider, the Group faces numerous risk factors that may adversely impact the business, financial condition and the results of the operations. These include:

- **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 rises or the Malaysian Ringgit declines, there will be an adverse impact on the Group. Nevertheless, the Group's EMS services are denominated in USD and THB since it is used primarily for the export market, acting as a natural hedge for the Group.

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

- **Availability of raw materials**
  We are wary of the shortage of passive electronic components in the semiconductor industry, and are taking the necessary steps to overcome this obstacle, such as engaging with multiple suppliers on the availability and delivery of these passive electronic components to ensure a healthy level of inventory.

GROWTH STRATEGIES

Even so, our perspective of the EMS industry's prospects remains bright going forward, with the ever-growing importance of EMS in line with the global drive of specialisation, productivity and efficiency, and especially in the rising adoption of Internet of Things (IoT).

EG's strongpoints through the years has always been our dedication to innovation, flexibility and expansion, which become not only our differentiating factors but more essentially, our winning formula.

- **To bid for more box-build assembly contracts in Sungai Petani plant**
  As a vertical integrated solutions provider, we are able to deliver the full scale of services to our customers, from design and development, tooling design and fabrication to plastic injection, surface mount technology and PCBA, as well as the final assembly. This allows us to tailor the products to meet customers' demands, especially with box-build assembly products.

  Our enlarged Sungai Petani plant had a utilisation rate of 50% as at 30 June 2019, giving us sufficient capacity to cater to the future demand for EMS. Moreover, our focal point remains on enhancing our product quality through continuous improvement and innovation on smart manufacturing.

- **To position as beneficiary of jobs from ongoing trade war between US and China**
  While the ongoing trade war between US and China may have some negative impact in the EMS sector, there is a silver lining to this as we have witnessed an increased number of enquiries from multinational companies (MNCs).

  With our new smart manufacturing facility in place, we believe that the timing of our growth expansion is opportune as we work to convert these enquiries into tangible and hopefully sustainable orders. Furthermore, as a vertically-integrated EMS player, serving MNC's strongest requirements would bode well with our vision.

- **To target the medical and automotive industries**
  As technology continues to go through phases of rapid growth, every aspect of the technology sector is transitioning towards IoT technology, of which EMS is a core service. We believe that these two industries will be heavily relying on IoT would be the medical and automotive industries.

  We are making inroads to engage with sector players, where our high quality standards and broad range of solutions should position us favourably. We are hopeful of seeing our efforts bear fruits in the future.

APPRECIATION

On behalf of the Board of Directors, we express our gratitude to our management team and staff who have strived to enable EG to face the current circumstances with grit and resilience. Only through your fighting spirit and constant determination are we able to persevere in the hardships. Together, we will continue to reach greater heights and move forward as a family.

Dato' Terence Tea
Group Executive Chairman

Dato' Alex Kang
Group Chief Executive Officer

DATO' TERENCE TEA YEOK KIAN

Group Executive Chairman

Aged 51 | Male

Qualifications

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

Date appointed to the Board ▶ 18 July 2014

Other Board Committee ▶ Nil

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

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

Conflict of interest with listed issuer ▶ Nil

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

No. of Board Meeting attended during the financial year ▶ 5

Working Experiences & Occupations

Dato' Terence Tea Yeok Kian PBM ("Dato' Terence") is a positive entrepreneur who has earned a good reputation of which he so deserved for his numerous achievements in the past years through his tenacity in the corporate finance, precision engineering and electronics businesses. He is currently a distinguished member of the business community generating a wealth of experience in providing invaluable advices and solutions to the Board. His extensive experience has earned him substantial goodwill among the business and civil communities of which he plays an active role in the strategic planning of the Group's industry and of which has to date contributed positively to its growth.

Doubling up as an Executive Chairman and Managing Director of major shareholder Accrelist Ltd. ("Accrelist"), FY2019 has been an eventful year as Dato' Terence has successfully advised and steered Accrelist's 65.82%-owned subsidiary, Jubilee Industries Holdings Ltd., to two consecutive years of profitability, of which FY2019 saw profit surge from $1 million to $3 million.

Dato' Terence being a talented business entrepreneur has foreseen the potential of the medical aesthetics industry. FY2019 marked the acquisition of Refresh Laser Clinic chain of medical aesthetics outlets which has soared to success in this business venture. Renamed A.M Aesthetics, the number of clinics has expanded from four to five outlets in Singapore, with another 2 additional outlets in Penang and Kuala Lumpur, while a few more new outlets in Singapore and Malaysia are in the pipeline. In FY2019, the medical aesthetics chain managed to chalk up an impressive profit before tax of $1 million. Apart from medical aesthetics, Dato' Terence continues to see further potential in the digital economy where Accrelist has ventured into facial recognition verification services to tap on the growing adaption of facial recognition.

As the Group Executive Chairman of EG Industries Berhad, with factories based in Thailand and Sungai Petani, Dato' Terence develops the strategic direction of the Group. Armed with a good foresight, Dato' Terence has proven to lead the group of companies to greater heights as a leading EMS provider for electrical and electronic products for several industries including consumer electronics, ICT, medical, automative and telecommunications across the region.

Dato' Terence is also a member of Singapore Institute of Directors. As an active member of the community, he holds several appointments such as an honorary patron of the Singapore Productivity Association, Sembawang and Nee Soon East Citizen's Consultative Committee, a council member of the Singapore Hokkien Huay Kuan, 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 by Singapore's Ministry of Education (MOE). He was also awarded the Singapore Small Medium Business Association TOP Entrepreneur of 2015.

DATO' ALEX KANG PANG KIANG

Group Chief Executive Officer

Aged 47 | Male

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

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

Working Experiences & Occupations

Dato' Alex Kang, Group CEO holds the helm for full responsibility on the Group's overall planning and operations since July 2014. With more than 20 years of his expertise in financial management, planning, corporate restructuring exercises, risk management and investor relations, he plays a key role in formulating and providing solutions for EG Group's strategic positioning and business expansion.

Dato' Alex attained double degrees in Bachelor of Commerce and Bachelor of Science from University of Auckland, New Zealand. He is also an active member of Chartered Accountant of Malaysian Institute of Accountants (MIA) for more than 20 years.

Currently Dato' Alex is Group CEO of EG Industries Berhad. With years of successful business experiences, Dato' Alex is being appointed as an independent director of another listed company namely Thong Guan Industries Berhad.

For his outstanding entrepreneurship and enthusiasm, he has been awarded the Best Chief Executive Officer and Best Investor Relations Professional by Malaysian Investor Relations Association (MIRA) under the Micro-cap category of "The Investor Relations Awards 2015".

On top of that, in appreciation of his dedication to the business and social community, he was conferred the title of Dato' in year 2018 in recognition of his tireless contributions.

ANG SENG WONG

Senior Independent Non-Executive Director

Aged 57

Male

Qualifications

- Master of Business Administration
- Bachelor of Arts and Bachelor of Business

Date appointed to the Board ▶ 30 January 2009

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

Other Directorships (in Public Companies on that incorporated in Malaysia-Listed and Non-Listed)
- Independent Director of Ralco Bhd.

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

Working Experiences & Occupations

Mr. Ang began his career as an accountant in Melbourne for 5 years. Upon his homecoming 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 final posting was as an employee holding the post of an Executive Director in one of the listed electronic company. In his professional capacity, he has extensive senior management experience having been involved in conducting public and in-house programs for well-known companies such as Petronas, Telekoms, NEC, Maxis, DRB-Hicom, Pantai Group, Columbia Hospital, MISC etc. in Malaysia, Singapore, Thailand and Philippines. He is also a certified trainer in HRDF and LPI and has 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.

LIM SZE YAN

Independent Non-Executive Director

Aged 42

Male

Qualifications

- Bachelor of Commerce (Accounting & 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

Date appointed to the Board ▶ 28 February 2012

Other Board Committee

- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee

Other Directorships (in Public Companies that incorporated in Malaysia-Listed 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

Working Experiences & Occupations

From 2001 to 2003, Mr. Lim started his career as an audit assistant in Tay and Associate. Thereafter Mr. Lim made his milestone when he stepped into Aim Strong Industries Sdn. Bhd. starting from 2003 to 2005, where he served as Account Executive initially and was gradually promoted to Development Manager from 2005 to 2007. However, due to his diligence and perseverance, he was entrusted with the post of General Manager from 2007 to October 2013. Presently, he is the Executive Director of both Aim Strong Industries Sdn. Bhd. and V-Hua Management Sdn. Bhd.

LEE KEAN TEONG

Independent Non-Executive Director

Aged 61

Male

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

Date appointed to the Board ▶ 1 June 2016

Other Board Committee

- Member of Audit Committee
- Member of Nomination Committee
- Member of Remuneration Committee

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

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.

As Mr. Lee has acquired a very wide professional experience during his term in audit and management accounting, he was looked upon with pride from other public listed companies and multinationals in various industries, of which his services are being much sought after as engagement partner - primarily in manufacturing, property development and construction, hotel, stock broking and financial institutions.

CORPORATE KEY MANAGEMENT PROFILE

	CHERYL NG SZE MUN Group Chief Financial Officer/ Vice President Aged 33 · Female	MOGAN KARUPIAH Group Chief Technical Officer/ Vice President Aged 54 · Male
Qualifications	▶ 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)	▶ Master's Degree in Engineering (University of South Australia, Australia)
Working Experiences & Occupations	Ms. Cheryl Ng Sze Mun joined EG Group in year 2014 as Finance Manager and was appointed as Group Chief Financial Officer in July 2016. She began her career in the accounting industry in 2008 and earned her financial and accounting experience while working in one of the Big Four Accounting firms and a Public Listed Co. before joining the Group. In year 2015, she was awarded as the Best CFO for Investor Relations under the Micro-cap category of "The Investor Relations Awards 2015" by the Malaysian Investor Relations Association (MIRA) to honour her excellence on the field of Investor Relations. She is currently managing 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.	Mr. Mogan Karupiah joined EG Group in year 2003 and has been one of contributing leaders in the company to great heights with his expertise of more than 28 years in Quality Management, Product Engineering, R&D, Test Engineering and Production from Telecommunication, Audio/Video Electronic, Aerospace (Avionics), Computer Peripherals and various MNC. He is accountable for EG Group's ongoing success on Quality Management System and Business Unit Management.
Other Board Committee	Member of the Group's Risk Management Committee	Chairman of the Group's Risk Management Committee

	CHLOE LIM CHIEW HWA Chief Admin Officer Aged 60 · Female	LOW JOO HIANG Production Director Aged 50 · Male
Qualifications	▶ Master of Science in Chemistry (Indian Institute of Technology, Kanpur, India)	▶ Diploma in Electronic Engineering Federal Institute of Technology, Kuala Lumpur.
Working Experiences & Occupations	Ms. Chloe Lim Chiew Hwa joined EG Group in year 2000 with the exposure of over 21 years of work experience in QC/QA, management system and general administration. She is presently overseeing Legal / General Administration and Payroll Policy, Human Resources Management, Employment Laws, Training and Development, Safety and Health for the entire organization.	Mr. Low Joo Hiang joined EG Group in year 1996 with his vast experience of over 22 years 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	Member of the Group's Risk Management Committee	Member of the Group's Risk Management Committee

TAI CHEE SEONG

Advanced Optical(AO) & IT Director

Aged 54 | Male | Malaysian

Qualifications

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

Working Experiences & Occupations

Mr. Tai Chee Seong joined EG Group in year 2008 as Process Engineering Manager and was appointed as the Advanced Optical (AO) & Information Technology (IT) Director in June 2019.

Since 1990, he started his career in the field of electronics and possessed extensive working experience in various western, Japanese and local firms before joining the Group.

Presently he is taking the lead of the group coming 5G product manufacturing function, IT, Smart Manufacturing, e-Scooter assembly and also Wire Harness Manufacturing.

Other Board Committee

Nil

JOHNNY KHONG HONG WAI

Business Development (BD) Director

Aged 53 | Male | Malaysian

Qualifications

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

Working Experiences & Occupations

Mr. Johnny Khong Hong Wai joined EG Group in year 2013 as BD Senior Manager and was assigned as BD Director in July 2018.

He began 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 presently responsible for the operations of the Group Business Development Department, leading the team to meet Company's objectives and to enhance the Company's performance.

Other Board Committee

Nil

TAN AIK KAH

Engineering Director

Aged 51 | Male | Malaysian

Qualifications

- MBA , Honululu University, Hawaii, USA
- Polytechnic in Electrical Power Engineering
- Industrial Training Institute in Electrical (Domestic and Industrial)

Working Experiences & Occupations

Mr. Tan Aik Kah joined EG Group in year 2018 as Engineering Director and has gathered wide expertise in the engineering field both abroad (China, India & APAC) and locally. He has taken significant roles in well established factories as a Regional Engineering Operations Development Manager, Process and Product Engineering, Quality Engineering, Equipment Engineering, Senior Manufacturing Operation and Project Engineering. He has more than 25 years working experiences in electronics industries.

His qualifications and coupled with the wide range of exposures and skills he possessed, he is an asset to our Group as an Engineering Director together with the growth of the company into the new emerging market.

Presently he is leading on Engineering team that consists of Process Engineering, Equipment Engineering, Industrial Engineering, Mechanical Engineering as well as New Product Introduction (NPI).

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 ("EG" or "the Group") is the leading Malaysian Electronic Manufacturing Services (EMS) and Vertical Integration (VI+) provider for world-renowned brand names of electrical and electronic products for industries that include consumer electronics, ICT, medical, automotive and telecommunications. Ranked as a top EMS player in the world, EG recognises that embedding the sustainability initiatives in the organisation is crucial for organisation to consider the impact of wide range of sustainability issues that enable the Group to be more transparent about the risks and opportunities facing.

EG's Board of Directors ("Board") and Top Management are chary that whilst creating value for customers, shareholders, business associates and company itself, EG is also accountable for environment, social obligations and life quality of people surrounding the business environment.

Thus, with the Sustainability Reporting Guide (2nd edition) launched by Bursa Malaysia in year 2018 as a reference, EG's sustainability approach has evolved alongside with these integrated initiatives centralising on the management of material economic, environmental, social ("EES") risks and opportunities that would support business continuity and competitiveness over the long term.

Governance Structure

The sustainability aspect of the operation is highly prioritised by the Group in achieving its long-term growth and successes. Bursa Malaysia had released the first edition (2015) and second edition (2018) of the Sustainability Reporting Guide to provide guidance to companies on the embedment of sustainability and management of EES risks and opportunities. The Risk Management Committee ("RMC") of EG hence identified, evaluated and managed the sustainability risks with appropriate risk management and internal control framework as guideline, which had received contentment from the Board. The RMC involved the Group Chief Executive Officer (CEO) and other selected key Management staffs that report directly to the Board. The Board is accountable for reviewing and providing advice on the Group's sustainability performance and reporting.

Key Sustainability Area

1. Economic

Whistle-blowing policy

EG's whistle-blowing policy enforced its commitment in the business with high standards of honesty, accountability and integrity towards the external customers and suppliers; as well as the internal employees. This policy shows a transparent process of the Group in its responsibility to handle any received whistle-blowing cases confidentially. It is structured in such a way that any parties are freely welcomed to do reporting of suspected misconducts, illegal acts, corruption and violation of company rules and regulation without hesitation or fear of retaliation. With the robust whistle-blowing policy as a governance, the Group would be able to conduct the business activities with highest ethical standards and law-abiding spirit that create value to business and other stakeholders.

Branding and reputation

The reputation of EG represents its image that is builds from the trust accumulated from the society and other stakeholders towards the company. EG embraces corporate social responsibility (CSR) to show its sense of responsibility and contribution back to the community that makes the Group the prime player in the industry.

The Group carried out various philanthropic activities through donation and communal campaigns every year that involved the participation of every volunteer from the Group. By helping those in need and contribute to the society and stakeholders will indirectly promotes the Group's brand to be well known globally.

Key Sustainability Area (Cont'd)

Supplier Relations

For the long term mutual growth benefits, EG values the partnership with the suppliers and as to assure the quality of raw materials supplied and ethical procurement practices, a supplier audit system was established to evaluate, assess and rate suppliers. A quality management system was also established of which all glitches with supplier can be tackled in a timely and systematic manner with its aim to maintain and extend such performance in the foreseeable future.

Customer Relations

Maintaining strong customer relationship is a key component within our journey towards sustainability for growth of business which provides the Group with a great platform to broaden our ability to enhance our overall customer relations and continuous improvement for further growth.

The Group understands the importance of engaging with its customers and aims to constantly improve its customer service across all levels.

Investor Relations

At EG, the Board firmly believes that stakeholder engagement is a key component with our journey towards sustainability. EG conducts business and information which are being propagated with transparency in order to build trust and confidence. All information delivered including announcements, quarterly financial results and important corporate events with the objective to foster and maintain good relationship and provide timely information to various stakeholders of the Group. For more information, there is this Group's website www.eg.com.my to refer.

Annual General Meeting (AGM) is held annually to provide a platform for shareholders to connect directly with the Board and key management staffs.

2. Environment

Environmental management

As an electronic manufacturing services provider, EG is highly aware of its responsibilities towards the environment and thus the Group endeavours to enhance and comply with all the relevant environmental, legal and other legislative requirements.

The Group has obtained accreditation of ISO 14001:2015 – Environmental Management System that helps to monitor, control and improve overall environmental performance throughout operations and the supply chain. The standard helps the Group to achieve the intended outcomes from its environmental management system in which contributes value to the environment, company and customers' satisfaction.

The Group also committed to manage the used of electrical energy in the production activities in a reasonable and acceptable consumption. EG hence appointed The Registered Electrical Energy Manager (REEM) to assist in the compliance of the regulation, Efficient Management of Electrical Energy Regulation 2008.

Waste management

EG's factories are always in line with the legal requirement on the management of scheduled waste. The Group has engaged the Department of Environment (DoE) Malaysia approved waste contractors to ensure the scheduled wastes are handle properly. A comprehensive waste management system where 3R (reduce, reuse and recycle) is in use to monitor and handle waste disposition in a systematic manner.

Key Sustainability Area (Cont'd)

3. Social

Diversity

EG recognises and embraces diversification in its employee's composition. As of 30 June 2019, the Group gathers a total of approximately 2500 employees from various ethnicity and races. Moreover, Malaysian employees occupied approximately 70% of EG's employment that helps the country to reduce the unemployment rate. Overall, the Group's objective is to achieve an open and transparent corporate culture working environment that can foster all dimensions of diversity.

Employees workplace, health and safety

EG has always put its priority on workplace safety for its employees and instilling awareness of a safe work culture. Extensive measures to promote safety awareness on preventive measures and response actions and recognises the importance of constant maintenance and monitoring to ensure that safety standards at the machines and plants are implemented, organising training programmes and encouraging awareness such as fire drills. Our factory employees also undergo training in areas for fire response, chemical spill response and first aid. Fire drills and emergency evacuation drills are conducted occasionally to educate all employees.

To control and improve occupational, health and safety performance which will protect employees from work hazards, ill health, injuries and fatalities, the Group has established a systematic approach through recognition of OHSAS18001:2007 (Occupational Health and Safety Management System) and MS 1722: Part 1 2011 since April 2010. The business principle of the Group is to respect human rights in workplace and across its supply chain and of which covers the non-employment of child labour, forced labour, non-discriminatory practice in recruitment process and all employees are being treated with dignity and health and safety at workplace.

In fact, the Group adopts the International Labour and Organisation (ILO) Standards and Electronic Industry Citizenship Coalition (EICC) Code of Conduct and requires cooperation from its business partners and suppliers to comply with the standards as well.

Employee compensation and benefits

EG recognises its employees' contribution to the company growth and sustainability. The Group thus dedicates to compensate and motivate the outstanding performers with performance incentives, employee awards and training programs to encourage and cultivate more talents within the Group to sustain the future growth.

The Group had introduced two main employee programmes – Performance Incentive Management (PIM) and Best Knight which to reward outstanding achievers for their contribution and innovative ideas.

Employee training

EG commits to cultivate its employees with continuous learning and knowledge to develop their competencies and skill set. Changes are always happening in an ongoing path, thus the Group equip the employees with required skills that shall benefit the employees individually and contribute towards the sustainability of the Group.

The Group provides opportunities to its employees to participate in both internal and external training every year to enrich their both technical and soft skills such as soldering, C-TPAT, leadership and communication trainings.

EG also offers its employees short courses or development programmes that help to enhance their languages proficiency in dealing with external especially the international clients. With the launching of our Smart Manufacturing Center 4.0 on 7th October 2019, the Group invested in automation, ICT and Big data training to maintain the resilience of their workforce in this new highly automated age.

Giving Back to Local Communities

The Group is not only committed at establishing a healthy and varied working environment for employees but also determined to support them with opportunities for their career development. The Group is dedicated to contribute back to the community every year. Recently, charitable events and communal activities are held where voluntary visits were made to an orphanage home in Kampung Che Bema on 20th July 2018 and to an old folks' home in Sik on 17th August 2018. The objective of the projects was to contribute back to support any social causes as well as to provide relief and assistance to the less fortunate or underprivileged community and to cultivate future generations.

While all efforts were intended to enable the Group to contribute back responsibly and also advocates a good work-life balance, various activities and programmes such as a blood-donation drive campaigned annually, team building including holiday trips for dedicated employees, outings and incentive cash awards are being organised as gratitude towards the employees and societies.

Visit to Orphanage at Kampung Che Bema, Kedah

Leaded by our Chief Admin Officer and supported by voluntary employees from HR Team of SMT Technologies and EWC (Employee Welfare Committee), a visit was made to one of the Orphanages Home in Kampung Che Bema on 20th July 2018. A total donation of RM1,807 was handed to the Personnel in charge of the Orphanage to support the children who came from lower income group of families. The event members also generously contributed bags of popcorns, organized some fun game activities and shared several cheerful hours interacting with the underprivileged children.

Visit to Pondok Raudhatul Jannah Sik, Kedah (Senior Citizens' Home)

The Group has a compassion for the less fortunate society and readily sees to support the development of rural communities. On 17th August 2018, once again the Group's HR staffs and Employee Welfare Committee (EWC) distributed bags loaded with goodies, food provisions and basic essential toiletries to the old folks home – The Home for Sik Senior Citizens and its surrounding villagers. The elderly were treated for a buffet lunch and green packets were given during the event.

Giving Back to Local Communities (Cont'd)

Company Trip 2018 at Koh Lipe, Thailand

In recognition of the Group employees' hard work and dedication devoted for the Group, over 40 diligent employees were rewarded an exciting 3 days 2 nights holiday company trip at Koh Lipe in Thailand. A series of enjoyable ice-breaking and team building activities were held over the warm beach waters throughout the trip. Fun and exciting snorkelling activities, beautiful corals and the happy blue sky, portraying scenic views at Tarutao National Park located at Ko Hin Ngam and a private dinner had captivated all the participants with thrill and joy. It was a memorable event as team building activities bring the employees together fostering a real bonding and support.

Blood Donation Drive

A blood donation campaign was held on 11th April 2019 with a response of 61 persons participating for this good and worthwhile cause. The Group factory space at Plot 102A was the place allotted for the hospital staffs to conduct the necessary blood tests for the intending blood donors before drawing up their blood for a good cause. The Group noble act has achieved great success to show we love and care for lives.

Giving Back to Local Communities (Cont'd)

Best Knight Movie Day

An entertaining reward in the evening after a Hard Day's Work!

The Group hosted a fascinating movie time for the its Employees and Management team at mmCineplexes on 8th May 2019 in order to acknowledge their efforts and to revitalise employees spirit after a hard day's work. The team members were rewarded with a free movie in an exclusively booked cinema hall. Everyone enjoyed each other's company and had a great team bonding session on this movie day.

Employee Recognition Award with Mercedes Benz

Congratulations to the Group's Chief Technical Officer (CTO/VP) Mr. Mogan Karupiah, Operation Senior Director, Mr. JH Low and Business Development (BD) Director, Mr. Johnny Khong have constantly assisted in leading the company's operations with their extraordinary working experiences. In appreciation for their extensive and outstanding work performance, the Group has rewarded them with a Mercedes Benz on 19th July 2019.

Performance Incentive

Performance Incentive

The Group was delighted to hand over cheques for deserving committed employees who had contributed in securing and successful launch of several new important projects. Such cheque handover ceremonies were held by the Group as an initiative to encourage and motivate the employees. All in all, the Group recognises and values all employees as its most vital assets for sustaining the business growth.

Moving Forward

It has been an eye opening opportunity as we start our journey at developing a distinct outlook towards ensuring sustainability activities. Henceforth, the Group shall dedicate more efforts at expanding our sustainability framework and shall concurrently review in the current measures, resources and structure of the organisation that generates returns for shareholders while balancing the interests of other stakeholders and also improves disclosure in the foreseeable future.

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.

On the stakeholders engagement front, the Board continuously ensures that effective channels of communication are maintained to provide stakeholders with appropriate platforms to channel pertinent views or concerns.

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 objective.

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.

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:-

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 Group Executive Chairman to ensure the effective functioning of the Board and assists the Group Executive Chairman in preparation for conduct of meetings;
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 2019 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 Group's Code of Business Conduct and Ethics ("the Code") sets out basic principles and guidelines to all Directors, management and employees of EG and its subsidiary companies ("the Group"). The Code encompass compliance with laws including abuse of power, corruption, insider trading and money laundering, Corporate Governance and Conflict of Interest.

The Code sets out the standards of ethical behaviour and values expected of Directors and employees and serves as a guide and reference in the course of the performance of their responsibilities.

The Board has implemented appropriate processes and systems to support, promote and ensure its compliance. The Board through the Nomination and Remuneration Committee will periodically review the Code which is available on Company's website at www.eg.com.my.

3.2 Whistle-Blowing Policy

The Board has adopted a Whistle Blowing Policy which is available on the Company's website, sets out the disclosure procedures and protection for whistle blowers to meet the Group's ethical obligations. Employees and stakeholders are encouraged to raise any serious concerns they have on any suspected misconduct or malpractices without fear of victimisation in a responsible manner rather than avoiding or overlooking them.

All whistle-blowing reports are addressed to the AC Chairman. This policy is administered by the AC with the assistance of the Management and oversee by the Board.

The Whistle-Blowing Policy is available at the Company's website at www.eg.com.my.

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 Board is of the opinion that the current composition of Independent Directors is sufficient to provide the necessary checks and balance on the decisions making process of the Board as evidenced in their contributions and participation as members of the various Board Committees and their independent oversight and constructive challenge to the Executive Directors.

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 2019. 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.

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

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.

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 eleven (11) years cumulatively by 30 January 2020. 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 11 years cumulatively by 30 January 2020, without re-designation, in the best interest of the company and subject to an annual shareholders' approval at the forthcoming 28th 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 presently does not have any policy on gender diversity.

The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group.

Notwithstanding with the above, the Board affirms its commitment to Boardroom diversity as a truly diversified Board can enhance the Board's effectiveness, perspective, creativity and capacity to thrive in good times and to weather the tough times.

In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

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

PART 2 – BOARD COMPOSITION (Cont'd)

4. Board's Objectivity (Cont'd)

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 to the Board.

Besides relying on recommendations from existing Board members, management or major shareholders, the Board, if required, will also utilise independent source, e.g. professional advisers, business associates etc. to identify suitably qualified candidates for appointment to the Board.

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

4.6 Nomination Committee

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 2019, 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 29 August 2019 confirmed that the Board have discharged their duties and responsibilities effectively for financial year 2019.

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.

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

PART 2 – BOARD COMPOSITION (Cont'd)

5. Overall Effectiveness of the Board and its Individual Directors

5.1 Annual Evaluation

The NC reviews annually the required mix of skills and experience of the Board, including core competencies which non-executive directors should bring to the Board and assesses the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director.

The evaluation process is led by the Chairman of the NC and supported by the Company Secretary annually. The Directors complete the relevant questionnaires regarding the effectiveness of the Board and its Board committees. The assessment by all Directors are summarised and disclosed at the NC's meeting and reported at a Board meeting by the Chairman of the NC.

For 2019, the NC has reviewed and assessed the mix of skills and experience of the Board including the core competencies of both Executive and Non-Executive Directors, size of the Board, contribution of each director and effectiveness of the Board and Board Committees and also evaluated the level of independence of the Directors. Based on the assessment, the NC was satisfied with the existing Board composition in terms of gender, ethnicity and age, and was of the view that all the Directors and Board Committees of the Company have discharged their responsibilities in a commendable manner and have performed competently and effectively.

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	Corporate Team Building	8
Dato' Kang Pang Kiang	Corporate Team Building	8
Mr. Ang Seng Wong	Corporate Team Building	8
Mr. Lim Sze Yan	Corporate Team Building	8
Mr. Lee Kean Teong	Corporate Team Building	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 briefted by the Company Secretary on the various amendments to the Main Market Listing Requirements of Bursa Securities from time to time.

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

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 2019, 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. The Independent Directors are paid only Directors' Fees.

Fees for non-executive directors were determined on a year-to-year basis and all the directors concur that there are aligned to market practice.

The Board will adopt a remuneration policies and procedures for members of the Board and Board Committees.

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

During the financial year ended 30 June 2019, 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' 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.

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

PART 3 – REMUNERATION (Cont'd)

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 2019 are as follows:-

Category	Fees (RM)	Salaries and Other Emoluments (RM)	Total (RM)
Company			
Executive Directors			
Dato' Terence Tea Yeok Kian	5,000	543,730	548,730
Dato' Kang Pang Kiang	5,000	377,243	382,243
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**	**920,973**	**1,050,973**
Group			
Executive Directors			
Dato' Terence Tea Yeok Kian	5,000	543,730	548,730
Dato' Kang Pang Kiang	5,000	377,243	382,243
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**	**920,973**	**1,050,973**

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

PART 1 – AUDIT AND RISK MANAGEMENT COMMITTEE

8. Effective and Independent Audit Committee

8.1 The Chairman of the Audit and Risk Management 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 and Risk Management Committee is not the Chairman of the Board.

The Audit and Risk Management 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.

8.2 Former Key Audit Partner

During the financial year under review, the Audit and Risk Management 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.

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

The Audit and Risk Management Committee carried out an assessment of the performance and suitability of Messrs UHY based on the quality of services, sufficiency of resources, adequate resources and trained professional staff assigned to the audit.

The Audit and Risk Management Committee has been generally satisfied with the independence, performance and suitability of Messrs UHY based on the assessment and are recommending to the Board and thereafter, the Shareholders for approval for the re-appointment of Messrs UHY as External Auditors for the Financial Year Ending 30 June 2020.

The Audit and Risk Management Committee met with the external auditors three (3) times during the financial year 2019 without the presence of Management and Executive Directors in compliance with the recommendations of the Code. The Audit and Risk Management 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.

8.4 Qualification of the Audit and Risk Management Committee

The Audit and Risk Management Committee members are financially literate and the Audit and Risk Management 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 and Risk Management 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 and Risk Management Committee

The Audit and Risk Management Committee comprises of 3 members, 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 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

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

PART 1 – AUDIT AND RISK MANAGEMENT COMMITTEE (Cont'd)

8. Effective and Independent Audit Committee (Cont'd)

8.5 Composition of the Audit and Risk Management Committee (Cont'd)

The Company has complied with paragraph 15.09(1)(c) of the Listing Requirements, which stipulates that "all members of the Audit and Risk Management 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 and Risk Management Committee should comprise solely of Independent Directors.

The Audit and Risk Management 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 and Risk management Committee members will keep themselves abreast of relevant developments by attending relevant trainings going forward.

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

Our Board is responsible for the adequacy and effectiveness of our Group's risk management and internal control systems. Our Board ensures that the systems manage the Group's key areas of risk within an acceptable risk profile to increase the likelihood that our Group's policies and business objectives will be achieved. Due to the inherent limitations in any risk management and internal control system, our Board continually reviews the system to ensure that the risk management and internal control systems provide a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

Further details on the features of the Company's risk management and internal control are set out in the Risk Management and Internal Control Statement included in the Annual Report.

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

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

9. Risk Management and Internal Control Framework (Cont'd)

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 and Risk Management Committee.

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 and Risk Management Committee. The following summary sets out the work of the Audit and Risk Management Committee carried out during the financial year under review in discharging its functions and duties and how the Audit and Risk Management Committee met its responsibilities:-

- The Audit and Risk Management Committee oversees the Internal Audit functions, for which the external firm reports directly to the Audit and Risk Management Committee and has direct access to the Audit and Risk Management Committee Chairman, and ensures the Internal Auditor will attend at the Audit and Risk Management Committee meetings upon invitation.
- Considered and approved 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 FY2019, the Internal Auditors attended the Audit and Risk Management Committee's Meeting and tabled their audit findings on Incoming and Outgoing Quality Assurance and Work-in-progress Stock Reporting to the Audit and Risk Management Committee for their notation.

The Internal Audit function is detailed in the Audit and Risk Management Committee Report included in the Annual Report 2019.

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

The Board is committed to ensuring that the Company continue to engage effectively with its shareholders to facilitate a mutual understanding of objectives. The Group has a number of formal channels in place to effectively communicate this information to all the shareholders and stakeholders. The Board primarily achieve this through the following activities; the annual report, announcements to Bursa Malaysia Securities Berhad, quarterly reports, Group's website and investor relations.

The Group also maintains a website which shareholders and other stakeholders can gain access to information about the Group, activities and/or any announcements made by the Group. This can all be located at www.eg.com.my.

PART 2 – CONDUCT OF GENERAL MEETINGS

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

12.1 Notice of AGM

The 28th AGM of EG Industries Berhad will be held on 29 November 2019. The notice of at least 28 days prior to the date of the AGM, allows sufficient time for the shareholders to consider the proposed resolutions to be tabled at the AGM.

In addition, the notice of EG Industries Berhad's AGM also included details and relevant explanatory notes to the resolutions proposed to enable the shareholders to make informed decisions in exercising their voting rights.

EG Industries Berhad's 2019 Annual Report together with the Notice of the 28th AGM dated 31 October 2019 will be available on EG Industries Berhad's corporate website, at www.eg.com.my.

12.2 Attendance at General Meetings

All Directors, including members of RC, NC, AC, Senior Management and Auditors attended and participated at EG Industries Berhad's AGM in 2018. The presence of all parties presented opportunities for the shareholders to engage with them and also allowed the shareholders to raise questions and concerns directly.

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 2019 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 24 October 2019.

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 of Risk Management and Internal Control which outlines the nature and scope of the Group's internal control and risk management in 2019.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of the system. The system of internal control covers risk management, financial, operational, management information systems, regulatory and compliance control matters. Due to the inherent limitations of internal controls, the Board recognises that this system is designed to manage, rather than eliminate the risk of failure to achieve policies, goals and objectives. Therefore, the system provides reasonable, but not absolute, assurance against the material misstatement, loss or fraud.

In 2019, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee ("AC") through the audits conducted by Internal Audit ("IA"). Audit findings and actions taken by Management to address the findings were tabled by internal auditor during the AC meetings and were presented to the Board.

KEY INTERNAL CONTROL PROCESSES

The Group's internal control system comprises the following key processes:

1. Policies and Procedures

   Internal policies and standards operating procedures are clearly documented to ensure compliance with internal controls and relevant laws and regulations. Regular reviews are performed to ensure that documentation remains current and relevant to meet changing business, operational and statutory reporting needs. Common Group policies are available on the company Intranet (e-DocCon) for easy access by employees.

2. Audits

   a. The Group's internal audit function is outsourced to an independent professional firm who reports directly to the AC. The internal audit function assists the Board and the AC in providing independent assessment of the effectiveness and adequacy of the Group's system of internal control. Internal auditor carried out a risk-based audit in accordance to the internal audit plan approved by the AC. Internal auditor assesses the selected areas under the audit scope with regard to risk exposures, compliance towards the approved policies and procedures and relevant laws and regulations. For any significant audit issues identified in the risk management processes and controls during the engagements, internal auditor will provide recommendations to Management to improve their design and effectiveness of controls where applicable. The AC takes note of the review reports prepared by internal auditor on a half yearly basis to ensure continuous enhancement of the internal control system of the organisation. The Board is also updated on the results of the review of the Group's internal control framework.

   b. The yearly certification for the Quality Management System, ISO 9001:2015, ISO 13485:2016 and Management Environmental Systems ISO 14001:2015 was carried out by SIRIM QAS International. Surveillance audits are conducted on annual basis by assessors of the ISO certification body to ensure that standard operating procedures are being adhered to.

3. Risk Management

   In line with the Malaysian Code of Corporate Governance, a Risk Management Committee ("RMC") is established to provide oversight responsibilities in relation to the identification, evaluation and mitigation of strategic and operational risks. The RMC which comprises the Group Chief Executive Officer ("CEO"), Group Chief Financial Officer ("CFO"), Group Chief Technical Officer ("CTO") and head of divisions assist the Board in risk management matters within the Group.

KEY INTERNAL CONTROL PROCESSES (Cont'd)

3. Risk Management (Cont'd)

   The RMC has implemented an on-going process for identifying and reviewing the major business risk factors affecting the Group's business objectives and goals for the year under review. At its scheduled meeting in 2019, the RMC had reviewed, assessed and monitored the progress and status of risk management activities, as well as raised issues of concern and provided feedback for Management's actions. An Internal Audit Mapping is in place for identification, evaluation and mitigation of all key risks faced by the Group in which the RMC provides directions and oversight role in the risk management process. The Management will develop control procedures or action plans to either prevent the occurrence or reduce the impact upon its occurrence. Further, the AC will review the Risk Management Report through the quarterly presentations by Risk Management Officer.

4. Employees' Competency

   Training and development programs are conducted to ensure that employees acquire the necessary competencies required to carry out their respective job roles in achieving the Group's objectives.

5. Conduct of Employees

   a. A business code of conduct is established on the Company website, which defines the ethical standards and conduct at work to ensure that working conditions are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible.

   b. A whistleblowing policy is also established to provide appropriate communication and feedback channels which facilitate whistleblowing in a transparent and confidential manner to enable employees and stakeholders to raise genuine concerns about possible improprieties, improper conduct or other malpractices within the Group in an appropriate way.

6. Insurance

   Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. Besides, management liability insurance coverage is also in place to ensure the Group directors and officers are adequately covered against the exposures & risks in managing a business. A yearly policy renewal exercise is undertaken by Management to review the adequacy of the Group's insurance coverage.

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 is of the view that the system of internal control and risk management in place for the year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard the Group's assets, as well as the shareholders' investments, and the interests of customers, employees and other stakeholders.

The Board has received assurance from the RMC that the Company's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system adopted by the Group.

This statement was made in accordance with a Board of Directors 'resolution dated 24 October 2019.

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 2019

The Audit Committee held five (5) meetings during the financial year under review with the details on the attendance of each member are outlined below:-

	Date of Meetings				
	30/8/2018	19/10/2018	30/11/2018	26/2/2019	30/5/2019
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 2019:-

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 2019;
h) Reviewed with the external auditors and the management, the results and recommendations of the external auditors and any significant audit issues arising therefrom;
i) Appraised the performance and evaluated the independence and objectivity of the external auditors in providing their services and made recommendation to the Board on their re-appointment and the quantum of audit fees;
j) Met with the external auditors three (3) times without the presence of the management to facilitate discussions of additional matters in relation to audit issues noted in the course of their audit;
k) Reviewed on a quarterly basis the related party transaction within the Company or Group including any transaction to ensure that the transactions were on normal commercial terms which were not detrimental to the interest of minority;
l) Reviewed the Statement on Risk Management and Internal Control to be published in the Annual Report;
m) Reviewed the Risk Management Report through the quarterly presentations by Risk Management Chairman;
n) Made relevant 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 2019 were RM30,000.

ADDITIONAL COMPLIANCE INFORMATION

NON-AUDIT FEES

The non-audit fees paid to the external auditor during the year was RM26,000.

MATERIAL CONTRACTS

There were no material contracts subsisting at the end of financial year ended 30 June 2019 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 29 to the financial statements.

REVALUATION OF LANDED PROPERTIES

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

UTILISATION OF PROCEEDS RAISED FROM THE COMPLETED RIGHTS ISSUE OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS")

On 19 October 2017, the Company has completed the Rights Issue of 52,890,970 RCPS together with 52,890,970 Bonus Shares issued pursuant to the Rights Issue and Bonus Issue respectively and 11,342,586 additional Warrants-C issued pursuant to the Rights Adjustments. ("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 30.06.2019 RM'000	Intended Timeframe of Utilisation (from 19 Oct 2017)
Purchase of property, equipment and machinery	15,000	15,000	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	1,400	Within 12 months
Acquisition of intellectual property	1,000	1,000	Within 12 months
Repayment of bank borrowings	10,000	10,000	Within 12 months
Acquisition of new businesses or assets	10,000	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	**50,246**	

Directors' report for the financial year ended 30 June 2019

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 2019.

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	12,584	(950)

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

Since the end of the previous financial year, the Company has paid a first annual preference dividend of 2%, amounting to RM671,306 during the financial year for the redeemable convertible preference shares.

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

The Directors who served during the financial year until the date of this report are:

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

The Directors 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 (Resigned on 01.11.2018)

** 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 1.7.2018	Bought	(Sold)	At 30.6.2019
The Company				
Direct interests				
Dato' Terence Tea Yeok Kian				
- own	12,613,625	-	(3,130,200)	**9,483,425**
Dato' Kang Pang Kiang				
- own	10,855,300	-	-	**10,855,300**
Indirect interests				
Dato' Terence Tea Yeok Kian				
- own*	37,863,270	-	-	**37,863,270**

	Number of ordinary shares of Thai Baht ("THB") 10 each			
	At 1.7.2018	Transferred	(Sold)	At 30.6.2019
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 1.7.2018	Bought	(Sold)	At 30.6.2019
The Company				
Direct interests				
Dato' Terence Tea Yeok Kian				
- own	2,522,725	-	(77,700)	**2,445,025**
Dato' Kang Pang Kiang				
- own	2,603,300	-	-	**2,603,300**

Directors' interests in shares (Cont'd)

	Number of redeemable convertible preference shares			
	At 1.7.2018	Bought	(Sold)	At 30.6.2019
Indirect interests				
Dato' Terence Tea Yeok Kian				
- own*	6,243,154	-	-	**6,243,154**

	Number of warrants 2015/2020			
	At 1.7.2018	Bought	(Sold)	At 30.6.2019
<u>The Company</u>				
Dato' Terence Tea Yeok Kian				
- own	5,984,300	-	(481,000)	**5,503,300**
Dato' Kang Pang Kiang				
- own	4,877,921	-	-	**4,877,921**

* Shares held through Jubilee Industries Holding Ltd.

[a] Share held in trust for EG Industries Berhad.

Other than as disclosed above, none of the other Directors holding office at 30 June 2019 had any interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

Warrants

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

	Exercise price per ordinary share			Number of warrants outstanding	
Warrants	Before adjustment	After adjustment	Expiry date	30.6.2019	30.6.2018
Warrants 2015/2020	RM0.50	RM0.42	3.11.2020	**68,963,282**	68,963,282

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.

In financial year 2018, 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 share 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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 22 to the financial statements of the Company and its related corporations) 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 29 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 issuance of 4,457,400 new ordinary shares at the issue price of RM0.95 each pursuant to conversion of 4,457,400 redeemable convertible preference shares ("RCPS") on the basis of 1 ordinary share for 1 RCPS held.

No debentures were issued by the Company during the financial year.

Treasury shares

During the financial year, the Company had repurchased a total of 17,585,900 ordinary shares from the open market for a total consideration (inclusive of commission, stamp duty and other charges) of RM8,061,163 at an average cost of RM0.46 per share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016.

As at 30 June 2019, the Company held as treasury shares a total of 17,585,900 of its 271,230,162 issued ordinary shares. Such treasury shares are held at a carrying amount of RM8,043,360 and further relevant details are disclosed in Note 13 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 15 to the financial statements.

Redeemable convertible preference shares ("RCPS")

The terms of the conversion of the RCPS are disclosed in Note 14 to the financial statements.

As at the end of the financial year, the number of RCPS in issue is 46,115,770 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 during the financial year.

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 adequate provision have been 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 the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

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

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

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

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, 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 2019 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 Company's subsidiaries are disclosed in Note 5 to the financial statements.

Auditors

The auditors, Messrs UHY, have expressed their willingness to accept reappointment.

The auditors' remuneration is disclosed in Note 22 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
Director

Dato' Kang Pang Kiang
Director

Penang

24 October 2019

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Property, plant and equipment	3	**234,052**	167,206	**-**	-
Investment properties	4	**3,705**	3,770	**-**	-
Investments in subsidiaries	5	**-**	-	**163,286**	143,666
Investment in an associate	6	**1,960**	-	**-**	-
Other investments	7	**3,342**	6,738	**3,342**	6,738
Intangible assets	8	**18,873**	20,049	**42**	72
Deferred tax assets	9	**1,485**	1,493	**-**	-
Amount due from subsidiaries	11	**-**	-	**10,632**	-
Total non-current assets		**263,417**	199,256	**177,302**	150,476
Inventories	10	**198,171**	151,869	**-**	-
Trade and other receivables	11	**212,053**	242,397	**40,324**	81,255
Current tax assets		**1,998**	1,279	**-**	-
Fixed deposits with licensed banks	12	**19,370**	18,822	**6,217**	6,135
Cash and bank balances		**20,503**	41,139	**207**	259
Total current assets		**452,095**	455,506	**46,748**	87,649
Total assets		**715,512**	654,762	**224,050**	238,125
Equity					
Share capital	13	**106,315**	102,080	**106,315**	102,080
Treasury shares	13	**(8,043)**	-	**(8,043)**	-
Redeemable convertible preference shares- Equity component	14	**38,013**	42,118	**38,013**	42,118
Reserves	15	**195,514**	178,005	**45,529**	49,698
Total equity attributable to owners of the Company		**331,799**	322,203	**181,814**	193,896
Non-controlling interests		**(361)**	(361)	**-**	-
Total equity		**331,438**	321,842	**181,814**	193,896

STATEMENTS OF FINANCIAL POSITION (Cont'd)

as at 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Liabilities					
Loans and borrowings	16	**8,970**	9,370	**-**	-
Redeemable convertible preference shares- Liability component	14	**3,306**	4,025	**3,306**	4,025
Provision for retirement benefits	17	**395**	431	**-**	-
Deferred tax liabilities	9	**121**	121	**-**	-
Amount due to subsidiaries	18	**-**	-	**8,671**	-
Total non-current liabilities		**12,792**	13,947	**11,977**	4,025
Loans and borrowings	16	**183,061**	174,480	**-**	-
Trade and other payables	18	**187,418**	143,690	**30,259**	40,204
Provision	19	**800**	800	**-**	-
Current tax liabilities		**3**	3	**-**	-
Total current liabilities		**371,282**	318,973	**30,259**	40,204
Total liabilities		**384,074**	332,920	**42,236**	44,229
Total equity and liabilities		**715,512**	654,762	**224,050**	238,125

The notes on pages 58 to 136 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	20	**1,012,926**	1,016,766	**609**	593
Cost of sales		**(973,841)**	(969,347)	**-**	-
Gross profit		**39,085**	47,419	**609**	593
Administrative expenses		**(19,560)**	(19,549)	**(1,582)**	(2,474)
Distribution expenses		**(2,639)**	(3,261)	**-**	-
Other expenses		**(1,208)**	(2,860)	**-**	(77)
Other income		**5,131**	6,092	**1,605**	41
Operating profit/(loss)		**20,809**	27,841	**632**	(1,917)
Finance costs	21	**(7,706)**	(8,897)	**(1,582)**	(244)
Profit/(Loss) before tax	22	**13,103**	18,944	**(950)**	(2,161)
Tax expense	24	**(519)**	(460)	**-**	-
Profit/(Loss) for the financial year		**12,584**	18,484	**(950)**	(2,161)
Other comprehensive income/ (expense), net of tax					
Item that will not be reclassified subsequently to profit or loss					
Net change in fair value of equity instruments designated at fair value through other comprehensive income ("FVOCI")		**(3,384)**	-	**(3,384)**	-
Gain from re-measurement of provision for retirement benefits		**136**	-	**-**	-
Income tax benefit related to gain from re-measurement of provision for retirement benefits		**(27)**	-	**-**	-
		(3,275)	-	**(3,384)**	-

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

for the financial year ended 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Items that are or may subsequently be reclassified to profit or loss					
Fair value of available-for-sale financial assets		**-**	(1,216)	**-**	(1,216)
Foreign currency translation differences for foreign operations		**8,035**	(2,920)	**-**	-
		8,035	(4,136)	**-**	(1,216)
Other comprehensive income/ (expense) for the financial year, net of tax		**4,760**	(4,136)	**(3,384)**	(1,216)
Total comprehensive income/ (expense) for the financial year		**17,344**	14,348	**(4,334)**	(3,377)
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		**12,584**	18,484	**(950)**	(2,161)
Non-controlling interests		**-**	-	**-**	-
		12,584	18,484	**(950)**	(2,161)
Total comprehensive income/ (expense) attributable to:					
Owners of the Company		**17,344**	14,348	**(4,334)**	(3,377)
Non-controlling interests		**-**	-	**-**	-
		17,344	14,348	**(4,334)**	(3,377)
Basic earnings per ordinary share (sen)	25	**4.78**	6.96	**-**	-
Diluted earnings per ordinary share (sen)	25	**4.03**	5.81	**-**	-

The notes on pages 58 to 136 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2019

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 (expense)/ 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	13	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	13	-	-	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 58 to 136 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

for the financial year ended 30 June 2019

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 2018		102,080	42,118	-	26,836	(158)	8,537	28,558	114,232	322,203	(361)	321,842
Foreign currency translation differences for foreign operations		-	-	-	-	-	8,035	-	-	8,035	-	8,035
Net change in fair value of equity instruments designated at FVOCI		-	-	-	-	(3,384)	-	-	-	(3,384)	-	(3,384)
Gain from re-measurement of provision for retirement benefits		-	-	-	-	-	-	-	136	136	-	136
Income tax benefit related to gain from re-measurement of provision for retirement benefits		-	-	-	-	-	-	-	(27)	(27)	-	(27)
Total other comprehensive (expense)/income for the financial year		-	-	-	-	(3,384)	8,035	-	109	4,760	-	4,760
Profit for the financial year		-	-	-	-	-	-	-	12,584	12,584	-	12,584
Total comprehensive (expense)/income for the financial year		-	-	-	-	(3,384)	8,035	-	12,693	17,344	-	17,344

The notes on pages 58 to 136 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

for the financial year ended 30 June 2019

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			
Conversion of RCPS to ordinary shares	13	4,235	(4,105)	-	-	-	-	-	165	295	-	295
Treasury shares acquired	13	-	-	(8,043)	-	-	-	-	-	(8,043)	-	(8,043)
Total transactions with owners of the Company		4,235	(4,105)	(8,043)	-	-	-	-	165	(7,748)	-	(7,748)
Transfer upon the disposal of equity investment designated at FVOCI		-	-	-	-	(1)	-	-	1	-	-	-
At 30 June 2019		**106,315**	**38,013**	**(8,043)**	**26,836**	**(3,543)**	**16,572**	**28,558**	**127,091**	**331,799**	**(361)**	**331,438**

The notes on pages 58 to 136 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2019

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	13	2,202	(2,134)	-	-	-	-	127	195
Share issuance expenses		-	(2,018)	-	-	-	-	-	(2,018)
Allocation of warrants reserve		(4,208)	-	-	4,208	-	-	-	-
Treasury shares sold	13	-	-	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

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 2018		102,080	42,118	-	26,836	(158)	28,558	(5,538)	193,896
Total other comprehensive expense for the financial year									
- Net change in fair value of equity instruments designated at FVOCI		-	-	-	-	(3,384)	-	-	(3,384)
Loss for the financial year		-	-	-	-	-	-	(950)	(950)
Total comprehensive expense for the financial year		-	-	-	-	(3,384)	-	(950)	(4,334)
Treasury shares acquired	13	-	-	(8,043)	-	-	-	-	(8,043)
Conversion of RCPS to ordinary shares	13	4,235	(4,105)	-	-	-	-	165	295
Total transactions with owners of the Company		4,235	(4,105)	(8,043)	-	-	-	165	(7,748)
Transfer upon the disposal of equity investment designated at FVOCI		-	-	-	-	(1)	-	1	-
At 30 June 2019		**106,315**	**38,013**	**(8,043)**	**26,836**	**(3,543)**	**28,558**	**(6,322)**	**181,814**

The notes on pages 58 to 136 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax from continuing operations		**13,103**	18,944	**(950)**	(2,161)
Adjustments for:					
Depreciation of property, plant and equipment	3	**30,832**	31,109	**-**	-
Depreciation of investment properties	4	**65**	54	**-**	-
Amortisation of intangible assets	8	**1,228**	1,212	**30**	17
Interest expense	21	**7,706**	8,897	**1,582**	244
Dividend income		**(2)**	(2)	**(2)**	(2)
Gain on disposal of a subsidiary		**-**	(65)	**-**	(50)
Gain on disposal of property, plant and equipment		**(255)**	(56)	**-**	-
Interest income		**(614)**	(626)	**(1,472)**	(127)
Property, plant and equipment written off	3	**12**	-	**-**	-
Provision for retirement benefits	17	**100**	112	**-**	-
Provision for slow moving stocks		**-**	100	**-**	-
Impairment loss on trade receivables		**558**	-	**-**	-
(Gain)/Loss on foreign exchange, net - unrealised		**(1,997)**	1,316	**-**	-
Operating profit/(loss) before changes in working capital		**50,736**	60,995	**(812)**	(2,079)
Inventories		**(42,310)**	(21,887)	**-**	-
Trade and other receivables		**28,780**	71,572	**28,964**	(10,935)
Trade and other payables		**45,209**	(71,307)	**55**	29,614
Cash generated from operations		**82,415**	39,373	**28,207**	16,600
Tax paid		**(1,389)**	(1,754)	**-**	-
Tax refunded		**-**	1	**-**	-
Dividend received		**2**	2	**2**	2
Net cash generated from operating activities		**81,028**	37,622	**28,209**	16,602

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities					
Subscription of shares in subsidiaries		**-**	-	**(19,620)**	(65,481)
Subscription of shares in an associate		**(1,960)**	-	**-**	-
Acquisition of:					
- plant and equipment	A	**(97,074)**	(14,917)	**-**	-
- treasury shares		**(8,043)**	-	**(8,043)**	-
- intangible assets		**(43)**	(89)	**-**	(89)
Interest received		**614**	626	**143**	127
Proceeds from disposal of:					
- other investment		**12**	-	**12**	-
- plant and equipment		**6,666**	139	**-**	-
- a subsidiary company		**-**	50	**-**	50
Net cash used in investing activities		**(99,828)**	(14,191)	**(27,508)**	(65,393)
Cash flows from financing activities					
Drawdown/(Repayment) of bank borrowings, net		**13,716**	(27,833)	**-**	-
Repayment of finance lease liabilities		**(3,917)**	(5,382)	**-**	-
Repayment of term loans		**(2,951)**	(3,609)	**-**	-
Dividend paid	27	**(671)**	-	**(671)**	-
Interest paid		**(7,459)**	(8,653)	**-**	-
Withdrawal/(Placement) of pledged deposits		**(476)**	(2,954)	**(82)**	(66)
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 (used in)/ generated from financing activities		**(1,758)**	30	**(753)**	48,395
Net (decrease)/increase in cash and cash equivalents		**(20,558)**	23,461	**(52)**	(396)
Effect of exchange rate fluctuations on cash and bank balances		**(78)**	(298)	**-**	-
Cash and cash equivalents at 1 July 2018/2017		**41,139**	17,976	**259**	655
Cash and cash equivalents at 30 June	B	**20,503**	41,139	**207**	259

Notes

A. Acquisition of property, plant and equipment

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

	Group	
	2019 RM'000	2018 RM'000
Additions of property, plant and equipment	**(100,327)**	(15,161)
Finance lease arrangement	**3,253**	244
Cash payments	**(97,074)**	(14,917)

The Group also obtained additional finance lease amounting to RMNIL (2018: RM1,940,106) to finance the purchase of property, plant and equipment acquired during financial year 2017.

B. Cash and cash equivalents

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	**20,503**	41,139	**207**	259

The notes on pages 58 to 136 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

170-09-01 Livingston Tower
Jalan Argyll
10050 George Town
Pulau Pinang

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 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associate.

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 24 October 2019.

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 current financial year.

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15*, Revenue from contracts with Customers*
- IC Interpretations 22, *Foreign Currency Transactions and Advance Consideration*
- 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, *Applying Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures(Annual improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

Adoption of the above standards did not have any material effect on the financial performance or position of the Group and of the Company except for the change in classification of financial assets as described in Note 33 to the financial statements.

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 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 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- 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 3, *Business Combinations- Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material*

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

- MFRS 17, *Insurance Contracts*

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

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

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

The initial application of the accounting standards, interpretations or amendments 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 16, Leases

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

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

(i) MFRS 16, Leases (Cont'd)

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the 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 8.1- Impairment testing for goodwill
- Note 9- Deferred tax (assets)/liabilities
- Note 11- 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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 33 to the financial statements.

2. Significant accounting policies (Cont'd)

(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 Combinations

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

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; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (cont'd)

(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 a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates 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 the investment includes transaction costs.

(vi) 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.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (cont'd)

(vii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, 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.

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 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.

2. Significant accounting policies (Cont'd)

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition of issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

Previous financial year

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

An embedded derivative was 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 was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to the initial recognition unless the Group and the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profits or loss.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

Current financial year (Cont'd)

(a) Amortised cost (Cont'd)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (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 assets (Cont'd)

Previous financial year

In the previous financial year, financial assets of the Group and of the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

(a) Loans and receivables

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

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

(b) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investment in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were 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 were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss were subject to impairment assessment (see note 2(h)(i)).

Financial liabilities

Current financial year

The category of financial liabilities at initial recognition is as follows:

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were 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 were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

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

Financial liabilities (Cont'd)

Previous financial year (Cont'd)

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

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

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:

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

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) 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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(iv) Financial guarantee contracts (Cont'd)

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was 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 was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

(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 transferred, 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 of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) 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 expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and its intends either to settle them on a net basis or to realise the assets and liability simultaneously.

(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.

2. Significant accounting policies (Cont'd)

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

(i) Recognition and measurement (Cont'd)

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.

(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.

2. Significant accounting policies (Cont'd)

(e) Leased assets (Cont'd)

(i) Finance lease (Cont'd)

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

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

(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

(i) Investment property 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, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purpose. 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.

(ii) 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 and property, plant and equipment does not change the carrying amount 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. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

2. Significant accounting policies (Cont'd)

(h) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Current financial year

The Group and the Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for investments in subsidiaries) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

2. Significant accounting policies (Cont'd)

(h) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Previous financial year (Cont'd)

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was 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 had 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 was carried at cost is recognised in profit or loss and was 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 could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was 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.

2. Significant accounting policies (Cont'd)

(h) Impairment (Cont'd)

(ii) Other assets (Cont'd)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

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

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

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 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.

(j) Compound financial instruments

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

2. Significant accounting policies (Cont'd)

(j) Compound financial instruments (Cont'd)

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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

(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, if any.

(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.

2. Significant accounting policies (Cont'd)

(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 financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

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

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

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

2. Significant accounting policies (Cont'd)

(p) Employee benefits (Cont'd)

(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.

(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.

(q) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(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.

2. Significant accounting policies (Cont'd)

(q) Revenue and other income (Cont'd)

(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.

(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 segments 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.

2. Significant accounting policies (Cont'd)

(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 value is 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	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 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 July 2018	1,814	5,157	32,482	317,626	1,941	5,483	11,183	2,959	15,865	547	395,057
Additions	-	-	5,187	44,972	48	811	562	407	67	48,273	100,327
Disposals	-	-	-	(32,599)	(23)	(8)	(29)	(159)	(10)	-	(32,828)
Reclassification	-	-	429	4,543	2	-	-	-	257	(5,231)	-
Foreign exchange differences	113	-	732	7,368	10	38	135	50	60	-	8,506
Written off	-	-	-	(21)	-	-	-	(219)	-	-	(240)
At 30 June 2019	**1,927**	**5,157**	**38,830**	**341,889**	**1,978**	**6,324**	**11,851**	**3,038**	**16,239**	**43,589**	**470,822**

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

	Freehold land 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 2017											
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
	-	730	9,557	196,373	945	3,275	8,206	2,143	3,301	-	224,530
Depreciation charge for the financial year	-	141	903	27,333	81	452	706	290	1,203	-	31,109
Disposal	-	-	-	(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/ 1 July 2018	-	811	10,407	196,257	1,025	3,669	8,892	2,290	4,500	-	227,851

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

	Freehold land 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	-	129	1,082	26,783	85	504	750	277	1,222	-	30,832
Disposals	-	-	-	(26,195)	(17)	(7)	(29)	(159)	(10)	-	(26,417)
Written off	-	-	-	(9)	-	-	-	(219)	-	-	(228)
Foreign exchange differences	-	-	383	4,103	9	29	131	49	28	-	4,732
Accumulated											
- depreciation	-	940	11,872	198,679	1,098	4,178	9,571	2,238	5,740	-	234,316
- impairment losses	-	-	-	2,260	4	17	173	-	-	-	2,454
At 30 June 2019	-	940	11,872	200,939	1,102	4,195	9,744	2,238	5,740	-	236,770
Carrying amounts											
At 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 July 2018	1,814	4,346	22,075	121,369	916	1,814	2,291	669	11,365	547	167,206
At 30 June 2019	**1,927**	**4,217**	**26,958**	**140,950**	**876**	**2,129**	**2,107**	**800**	**10,499**	**43,589**	**234,052**

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

	Office equipment RM'000	Total RM'000
Company		
Cost		
At 1 July 2017/30 June 2018/30 June 2019	**1**	**1**
Accumulated depreciation		
At 1 July 2017/30 June 2018/30 June 2019	**1**	**1**
Carrying amounts		
At 1 July 2017	-	-
At 30 June 2018/1 July 2018	-	-
At 30 June 2019	**-**	**-**

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 RM8,291,231 (2018: RM13,199,197) and RM755,815 (2018: RM626,360) respectively.

3.2 Securities – 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 16.1 to the financial statements:

	2019 RM'000	2018 RM'000
Carrying amounts		
Freehold land	**1,927**	1,814
Short term leasehold land and improvements	**4,217**	4,346
Buildings	**22,172**	22,075
Plant and machinery	**16,881**	15,225
	45,197	43,460

4. Investment properties - Group

	Buildings RM'000
Cost	
At 1 July 2017	3,265
Transfer from property, plant and equipment	687
At 30 June 2018/1 July 2018/30 June 2019	**3,952**
Accumulated depreciation	
At 1 July 2017	68
Transfer from property, plant and equipment	60
Depreciation charge for the financial year	54
At 30 June 2018/1 July 2018	182
Depreciation charge for the financial year	65
At 30 June 2019	**247**
Carrying amounts	
At 1 July 2017	3,197
At 30 June 2018	3,770
At 30 June 2019	**3,705**

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

	2019 RM'000	2018 RM'000
Rental income	**344**	265
Direct operating expenses:		
- income generating	**118**	114

4.1 Fair value information

The fair value of the investment properties as at 30 June 2019 is classified as level 3 in the fair value hierarchy and is determined to be approximately RM5,433,230 (2018: RM5,478,800).

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 Securities

Investment properties are charged as securities to financial institutions for borrowings granted to the Group as disclosed in Note 16.1 to the financial statements.

4.3 Transfer from property, plant and equipment

In the previous financial year, a property had 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

	2019 RM'000	2018 RM'000
Unquoted shares, at cost		
At 1 July 2018/2017	**152,716**	87,235
Subscription of shares in subsidiaries	**19,620**	65,481
At 30 June	**172,336**	152,716
Less: Accumulated impairment loss	**(9,050)**	(9,050)
At 30 June	**163,286**	143,666

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective ownership interest and voting interest 2019 %	Effective ownership interest and voting interest 2018 %	Principal activities
SMT Technologies Sdn. Bhd.	Malaysia	100	100	Provision of Electronic Manufacturing Services for computers peripherals and consumer electronic/electrical products
Mastimber Industries Sdn. Bhd.*	Malaysia	95.5	95.5	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 computers peripherals, consumer electronic/electrical and automotive industrial products

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

Details of the subsidiaries are as follows: (continued)

Name of subsidiary	Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %	Principal activities
EG R&D Sdn. Bhd.	Malaysia	100	100	Research and development activities for electronic, electrical, telecommunication and technology products and operate a shared services outsourcing center rendering BP outsourcing in financial and administration processes and IT services
EG Operations Sdn. Bhd.	Malaysia	100	100	Dormant
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. 2019 RM'000	2018 RM'000
NCI percentage of ownership interest and voting interest	**4.50%**	4.50%
Carrying amount of NCI	**(361)**	(361)
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. 2019 RM'000	2018 RM'000
Summarised financial information before intra-group elimination		
At 30 June		
Current assets	**38**	40
Non-current liabilities	**(8,061)**	(8,061)
Current liabilities	**(8)**	(7)
Net liabilities	**(8,031)**	(8,028)
Year ended 30 June		
Loss for the financial year	**(3)**	(4)
Total comprehensive expense	**(3)**	(4)
Cash flows used in operating activities	**(3)**	(4)
Net decrease in cash and cash equivalents	**(3)**	(4)

5.2 Additional investment in subsidiary companies during the financial year

On 26 February 2019, SMT Industries Co., Ltd. ("SMTI"), a wholly-owned subsidiary company of the Company, increased its paid up share capital from 45,000,000 to 60,000,000 ordinary shares. The Company subscribed additional 15,000,000 ordinary shares of THB10 (RM1.308) per share in SMTI by way of cash.

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.

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 (RM1.274) 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

6. Investment in an associate - Group

	2019 RM'000	2018 RM'000
At cost		
Unquoted shares in Malaysia	**1,960**	-

6. Investment in an associate - Group (Cont'd)

Details of the associate are as follows:

Name of associate	Country of incorporation	Effective ownership interest 2019 %	Principal activity
TM SMT Sdn. Bhd.*#@	Malaysia	49	Wholesale of computer hardware, software and peripherals

* *Not audited by UHY.*
# *Financial year end 31 December*
@ *Unaudited financial statements*

During the year, the Group acquired 1,960,000 units of ordinary shares at RM1 per share in TM SMT Sdn. Bhd. by way of cash.

Aggregate information of an associate that is immaterial

	2019 RM'000	2018 RM'000
The Group's share of profit from continuing operations	**-**	-
The Group's share of other comprehensive income	**-**	-
The Group's share of total comprehensive income	**-**	-

The Group has not recognised losses related to TM SMT Sdn. Bhd., totalling and cumulatively of RM2,448 in 2019 since the Group has no obligation in respect of these losses.

7. Other investments - Group/Company

	2019 RM'000	2018 RM'000
Non-current		
Fair value through other comprehensive income		
Quoted shares in Malaysia	**31**	-
Quoted shares outside Malaysia	**3,311**	-
	3,342	-
Available-for-sale financial assets		
Quoted shares in Malaysia	**-**	32
Quoted shares outside Malaysia	**-**	6,706
	-	6,738

In the adoption of MFRS 9, *Financial Instruments*, investments in shares where the Group and the Company intends to hold for long term strategic purposes that were classified as "available-for-sale" under MFRS 139 are now classified as "fair value through other comprehensive income".

8. Intangible assets

Group	Goodwill RM'000	Software cost RM'000	Intellectual property RM'000	Total RM'000
Cost				
At 1 July 2017	10,148	3,097	8,875	22,120
Addition	-	89	-	89
Foreign exchange differences	-	(1)	-	(1)
At 30 June 2018/1 July 2018	10,148	3,185	8,875	22,208
Addition	-	43	-	43
Foreign exchange differences	-	17	-	17
At 30 June 2019	**10,148**	**3,245**	**8,875**	**22,268**
Amortisation				
At 1 July 2017	-	725	222	947
Amortisation for the financial year	-	324	888	1,212
At 30 June 2018/1 July 2018	-	1,049	1,110	2,159
Amortisation for the financial year	-	340	888	1,228
Foreign exchange differences	-	8	-	8
At 30 June 2019	**-**	**1,397**	**1,998**	**3,395**
Carrying amounts				
At 1 July 2017	10,148	2,372	8,653	21,173
At 30 June 2018	10,148	2,136	7,765	20,049
At 30 June 2019	**10,148**	**1,848**	**6,877**	**18,873**

Company	Software cost RM'000
Cost	
At 1 July 2017	-
Addition	89
At 30 June 2018/1 July 2018/30 June 2019	**89**

8. Intangible assets (Cont'd)

Company	Software cost RM'000
Amortisation	
At 1 July 2017	-
Amortisation for the financial year	17
At 30 June 2018/1 July 2018	17
Amortisation for the financial year	30
At 30 June 2019	**47**
Carrying amounts	
At 1 July 2017	-
At 30 June 2018	72
At 30 June 2019	**42**

8.1 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 maintaining sales in the budget for each of the financial year, represent managements estimate derived from both external and internal sources (historical data).

In determining the recoverable amount of the CGUs, the projected cash flows were discounted using a pre-tax discount rate of 7% (2018: 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.

8.2 Intellectual property

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

8. Intangible assets (Cont'd)

8.3 Software cost

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

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Property, plant and equipment						
- capital allowance	**-**	-	**(8,667)**	(9,668)	**(8,667)**	(9,668)
Unutilised reinvestment allowance	**1,250**	6,579	**-**	-	**1,250**	6,579
Unutilised increased in export allowance	**8,610**	3,515	**-**	-	**8,610**	3,515
Provisions	**390**	440	**-**	-	**390**	440
Other temporary differences	**-**	506	**(219)**	-	**(219)**	506
Tax assets/(liabilities)	**10,250**	11,040	**(8,886)**	(9,668)	**1,364**	1,372
Set off of tax	**(8,765)**	(9,547)	**8,765**	9,547	**-**	-
Net tax assets/(liabilities)	**1,485**	1,493	**(121)**	(121)	**1,364**	1,372

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.

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

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

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

Movements in temporary differences during the financial year are as follows:

	At 30.6.2017 RM'000	Recognised in profit or loss (Note 24) RM'000	Exchange difference RM'000	At 30.6.2018/ 1.7.2018 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognised in other comprehensive RM'000	Exchange difference RM'000	At 30.6.2019 RM'000
Group								
Property, plant and equipment								
- capital allowance	(8,803)	(865)	-	(9,668)	1,001	-	-	**(8,667)**
Unutilised reinvestment allowance	2,799	3,780	-	6,579	(5,329)	-	-	**1,250**
Increase in export allowance	6,000	(2,485)	-	3,515	5,095	-	-	**8,610**
Provisions	655	(215)	-	440	(23)	(27)	-	**390**
Other temporary differences	-	505	1	506	(731)	-	6	**(219)**
	651	720	1	1,372	13	(27)	6	**1,364**

9. 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):

	2019 RM'000	2018 RM'000
Group		
Unutilised increased export allowance	**36,600**	44,742

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 unutilised increased export allowance available to the Group.

10. Inventories - Group

	2019 RM'000	2018 RM'000
Raw materials	**102,037**	66,551
Work-in-progress	**45,829**	35,803
Manufactured inventories	**50,305**	49,515
	198,171	151,869

The amount of inventories recognised as slow moving and cost of sales during the financial year amounted to RMNIL (2018: RM100,067) and RM877,657,320 (2018: RM872,331,064) respectively.

11. Trade and other receivables

	Note	2019 RM'000	2018 RM'000
Group			
Trade			
Trade receivables			
- third parties		**208,975**	228,681
Non-trade			
Other receivables		**1,552**	2,912
Deposits		**185**	210
Prepayments	11.1	**1,341**	10,594
		3,078	13,716
		212,053	242,397
Company			
Non-current			
Amount due from subsidiaries	11.2	**10,632**	-
Current			
Non-trade			
Amount due from subsidiaries	11.2	**40,000**	80,923
Other receivables		**313**	321
Deposits		**2**	2
Prepayments		**9**	9
		40,324	81,255
		50,956	81,255

11.1 Prepayments

Included in prepayments of the Group are amounts prepaid for the purchase of inventories amounting to RMNIL (2018: RM9,489,420).

11.2 Amount due from subsidiaries

The non-current amount due from subsidiaries is unsecured, interest-free and are not payable within the next twelve months.

Current amount due from subsidiaries was unsecured, interest-free and repayable on demand.

12. 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 16.1).

13. Share capital and treasury shares- Group/Company

	2019		2018	
	Amount RM'000	Number of shares ('000)	Amount RM'000	Number of shares ('000)
Issued and fully paid:				
At 1 July	**102,080**	**266,773**	104,086	211,564
Issue pursuant to:				
- Conversion of redeemable convertible preference shares (Note 13.1)	**4,235**	**4,457**	2,202	2,318
- Bonus shares (Note 13.2)	**-**	**-**	-	52,891
Allocation of warrants reserve	**-**	**-**	(4,208)	-
At 30 June	**106,315**	**271,230**	102,080	266,773

13.1 Conversion from 4,457,400 (2018: 2,317,800) redeemable convertible preference shares ("RCPS") to 4,457,400 (2018: 2,317,800) ordinary shares with the conversion ratio of 1 new ordinary share for 1 RCPS held.

13.2 In the previous 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.

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

13.3 Treasury shares

	2019		2018	
	Amount RM'000	Number of shares ('000)	Amount RM'000	Number of shares ('000)
Treasury shares				
At 1 July	-	-	(137)	(304)
Acquisition of treasury shares	**(8,043)**	**(17,586)**	-	-
Treasury shares sold	-	-	137	304
At 30 June	**(8,043)**	**(17,586)**	-	-

For the financial year ended 30 June 2019, the Company repurchased 17,585,900 (2018: NIL) of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.46 (2018: RMNIL) per share. The total consideration paid was RM8,061,163 (2018: RMNIL) including transaction costs of RM17,803 (2018: RMNIL). 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.

In the previous financial year, the Company had disposed a total of 304,000 treasury shares with a total consideration received of RM232,496.

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

At 30 June 2019, the Company held 17,585,900 (2018: NIL) of its shares as treasury shares. The number of outstanding ordinary shares in issue after deducting treasury shares held is 253,644,262 (2018: 266,772,762).

14. 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, 4,457,400 (2018: 2,317,800) RCPS were converted into 4,457,400 (2018: 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 46,115,770 (2018: 50,573,170).

14. Redeemable convertible preference shares (Cont'd)

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.

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
2019			
At 1 July 2018	4,025	42,118	46,143
Conversion of RCPS into ordinary shares	(295)	(4,105)	(4,400)
Interest expense (Note 21)	247	-	247
Dividend paid (Note 27)	(671)	-	(671)
At 30 June 2019	**3,306**	**38,013**	**41,319**
2018			
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 21)	244	-	244
Share issuance expenses	-	(2,018)	(2,018)
At 30 June 2018/1 July 2018	4,025	42,118	46,143

The fair value of the liability component of the RCPS at 30 June 2019 amounted to RM3,306,070 (2018: RM4,024,708). The fair value is calculated using cash flow discounted at a rate based on the borrowings rate of 6.12% (2018: 6.12%) and are within Level 3 of the fair value hierarchy.

15. Reserves

	Note	2019 RM'000	2018 RM'000
Group			
Non-distributable:			
Warrants reserve	15.1	**26,836**	26,836
Fair value reserve	15.2	**(3,543)**	(158)
Translation reserve	15.3	**16,572**	8,537
Capital reserve	15.4	**28,558**	28,558
		68,423	63,773
Distributable:			
Retained earnings		**127,091**	114,232
		195,514	178,005
Company			
Non-distributable:			
Warrants reserve	15.1	**26,836**	26,836
Fair value reserve	15.2	**(3,543)**	(158)
Capital reserve	15.4	**28,558**	28,558
Accumulated losses		**(6,322)**	(5,538)
		45,529	49,698

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

15.1 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.

In financial year 2018, 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 13 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.

15. Reserves (Cont'd)

15.1 Warrants reserve (cont'd)

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 2019, the total number of Warrants 2015/2020 which remained unexercised was 68,963,282 (2018: 68,963,282).

15.2 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity and debt securities designated at fair value through other comprehensive income (2018: available-for-sale financial assets until the investments are derecognised or impaired.)

15.3 Translation reserve

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

15.4 Capital reserve

Capital reserve arose from the capital reduction exercise.

16. Loans and borrowings - Group

	2019 RM'000	2018 RM'000
Non-current:		
Secured		
Term loans	**3,610**	4,696
Finance lease liabilities	**5,360**	4,674
	8,970	9,370

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

	2019 RM'000	2018 RM'000
Current:		
Secured		
Bankers' acceptances	**121,650**	106,377
Trust receipts	**13,255**	-
Term loans	**1,081**	2,946
Finance lease liabilities	**2,415**	3,765
Trade financing	**44,660**	61,392
	183,061	174,480

16.1 Securities

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 12); 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.

16.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2019			2018		
	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	**2,800**	**385**	**2,415**	4,147	382	3,765
Between 1 and 5 years	**5,788**	**428**	**5,360**	5,026	362	4,664
More than 5 years	**-**	**-**	**-**	10	-	10
	8,588	**813**	**7,775**	9,183	744	8,439

17. 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 400 days (2018: 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:

	2019 RM'000	2018 RM'000
Present value of obligations - non current	**395**	431

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

	2019 RM'000	2018 RM'000
At 1 July	**431**	322
Amount recognised in profit or loss		
- Past service cost	**(20)**	-
- Current service cost	**88**	106
- Interest cost	**10**	6
- Foreign exchange differences	**22**	(3)
	531	431
Amount recognised in other comprehensive income		
- Gain from re-measurement of provision for retirement benefits	**(136)**	-
At 30 June	**395**	431

The principal actuarial assumptions used are as follows:

	2019	2018
Discount rate	**3.47%**	2.5%
Inflation rate	**2.75%**	2.5%
Future salary increase		
- prior to age 30	**5.0%**	12.0%
- between age 30 to 40	**5.0%**	8.0%
- age 40 onwards	**5.0%**	6.0%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics in Thailand. The Thailand TMO17 tables contain the results of the most recent mortality investigation on policy holders of life insurance companies in Thailand. It is reasonable to assume that these rates are reflective of the mortality experience of the working population in Thailand. The Group accounts for this severance liability on an actuarial basis using the projected unit credit method.

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

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2019		2018	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Group				
Discount rate (1% movement)	**(42)**	**52**	(40)	47
Long-term salary increment rate (1% movement)	**49**	**(41)**	52	(45)
Turnover rate (20% change from base assumption)	**(47)**	**63**	(64)	87

18. Trade and other payables

	Note	2019 RM'000	2018 RM'000
Group			
Trade			
- third parties		**174,929**	135,559
- related parties		**-**	382
		174,929	135,941
Non-trade			
Other payables		**5,907**	1,658
Deferred revenue		**26**	13
Deposit		**68**	90
Accruals		**6,488**	5,988
		12,489	7,749
		187,418	143,690
Company			
Non-current			
Amount due to subsidiaries	18.1	**8,671**	-
Non-trade			
Amount due to subsidiaries	18.1	**30,059**	39,968
Other payables		**51**	88
Accruals		**149**	148
		30,259	40,204
		38,930	40,204

18. Trade and other payables (Cont'd)

18.1 Amount due to subsidiaries

The non-current amount due to subsidiaries is unsecured, interest-free and are not payable within the next twelve months.

Current amount due to subsidiaries was unsecured, interest-free and payable on demand.

19. Provision - Group

	Warranties	
	2019 RM'000	2018 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.

20. Revenue

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers				
Sales	**1,012,751**	1,015,753	**-**	-
Dividend income	**2**	2	**2**	2
Interest income	**143**	127	**143**	127
Management fee	**-**	-	**464**	464
Other revenue				
Service fee	**30**	884	**-**	-
	1,012,926	1,016,766	**609**	593

20.1 Disaggregation of revenue

Disaggregation of revenue based on primary geographical markets has been disclosed in Note 31 to the financial statements.

20.2 Nature of goods and services

Revenue is recognised when control of the goods or services is transferred to the customer. The performance obligation is satisfied at a point in time and the customers are required to pay within the agreed credit terms, ranging between 30 to 90 days (2018: 30 days to 90 days). Assurance warranties of 2 years are given to certain customers.

20. Revenue (Cont'd)

20.3 Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

20.4 Significant judgements and assumptions arising from revenue recognition

The Group applies judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers whereby the Group permits the customer to return an item, revenue is adjusted for expected returns to the extent that it is highly probable that a significant reversal in revenue will not occur. The Group estimated the returns based on the historical data.

21. Finance costs

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expenses on:				
Bankers' acceptances/ Trade financing	**6,101**	6,826	**-**	-
Decretion of interest implicit in long-term receivables	**-**	-	**1,335**	-
Trust receipts	**368**	-	**-**	-
Finance lease liabilities	**432**	663	**-**	-
Term loans	**368**	993	**-**	-
Bank overdrafts	**-**	24	**-**	-
RCPS- Liability component	**247**	244	**247**	244
Others	**190**	147	**-**	-
	7,706	8,897	**1,582**	244

22. Profit/(Loss) before tax

Profit/(Loss) before tax is arrived at:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
After charging:				
Auditors' remuneration				
- Statutory audit				
- UHY	**113**	113	**39**	39
- other auditors	**120**	117	**-**	-
- Other services				
- UHY	**26**	30	**26**	30
- other auditors	**30**	30	**30**	30
Depreciation of property, plant and equipment (Note 3)	**30,832**	31,109	**-**	-
Depreciation of investment properties (Note 4)	**65**	54	**-**	-
Amortisation of intangible assets (Note 8)	**1,228**	1,212	**30**	17
Directors' remuneration:				
Directors of the Company				
- fees	**130**	130	**130**	130
- other emoluments	**837**	834	**837**	834
- contributions to Employees' Provident Fund	**84**	84	**84**	84
Other Directors				
- other emoluments	**158**	148	**-**	-
- contributions to Employees' Provident Fund	**19**	18	**-**	-
Impairment loss on trade receivables	**558**	-	**-**	-
Property, plant and equipment written off	**12**	-	**-**	-
Provision for retirement benefits (Note 17)	**78**	112	**-**	-
Provision for slow moving stocks	**-**	100	**-**	-
Loss on foreign exchange, net				
- realised	**-**	-	**-**	25
- unrealised	**-**	1,316	**-**	-

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental of equipment	**74**	76	**-**	-
Rental of premises	**147**	185	**-**	-
and after crediting:				
Accretion of interest implicit in long-term payables	-	-	**1,329**	-
Gain on foreign exchange, net				
- realised	**1,976**	3,696	**245**	-
- unrealised	**1,997**	-	**-**	-
Gain on disposal of property, plant and equipment	**255**	56	**-**	-
Gain on disposal of a subsidiary company	**-**	65	**-**	50
Interest income	**471**	499	**-**	-
Rental income	**5**	5	**-**	-
Rental income from investment properties	**344**	265	**-**	-

23. Employee benefits

23.1 Staff costs

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages, salaries and others	**46,228**	45,177	**-**	-

Included in staff costs of the Group are RM2,764,478 (2018: RM2,681,514) representing contributions to Employees' Provident Fund.

23.2 Key management personnel compensation

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' fees	**130**	130	**130**	130
Short-term employee benefits	**1,770**	2,143	**837**	834
Contributions to Employees' Provident Fund	**193**	237	**84**	84
	2,093	2,510	**1,051**	1,048

23. Employee benefits (Cont'd)

23.2 Key management personnel compensation (Cont'd)

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

24. Tax expense

Recognised in profit or loss

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax expense				
Malaysian				
- current year	**526**	1,322	**-**	-
- prior year	**6**	(142)	**-**	-
Total current tax recognised in profit or loss	**532**	1,180	**-**	-
Deferred tax income				
(Reversal)/Origination of temporary differences	**(13)**	(720)	**-**	-
Prior year	**-**	-	**-**	-
Total deferred tax recognised in profit or loss	**(13)**	(720)	**-**	-
Total tax expense	**519**	460	**-**	-

Reconciliation of tax expense

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before tax	**13,103**	18,944	**(950)**	(2,161)
Income tax calculated using Malaysian tax rate at 24% (2018: 24%)	**3,145**	4,547	**(228)**	(519)
Effect of different tax rate in foreign jurisdiction	**(31)**	(18)	**-**	-
Effect of tax incentives	**(554)**	(828)	**-**	-
Effect of unrecognised temporary difference	**(1,954)**	(4,055)	**-**	-
Non-deductible expenses	**592**	986	**547**	519
Non-taxable income	**-**	-	**(319)**	-
Others	**(685)**	(30)	**-**	-
Under/(Over) provision of taxation in prior years	**6**	(142)	**-**	-
	519	460	**-**	-

24. Tax expense (Cont'd)

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. The subsidiary is applying for an extension of its pioneer status and is pending approval.

25. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 30 June 2019 was based on the profit attributable to ordinary shareholders of RM12,583,364 (2018: RM18,483,996) and on the weighted average number of ordinary shares outstanding during the year of 263,116,217 (2018: 265,714,548).

Diluted earnings per ordinary share

The fully diluted earnings per share has been computed based on adjusted profit attributable to ordinary shareholders of RM12,583,364 (2018: RM18,483,996) divided by the adjusted weighted average number of ordinary shares outstanding after adjusting the effect of all dilutive potential ordinary shares of 312,306,261 (2018: 317,954,153) calculated as follows:

	2019 '000	2018 '000
Issued ordinary shares at 1 July 2018/2017	**266,773**	211,260
Effect of Bonus issue	**-**	52,891
Effect of treasury shares (repurchased)/disposed	**(6,706)**	264
Effect of conversion of RCPS during the year	**3,049**	1,299
Weighted average number of ordinary shares	**263,116**	265,714
Effect of exercise of warrants	**16,298**	16,298
Effect of conversion of RCPS	**32,892**	35,942
Adjusted weighted average number of ordinary shares	**312,306**	317,954

26. Warrants

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

Warrants	Exercise price per ordinary share Before adjustment	After adjustment	Expiry date	Number of warrants outstanding 30.6.2019	30.6.2018
Warrants 2015/2020	RM0.50	RM0.42	3.11.2020	**68,963,282**	68,963,282

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.

In financial year 2018, 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 share within 5 years from the initial date of the issue of the warrants.

27. Dividend

Dividend on RCPS paid by the Company was as follows:

	Sen per share	Total amount RM'000	Date of payment
2019			
First annual dividend on 50,573,170 RCPS	0.95	671	27 July 2018

28. Reconciliation of liabilities arising from financing activities

Group

2019

	At 1 July 2018 RM'000	Financing cash flows (i) RM'000	Foreign exchange adjustments RM'000	New finance lease RM'000	RCPS- Liability component (Note 14) RM'000	Other changes RM'000	At 30 June 2019 RM'000
Term loans (Note 16)	7,642	(2,951)	-	-	-	-	**4,691**
Finance lease liabilities (Note 16)	8,439	(3,917)	-	3,253	-	-	**7,775**
Other bank borrowings (Note 16)	167,769	13,716	(1,920)	-	-	-	**179,565**
RCPS- Liability component (Note 14)	4,025	-	-	-	(671)	(48)	**3,306**
	187,875	6,848	(1,920)	3,253	(671)	(48)	**195,337**

28. Reconciliation of liabilities arising from financing activities (Cont'd)

Group

2018

	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 14) RM'000	Other changes RM'000	At 30 June 2018 RM'000
Term loans (Note 16)	11,251	(3,609)	-	-	-	-	7,642
Finance lease liabilities (Note 16)	11,637	(5,382)	-	2,184	-	-	8,439
Other bank borrowings (Note 16)	192,902	(27,833)	2,700	-	-	-	167,769
RCPS- Liability component (Note 14)	-	-	-	-	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 14) RM'000	Other changes RM'000	At 30 June 2018/ 1 July 2018 RM'000	Cash flow used in financing activities (Note 14) RM'000	Other changes RM'000	At 30 June 2019 RM'000
RCPS- Liability component (Note 14)	-	3,781	244	4,025	(671)	(48)	3,306

29. Related parties

29.1 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 and an associate as disclosed in Note 5 and Note 6 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.

29. Related parties (Cont'd)

29.2 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:

	2019 RM'000	2018 RM'000
(a) Transactions with companies in which certain Directors have a substantial financial interest		
Group		
Sales	**371**	-
Purchase of raw materials	**(1,747)**	(2,102)
Purchase of toolings	**-**	(45)
(b) Transaction with subsidiaries		
Company		
Additional investment in subsidiaries	**(19,620)**	(65,481)
Advances given	**42,010**	65,661
Advances from	**(40,991)**	(27,042)
License fee	**32**	17
Management fee received	**464**	464
Repayment to	**(40,480)**	(44)
Repayment from	**70,999**	18,045
(c) Transaction with an associate		
Group		
Investment in an associate	**1,960**	-

The non-trade balances with related parties outstanding at the end of the reporting period are disclosed in Note 11 and Note 18 to the financial statements. All the outstanding balances are expected to be settled in cash or partially capitalised as paid-up share capital.

30. Financial instruments

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 June 2019 categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR").

	Carrying amount RM'000	AC RM'000	FVOCI-EIDUIR RM'000
2019			
Financial assets			
Group			
Other investments	**3,342**	**-**	**3,342**
Trade and other receivables (exclude prepayments and non-refundable deposits)	**210,712**	**210,712**	**-**
Fixed deposits with licensed banks	**19,370**	**19,370**	**-**
Cash and bank balances	**20,503**	**20,503**	**-**
	253,927	**250,585**	**3,342**
Company			
Other investments	**3,342**	**-**	**3,342**
Amount due from subsidiaries	**10,632**	**10,632**	**-**
Trade and other receivables (exclude prepayments and non-refundable deposits)	**40,315**	**40,315**	**-**
Fixed deposits with licensed banks	**6,217**	**6,217**	**-**
Cash and bank balances	**207**	**207**	**-**
	60,713	**57,371**	**3,342**

30. Financial instruments (Cont'd)

30.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	AC RM'000
2019 (Cont'd)		
Financial liabilities		
Group		
Loans and borrowings	**192,031**	**192,031**
RCPS- Liability component	**3,306**	**3,306**
Trade and other payables (excluding deferred revenue)	**187,392**	**187,392**
	382,729	**382,729**
Company		
Amount due to subsidiaries	**8,671**	**8,671**
RCPS- Liability component	**3,306**	**3,306**
Trade and other payables	**30,259**	**30,259**
	42,236	**42,236**

The table below provides an analysis of financial instruments as at 30 June 2018 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
2018			
Financial assets			
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

30. Financial instruments (Cont'd)

30.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	L&R RM'000	AFS RM'000
2018 (Cont'd)			
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

	Carrying amount RM'000	FL RM'000
Financial liabilities		
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		
RCPS- Liability component	4,025	4,025
Trade and other payables	40,204	40,204
	44,229	44,229

30. Financial instruments (Cont'd)

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net (losses)/gains on:				
Equity instruments designated at fair value through other comprehensive income	**(3,384)**	-	**(3,384)**	-
Available-for-sale financial assets				
- recognised in other comprehensive expense/ income	**-**	(1,216)	**-**	(1,216)
Financial assets measured at amortised cost	**616**	-	**1,472**	-
Loans and receivables	**-**	628	**-**	129
Financial liabilities measured at amortised cost	**(7,706)**	(8,897)	**(1,582)**	(244)
	(10,474)	(9,485)	**(3,494)**	(1,331)

30.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

30.4 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. There are no significant changes as compared to prior periods.

Trade 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.

30. Financial instruments (Cont'd)

30.4 Credit risk (Cont'd)

Trade Receivables (Cont'd)

Risk management objectives, policies and processes for managing the risk (cont'd)

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

Concentration of credit risk

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

	2019 RM'000	2018 RM'000
Group		
Domestic	**73,104**	115,920
Asia Pacific (other than Malaysia)	**115,309**	100,454
Others	**20,562**	12,307
	208,975	228,681

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within credit term granted.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables. Invoices which are past due 90 days will be considered as credit impaired.

Loss rates are based on actual credit loss experience over the past two years and forward-looking information. The Group believes that the financial impacts to the forward-looking information are inconsequential for the purpose of impairment calculation of trade receivables due to their relatively short term nature.

30. Financial instruments (Cont'd)

30.4 Credit risk (Cont'd)

Trade Receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2019.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2019			
Group			
Not past due	**136,592**	**(56)**	**136,536**
Past due 1 - 30 days	**64,719**	**(133)**	**64,586**
Past due 31 - 60 days	**4,523**	**(96)**	**4,427**
Past due 61 - 90 days	**451**	**(24)**	**427**
	206,285	**(309)**	**205,976**
Credit impaired			
Past due more than 90 days	**3,248**	**(249)**	**2,999**
	209,533	**(558)**	**208,975**

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

	2019 Credit impaired RM'000
Group	
Balance at 1 July as per MFRS 139/MFRS 9 *	**-**
Net remeasurement of loss allowance	**558**
Balance at 30 June	**558**

- There is no significant financial impact on impairment loss of trade receivables arising from the initial application of MFRS 9 as at 1 July 2018.

30. Financial instruments (Cont'd)

30.4 Credit risk (Cont'd)

Trade Receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The ageing of trade receivables as at 30 June 2018 was as follows:

	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

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 (2018: 4) customers who collectively contributed 86% (2018: 85%) of the Group's trade receivables at 30 June.

Fixed deposits and cash and bank balances

The fixed deposits and cash and bank balances are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. The Group and the Company are of the view that loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risk on other receivables is mainly arising from amounts due from authorities for goods and service tax and value added tax ("VAT") claimable.

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.

As at the end of the reporting period, the Group did not recognise any allowance for impairment losses.

30. Financial instruments (Cont'd)

30.4 Credit risk (Cont'd)

Other investments

Credit risks on other investments are mainly arising from short term funds and equity-linked investments.

These investments are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. The Group and the Company are of the view that loss allowance is not material and hence, it is not provided for.

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 RM184,256,539 (2018: RM175,411,613) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements for the subsidiaries to secure loans.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, the Company did not recognise any allowance for impairment loss.

30. Financial instruments (Cont'd)

30.4 Credit risk (Cont'd)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and 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.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for holding company's or related companies' loans and advances as at 30 June 2019.

	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
2019			
Low credit risk			
- Amount due from subsidiaries	**50,632**	**-**	**50,632**

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

As at 30 June 2018, there were no impairment losses on the inter-company loans and advances provided by the Company.

30.5 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.

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

30. Financial instruments (Cont'd)

30.5 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
2019							
Group							
Non-derivative financial liabilities							
Bankers' acceptances	121,650	3.20 - 5.20	121,650	121,650	-	-	-
Trade financing	44,660	3.30 - 4.19	44,660	44,660	-	-	-
Trust receipts	13,255	3.40 - 3.70	13,255	13,255	-	-	-
Term loans	4,691	5.25 - 6.12	5,283	1,318	1,259	2,706	-
Finance lease liabilities	7,775	5.37 -5.87	8,588	2,800	2,535	3,253	-
RCPS- Liability component	3,306	2.00	3,306	674	720	1,912	-
Trade and other payables (excluding deferred revenue)	187,392	-	187,392	187,392	-	-	-
	382,729		384,134	371,749	4,514	7,871	-
Company							
Non-derivative financial liabilities							
Amount due to subsidiaries	8,671	4.87	8,671	-	-	8,671	-
Trade and other payables	30,259	-	30,259	30,259	-	-	-
RCPS- Liability component	3,306	2.00	3,306	674	720	1,912	-
Financial guarantees	-	-	184,257	184,257	-	-	-
	42,236		226,493	215,190	720	10,583	-

30. Financial instruments (Cont'd)

30.5 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
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	-	-	-
RCPS- Liability component	4,025	2.00	4,025	715	758	2,552	-
Financial guarantees	-	-	175,412	175,412	-	-	-
	44,229		219,641	216,331	758	2,552	-

30. Financial instruments (Cont'd)

30.6 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.

30.6.1 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").

Risk management objectives, policies and processes for managing the risk

Transactional currency exposures arise from sales to Asian, North America and Europe customers. These sales are priced and invoiced in USD currency. The Group also makes purchases of raw materials from China, Hong Kong, Denmark and Singapore. The Company has no hedging policy and does not make use of forward-currency contracts.

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	
2019	
Trade and other receivables	**170,720**
Trade and other payables	**(166,789)**
Cash and bank balances	**16,045**
Fixed deposits with licensed banks	**2,014**
Loans and borrowings	**(173,565)**
Net exposure	**(151,575)**
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)

30. Financial instruments (Cont'd)

30.6 Market risk (Cont'd)

30.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis

A 5% (2018: 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		
2019		
USD	**5,760**	**(5,760)**
2018		
USD	2,485	(2,485)

A 5% (2018: 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.

30.6.2 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.

30. Financial instruments (Cont'd)

30.6 Market risk (Cont'd)

30.6.2 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
Financial assets	**19,370**	18,822	**6,217**	6,135
Financial liabilities	**(190,646)**	(180,233)	**(3,306)**	(4,025)
	(171,276)	(161,411)	**2,911**	2,110
Floating rate instruments				
Financial assets	**-**	-	**10,632**	-
Financial liabilities	**(4,691)**	(7,642)	**(8,671)**	-
	(4,691)	(7,642)	**1,961**	-

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.

30. Financial instruments (Cont'd)

30.6 Market risk (Cont'd)

30.6.2 Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis (Cont'd)

(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		
2019		
Floating rate instruments	**(36)**	**36**
2018		
Floating rate instruments	**(58)**	**58**
Company		
2019		
Floating rate instruments	**15**	**(15)**

30.6.3 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.

30. Financial instruments (Cont'd)

30.6 Market risk (Cont'd)

30.6.3 Other price risk (Cont'd)

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's and the Company's equity investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI") and Straits Times Index ("STI").

A 10% (2018: 10%) strengthening in FBMKLCI and STI at the end of the reporting period would have increased equity by the amounts shown below for investments classified as fair value through other comprehensive income (2018: available-for-sale).

	Group	
	2019	2018
	RM'000	RM'000
Effect on equity	**334**	674

30.7 Fair value information

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

The table below analyses other financial instruments at fair value.

30. Financial instruments (Cont'd)

30.7 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
2019										
Group										
Financial asset										
Quoted shares	3,342	-	-	3,342	-	-	-	-	3,342	3,342
Financial liabilities										
Term loans – variable rate	-	-	-	-	-	-	(4,691)	(4,691)	(4,691)	(4,691)
Finance lease liabilities	-	-	-	-	-	-	(8,116)	(8,116)	(8,116)	(7,775)
	-	-	-	-	-	-	(12,807)	(12,807)	(12,807)	(12,466)
Company										
Financial assets										
Amount due from subsidiaries	-	-	-	-	-	10,632	-	10,632	10,632	10,632
Quoted shares	3,342	-	-	3,342	-	-	-	-	3,342	3,342
	3,342	-	-	3,342	-	10,632	-	10,632	13,974	13,974
Financial liabilities										
Amount due to subsidiaries	-	-	-	-	-	(8,671)	-	(8,671)	(8,671)	(8,671)

30. Financial instruments (Cont'd)

30.7 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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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

30. Financial instruments (Cont'd)

30.7 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. (2018: 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 bonds).

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.

31. 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.

31. Operating segment (Cont'd)

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

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

Segment assets

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

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.

2019	EMS and OEM/ODM for electronic and electrical products RM'000	Other non-reportable segment RM'000	Consolidated total RM'000
External revenue	1,012,751	175	1,012,926
Segment profit/(loss)	17,813	(4,710)	13,103
Included in the measure of segment profit are:			
(Gain) / Loss on disposal of property, plant and equipment	(470)	215	(255)
Depreciation of property, plant and equipment	30,651	181	30,832
Amortisation of intangible assets	310	918	1,228
Depreciation of investment properties	-	65	65
Finance costs	7,303	403	7,706
Interest income	(471)	(143)	(614)
Gain on foreign exchange, net - unrealised	(1,997)	-	(1,997)
Segment assets	681,833	33,679	715,512
Included in the measure of segment assets are:			
Additions to property, plant and equipment	100,309	18	100,327

31. Operating segment (Cont'd)

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/(loss) 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

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
2019						
Revenue from external customers	**344,584**	**75,557**	**44,757**	**436,841**	**111,187**	**1,012,926**
Non-current assets	**155,632**	**-**	**-**	**100,998**	**-**	**256,630**
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

31. Operating segment (Cont'd)

Major customers

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

	Revenue		Segment
	2019	2018	
	RM'000	RM'000	
Customer A	**180,745**	213,213	EMS and OEM/ODM for electronic and electrical products
Customer B	**432,772**	401,992	
Customer C	**125,031**	296,513	

32. 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 2019 and at 30 June 2018 were as follows:

	Group	
	2019	2018
	RM'000	RM'000
Total loans and borrowings (Note 16)	**192,031**	183,850
RCPS- Liability component (Note 14)	**3,306**	4,025
	195,337	187,875
Less: Cash and cash equivalents	**(20,503)**	(41,139)
Net debt	**174,834**	146,736
Total equity	**331,438**	321,842
Debt-to-equity ratio	**0.53**	0.46

33. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on its financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Company has elected not to restate the comparatives.

The adoption of MFRS 9 and MFRS 15 did not have any material financial impact to the financial statements of the Group and of the Company except for change in classification of financial assets.

33.1 Accounting for financial instruments

(a) Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application :

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

(b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 July 2018:

	Original category under MFRS 139	New category under MFRS 9
Group		
Financial assets		
Other investments	Available-for-sale	FVOCI- equity instruments
Trade and other receivables (excluding prepayments and non-refundable deposits)	Loans and receivables	Amortised cost
Fixed deposits with licensed banks	Loans and receivables	Amortised cost
Cash and bank balances	Loans and receivables	Amortised cost

33. Significant changes in accounting policies (Cont'd)

33.1 Accounting for financial instruments (Cont'd)

(b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (Cont'd)

	Original category under MFRS 139	New category under MFRS 9
Group (Cont'd)		
Financial liabilities		
Redeemable convertible preference shares- Liability component	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost
Loans and borrowings	Amortised cost	Amortised cost
Company		
Financial assets		
Other investments	Available-for-sale	FVOCI- equity instruments
Trade and other receivables (excluding prepayments and non-refundable deposits)	Loans and receivables	Amortised cost
Fixed deposits with licensed banks	Loans and receivables	Amortised cost
Cash and bank balances	Loans and receivables	Amortised cost
Financial liabilities		
Redeemable convertible preference shares- Liability component	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost

There were no significant changes on the carrying amounts of the above financial instruments previously measured under MFRS 139 as at 30 June 2018 as compared to the carrying amounts measured under MFRS 9 as at 1 July 2018.

34. Capital commitment- Group

	2019 RM'000	2018 RM'000
Authorised and contracted for		
- Property, plant and equipment	875	-

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 46 to 136 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 2019 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,

24 October 2019

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 46 to 136 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 24 October 2019.

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 2019 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 the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 136.

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 2019, 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 RM1,013 million of revenue for the current financial year. Revenue of the Group comprises provision of Electronic Manufacturing Services for computers 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 11 – Trade and other receivables to the financial statements The trade receivables balance represented 46% of the Group's current assets as at 30 June 2019. The Group adopted MFRS 9 in the current financial year ended 30 June 2019. The Group recognises loss allowances for expected credit losses on trade receivables, if necessary, based on probability-weighted estimate of credit losses, taking into consideration historical past due ageing for the past two years. The recognition of expected credit losses on trade receivables involves estimates and judgements by the Directors and there is a risk that the actual impairment loss required may be different to those estimated. This is a key audit matter because evaluating the estimates made by the Directors requires us to exercise significant judgement.	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 ageing of trade receivables by testing the age profile of the debts to the respective invoices. - Considered the reasonableness of the basis of expected credit loss rate of trade receivables. - Evaluated the appropriateness of the accounting policies based on the requirements of MFRS 9. - Inspected post year end cash receipt relating to collection of past due debts.

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.

INDEPENDENT AUDITORS' REPORT (Cont'd)

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

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

24 October 2019

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 30/06/19 (RM)
Lot 122 304 Industrial Park Tha Tum District Srimahapho Prachinburi, Thailand	11	05/04/2011	172,223	Factory, Office Building & Warehouse	Freehold	7,673,149
H.S.(M) 17426 P.T.No. 8543 Bandar Sungai Petani Daerah Kuala Muda Kedah	26	21/06/2017	174,240	Factory, Office Building & Warehouse	Leasehold (60 years) (08/10/2049)	9,721,852
H.S.(M) 17427 P.T.No. 8544 Bandar Sungai Petani Daerah Kuala Muda Kedah	6	30/07/2015	152,460	Factory, Office Building & Warehouse	Leasehold (60 years) (24/03/2050)	15,240,145
H.S.(M) 18565 P.T.No. Plot 35 Bandar Sungai Petani Daerah Kuala Muda Kedah	-	03/09/2014	121,968	Vacant Land	Leasehold (60 years) (12/09/2054)	590,766
H.S.(M) 23422 P.T.No 8545 Bandar Sungai Petani Daerah Kuala Muda Kedah	1	04/05/2017	260,491	Factory, Office Building & Warehouse	Leasehold (60 years) (24/03/2050)	12,350,000
1-18-1 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	6	18/12/2014	1,132	Office	Leasehold (99 years) (02/04/2095)	733,383
1-12A-16 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	5	18/12/2014	459	Office	Leasehold (99 years) (02/04/2095)	308,750
1-12A-17 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	5	18/12/2014	459	Office	Leasehold (99 years) (02/04/2095)	308,750

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 30/06/19 (RM)
1-10-1 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	3	27/06/2016	1,711	Office	Leasehold (99 years) (02/04/2095)	1,134,587
1-10-2 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	3	27/06/2016	915	Office	Leasehold (99 years) (02/04/2095)	628,807
1-10-7 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	3	27/06/2016	2,164	Office	Leasehold (99 years) (02/04/2095)	1,426,207

STATISTICS OF SHAREHOLDINGS

as at 24 October 2019

TOTAL NUMBER OF ORDINARY SHARES	:	275,008,862
TOTAL NUMBER OF TREASURY SHARES	:	17,585,900
TOTAL NUMBER OF SHARES EXCLUDING TREASURY SHARES	:	257,422,962
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER SHARE

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	69	1.55	2,902	0.00
100 – 1,000	539	12.08	459,984	0.17
1,001 – 10,000	1,849	41.44	10,505,108	3.82
10,001 – 100,000	1,725	38.66	57,154,770	20.78
100,001 – 13,750,442 (*)	278	6.23	170,152,698	61.87
13,750,443 and above (**)	2	0.04	36,733,400	13.36
TOTAL	**4,462**	**100.00**	**275,008,862**	**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	8,739,425	3.39	37,863,270 [(a)]	14.71
Dato' Kang Pang Kiang	10,855,300	4.22	-	-
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	14.71	-	-
Dato' Terence Tea Yeok Kian	8,739,425	3.39	37,863,270 [(a)]	14.71
Accrelist Limited (formerly known as WE Holdings Limited)	-	-	37,863,270 [(a)]	14.71

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

STATISTICS OF SHAREHOLDINGS (Cont'd)

as at 24 October 2019

30 Largest Shareholders as at 24 October 2019

NO.	NAMES	NO. OF SHARES	%
1	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JUBILEE INDUSTRIES HOLDINGS LTD	19,147,500	7.4381
2	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (DATO') (6000059)	10,540,300	4.0945
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	10,023,000	3.8936
4	KENANGA NOMINEES (ASING) SDN BHD JUBILEE INDUSTRIES HOLDINGS LTD (023)	9,410,770	3.6558
5	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TERENCE TEA YEOK KIAN	8,625,800	3.3508
6	TAN PHAIK IMM	8,008,500	3.1110
7	TAN HAN CHUAN	7,631,700	2.9647
8	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JUBILEE INDUSTRIES HOLDINGS LTD	6,980,000	2.7115
9	LEE PAK HOONG	6,537,221	2.5395
10	LEE TEIK HEE	6,021,600	2.3392
11	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CLEARSTREAM BANKING S.A.	4,145,300	1.6103
12	LIM HOOI PHENG	3,033,700	1.1785
13	GIAP SENG CAPITAL SDN. BHD.	2,665,892	0.7769
14	JUBILEE INDUSTRIES HOLDINGS LTD	2,325,000	0.9032
15	GIAP SENG CAPITAL SDN. BHD.	2,000,000	0.7769
16	TAN LENG MOOI	1,896,000	0.7365
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YOON MENG @ LOH YOON MIN (E-IMO)	1,720,000	0.6682
18	LOW CHOON YEN	1,632,000	0.6340
19	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING MING	1,500,000	0.5827
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG WEI YEE	1,400,000	0.5439
21	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW SOOK MENG (MGN-KPK0002M)	1,356,375	0.5269
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD GOH CHEE MENG	1,231,800	0.4785
23	LOW SUAN KONG	1,212,147	0.4709
24	CHUA KWANG KHIM	1,096,800	0.4261
25	LEE CHIP HWA	1,055,600	0.4101
26	LYE YHIN CHOY	1,000,000	0.3885
27	OOI ENG LEONG	1,000,000	0.3885
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LIM SOON (E-KPG)	1,000,000	0.3885
29	SIM MUI KHEE	986,000	0.3830
30	AISYAH BINTI ALI REDZA	985,000	0.3826
	TOTAL:	**126,168,005**	**49.0119**

STATISTICS OF WARRANT 2015/2020 HOLDINGS

as at 24 October 2019

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

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	260	20.93	14,171	0.02
100 – 1,000	73	5.88	50,402	0.07
1,001 – 10,000	304	24.48	1,471,907	2.13
10,001 – 100,000	469	37.76	17,307,865	25.10
100,001 – 3,448,163 (*)	134	10.79	40,048,297	58.07
3,448,164 and above (**)	2	0.16	10,070,640	14.60
TOTAL	**1,242**	**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	5,283,200	7.66	-	-
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	5,283,200	7.66	-	-
Dato' Kang Pang Kiang	4,877,921	7.07	-	-

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

as at 24 October 2019

30 Largest Warrant 2015/2020 Holders as at 24 October 2019

NO.	NAMES	HOLDINGS	%
1	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TERENCE TEA YEOK KIAN	5,283,200	7.6609
2	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (DATO') (6000059)	4,787,440	6.9420
3	CHEONG LI LYNN	1,725,700	2.5023
4	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KUA ENG GUAN @ KUA ENG KOON	1,600,000	2.3201
5	SIM MUI KHEE	1,249,999	1.8126
6	LEE CHIP HWA	912,500	1.3232
7	YAP MING HUI	850,000	1.2325
8	LOW SUAN KONG	838,560	1.2160
9	TAN KAH SIAN	800,000	1.1600
10	NG KIAT SIONG	701,921	1.0178
11	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD FOR TAN MOOI KIM	691,300	1.0024
12	LOW SOOK MENG	673,947	0.9773
13	TAN CHIN TIANG	666,890	0.9670
14	YANG KIM SOON	635,772	0.9219
15	LEE BEE GEOK	621,321	0.9009
16	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW POV LAN	603,900	0.8757
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ER CHIW SING (E-JBU/PKL)	602,600	0.8738
18	LOW CHOON YEN	598,489	0.8678
19	LEE MEI LENG	598,430	0.8678
20	KAU KUN CHUI	597,750	0.8668
21	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE JING YI	577,400	0.8373
22	CHUA CHIN CHYANG	538,893	0.7814
23	TAN SIN CHEE	501,100	0.7266
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD ONG CHIN CHEW	500,015	0.7250
25	ONG YONG HANG	500,000	0.7250
26	EE KIM CHENG	450,000	0.6525
27	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOH KIAN SOON	420,100	0.6092
28	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM ANN KOK	410,434	0.5951
29	SHIN CHANG FUN	406,000	0.5887
30	KENANGA NOMINEES (TEMPATAN) SDN BHD ROGER LIM TAU KIAT	405,300	0.5877
	TOTAL:	**29,748,961**	**43.1374**

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

as at 24 October 2019

NO. OF RCCPS : 42,337,070
VOTING RIGHTS : NO VOTING RIGHTS ATTACHED

Size of Holdings	No. of Holders	%	No. of RCPS	%
1 – 99	45	3.37	2,100	0.00
100 – 1,000	212	15.88	131,901	0.31
1,001 – 10,000	737	55.20	2,928,774	6.92
10,001 – 100,000	287	21.50	8,731,706	20.62
100,001 – 2,116,852 (*)	50	3.75	17,538,735	41.43
2,116,853 and above (**)	4	0.30	13,003,854	30.72
TOTAL	**1,335**	**100.00**	**42,337,070**	**100.00**

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

DIRECTORS' RCPS HOLDINGS

	No. of RCPS Held			
Name of Directors	Direct Interest	%	Indirect Interest	%
Dato' Terence Tea Yeok Kian	2,445,025	5.77	6,243,154 [(a)]	14.75
Dato' Kang Pang Kiang	2,603,300	6.15	-	-
Ang Seng Wong	-	-	-	-
Lim Sze Yan	-	-	-	-
Lee Kean Teong	-	-	-	-

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

SUBSTANTIAL RCPS HOLDERS

	No. of RCPS Held			
Name of Substantial Warrants Holders	Direct Interest	%	Indirect Interest	%
Jubilee Industries Holdings Ltd	6,243,154	14.75	-	-
Ong Keng Seng	3,323,100	7.85	-	-
Dato' Kang Pang Kiang	2,603,300	6.15	-	-
Dato' Terence Tea Yeok Kian	2,445,025	5.77	6,243,154 [(a)]	14.75
Accrelist Limited (formerly known as WE Holdings Limited)	-	-	6,243,154 [(a)]	14.75

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

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

as at 24 October 2019

30 Largest RCPS Holders as at 24 October 2019

NO.	NAMES	HOLDINGS	%
1	KENANGA NOMINEES (ASING) SDN BHD JUBILEE INDUSTRIES HOLDINGS LTD (023)	4,718,154	11.1443
2	ONG KENG SENG	3,323,100	7.8491
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (DATO') (6000059)	2,540,300	6.0002
4	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TERENCE TEA YEOK KIAN	2,422,300	5.7215
5	SHIN LOON SDN BHD	1,400,000	3.3068
6	TAN PHAIK IMM	1,254,000	2.9619
7	LEE PAK HOONG	1,198,384	2.8306
8	LOW SUAN KONG	1,092,447	2.5804
9	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JUBILEE INDUSTRIES HOLDINGS LTD	1,000,000	2.3620
10	GIAP SENG CAPITAL SDN. BHD.	933,178	2.2042
11	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIN HOOI (MP0137)	900,000	2.1258
12	SIM MUI KHEE	756,200	1.7861
13	JUBILEE INDUSTRIES HOLDINGS LTD	525,000	1.2400
14	TAN HAN CHUAN	500,000	1.1810
15	CHUA ENG KIAT	426,501	1.0074
16	LEE TEIK HEE	417,000	0.9850
17	KENANGA NOMINEES (TEMPATAN) SDN BHD PCB ASSET MANAGEMENT SDN BHD FOR CHOW KIM WENG	360,000	0.8503
18	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YEM PHOI (J KUNING 2-CL)	349,900	0.8265
19	LIM HOOI PHENG	323,900	0.7651
20	Y.P. CONSTRUCTION SDN BHD	310,000	0.7322
21	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING MING	300,000	0.7086
22	STC EQUITY SDN BHD	300,000	0.7086
23	LOW SOOK MENG	291,275	0.6880
24	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PCB ASSET MANAGEMENT SDN BHD FOR TAN GOAY MENG FOUNDATION	262,500	0.6200
25	MARIAM PARINEH	250,000	0.5905
26	LOW CHOON YEN	246,400	0.5820
27	LYE YHIN CHOY	217,750	0.5143
28	PM NOMINEES (TEMPATAN) SDN BHD PCB ASSET MANAGEMENT SDN BHD FOR GAN THIAM CHAI	205,000	0.4842
29	DATUK TAY HOCK TIAM	190,000	0.4488
30	CHOO LYE HOCK	166,200	0.3926
	TOTAL:	**27,179,489**	**64.1978**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the TWENTY EIGHTH 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, 29 November 2019 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 2019 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 2019. Resolution 1

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

   (a) Dato' Kang Pang Kiang Resolution 2

   (b) Mr. Lim Sze Yan 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 Ordinary and Special Resolutions :-

5. Retention of Independent Director Resolution 5

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

6. To authorise the allotment and issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016:- Resolution 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 and New 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 2019 ("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.

As Special Business:- (Cont'd)

9. Proposed Adoption of New Constitution of the Company ("Proposed Adoption of New Constitution") Resolution 9

   "THAT the Company's existing Constitution be deleted in its entirety with immediate effect and in place thereof, adopt the new Constitution of the Company as set out in Part C of the Circular to Shareholders dated 31 October 2019 AND THAT the Directors and Secretaries of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all things and take all such steps as may be considered necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution."

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

By Order of the Board

CHAI CHURN HWA (MAICSA 0811600)

Company Secretary

Penang

31 October 2019

NOTES:

1. Only members of the Company whose names appear in the Record of Depositors as at 22 November 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the 28th 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 Share Registrar of the Company at 2nd Floor, Wisma Penang Garden, 42, Jalan Sultan Ahmad Shah, 10050 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 28th 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.

NOTES: (Cont'd)

8. Explanatory Notes to Ordinary and Special Resolutions

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 eleven (11) years cumulatively by 30 January 2020. 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.

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 29 November 2019. A renewal of this authority is being sought at the 28th 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 2019.

NOTES: (Cont'd)

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

   Resolution 8

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

     The proposed Resolution is in relation to the Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, if passed will give the power to the Group to transact with the parties related to the Group. Please refer to Section 2.4 of the Circular to Shareholders dated 31 October 2019.

   Resolution 9 – Special Resolution

   - Proposed Adoption of New Constitution of the Company ("Proposed Adoption of New Constitution")

     The proposed Special Resolution, if passed, will align the Company's Constitution with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing statutory and regulatory requirements as well as to enhance administrative efficiency and to provide greater clarity. The Proposed Adoption of New Constitution is set out in Part C of the Circular to Shareholders dated 31 October 2019.

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 28th 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:-

        - Dato' Kang Pang Kiang
        - Mr. Lim Sze Yan

    The details of the two (2) Directors seeking for re-election are set out in the Directors' profile appearing on pages 9 and 11 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 29 November 2019. A renewal of this authority is being sought at the 28th 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 Eighth 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, 29 November 2019 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, DATO' KANG PANG KIANG		
3.	Re-election of Director, MR. LIM SZE YAN		
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 and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed RRPT")		
9.	**Special Resolution** To approve the Proposed Adoption of New Constitution		

*Delete if inapplicable

Dated this _______ day of ________________, 2019.

____
Signature / Common Seal of Shareholder

NOTES:

1. Only members of the Company whose names appear in the Record of Depositors as at 22 November 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the 28th 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 Share Registrar of the Company at 2nd Floor, Wisma Penang Garden, 42, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time fixed for holding the AGM or any adjournment thereof.
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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 Resolutions

   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 eleven (11) years cumulatively by 30 January 2020. 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.

NOTES: (Cont'd)

8. Explanatory notes on Special Resolutions (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.

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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 2019.

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Stamp

Share Registrar

EG INDUSTRIES BERHAD (222897-W)

2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah, 10050 Penang

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