EG INDUSTRIES BERHAD
199101012585 (222897-W)

Annual Report 2020

Smart 4.0 Manufacturing

Smart 4.0 Manufacturing

A semiconductor chip brightly projecting a combination of futuristic structures and lush greenery accurately depicts EG Industries Berhad's crucial role in the Electronic Manufacturing Services (EMS) supply chain. Even as we continue ramping up and upgrading the scale of operations to strengthen our unique position as an indispensable technology enabler, we remain an avid supporter of environmental conservation by constantly identifying ways to minimise environmental impact and embed social responsibility among employees. With an unwavering commitment towards fulfilling the rapidly evolving needs of customers who pioneer technological advancement, EG Industries Berhad is guided by main pillars of an inherent dedication towards our customers, ambition to keep growing and innovating, as well as a drive to keep advocating for environmental awareness.

CONTENTS

OUR MILESTONES

Smart Manufacturing cenTer

Throughout the years, EG Industries Berhad ("EG") has continuously expanded and enhanced manufacturing capabilities to support the burgeoning demand for electronic devices and solutions across a multitude of industries. The acquisition of a new leasehold land in November 2019 represents a notable milestone for the Group, solidifying the commitment towards delivering higher quality EMS to a larger customer base by further embracing Industry 4.0 in line with the rapid progress of technology.

The acquired land would house EG's second fully-automated manufacturing plant in the future, and follows the prior completion of the Group's first fully-automated manufacturing facility in October 2019. This positive development augurs well for the future as the Group would be well-placed to evolve amidst a more competitive landscape to capture more opportunities within the EMS sector, as well as achieve better operational efficiency from the increased adoption of automation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Terence Tea Yeok Kian
(Group Executive Chairman)

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

Ang Seng Wong
(Senior Independent Non-Executive Director)

Lim Sze Yan
(Independent Non-Executive Director)

Lee Kean Teong
(Independent Non-Executive Director)

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Ang Seng Wong

Members
Lim Sze Yan
Lee Kean Teong

COMPANY SECRETARIES

Ong Tze-En [MAICSA 7026537]
SSM PC No. 20200800 3397

Lau Yoke Leng [MAICSA 7034778]
SSM PC No. 20200800 3368

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITORS

UHY (AF 1411)
Chartered Accountants

BANKERS

Al Rajhi Banking and Investment Corporation (Malaysia) Berhad
Alliance Bank Malaysia Berhad
Ambank Islamic Berhad
Bank Islam (M) Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
HSBC Amanah Malaysia Berhad
Kasikorn Bank Public Company Limited (Thailand)
OCBC Bank (M) Berhad
Standard Chartered Bank Malaysia Berhad
TMB Bank Public Company Limited (Thailand)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : EG
Stock Code : 8907

GROUP STRUCTURE

EG INDUSTRIES BERHAD
199101012585 [222897-W]

Investment holding company listed on Main Board of Bursa Malaysia Securities Berhad

100% — **SMT TECHNOLOGIES SDN. BHD.**
199301024828 [279566-X]

Provision of electronic manufacturing services for computer peripherals and consumer electronic/electrical products

- **100%** — **GLISTEN KNIGHT SDN. BHD.**
199501025359 [354564-D]

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

- **49.00%** — **TM SMT SDN. BHD.**
201901012677 [1322005-T]

  Wholesale of computer hardware, software and peripherals

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

Provision of electronic manufacturing services for computer peripherals, consumer electronic/electrical and automotive industrial products

100% — **EG ELECTRONIC SDN. BHD.**
200401026915 [665423-W]

Original equipment manufacturer/ original design manufacturer in complete box built products

100% — **EG R&D SDN. BHD.**
201301044868 [1074691-M]

To undertake research and development activities for electronic, electrical, telecommunication and technology products and operate a shared services outsourcing center rendering business process outsourcing of financial and administration processes and IT services

100% — **EG OPERATIONS SDN. BHD.**
201301045538 [1075362-W]

Dormant

95.50% — **MASTIMBER INDUSTRIES SDN. BHD.**
199701002942 [418438-V]

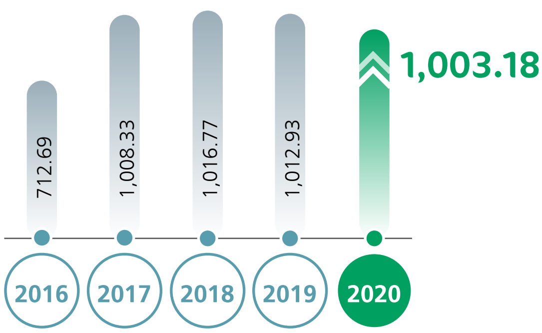
Dormant

GROUP FINANCIAL HIGHLIGHTS

Year ended June 30 Amount in RM'million	2016	2017	2018	2019	2020
Revenue	712.69	1,008.33	1,016.77	1,012.93	**1,003.18**
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	56.56	60.79	60.22	52.94	**33.21**
Profit/(Loss) Before Tax	21.22	22.35	18.94	13.10	**(12.81)**
Profit/(Loss) Attributable to the Owners of the Company	17.03	22.25	18.48	12.58	**(13.61)**
Shareholders' Funds	235.44	263.58	322.20	331.80	**323.05**
Basic earnings/(loss) per ordinary share (sen)	10.57	8.42^	6.96	4.78	**(5.29)**
Net assets per ordinary share (RM)	1.11	1.25	1.21	1.31	**1.25**

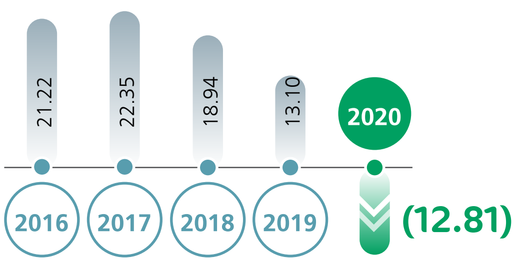
^ The basic earnings per ordinary share has been restated as per audited financial statement for the financial year ended 30 June 2018.

Revenue (RM'million)

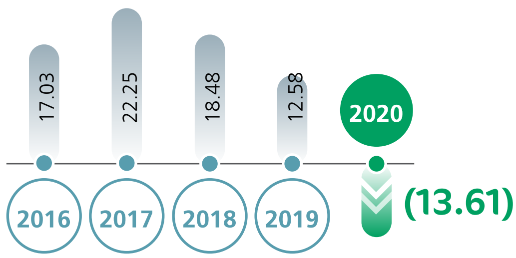


EBITDA (RM' million)

Profit/(Loss) Before Tax (RM' million)

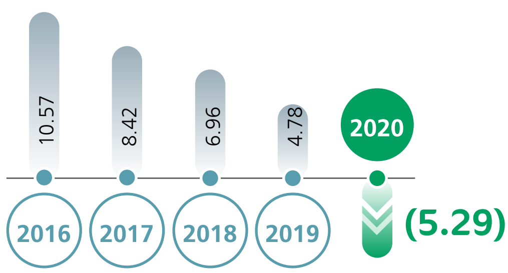


Profit/(Loss) attributable to the owners of the Company (RM' million)



Shareholders' Funds (RM' million)

Basic earnings/(loss) per ordinary share (sen)



MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors of EG Industries Berhad (EG), it is my pleasure to present to you our annual report and audited financial statements for the financial year ended 30 June 2020 (FY2020).

Despite facing numerous obstacles including worsening tensions between US and China, as well as the unexpected COVID-19 pandemic, we managed to remain resilient by maintaining revenue of around RM1.0 billion in FY2020. The hard work and dedication of our employees combined with the guidance of our experienced management team were reflected in the stable topline performance and provides strong encouragement for us to improve going forward.

BUSINESS & OPERATIONS

With over 20 years of operating history, EG is one of the world's established providers of Electronic Manufacturing Service (EMS) and Vertical Integration. The Group's clientele encompasses a range of 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's core business activities are primarily segregated into two categories, with the first being the manufacturing of printed circuit board assembly (PCBA), entailing high and low-mix printed circuit board and backplane assembly. The Group also manufactures box build products, which spans the entire manufacturing supply chain from total design and manufacturing to the testing and shipping of completed product to customers' end users.

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

	Subsidiary	Principal activities
1	SMT Technologies Sdn Bhd (SMTT)	Provision of EMS for computer 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 computer 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 electronic, electrical, telecommunication and other technological products
5	Glisten Knight Sdn. Bhd.	Investment holding activities and to undertake procurement, sales, marketing and distribution acitivites for electronics and electrical products and related components

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

Share Performance (2 October 2019 to 2 October 2020)

Year High	Year Low	Year Close	Trading Volume	Market Capitalization
RM0.705	RM0.225	RM0.445	1,470.0 million shares	RM134.8 million

OPERATIONAL HIGHLIGHTS

- **Completed the construction of first fully-automated plant**
  Having completed the acquisition of the neighbouring manufacturing plant in October 2019, we completed the construction and equipping the plant in October 2019. Together with our existing plants, this factory increases our total production floor space by approximately 80% from 31,000 square metre (sq m) to 55,000 sq m altogether.

  The increased floor space and technologically-advanced capabilities would also allow us to improve output consistency and quality, as well as reduce our labour-to-output ratio to enhance bottomline performance.

- **Acquisition of land to build new factory**
  In November 2019, we signed a Sale and Purchase Agreement with Penang Development Corporation to acquire a 5.2-acre leasehold land in Seberang Perai Selatan, Batu Kawan Industrial Park, for a purchase consideration of RM10.3 million.

  We plan to build a new fully-automated factory on this acquired land, with RM15.0 million capital expenditure (CAPEX) allocated to construct and equip the factory with automation machinery. This represents our second foray into Penang, with the first being a research and development facility in Bayan Baru. Similarly, the new factory would be our second fully-automated manufacturing facility, having successfully established the first such facility in Sungai Petani in 2019.

  When combined with all our other manufacturing facilities, total production floor space increases from 55,000 sq m to 85,000 sq m. The combined production capacity will increase 30% upon the factory's projected completion in end-2021.

  The close proximity of the new factory to our established manufacturing plant in Sungai Petani enhances overall operations as it allows us to allocate resources more efficiently and ramp up utilisation rates to capture new market opportunities. In addition, a strengthened presence in a strategic location like Penang enhances our recognition from multinational corporations and provides the opportunity to derive operational benefits from an advanced supply chain and well-connected transportation network.

FINANCIAL REVIEW

The operating landscape in FY2020 was tremendously challenging, as the widespread impact of the COVID-19 pandemic and escalating trade tensions disrupted supply chains and resulted in the global economic slowdown. Nonetheless, we managed to maintain topline contribution of around RM1 billion, driven by robust demand for consumer electronics products.

The Movement Control Order (MCO) implemented in March 2020 along with other restrictions imposed due to COVID-19 caused a loss in production capacity and incurred higher fixed operating expenses in the second half of the financial year under review, which offset the steady operational and financial performance in the first half of FY2020. The Group resumed full recommencement of manufacturing operations in May 2020, which provided a boost for us as we aimed to regain the optimal level of efficiency in manufacturing operations.

Thus, EG's financial performance was muted due to the combination of these factors. Gross profit declined 39.3% to RM23.7 million in FY2020 from RM39.1 million previously. As a result, a loss before tax of RM12.8 million was recorded in FY2020 compared to a profit before tax of RM13.1 million a year ago, while a net loss of RM13.6 million was posted in the year under review versus a net profit of RM12.6 million in the previous year.

It is important to note that the Group had recognised one-off exceptional provisions of approximately RM7.4 million which includes provision of slow moving stocks and impairment loss on trade receivables and intangible assets. Excluding these one-off provisions, the Group's earnings before interest, tax, depreciation, amortization and exceptional expenses remained positive and amounted to RM40.6 million, a marginal 24.0% lower than RM53.4 million a year ago.

We remain optimistic that the EMS sector will rebound strongly driven by rapid technological advancement. With our continuous commitment to capacity expansion and capability enhancement, we should be well-placed to recover in tandem through our strong track record in serving reputable customers and determination to embrace innovation as a key differentiating factor.

ASSETS, LIABILITIES AND EQUITY

In FY2020, EG's total asset base expanded to RM898.4 million from RM715.5 million in the previous year. Higher inventories due to the backlog in orders caused by the production halt during the MCO were the main contributing factors towards the increase in total assets which we are unable to deliver products to our customers as per original plan schedule. The increase in trade receivables was due to higher volume of shipment made towards financial year end upon resumption of operations which is not yet due as of the financial year end. Moreover, property, plant and equipment also increased to RM269.6 million from the previous year due to the acquisition of a 5.2-acre land in Batu Kawan, Penang for the construction of the Group's first automated manufacturing facility in Penang.

Cash and cash equivalents, coupled with fixed deposits with licensed banks, decreased to RM30.9 million in the year under review from RM39.9 million in the financial year ended 30 June 2019 (FY2019) to support the larger asset base and to cater for heightened working capital needs, amidst the operational disruptions caused by the COVID-19 pandemic.

The Group's total liabilities climbed to RM575.7 million in FY2020 from RM384.1 million one year ago on a rise in trade and other payables to RM339.3 million from RM187.4 million, in line with the higher inventories as at 30 June 2020. There was also a 23.4% increase in EG's loans and borrowings to RM225.9 million from RM183.1 million, which contributed to the higher total liabilities recorded in FY2020.

With lower retained earnings, shareholders' equity moderated 2.7% to RM323.0 million from RM331.8 million previously.

CAPITAL STRUCTURE AND CAPITAL RESOURCES

In the year under review, the Group incurred CAPEX of RM72.7 million, which was primarily allocated for the purchase of the new land in Penang set to house the Group's first manufacturing facility in Penang, as well as to upgrade machinery and equipment. When compared with the previous year, CAPEX was 25.1% lower than last year's CAPEX of RM97.1 million.

We believe that the substantial CAPEX incurred would derive various long-term benefits which would set us on a higher plane of growth. These benefits include lower labour costs, as well as enhanced consistency and quality of our products through the increasing adoption of automation.

EG's gearing level rose to 0.63 times in FY2020 from 0.46 times a year ago due to a combination of higher borrowings and lower cash and cash equivalents. The Group will step up efforts to pare down borrowings, improve operational efficiency and manage operational expenses prudently.

DIVIDEND

As a company operating within an industry where constant investment into CAPEX is necessary to upskill and upscale our capabilities and product offerings, we generally reinvest our earnings towards expansion of operations as well as research and development. The challenging economic climate due to COVID-19 restrictions and the dampened economy also highlighted the need to maintain strict financial discipline by retaining more cash reserves. Therefore, the Board did not propose a dividend in respect of FY2020.

ANTICIPATED OR KNOWN RISKS

As a public listed company in Malaysia and an established EMS provider, EG is exposed to different types of risks. Among the main potential risks and uncertain factors which could result in adverse, unprecedented consequences towards the business, financial condition and the results of the operations of the Group are as follows:

- **Exchange rate fluctuations**
  As EG has bank borrowings denominated in foreign currencies, namely US Dollar (USD) and the Thai Baht (THB) to support customer orders and its foreign operations, the appreciation of these foreign currencies or depreciation of the Malaysian Ringgit could impact the Group. However, this risk would be mitigated as the Group's EMS services primarily encompass sales to export markets and hence, would be similarly denominated in USD or THB. This creates a natural hedge for the Group by and large.

- **Availability of raw materials**
  Supply chain disruptions due to the COVID-19 pandemic could result in shortage of certain electronic components. Thus, we plan to mitigate this risk by establishing a wider network of multiple suppliers to ensure the availability and delivery of raw materials, as and when required.

- **Financial risk**
  Being a company whose business is exposed to global clientele, we always anticipate financial concerns, ranging from business solvency to cashflow issues, as well as whether borrowings are at a sustainable level. To this end, we conduct thorough financial background checks on customers to verify their financial strength while ensuring payments are made to suppliers within agreed timeframes to foster trusting relationships. Moreover, we maintain sufficient cash reserves to weather uncertain periods and constantly monitor our net gearing position to properly manage debt levels.

GROWTH STRATEGIES

Despite the negative outlook displayed across different industries due to the unprecedented COVID-19 pandemic, we remain cautiously confident of the EMS industry's prospects in the long-term. The rapid development and increasing adoption of advanced technologies like 5G would be a precursor to strong demand for high-technology EMS, while the cost-efficient nature of outsourced manufacturing ensures that EG's services remain vital to the growing operations of blue-chip technology players.

Thus, we intend to capitalise on opportunities which may arise from advanced technology developments to further strengthen our market position in this highly-competitive market.

- **Focus on innovation and embracing technological advancement**
  Despite facing several obstacles in the current financial year, we are determined to improve and believe that the way forward lies in further innovation and embracing technological advancement. Our top-notch research and development (R&D) facility in Penang is well-equipped for an uptake in R&D activities, which could pave the way towards rewarding future pathways for EG to embark on.

  In addition, our investment into a new fully-automated manufacturing facility in Penang would be supported by our first fully-automated manufacturing plant in Sungai Petani. This showcases our dedication towards this agenda as we look to improve production efficiency, reduce operating costs and enhance product mix.

- **To bid for more box-build and consumer electronics assembly contracts in Sungai Petani plant**
  With proven expertise across the EMS supply chain, we are able to deliver a complete suite 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.

  Thus, we plan to focus on bidding for more box-build and consumer electronics assembly contracts, in line with a rising number of enquiries amidst trade tensions between US and China. A larger involvement within the box-build segment also enables us to maximise our capabilities and resources, with the utilisation rate of 65% as at 30 June 2020 highlighting that we are able to take up more orders to achieve better operational efficiency.

- **To target new jobs in the medical and automotive industries**
  With more industries utilising advanced information technology developments like the Internet of Things (IoT) to achieve better performance, the EMS sector is primed for further growth as well.

  As a proxy of technological advancement, we have earmarked the medical and automotive sectors as highly rewarding growth areas due to their strong reliance on technology to enhance their capabilities. The rapid evolution of IoT to serve these industries would undoubtedly create an array of opportunities for EMS manufacturers to grow in tandem.

APPRECIATION

We would like to extend our deepest gratitude to the Board, management team and employees who worked tirelessly together over the entire year to ensure that EG Industries Berhad approached and weathered the unpredictable, challenging environment resiliently. Despite the setbacks, let us maintain a positive mindset going forward and focus on executing all growth strategies efficiently to fulfil EG's inherent potential as a leading EMS provider.

Dato' Terence Tea
Group Executive Chairman

Dato' Alex Kang
Group Chief Executive Officer

DIRECTORS' PROFILE

Qualifications
- Diploma in Electrical and Electronic Engineering, Singapore Polytechnic, Singapore
- Ph.D. in Business Administration (Honorary), Honolulu University, United States of America

Date appointed to the Board
18 July 2014

Board Committees
Nil

Other Directorships
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 Meetings attended during the financial year
4

Aged	Gender	Nationality
52	Male	Singaporean

DATO' TERENCE TEA YEOK KIAN
Group Executive Chairman

Working Experience & Occupation

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 respectively. Footprints were set in Korea by collaborating with 2 renowned doctors who own 5 clinics in Korea to assist with providing training and recommending state-of-the-art aesthetic equipment and products. This collaboration is further enhanced through a joint venture where a 49% stake is held, 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, automotive 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 the 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. Aside, he was also awarded the Singapore Small Medium Business Association TOP Entrepreneur of 2015.

DATO' ALEX KANG PANG KIANG

Group Chief Executive Officer

Qualifications

- Double degrees in Bachelor of Commerce and Bachelor of Science, 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

Board Committees

Nil

Other Directorships

- Independent Non-Executive Director of Thong Guan Industries Berhad
- Non-Executive and Non-Independent Director of Accrelist Ltd.
- Non-Executive and Non-Independent Director of Jubilee Industries Holdings Ltd.

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 Meetings attended during the financial year

6

Aged	Gender	Nationality
48	Male	Malaysian

Working Experience & Occupation

Dato' Alex Kang Pang Kiang ("Dato' Alex"), the 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 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 MIA for more than 20 years.

Dato' Alex is also an Independent Non-Executive Director of 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 during the "The Investor Relations Awards 2015".

In appreciation of his dedication to the business and social communities, he was conferred the title of Dato' in year 2018. In 2019, Persatuan Kebajikan Keluarga Bekas Polis dan Tentera (POLTERA) had appointed Dato' Alex as an honorable POLTERA life V.I.P to honor and appreciate remarkably on his kind support, cooperation and contribution towards POLTERA's goal achievements. In year 2020, he was also been appointed as a distinguished "Adjunct Professor" by AIMST University to share his business and industry insights with our future workforce and as the honorary advisor of Malaysia-China Chamber of Commerce (MCCC) in recognition for his extensive expertise and experience in the manufacturing business globally.

Qualifications
- Bachelor of Arts (Sociology), Chisholm Institute of Technology, Melbourne, Australia
- Bachelor of Business (Banking & Finance), Chisholm Institute of Technology, Melbourne, Australia
- Master of Business Administration, Cardiff Metropolitan University, United Kingdom

Date appointed to the Board
30 January 2009

Board Committees
- Chairman of Audit and Risk Management Committee
- Chairman of Nomination Committee
- Member of Remuneration Committee

Other Directorships
Independent Non-Executive Director of Ralco Corporation 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 Meetings attended during the financial year
6

Aged	Gender	Nationality
58	Male	Malaysian

Working Experience & Occupation

Mr. Ang Seng Wong began his career as an accountant in Melbourne, Australia in 1984. Upon his return to Malaysia in 1989, 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 as an employee was as an Executive Director in a listed electronic company. In his professional capacity, he has extensive senior management experience locally and internationally. In addition, he is 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, SABIC etc. in Malaysia, Singapore, Thailand and Philippines. He is also a certified HRDF and LPI trainer and has lectured in University Malaya for the European Union Officers, AEU and UMP for the Executive Masters program, OUM, UTM and Saudi General Organization for Technical Education and Vocational Training.

Qualifications
- Bachelor of Commerce (Accounting & Finance), Curtin University of Technology, 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

Board Committees
- Chairman of Remuneration Committee
- Member of Audit and Risk Management Committee
- Member of Nomination Committee

Other Directorships
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 Meetings attended during the financial year
6

Aged	Gender	Nationality
43	Male	Malaysian

Working Experience & Occupation

Mr. Lim Sze Yan started his career as an audit assistant in Tay and Associate from year 2001 to 2003. He then moved on to commercial environment by joining Aim Strong Industries Sdn. Bhd. where he served in different roles with increasing responsibilities before assuming the position as General Manager in 2007. Presently, he is the Executive Director of both Aim Strong Industries Sdn. Bhd. and V-Hua Management Sdn. Bhd..

Qualifications
- Chartered Accountant of MICPA
- Fellow member of CPA Australia
- Chartered Accountant of MIA

Date appointed to the Board
1 June 2016

Board Committees
- Member of Audit and Risk Management Committee
- Member of Nomination Committee
- Member of Remuneration Committee

Other Directorships
- Oriental Holdings Berhad
- Advance Information Marketing Berhad
- Asas Dunia 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 Meetings attended during the financial year
6

Aged	Gender	Nationality
61	Male	Malaysian

Working Experience & Occupation

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

He has extensive experience in audit and management consulting throughout his career. He was the engagement partner for a wide range of companies which included public listed companies and multi-nationals in various industries mainly in manufacturing, property development, construction, hotel, stock broking and finance.

CORPORATE KEY MANAGEMENT PROFILE

CHERYL NG SZE MUN

Group Chief Financial Officer/ Vice President

Aged	Gender	Nationality
34	Female	Malaysian

Qualifications
- Bachelor of Accounting, Deakin University, Australia
- Member of The Association of Chartered Certified Accountants (ACCA), United Kingdom
- Fellow member of MIA

Other Committee
- Member of the Group's Risk Management Committee

Working Experience

Ms. Cheryl Ng Sze Mun joined EG Group in year 2014 as a Finance Manager and was appointed as the Group Chief Financial Officer in July 2016. She began her career in the accounting industry in year 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 excellent work in the field of investor relations.

She is currently overseeing the overall operations of the Group's finance function and also involves in the Group's corporate finance including investor relations, merger and acquisitions, legal and other regulatory compliances.

MOGAN KARUPIAH

Group Chief Technical Officer/ Vice President

Aged	Gender	Nationality
55	Male	Malaysian

Qualifications
- MSc Engineering, University of South Australia, Australia

Other Committee
- Chairman of the Group's Risk Management Committee

Working Experience

Mr. Mogan Karupiah joined EG Group in 2003 and has been one of the 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), Storage device, Computer Peripherals from various MNC.

He is accountable for EG Group's ongoing success on Quality Management System and Business Unit Management.

CORPORATE KEY MANAGEMENT PROFILE (Cont'd)

CHLOE LIM CHIEW HWA

Chief Admin Officer

Aged	Gender	Nationality
61	Female	Malaysian

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

Other Committee
- Member of the Group's Risk Management Committee

Working Experience

Ms. Chloe Lim Chiew Hwa joined EG Group in year 2000 with more than 21 years of working experience in products quality control and quality assurance from various industries, experience in established and managed management system for ISO 9001, ISO 14001, ISO 45001 and general administration.

At present, she is supervising the Group's Legal/General Administration and Payroll Policy, Human Resources Management, Employment Laws, Training and Development, as well as Occupational Safety and Health.

LOW JOO HIANG

Production Director

Aged	Gender	Nationality
51	Male	Malaysian

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

Other Committee
- Member of the Group's Risk Management Committee

Working Experience

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, Logistics, Material Control, Sourcing and Purchasing.

He is currently responsible for the overall Supply Chain Management of the organization which involves Sourcing, Purchasing, Material Control and Logistics operation.

MICHAEL LEE SIANG TAT

Operation Senior Director

Aged	Gender	Nationality
46	Male	Malaysian

Qualifications
- Higher Diploma in Electrical & Electronic Engineering, Workers Institute of Technologies, Kuala Lumpur, Malaysia

Other Committee
- Nil

Working Experience

Mr. Michael Lee Siang Tat joined EG Group in year 2020 as Senior Operation Director and he has more than 25 years working experiences in electronics industries in various fields such as Process and Product Engineering, Equipment and Maintenance Engineering, Production and Operation.

He is presently responsible for the overall manufacturing operation, Engineering and Production Planning.

CORPORATE KEY MANAGEMENT PROFILE (Cont'd)

TAI
CHEE SEONG

Advanced Optical (AO) & IT Director

Aged	Gender	Nationality
55	Male	Malaysian

Qualifications

- Master of Business Administration, Heriot-Watt University, Edinburgh, Scotland

Other Committee

- Nil

Working Experience

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.

JOHNNY
KHONG HONG WAI

Business Development (BD) Director

Aged	Gender	Nationality
54	Male	Malaysian

Qualifications

Bachelor of Electronics & Electrical Engineering, University College Dublin, Republic of Ireland

Other Committee

- Nil

Working Experience

Mr. Johnny Khong Hong Wai joined EG Group in year 2013 as BD Senior Manager and was promoted 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 currently handling the operations of the Group Business Development Department, leading the team to meet Group's objectives as well as enhancing the Group's performance.

Notes:

None of the corporate 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 ("EG") and its group of companies ("EG Group" 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 economically 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 which implicated with financial performance as well. This is to ensure the Group is driven towards supporting of business continuity and competitiveness over the long term responsible growth while reducing the risk probability.

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 initiatives and risks by executing and implementing appropriate risk management and internal control framework as the guideline so as to be in line with EG's vision and mission, 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 Areas

1. Economic

Anti-corruption and anti-bribery policy

The implementation of corporate liability provision under Section 17A Malaysian Anti-Corruption Commission (MACC) Act 2009 comes is enforced on 1st June 2020 in which a commercial organisation can be considered guilty if any of its employees or associates commit corruption for whatsoever benefit to the organisation.

EG takes note on the cruciality of the provision towards the Group and hence enforced its commitment with the circulation of anti-corruption and anti-bribery policy among every employees; in which can also be referred to on EG's website. The policy creates employees' awareness and responsibility to always comply with the provision to ensure the Group's businesses and engagement are conducted with high professionalism, integrity and stay clear from corruption or bribery. EG's directors, employees and associates are adequately alerted on the Group's policy adherence requirement and shall require to undertake anti-corruption and anti-bribery assessment yearly to ensure a zero-tolerance approach is met.

In overall, EG will not tolerate to any acts in regards of corruption and bribery as its commitment in the ethically business practices.

Key Sustainability Areas (Cont'd)

1. Economic (Cont'd)

Whistle-blowing policy

EG's whistle-blowing policy enforced its commitment in the business with high standards of ethical conduct which include 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, unethical behaviours, illegal acts, corruption or violation of company rules and regulation that may influence the Group negatively without hesitation or fear of retaliation as the protection towards whistle-blower is ensured. 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 positivity reputation of EG represents its image that reflects the confidence and trust accumulated from the society and other stakeholders towards the company. As such, EG always aims to provide excellent products and services quality which indirectly will brand its name and reputation as well as driven the company growth and revenue.

Aside, 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 common good will indirectly promotes the Group's brand to be well-known globally.

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 with ethically practice in procurement, a supplier audit system was established to evaluate, assess and rate suppliers. A quality management system was also established in which all glitches with suppliers can be tackled in a timely and systematic manner with its aim to maintain and extend such performance in the foreseeable future.

Customer Relations

A solid customer relationship management is a key component within our journey towards sustainability of business growth. This provides the Group with a great platform to broaden its ability to enhance the overall customer relations satisfaction and continuously improve for further advancement.

The Group acknowledges the significant value of customer engagement and hence aims to continuously improve its customer service across all levels.

Investor Relations

At EG, the Board firmly believes that stakeholder engagement is also an important component with our journey towards sustainability. EG conducts business in which the information are being propagated with transparency in order to build trust and confidence. The information are clearly delivered including announcements, quarterly financial results and important corporate events with the objective to foster and maintain good relationship as well as to 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.

Key Sustainability Areas (Cont'd)

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 efficiently 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. An optimise energy consumption ensures efficiency in the utilisation of energy which may help to reduce global warming and climate change.

Waste management

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

3. Social

Diversity

EG invariably recognises and embraces diversification in its employee's composition. As of 30 June 2020, the Group successfully gathers a total of approximately 3,200 employees from various ethnicity and races. Malaysian employees occupied approximately 65% of EG's employment that helps the country to reduce the unemployment rate specifically during the economic downturn. In overall, the Group's objective is to achieve an open and transparent corporate culture working environment that can foster all dimensions of diversity with equal rights and interests.

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.

Along with standard annual performance appraisal and bonus packages, the Group also had introduced two main employee programmes – Performance Incentive Management (PIM) and Best Knight in which the outstanding achievers are awarded in terms of cash and other company privileges.

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 in such a way that the result shall positively benefit the employees individually and contribute towards the sustainability of the Group.

The Group provides comprehensive opportunities to its employees to participate in both internal and external training every year to enrich both their 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.

In short, EG is trying its hardest effort to invest its employees into professionalism development to stay competitively in the working industries as well as to support company's growth performance.

COVID-19 Preventive and Safety Measures

EG's employees are well recognised as the vital asset of the Group, as such EG is highly obligated to ensure the working premises are safe for employees to return and resume work in a working environment with safety measures are noted in view of the COVID-19 pandemic.

Adhering to the guidelines issued by the Ministry of Health ("KKM") and Ministry of International Trade and Industry ("MITI"), EG summarised the guidelines requirement in EG's Standard Operating Procedure ("SOP") and shared to all employees to adhere and compliance with the necessary; in which stern actions shall be taken towards any employees who breach or non-compliance to the COVID-19 SOP.

In short, EG's COVID SOP including the following but not limited to; as it may always keep update following the guidelines given by the government:-

- to have social distance of at least 1 meter;
- to disinfect every part of the premises including canteen, workplace, toilet etc.;
- to provide hand sanitiser in every common areas;
- to have temperature screening to each employees and visitors (if any); and
- to ensure every employees and visitors are wearing mask within the premises compulsorily.

Giving Back to Local Communities

The Group is no longer stranger when it comes to social responsibilities as it has becomes EG's dedication to render a helping hand by contributing back to society yearly. Year 2020 has been "a nightmare scenario" to the whole world due to emerge of COVID-19 crisis. Nevertheless, EG stays firmed and determined to do its best to support not only its own employees but as well to the Malaysian frontline workers for their tireless efforts in defending Malaysia's safeness.

Along with the Group's effort which intended to contribute; giving back to community responsibly, numbers of activities and events are also devoted to EG's employees for their diligence work endeavours such as once a year of EG's big day – Transformation Day, service awards and sport tournaments.

Donation to Hospital Sultan Abdul Halim (HSAH)

On 1st April 2020, EG had initiated to donate the necessities kits to the Hospital Sultan Abdul Halim (HSAH) to help in fighting the recent outbreak of COVID-19. With the presence of the Group CEO personally at the hospital and handed the face shields and hand sanitizers to the medical personnel who are bravely combating the ongoing COVID-19 pandemic.

Donation to Pejabat Polis Daerah Kedah

EG once again on 11th May 2020 visited the Pejabat Polis Daerah Kedah to present its sincerity contribution of necessities kits to frontline police officers that courageously fighting for everyone's safety.

Giving Back to Local Communities (Cont'd)

Donation to Royal Malaysian Customs Department (Jabatan Kastam Diraja Malaysia)

On 17th September 2020, EG continuously its contribution plan in which another batch of necessities kit is donated to frontline officer from Royal Malaysian Customs Department, Sungai Petani, Kedah.

We deeply hope that this contribution shows our best support and encouragement to the frontline heroes. In the meantime, we will continue offering a helping hand to efforts aimed at curbing this outbreak while operating our business in line with the Government's mandate.

Signing Ceremony of Memorandum of Understanding (MOU)

On 24th October 2019, EG and AIMST University had concluded a Memorandum of Understanding (MOU) in accordance with their mutual interest and efforts to collaborate in relevant areas. This included student internship program; jointly beneficial symposium/ workshop; research, design and innovation activities; as well as staff mobility and skill development.

Employee relations

2019 EG's Transformation Day

Another celebration year of EG's Transformation Day anniversary is honoured on 18th July 2019 at the Purest Hotel, Sungai Petani, Kedah. The fighting spirit is bonded between one another, hand by hand to ignite the unity and diversity of employees, managements and customers.

Excellent presentations are well delivered by the Senior Management as well as the Project Leasers who shared lots of new business opportunities from customers and ended with conducive Q&A session.

Employee relations (Cont'd)

2020 Chinese New Year Celebration

On 30th January 2020, also the 6th day of Chinese New Year (CNY) for "Rat" year, EG celebrated CNY with fullest festive environment including lion dance, "God of Wealth", and firecrackers. Cultural traditional lion dance is always part of the agendas to kick start the CNY celebration ambience. It will invite and bring auspiciousness, prosperity, and abundance of great luck to the company as well as everyone of EG. In addition, red packets are distributed from departments to departments to share the CNY happiness among all personally by EG's Chairman and CEO.

SMTI Long Service Award

EG appreciates its deserving committed employees who had been contributing loyally to company for more than 10 years. In recognition of their hard work and dedication devoted to the Group with a remarkable honouring, 18 employees from SMTI, Thailand were rewarded with Long Service Award Plaque and Gold Coin as an encouragement and motivation for their milestones of services in during the SMTI Annual Dinner celebration on 20th December 2019.

All in all, EG values its employees as the most significant and fundamental asset to continuously sustain the growth performance of the company magnificently.

Employee relations (Cont'd)

Yearly staff events – Badminton and Bowling tournaments

Yearly sport activities has become part of the Group's conventional event in which in July and September 2019, EG had organised two tournaments – Badminton and Bowling respectively. The main objective of this continuing practice is to promote individual's unity, teamwork value, motivation while maintaining a healthy lifestyle.

Badminton Tournament 2019
21 July 2019 (Sunday)
Max Court, CT Advance Sports

Bowling Tournament 2019
22 September 2019 (Sunday)
Sejati Superbowl, Park Avenue Bowling Centre

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 ("EG" or "the Company") is pleased to report to shareholders on the manner the Company has applied the Principles, and the extent of compliance with the Practices as set out in the Malaysian Code on Corporate Governance 2017 ("the Code") pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR").

The Board is supportive of the recommendations of the Code, which sets out the Principles and Practices on structures and processes that the Board may use in its operations towards achieving optimal governance framework.

The ensuing paragraphs in this Corporate Governance Overview Statement ("CG Overview Statement") describes the extent of how the Group has applied and complied with the three (3) key Principles and 36 Practices of the Code for the financial year ended 30 June 2020 ("FY2020") and up to to-date.

The CG Overview Statement is complemented with a Corporate Governance Report ("CG Report"), based on a prescribed format as outlined under paragraph 15.25(2) of the MMLR which articulates the application of the Company's corporate governance practices vis-a-vis the Code. The CG Report is available on the Company's website at www.eg.com.my and via an announcement on the website of Bursa Securities.

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 the Code 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.

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 and its subsidiaries ("Group") are served. In this regard, the Board strategizes the Group's objectives and practices. In addition, the Group 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.

The Board is assisted by three (3) Board Committees, namely, the Audit and Risk Management Committee ("ARMC"), Nomination Committee ("NC") and Remuneration Committee ("RC") to ensure appropriate checks and balances in discharging its oversight function. These Committees comprise solely of Independent Non-Executive Directors ("INEDs"). Each of these Committees operates under clearly defined Terms of Reference ("TOR") as approved by the Board to oversee and deliberate matters within their purviews.

Notwithstanding the delegation of specific powers, the Board keeps itself apprised of the key matters discussed and recommendations made by each Board Committee through the reports to Board at its meetings. The decision on whether to act on recommendations by Board Committees lies with the Board. As a whole, the Board is the ultimate decision-making body retaining full responsibility for the direction and control of the Company and the Group.

During the financial year under review, the Board has devoted sufficient time to attend meetings to deliberate on matters under their purview. Key matters deliberated included financial and operational performance, risk management, internal control system, corporate governance practices and compliance with regulatory and statutory requirements.

The Board has also delegated the responsibility of implementing the Company's strategic plans, policies and decisions adopted by the Board to the Management, which is led by the Group Chief Executive Officer ("CEO"). The Group CEO is the conduit between the Board and the Management in ensuring smooth and effective running of the Group.

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

PART 1 – BOARD RESPONSIBILITIES (Cont'd)

1.2 Chairman of the Board

The Board is led by the Group Executive Chairman, who is accountable for ensuring the integrity and effectiveness of the governance process of the Board in order to create a conducive environment geared towards building and enhancing the Board's effectiveness and ensures that all strategic and critical issues are discussed by the Board in a timely manner.

1.3 Separation of the positions of Chairman and CEO

The Board is aware that the presence of a strong independent element is essential to ensure a balance of power and authority. The positions of the Group Executive Chairman and the Group CEO are held by two different individuals.

There is a clear separation of duties and responsibilities of the Group Executive Chairman and the Group CEO. 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 CEO plans and manages the Group's day-to-day activities in achieving corporate and business objectives.

1.4 Qualified and competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries. The Company Secretaries play 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, Code or guidance and legislations. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions.

The roles and the responsibilities of the Company Secretary included:-

(a) Attend and ensure that all meetings are properly convened and the proceedings of all meetings including pertinent issues, substance of enquiries and responses, suggestions and proposals are duly minuted;

(b) Update and advise the Board on Board's 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;

(c) Ensure proper upkeep of statutory registers and records of the Company; and

(d) Advise the Board on compliance of statutory and regulatory requirements.

1.5 Access to Information and Advice

The Board recognises that the decision-making process is highly dependent on the quality of information available. All Directors on the Board and Board Committees have full and unrestricted access to Management and the Company Secretaries on all matters requiring information for deliberation.

Board and Board Committees meeting papers accompanying notes and explanations for meeting agenda items are sent together with notices of meetings to the Directors at least 7 days before the said meetings. Time is allocated for Directors to raise other matters not covered by the formal agenda.

The Board papers circulated include quarterly financial results, performance reports, minutes of previous meetings, updates from all regulatory authorities, external and internal audit reports and any other matters requiring Board's approval. The Board's deliberation, in terms of the pertinent issues discussed at the meetings in arriving at the decisions and conclusions thereof are properly recorded by the Company Secretaries by way of minutes of meetings. The minutes will then be tabled at the subsequent meetings for confirmation.

The Board is regularly updated and advised by the Company Secretaries on development in regulatory requirements and the implications to the Group and Directors in discharging their duties and responsibilities. The Board may seek independent professional advice on matters relating to the Group's business and operations, at the Group's expense.

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

PART 1 – BOARD RESPONSIBILITIES (Cont'd)

2. Demarcation of Responsibilities

2.1 Board Charter

There is a Board Charter ("Charter") in place. The Board is guided by the Charter, which provides a reference for Directors in relation to the Board's roles, 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.

3. Promoting Good Business Conduct and Corporate Culture

3.1 Code of Conduct

The Board is committed towards establishing a corporate culture that nurtures a high standard of ethical conduct throughout the Group.

The Group's Code of Business Conduct and Ethics ("the CBCE") sets out basic principles and guidelines to all Directors, management and employees of EG Group. The CBCE encompasses compliance with laws including abuse of power, corruption, insider trading and money laundering, corporate governance and conflict of interest.

The CBCE sets out the standards of ethical behaviour and values expected of Directors, management 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 CBCE 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 ARMC Chairman. This policy is administered by the ARMC 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.

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

PART 2 – BOARD COMPOSITION

4. Board's Objectivity

4.1 Board Composition

The Board comprised of 5 members; the Group Executive Chairman, Group CEO and 3 INEDs. Mr. Ang Seng Wong is the Senior Independent Non-Executive Director and act as the point of contact for shareholders and other stakeholders.

Directorate	Name of Directors
Group Executive Chairman	Dato' Terence Tea Yeok Kian
Group Chief Executive Officer	Dato' Kang Pang Kiang
Senior Independent Non-Executive Director	Mr. Ang Seng Wong
Independent Non-Executive Director	Mr. Lim Sze Yan
	Mr. Lee Kean Teong

Brief profile of each Director is detailed under Directors' Profile in this Annual Report.

The Board is of the opinion that the current composition of INEDs 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 Board members.

The INEDs are independent of management and free from any business relationship which could materially interfere with the exercise of their judgment. They provide unbiased, balanced and independent views, guidance, advice and judgment during meetings.

All members of the Board have extensive professional background as stated in the respective Profiles of Directors of the Annual Report 2020. The Board composition and size have been assessed by the Board through the NC. There was no change in the Board's composition during the financial year under review. The INEDs make up more than half of the Board membership.

4.2 Tenure of Independent Non-Executive Directors

The Board is mindful of the recommendation of the Code where the tenure of an INED 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 INED beyond nine (9) years, it should justify and seek annual shareholders' approval.

Mr. Ang Seng Wong's tenure of office as an INED of the Company will be twelve (12) years cumulatively by 30 January 2021. The Board, through the NC carried out annual assessment of independence of all INEDs. In applying the recommendation under the Code, the Board has assessed and with the endorsement of the NC, 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 INED. This is because he has demonstrated, throughout the term of his office, his independence not only by the mere fulfilment of the criterion under the definition of an INED in the MMLR but subjectively too by exercising independent judgment, view and opinion 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 meetings. Mr. Ang Seng Wong also possesses sound knowledge of good corporate governance practices.

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

PART 2 – BOARD COMPOSITION (Cont'd)

4. Board's Objectivity (Cont'd)

4.3 Policy on Tenure of Independent Directors

The Board has not adopted any policy which limits the tenure of its INEDs to nine (9) years. Should the Board intend to retain any of its Independent Directors beyond nine (9) years, it would provide justification and seek annual shareholders' approval at the Company's general meeting.

In the event that the Board continues to retain INED after 12-year tenure, the Board should provide justification and seek annual shareholders' approval.

The Board continues to believe that tenure should not form part of the assessment criteria and holds 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, skill sets, expertise, 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 Group's business and affairs in view of the continuous challenges faced by the Group.

4.4 Diversity of Board and Senior Management

The Board strives 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.

It believes that an inclusive culture will enable the Group to leverage differences in perspective, knowledge, skill and experience in achieving a sustainable and balanced development. All appointments have been and will be based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background.

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.

4.5 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 and corporate key management can enhance the Group'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 and corporate key management, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the and corporate key management.

4.6 Different Sources for New Candidate(s) for Board Appointment

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

Apart from reliance on recommendations from existing Board members, management or major shareholders, the NC and the Board, if required, will also utilise independent sources such as professional advisers and business associates 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.

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

PART 2 – BOARD COMPOSITION (Cont'd)

4. Board's Objectivity (Cont'd)

4.7 Nomination Committee

The NC comprises three (3) members, all of whom are INEDs. 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 2020, the Nomination Committee met three (3) times and the attendance of each member is as follows:-

Nomination Committee	No. of Nomination Committee Meetings Attended
Mr. Ang Seng Wong	3/3
Mr. Lim Sze Yan	3/3
Mr. Lee Kean Teong	3/3

The NC would meet at least once (1) annually with additional meetings convened on as and when needed basis.

During the financial year under review, key activities undertaken by the Nomination Committee are summarised as follows:
(a) Assessed the contribution and effectiveness of the Board, Board Committees and Directors by using a questionnaire which is guided by the Corporate Governance Guide issued by Bursa Malaysia Berhad. After the appraisal, the Nomination Committee reported the results of all evaluation to the Board for review and deliberation. The findings of the assessment confirmed that the Board have discharged their duties and responsibilities effectively.
(b) Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board.
(c) Reviewed the term of office and performance of the AC.
(d) Reviewed the level of independent of INED.
(e) Discussed the character, experience, integrity and competence of the Directors, Chief Executive Officer and to ensure they have the time to discharge their respective roles.
(f) Noted the training attended by Directors and recommended to the Board for adoption and disclosure in the CG Overview Statement for publication in the Annual Report.
(g) Recommended for Directors to attend training or seminars particularly those in connection with updates to regulations and financial reporting standards in the coming year.
(h) Reviewed and recommended re-election of Directors, who retire by rotation under the Constitution of the Company, at the forthcoming AGM.

5. Overall Effectiveness of the Board and its Individual Directors

5.1 Formal and Objective Evaluation

The NC assessed the effectiveness of the Board as a whole and Board Committees as well as the contribution of each individual Director. All assessments and evaluations carried out by the NC in discharging its functions have been documented.

Furthermore, the NC reviewed the size and composition of the Board with particular consideration on the impact on the effective functioning of the Board.

Annual assessment on effectiveness of the Board and Board Committees as a whole has been conducted based on specific criteria, covering areas such as Board mix and composition, quality of information and decision making, participation in boardroom activities and relationship with the management as well as overall effectiveness and efficiency in discharging their function. The criteria used in the annual evaluation of individual Director revolved around personality, experience, integrity, competence, contribution and time commitment.

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

PART 2 – BOARD COMPOSITION (Cont'd)

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

5.1 Formal and Objective Evaluation (Cont'd)

The NC had also reviewed and assessed the independence of the INEDs based on the Directors' professionalism and integrity in the decision-making process, ability to form independent judgments, as well as objectivity and clarity in deliberations in addition to the specific criteria of independence as set out in the MMLR.

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.

Based on the outcome of evaluation for the financial year under review, the NC and the Board were satisfied that the Board and Board Committees had discharged their duties and responsibilities effectively and the contribution and performance of each individual Director is satisfactory. The NC believes that the current Board composition is well balanced with the right mix of high-calibre individuals with the necessary skills, qualification, experience, knowledge, credibility, independence and core competencies.

The Constitution of the Company provides that an election of Directors shall take place each year and, at the AGM, one-third of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election.

All the Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their last re-election. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.

The Director who is subject to re-election at next AGM is assessed by the NC before recommendation is made to the Board and shareholders for re-election. Appropriate assessment and recommendation by the NC is based on the annual assessment conducted.

The Board is scheduled to meet at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings with sufficient notice.

During FY2020, the Board held six (6) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions and the direction of the Group.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries. In the intervals between Board meetings, approvals are obtained via circular resolutions for exceptional matters requiring urgent Board decision-making which are then supported with information necessary for informed decision-making.

Detail of attendance of each Director at the Board meetings held during the financial year under review is as tabulated below:

Directors	No. of Board Meetings Attended
Dato' Terence Tea Yeok Kian	4/6
Dato' Kang Pang Kiang	6/6
Mr. Ang Seng Wong	6/6
Mr. Lim Sze Yan	6/6
Mr. Lee Kean Teong	6/6

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

PART 2 – BOARD COMPOSITION (Cont'd)

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

5.1 Formal and Objective Evaluation (Cont'd)

Board meetings are scheduled ahead to enable the Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention to the Board meeting agenda. Management personnel and external consultants are also invited to attend the Board meetings as and when required in order to present and advise the members with information and clarification on certain meeting agenda to facilitate informed decision-making.

The Board is satisfied with the time commitment given by the Directors as demonstrated by their attendance to the meetings of the Board and Board Committees.

All the Directors do not hold more than 5 directorships in other public listed companies as required under paragraph 15.06 of the MMLR to enable the Directors to discharge their duties effectively by ensuring that their commitment, resources and time are more focused. The Board members must first consult with the Chairman before accepting any new Directorship in other public listed companies so as to ensure that time commitment and responsibilities to the Company will not be affected.

Directors' Continuing Education

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

The Board had, through the NC, undertaken an assessment of the training needs of the Directors and concluded that the Directors are to determine their training needs as they are in a better position to assess their areas of concern. Nonetheless, the NC had recommended for training to improve financial literary and keep with changes to financial reporting environment as well as understanding the impact of the changes arising from implementation of Companies Act 2016 and other related laws.

From last AGM to the date of this Annual Report, the Directors have attended the following training programmes to enhance their skills and knowledge.

Name of Directors	Training/ Conferences / Seminars
Dato' Terence Tea Yeok Kian	• Risk Management & MACC Sec17A
Dato' Kang Pang Kiang	• Risk Management & MACC Sec17A
Mr. Ang Seng Wong	• Risk Management & MACC Sec17A • Securities Commission Malaysia's Audit Oversight Board: Conversation with Audit Committees
Mr. Lim Sze Yan	• Risk Management & MACC Sec17A
Mr. Lee Kean Teong	• Risk Management & MACC Sec17A • The Malaysian Code on Corporate Governance • Corporate Liability Provision – Anti-Corruption Commission Amendment Act 2018 • MFRS 16: Leases • MFRS Updates 2019/2020 • Preparation for Corporate Liability on Corruption • KPMG Tax Summit 2019

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

PART 2 – BOARD COMPOSITION (Cont'd)

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

5.1 Formal and Objective Evaluation (Cont'd)

Directors' Continuing Education (Cont'd)

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

The Company facilitates the organisation of training programmes for Directors and maintain a record of the trainings attended by the Directors.

PART 3 – REMUNERATION

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The Board does not have any formal remuneration policy presently and would establish one in due course. The remuneration package of each Executive Director is structured so as to link rewards to corporate and individual performance.

The components of the remuneration package for the Executive Directors included fixed salary, fixed fees, allowance and benefits-in-kind. The Executive Directors played no part in deciding their own remuneration and had abstained from all discussion pertaining to their remuneration.

As for the INEDs, the level of remuneration is reflective of their experience, expertise, contribution, level of responsibilities and the onerous challenges in discharging their fiduciary duties. The INEDs received fees and meeting allowances. The determination of fees for the INEDs is a matter for the Board as a whole.

During the financial year, the RC considered the remuneration package for the Executive Directors as well as fees and benefits payable for all Directors to ascertain the competitiveness of the current package vis-a-vis the increased scope of responsibility as well as tighter legislative and regulatory environment. Based on the outcome of the review, the remuneration package, fees and benefits payable were deemed to be reasonable.

6.2 Remuneration Committee

The Remuneration Committee comprises solely of INEDs. 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 2020, 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

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

PART 3 – REMUNERATION (Cont'd)

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

6.2 Remuneration Committee (Cont'd)

All deliberations of the RC are properly documented in the minutes of meetings and recommendations are reported by the RC Chairman at Board meeting.

During the year under review, the RC carried out the following activities:

(a) Reviewed and recommended the fee structure and benefits payable for Directors.

(b) Reviewed and recommended remuneration package for executive Board members.

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 FY2020 are as follows:-

Category	Fees (RM)	Salaries and Other Emoluments (RM)	Total (RM)
Company			
Executive Directors			
Dato' Terence Tea Yeok Kian	5,000	441,400	446,400
Dato' Kang Pang Kiang	5,000	361,563	366,563
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**	**802,963**	**932,963**

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

PART 3 – REMUNERATION (Cont'd)

7. Remuneration of Directors (Cont'd)

7.1 Details of Directors' Remuneration (Cont'd)

Category	Fees (RM)	Salaries and Other Emoluments (RM)	Total (RM)
Group			
Executive Directors			
Dato' Terence Tea Yeok Kian	5,000	441,400	446,400
Dato' Kang Pang Kiang	5,000	361,563	366,563
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**	**802,963**	**932,963**

7.2 Details of Top 5 Senior Management's Remuneration

The Board is aware of the need for transparency in the disclosure of its Senior Management's remuneration. Nonetheless, it is of the view that such disclosure could be detrimental to its business interests given the highly competitive human resource environment in which the Group operates where intense headhunting for personnel with the right expertise, knowledge and relevant working experience is the norm. As such, disclosure of specific remuneration information could rise to recruitment and talent retention issues going forward.

The Board ensures that the remuneration of the Senior Management personnel commensurate with the level of responsibilities, with due consideration in attracting, retaining and motivating Senior Management to lead and run the Group successfully. Excessive remuneration payout is not made to the Senior Management personnel in any instance.

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 Chairman of the ARMC is not the Chairman of the Board. The ARMC is chaired by the Senior Independent Non-Executive Director, Mr Ang Seng Wong while the Chairman of the Board is Dato' Terence Tea Yeok Kian.

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)

8.2 Former Key Audit Partner

The TOR of the ARMC stipulates that a former key audit partner must fulfill a cooling-off period of at least 2 years before being appointed, in any event, as a member of the ARMC.

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

The Group maintains a transparent and professional relationship with the external auditors in seeking professional advice towards ensuring compliance with accounting standards. The Company's independent external auditors play a critical role for the stakeholders by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial information.

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

The ARMC has assessed the suitability and independence of the external auditors before deciding to recommend their re-appointment to the Board. This includes reviewing the contracts for provision of non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money. Forbidden contracts include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation.

The ARMC has considered the non-audit services provided by the external auditors during financial year under review and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The details of the fees paid/payable in respect of the financial year under review to the external auditors or an affiliated firm of the external auditors are set out in the Additional Compliance Information of this Annual Report.

The external auditors have confirmed to the ARMC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with professional and regulatory ethical requirements.

The ARMC is satisfied with the independence, performance and suitability of UHY based on the assessment and are recommending to the Board and thereafter, the shareholders for approval for the re-appointment of UHY as external auditors for FY2021.

The ARMC met with the external auditors two (2) times during FY2020 without the presence of Management and Executive Directors in compliance with the recommendations of the Code. The ARMC would meet with the external auditors additionally whenever it deems necessary. In addition, the external auditors are invited to attend the AGM of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

The ARMC would look into formalising a policy on selection, appointment and assessment of external auditors as well as provision of non-audit fees to guide the ARMC in reviewing the suitability, objectivity and independence of the external auditor of the Company and the provision of non-audit services on an annual basis.

The Board, having considered the recommendations by the ARMC, is satisfied with the level of independence and performance of the external auditors including quality of audit review procedures, adequacy of audit firm's expertise, its resources to carry out the audit work according to the audit plan and the Board had recommended their re-appointment for shareholders' approval at the forthcoming AGM.

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)

8.4 Composition of the Audit and Risk Management Committee

The ARMC comprise solely of INEDs. The composition, roles and responsibilities and key activities of the ARMC are set out under the ARMC Report in this Annual Report.

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

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

8.5 Diversity in the skills of the Audit and Risk Management Committee

The ARMC currently comprised of members with professional experience in financial, taxation, general management, legal and business environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the ARMC the ability to effectively discharge their roles and responsibilities.

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
- Reviewing the Risk Management Report from the Risk Management Committee.

The risk management and internal control framework is applied 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 into 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.

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)

9.2 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 ensure 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 Statement on Risk Management and Internal Control included in this Annual Report.

9.3 Risk Management Committee

There is a Risk Management Committee in place which undertakes regular risk reviews on the Group's businesses and operations. An analysis of the risks identified together with proposed mitigating actions are tabled to the ARMC. The ARMC will report to the Board on exception basis if there was any change in the risks identified.

10. Effective Governance, Risk Management and Internal Control Framework

10.1 Internal Audit Function

The Group internal audit function is outsourced to an independent professional consulting firm, Kloo Point Risk Management Services Sdn. Bhd. since 24 February 2017 that assists the ARMC in managing the risks and establishment of an internal control system and processes within the Group by providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's risk management and internal control system and processes. The internal auditors report directly to the ARMC.

The ARMC reviews and approves the Internal Audit Plan annually and ensures that the internal auditors are accorded with appropriate standing and authority to facilitate the discharge of its duties. Audits of the practices, procedures, expenditure and internal controls of identified business and support units and subsidiaries are undertaken on a regular basis.

The Board also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The internal audit function and its activities are detailed in the ARMC Report included in this Annual Report.

PART C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH 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 continues to engage effectively with its stakeholders 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 achieves this through the following activities; the annual report, announcements to Bursa Securities, quarterly reports, corporate website and investor relations.

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

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

PART 1 – COMMUNICATION WITH STAKEHOLDERS (Cont'd)

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

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

The Company's general meetings remain the principal forum for dialogue and communication with shareholders and investors. Shareholders are encouraged to attend the general meetings and given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns.

The Group also maintains a website at www.eg.com.my where shareholders and other stakeholders can gain access to information about the Group, activities and/or any announcements made by the Group. There is a tab marked as "Investor Relations" which contains vital information, including annual reports, quarterly reports and official announcements made to Bursa Securities, concerning the Group which is updated on a regular basis. All material announcements are reviewed and endorsed by the ARMC (as applicable) and the Board prior to release to the public through Bursa Securities. Shareholders and the public in general may also obtain announcements and financial results of the Company from Bursa Securities' website.

The Executive Director & Group CEO and Chief Financial Officer of the Group are designated spokespersons for all matters related to the Group.

However, in any circumstances, while the Group endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to all shareholders and stakeholders.

11.2 Integrated Reporting

Integrated reporting is not applicable to the Group presently as the Group does not fall within the definition of "Large Companies".

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 was held on 29 November 2019 with the notice sent at least 28 days prior to the date of the 28th AGM and published in a major local newspaper. In addition, the notice of 28th 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.

All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

The 29th AGM of the Company will be held on 27 November 2020. The Company's Annual Report together with the Notice of the 29th AGM dated 30 October 2020 will be published on the corporate website at www.eg.com.my.

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

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

PART 2 – CONDUCT OF GENERAL MEETINGS (Cont'd)

12. Shareholders are able to Participate, Engage the Board and Senior Management (Cont'd)

12.2 Attendance at General Meetings

All Directors attended and participated at the 28th AGM in 2019. 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 Leveraging on technology for voting in absentia and remote shareholders' participation

Based on an analysis of the shareholders, the Company does not have a large number of shareholders. Further, all general meetings are held at the Company's premises, which is easily accessible to all shareholders. As such, the concern over voting in absentia and/or remote shareholders' participation at general meetings is not applicable.

As of now, the Company encourages participation of shareholders through the issuance of proxies when there is indication that shareholders are unable to attend and vote in person at general meetings.

All resolutions put forth for shareholders' approval at general meetings will be voted by poll as required under MMLR since 1 July 2016.

The Company had conducted poll voting for all resolutions tabled at general meetings since 2017. All shareholders are 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 said general meetings.

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 MMLR for FY2020. 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 22 October 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"), the Board of Directors ("the Board") of EG Industries Berhad is pleased to present this Statement on Risk Management & Internal Control, which has been prepared in accordance with the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers* issued by Bursa Malaysia Securities Berhad.

BOARD'S 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 2020, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee ("AC") through the audits conducted by the internal audit function. Audit findings and actions taken by Management to address the findings were tabled by the 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. Planning, Monitoring and Reporting

    a. The Board is updated on the Group's performance at the scheduled meetings on a quarterly basis. The Group's business plan and financial results for the year are reviewed and deliberated on by the Board on a quarterly basis.

    b. There is a regular and comprehensive flow of information to Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy, business and regulatory plans.

2. Policies and Procedures

    Policies and procedures of business processes are documented and set out in a series of Standard Operating Manual and implemented throughout the Group. These policies and procedures are subject to regular reviews, updates and continuous improvements to reflect the changing risks and operational needs.

All the documented policies and procedures can be accessed via the Company's intranet for easy access by employees.

3. 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. The internal auditor carried out a risk-based audit in accordance to the internal audit plan approved by the AC. The 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, the 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 the internal auditor on a half yearly basis to ensure continuous enhancement of the internal control system of the organisation.

    b. The yearly certification for the Automotive Quality Management System IATF 16949:2016, 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.

4. 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)

4. 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 2020, 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 the Risk Management Officer.

5. 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.

6. 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.

   c. Anti-corruption and anti-bribery policy is in place to perform a sound fraud, bribery and corruption risk management and prevention approach. The policy covers anti-fraud, bribery and corruption measures in areas of governance, prevention, detection, investigation and monitoring. The policy is also incorporated into the employee handbook and published on the Company's website.

4. 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 MMLR, the External Auditors have reviewed this Statement for inclusion in the 2020 Annual Report, and have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate. As set out in their terms of engagement, the limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and Audit and Assurance Practice Guide 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report*.

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 22 October 2020.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

The Audit and Risk Management Committee ("Committee") has 3 members, comprising all Independent Non-Executive Directors as tabulated below:

CHAIRMAN : ANG SENG WONG

MEMBERS : LIM SZE YAN
LEE KEAN TEONG

MEETINGS HELD DURING THE FINANCIAL YEAR END 30 JUNE 2020

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

	Date of Meetings				
	29/08/2019	24/10/2019	29/11/2019	27/02/2020	18/06/2020
Ang Seng Wong	√	√	√	√	√
Lim Sze Yan	√	√	√	√	√
Lee Kean Teong	√	ABSENT	√	√	√

In line with the terms of reference of the Committee, the following works were carried out by the Committee during the financial year ended 30 June 2020:-

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) Reviewed the annual internal audit plan and the audit programme with the internal auditors to ensure adequate audit coverage of the key risk areas;
d) 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;
e) Reviewed or appraised the performance of the internal auditors before recommending their re-election to the Board;
f) 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 2020;
g) Reviewed with the external auditors and the management, the results and recommendations of the external auditors and any significant audit issues arising therefrom;
h) 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;
i) Met with the external auditors two (2) times without the presence of the management and Executive Directors to facilitate discussions of additional matters in relation to audit issues noted in the course of their audit;
j) 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;
k) Reviewed the Statement on Risk Management and Internal Control to be published in the Annual Report;
l) Reviewed the Risk Management Report through the quarterly presentations by Risk Management Chairman;
m) Made relevant recommendation to the Board for identified risks and mitigations actions;
n) Surveyed and inspected factory and premises to ensure existing and potential risks were prevented and mitigated; and
o) Met, discussed, planned and reviewed with the management on the setting up of Section 17A Malaysian Anti-Corruption Commission compliance procedures.

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) Reviewing 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.

During the year, internal audit was carried out on:

a) New Product Introduction ("NPI") Process in SMT Technologies Sdn. Bhd. ("SMTT") focusing on:
   - Project award and handover process
   - NPI Build preparation and readiness
   - Bill of materials creation, review and approval process

b) Sourcing and Buying process in SMTT comprising:
   - Selection and evaluation of suppliers
   - New and revised material price process
   - Quotation review and control
   - Maintenance of supplier pricing in the ERP system
   - Approval of purchase requisitions
   - Processing and approving Purchase Orders

The cost incurred by the internal audit function in respect of financial year ended 30 June 2020 was RM15,000.

ADDITIONAL COMPLIANCE INFORMATION

NON-AUDIT FEES

The non-audit fee paid to the external auditor during the financial year under review was RM16,000.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either still subsisting as at 30 June 2020 or entered into since the end of the previous financial year.

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.

RELATED PARTY TRANSACTIONS

Details of transactions with related parties undertaken by the Group during the year are disclosed in Note 29 to the audited financial statements for the financial year ended 30 June 2020.

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

DIRECTORS' REPORT

for the financial year ended 30 June 2020

Directors' report for the financial year ended 30 June 2020

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 2020.

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 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
(Loss)/Profit for the financial year	(13,606)	7,478

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.

Dividends

The dividends paid by the Company since the end of the previous financial year were as follows:

Redeemable Convertible Preference Shares ("RCPS")

In respect of the financial year ended 30 June 2019

- First annual preference dividend of 2% amounting to RM876,200 paid on 12 July 2019

In respect of the financial year ended 30 June 2020

- First annual preference dividend of 2% amounting to RM806,608 paid on 14 July 2020

No final 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 be paid 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

Directors of the Company (Cont'd)

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

* *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 1.7.2019	Transferred	(Sold)	At 30.6.2020
The Company				
Direct interests				
Dato' Terence Tea Yeok Kian				
- own	9,483,425	-	(5,697,200)	**3,786,225**
Dato' Kang Pang Kiang				
- own	10,855,300	-	-	**10,855,300**
Lee Kean Teong	-	32,900	-	**32,900**
Indirect interests				
Dato' Terence Tea Yeok Kian*	37,863,270	-	-	**37,863,270**

	Number of ordinary shares of Thai Baht ("THB") 10 each			
	At 1.7.2019	Transferred	(Sold)	At 30.6.2020
Related corporation SMT Industries Co., Ltd				
Direct interest				
Dato' Terence Tea Yeok Kian	1[(a)]	-	-	**1**
Dato' Kang Pang Kiang	1[(a)]	-	-	**1**

Directors' interests in shares (Cont'd)

	Number of redeemable convertible preference shares			
	At 1.7.2019	Bought	(Sold)	At 30.6.2020
The Company				
Direct interests				
Dato' Terence Tea Yeok Kian				
- own	2,445,025	-	-	**2,445,025**
Dato' Kang Pang Kiang				
- own	2,603,300	-	-	**2,603,300**
Indirect interests				
Dato' Terence Tea Yeok Kian*	6,243,154	-	-	**6,243,154**

	Number of warrants 2015/2020			
	At 1.7.2019	Bought	(Sold)	At 30.6.2020
The Company				
Dato' Terence Tea Yeok Kian				
- own	5,503,300	-	(220,100)	**5,283,200**
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 2020 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	30.6.2020	30.6.2019
Warrants 2015/2020	RM0.50	RM0.42	3.11.2020	**68,963,282**	68,963,282

Warrants (Cont'd)

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 25 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 31 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 3,778,700 new ordinary shares at the issue price of RM0.95 each pursuant to conversion of 3,778,700 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.

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 16 to the financial statements.

Redeemable convertible preference shares ("RCPS")

The terms of the conversion of the RCPS are disclosed in Note 15 to the financial statements.

As at the end of the financial year, the number of RCPS in issue is 42,337,070 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) action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off, 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 allowance for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the values 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 2020 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 6 to the financial statements.

Significant Event

The details of the significant event are disclosed in Note 37 to the financial statements.

Auditors

The auditors, Messrs UHY, have expressed their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 24 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

27 October 2020

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Assets					
Property, plant and equipment	3	**234,100**	234,052	**-**	-
Right-of-use assets	4	**35,516**	-	**-**	-
Investment properties	5	**3,640**	3,705	**-**	-
Investments in subsidiaries	6	**-**	-	**163,286**	163,286
Investment in an associate	7	**1,960**	1,960	**-**	-
Other investments	8	**3,128**	3,342	**3,128**	3,342
Intangible assets	9	**15,279**	18,873	**12**	42
Deferred tax assets	10	**1,509**	1,485	**-**	-
Trade and other receivables	11	**-**	-	**9,925**	10,632
Total non-current assets		**295,132**	263,417	**176,351**	177,302
Inventories	12	**292,624**	198,171	**-**	-
Trade and other receivables	11	**278,374**	212,053	**62,087**	40,324
Current tax assets		**1,333**	1,998	**-**	-
Fixed deposits with licensed banks	13	**18,040**	19,370	**4,996**	6,217
Cash and bank balances		**12,866**	20,503	**472**	207
Total current assets		**603,237**	452,095	**67,555**	46,748
Total assets		**898,369**	715,512	**243,906**	224,050
Equity					
Share capital	14	**109,905**	106,315	**109,905**	106,315
Treasury shares	14	**(8,043)**	(8,043)	**(8,043)**	(8,043)
Redeemable convertible preference shares- Equity component	15	**34,533**	38,013	**34,533**	38,013
Reserves	16	**186,653**	195,514	**52,928**	45,529
Total equity attributable to owners of the Company		**323,048**	331,799	**189,323**	181,814
Non-controlling interests		**(361)**	(361)	**-**	-
Total equity		**322,687**	331,438	**189,323**	181,814

STATEMENTS OF FINANCIAL POSITION (Cont'd)

as at 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Liabilities					
Lease liabilities	17	**3,231**	-	**-**	-
Loans and borrowings	18	**2,526**	8,970	**-**	-
Redeemable convertible preference shares- Liability component	15	**1,549**	3,306	**1,549**	3,306
Provision for retirement benefits	19	**517**	395	**-**	-
Deferred tax liabilities	10	**-**	121	**-**	-
Trade and other payables	20	**-**	-	**9,536**	8,671
Total non-current liabilities		**7,823**	12,792	**11,085**	11,977
Lease liabilities	17	**2,337**	-	**-**	-
Loans and borrowings	18	**225,922**	183,061	**-**	-
Trade and other payables	20	**339,307**	187,418	**43,498**	30,259
Provision	21	**267**	800	**-**	-
Current tax liabilities		**26**	3	**-**	-
Total current liabilities		**567,859**	371,282	**43,498**	30,259
Total liabilities		**575,682**	384,074	**54,583**	42,236
Total equity and liabilities		**898,369**	715,512	**243,906**	224,050

The notes on pages 64 to 141 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	22	**1,003,180**	1,012,926	**8,594**	609
Cost of sales		**(979,447)**	(973,841)	**-**	-
Gross profit		**23,733**	39,085	**8,594**	609
Administrative expenses		**(20,502)**	(19,560)	**(1,493)**	(1,582)
Distribution expenses		**(3,028)**	(2,639)	**-**	-
Other expenses		**(8,807)**	(1,208)	**-**	-
Other income		**2,603**	5,131	**1,472**	1,605
Operating (loss)/profit		**(6,001)**	20,809	**8,573**	632
Finance costs	23	**(6,807)**	(7,706)	**(1,095)**	(1,582)
(Loss)/Profit before tax	24	**(12,808)**	13,103	**7,478**	(950)
Tax expense	26	**(798)**	(519)	**-**	-
(Loss)/Profit for the financial year		**(13,606)**	12,584	**7,478**	(950)
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")		**(214)**	(3,384)	**(214)**	(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)	**-**	-
		(214)	(3,275)	**(214)**	(3,384)

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

for the financial year ended 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Items that are or may subsequently be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		**4,824**	8,035	**-**	-
		4,824	8,035	**-**	-
Other comprehensive income/ (expense) for the financial year, net of tax		**4,610**	4,760	**(214)**	(3,384)
Total comprehensive (expense)/ income for the financial year		**(8,996)**	17,344	**7,264**	(4,334)
(Loss)/Profit for the financial year attributable to:					
Owners of the Company		**(13,606)**	12,584	**7,478**	(950)
Non-controlling interests		**-**	-	**-**	-
		(13,606)	12,584	**7,478**	(950)
Total comprehensive income/ (expense) attributable to:					
Owners of the Company		**(8,996)**	17,344	**7,264**	(4,334)
Non-controlling interests		**-**	-	**-**	-
		(8,996)	17,344	**7,264**	(4,334)
Basic (loss)/earnings per ordinary share (sen)	27	**(5.29)**	4.78	**-**	-
Diluted (loss)/earnings per ordinary share (sen)	27	**(5.29)**	4.03	**-**	-

The notes on pages 64 to 141 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2020

		Attributable to owners of the Company										
		Non-distributable						Distributable				
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
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

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	14	4,235	(4,105)	-	-	-	-	-	165	295	-	295
Treasury shares acquired	14	-	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

for the financial year ended 30 June 2020

		Attributable to owners of the Company										
		Non-distributable							Distributable			
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
At 1 July 2019		106,315	38,013	(8,043)	26,836	(3,543)	16,572	28,558	127,091	331,799	(361)	331,438
Foreign currency translation differences for foreign operations		-	-	-	-	-	4,824	-	-	4,824	-	4,824
Net change in fair value of equity instruments designated at FVOCI		-	-	-	-	(214)	-	-	-	(214)	-	(214)
Total other comprehensive (expense)/income for the financial year		-	-	-	-	(214)	4,824	-	-	4,610	-	4,610
Loss for the financial year		-	-	-	-	-	-	-	(13,606)	(13,606)	-	(13,606)
Total comprehensive (expense)/income for the financial year		-	-	-	-	(214)	4,824	-	(13,606)	(8,996)	-	(8,996)
Conversion of RCPS to ordinary shares	14	3,590	(3,480)	-	-	-	-	-	135	245	-	245
Total transactions with owners of the Company		3,590	(3,480)	-	-	-	-	-	135	245	-	245
At 30 June 2020		109,905	34,533	(8,043)	26,836	(3,757)	21,396	28,558	113,620	323,048	(361)	322,687

The notes on pages 64 to 141 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2020

		Attributable to owners of the Company							
			Non-distributable						
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
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	14	-	-	(8,043)	-	-	-	-	(8,043)
Conversion of RCPS to ordinary shares	14	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

STATEMENT OF CHANGES IN EQUITY (Cont'd)

for the financial year ended 30 June 2020

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	Retained earnings RM'000	Total equity RM'000
		← Attributable to owners of the Company							→
			← Non-distributable				→		
At 1 July 2019		106,315	38,013	(8,043)	26,836	(3,543)	28,558	(6,322)	181,814
Total other comprehensive expense for the financial year									
- Net change in fair value of equity instruments designated at FVOCI		-	-	-	-	(214)	-	-	(214)
Profit for the financial year		-	-	-	-	-	-	7,478	7,478
Total comprehensive (expense)/ income for the financial year		-	-	-	-	(214)	-	7,478	7,264
Conversion of RCPS to ordinary shares	14	3,590	(3,480)	-	-	-	-	135	245
Total transactions with owners of the Company		3,590	(3,480)	-	-	-	-	135	245
At 30 June 2020		109,905	34,533	(8,043)	26,836	(3,757)	28,558	1,291	189,323

The notes on pages 64 to 141 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax from continuing operations		**(12,808)**	13,103	**7,478**	(950)
Adjustments for:					
Depreciation of property, plant and equipment	3	**36,306**	30,832	**-**	-
Depreciation of right-of-use assets	4	**1,582**	-	**-**	-
Depreciation of investment properties	5	**65**	65	**-**	-
Amortisation of intangible assets	9	**1,256**	1,228	**30**	30
Interest expense	23	**6,807**	7,706	**1,095**	1,582
Dividend income		**(1)**	(2)	**(8,001)**	(2)
Loss/(Gain) on disposal of property, plant and equipment		**629**	(255)	**-**	-
Interest income		**(825)**	(614)	**(145)**	(1,472)
Property, plant and equipment written off	3	**-**	12	**-**	-
Provision for retirement benefits	19	**108**	100	**-**	-
Provision for slow moving stocks		**3,000**	-	**-**	-
Movement in provision of warranty	21	**(533)**	-	**-**	-
Net impairment loss on trade receivables		**1,769**	558	**-**	-
Impairment loss on intangible assets		**2,600**	-	**-**	-
(Gain)/Loss on foreign exchange, net - unrealised		**(3,747)**	(1,997)	**(415)**	-
Operating profit/(loss) before changes in working capital		**36,208**	50,736	**42**	(812)
Inventories		**(94,803)**	(42,310)	**-**	-
Trade and other receivables		**(70,924)**	28,780	**(21,565)**	28,964
Trade and other payables		**154,478**	45,209	**21,297**	55
Cash generated from/(used in) operations		**24,959**	82,415	**(226)**	28,207
Tax paid		**(1,099)**	(1,389)	**-**	-
Tax refunded		**841**	-	**-**	-
Dividend received		**1**	2	**1**	2
Net cash generated from/(used in) operating activities		**24,702**	81,028	**(225)**	28,209

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from investing activities					
Subscription of shares in subsidiaries		**-**	-	**-**	(19,620)
Subscription of shares in an associate		**-**	(1,960)	**-**	-
Acquisition of:					
- plant and equipment	A	**(62,066)**	(97,074)	**-**	-
- right-of-use assets	B	**(10,676)**	-	**-**	-
- treasury shares		**-**	(8,043)	**-**	(8,043)
- intangible assets		**(255)**	(43)	**-**	-
Interest received		**825**	614	**145**	143
Proceeds from disposal of:					
- other investment		**-**	12	**-**	12
- plant and equipment		**2,140**	6,666	**-**	-
Net cash (used in)/ generated from investing activities		**(70,032)**	(99,828)	**145**	(27,508)
Cash flows from financing activities					
Drawdown of bank borrowings, net		**47,202**	13,716	**-**	-
Repayment of lease liabilities		**(2,452)**	-	**-**	-
Repayment of finance lease liabilities		**-**	(3,917)	**-**	-
Repayment of term loans		**(1,084)**	(2,951)	**-**	-
Dividend paid	29	**(876)**	(671)	**(876)**	(671)
Interest paid		**(6,636)**	(7,459)	**-**	-
Withdrawal/(Placement) of pledged deposits		**1,308**	(476)	**1,221**	(82)
Net cash generated from/(used in) financing activities		**37,462**	(1,758)	**345**	(753)
Net (decrease)/increase in cash and cash equivalents		**(7,868)**	(20,558)	**265**	(52)
Effect of exchange rate fluctuations on cash and bank balances		**231**	(78)	**-**	-
Cash and cash equivalents at 1 July 2019/2018		**20,503**	41,139	**207**	259
Cash and cash equivalents at 30 June	C	**12,866**	20,503	**472**	207

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 30 June 2020

Notes

A. Acquisition of property, plant and equipment

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

	Note	Group 2020 RM'000	Group 2019 RM'000
Additions of property, plant and equipment	3	**(62,066)**	(100,327)
Finance lease arrangement		**-**	3,253
Cash payments		**(62,066)**	(97,074)

B. Acquisition of right-of-use assets

Payments for acquisition of right-of-use assets is arrived at as follows:

	Note	Group 2020 RM'000	Group 2019 RM'000
Additions of right-of-use assets	4	**(10,921)**	-
Lease liabilities	17	**245**	-
Cash payments		**(10,676)**	-

C. Cash and cash equivalents

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

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash and bank balances	**12,866**	20,503	**472**	207

The notes on pages 64 to 141 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 2020 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 an 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 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 27 October 2020.

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 16, *Leases*
- IC Interpretations 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS standards 2015-2017 cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS standards 2015-2017 cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS standards 2015-2017 cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS standards 2015-2017 cycle)*
- Amendments to MFRS 128, *Long-term Interests in Associates and Joint Ventures*

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 adoption of MFRS 16 as described in Note 35 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, interpretations and amendments 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 2020

- *MFRSs, Amendments to Reference to the Conceptual Framework in MFRS Standards*
- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statement* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement and* MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

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

- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 17 August 2020

- Amendment to MFRS 101, *Presentation of financial statements – Classification of Liabilities as Current or Non-current*
- Amendment to MFRS 4, *Insurance contracts – Extension of the Temporary Exemption from Applying MFRS 9*

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

- Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement and* MFRS 7, *Financial Instruments: Disclosures,* MFRS 4, *Insurance Contracts and* MFRS 16, *Leases - Interest Rate Benchmark Reform – Phase 2*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvement to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018 - 2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvement to MFRS Standards 2018 – 2020)*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvement to MFRS Standards 2018-2020)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Classification of Liabilities as Current or Non-current*

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*

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

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

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group and the Company.

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.

(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 9- Intangible asset (measurement of the recoverable amounts of cash generating units)
- Note 9.1- Impairment testing for goodwill
- Note 10- 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 the Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 35 to the financial statements.

(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.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

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.

(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.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(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.

(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.

2. Significant accounting policies (Cont'd)

(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.

(c) Financial instruments

(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.

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.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement

Financial assets

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.

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.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(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)).

Financial liabilities

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.

(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.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(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.

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.

(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 estimated useful lives and principal annual depreciation rates for the current and comparative periods are as follows:

Leasehold land	33 - 60 years
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) Leases

The Group has applied MFRS 16, *Leases,* using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

2. Significant accounting policies (Cont'd)

(e) Leases (Cont'd)

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these as an expense on a straight-line basis over the lease-term.

2. Significant accounting policies (Cont'd)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(ii) Recognition and initial measurement (Cont'd)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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) Leases (Cont'd)

Previous financial year (Cont'd)

(i) Finance lease (Cont'd)

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 was a finance lease was 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 right-of-use asset held under a lease contract 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.

Right-of-use asset held under a lease contract that meets the definition of investment property is unlikely measured similarly as other right-of-use assets.

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.

2. Significant accounting policies (Cont'd)

(f) Investment properties (Cont'd)

(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.

(g) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is 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.

2. Significant accounting policies (Cont'd)

(g) Intangible assets (Cont'd)

(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

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.

2. Significant accounting policies (Cont'd)

(h) Impairment (Cont'd)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

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

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

(i) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (Cont'd)

(i) Equity instruments (Cont'd)

(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.

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.

2. Significant accounting policies (Cont'd)

(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.

(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.

2. Significant accounting policies (Cont'd)

(o) Income tax (Cont'd)

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.

(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.

2. Significant accounting policies (Cont'd)

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

(i) Revenue (Cont'd)

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.

(v) Services

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

(vi) Management fee

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

(r) Borrowing costs

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

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

2. Significant accounting policies (Cont'd)

(s) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating 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.

(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 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, as previously reported	1,927	5,157	38,830	341,889	1,978	6,324	11,851	3,038	16,239	43,589	470,822
Adjustment on initial application of MFRS 16 (Note 4)	-	(5,157)	-	(10,733)	-	-	-	(1,271)	-	(12,921)	(30,082)
At 1 July 2019, restated	1,927	-	38,830	331,156	1,978	6,324	11,851	1,767	16,239	30,668	440,740
Additions	-	-	-	51,387	707	936	2,352	151	1,046	5,487	62,066
Disposals	-	-	-	(4,829)	(18)	(69)	-	(84)	-	-	(5,000)
Reclassification	-	-	-	28,544	-	-	500	-	3,403	(32,447)	-
Foreign exchange differences	65	-	421	5,462	6	29	88	29	34	-	6,134
At 30 June 2020	**1,992**	**-**	**39,251**	**411,720**	**2,673**	**7,220**	**14,791**	**1,863**	**20,722**	**3,708**	**503,940**

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 2018											
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
	-	811	10,407	196,257	1,025	3,669	8,892	2,290	4,500	-	227,851
Depreciation charge for the financial year	-	129	1,082	26,783	85	504	750	277	1,222	-	30,832
Disposal	-	-	-	(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, as previously reported	-	940	11,872	200,939	1,102	4,195	9,744	2,238	5,740	-	236,770
Adjustment on initial application of MFRS 16 (Note 4)	-	(940)	-	(2,442)	-	-	-	(523)	-	-	(3,905)

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 2019, restated											
Accumulated											
- depreciation	-	-	11,872	196,237	1,098	4,178	9,571	1,715	5,740	-	230,411
- impairment losses	-	-	-	2,260	4	17	173	-	-	-	2,454
	-	-	11,872	198,497	1,102	4,195	9,744	1,715	5,740	-	232,865
Depreciation charge for the financial year	-	-	1,162	31,975	147	643	980	38	1,361	-	36,306
Disposals	-	-	-	(2,066)	(15)	(66)	-	(84)	-	-	(2,231)
Foreign exchange differences	-	-	234	2,518	5	19	78	29	17	-	2,900
Accumulated											
- depreciation	-	-	13,268	228,664	1,235	4,774	10,629	1,698	7,118	-	267,386
- impairment losses	-	-	-	2,260	4	17	173	-	-	-	2,454
At 30 June 2020	-	-	13,268	230,924	1,239	4,791	10,802	1,698	7,118	-	269,840
Carrying amounts											
At 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 July 2019	1,927	4,217	26,958	140,950	876	2,129	2,107	800	10,499	43,589	234,052
At 30 June 2020	**1,992**	**-**	**25,983**	**180,796**	**1,434**	**2,429**	**3,989**	**165**	**13,604**	**3,708**	**234,100**

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

	Office equipment RM'000	Total RM'000
Company		
Cost		
At 1 July 2018/30 June 2019/30 June 2020	**1**	**1**
Accumulated depreciation		
At 1 July 2018/30 June 2019/30 June 2020	**1**	**1**
Carrying amounts		
At 1 July 2018	**-**	**-**
At 30 June 2019/1 July 2019	**-**	**-**
At 30 June 2020	**-**	**-**

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 RM NIL (2019: RM8,291,231) and RM NIL (2019: RM755,815) 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 18.1 to the financial statements:

	2020 RM'000	2019 RM'000
Carrying amounts		
Freehold land	**1,992**	1,927
Short term leasehold land and improvements	**-**	4,217
Buildings	**21,642**	22,172
Plant and machinery	**12,665**	16,881
	36,299	45,197

4. Right-of-use assets - Group

	Leasehold land RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Capital in progress RM'000	Total RM'000
Cost					
At 1 July 2019- Adjustment on initial application of MFRS 16 (Note 3)	5,157	10,733	1,271	12,921	30,082
Additions	10,281	-	240	400	10,921
Reclassification from capital in progress	13,321	-	-	(13,321)	-
At 30 June 2020	**28,759**	**10,733**	**1,511**	**-**	**41,003**
Depreciation					
At 1 July 2019- Adjustment on initial application of MFRS 16 (Note 3)	940	2,442	523	-	3,905
Depreciation charge for the financial year	220	1,073	289	-	1,582
At 30 June 2020	**1,160**	**3,515**	**812**	**-**	**5,487**
Carrying amounts					
At 1 July 2019	4,217	8,291	748	12,921	26,177
At 30 June 2020	**27,599**	**7,218**	**699**	**-**	**35,516**

4.1 Assets pledged as securities for the related lease liabilities

Plant and machinery and motor vehicles are pledged as security for the related finance lease payables.

4.2 Assets pledged as securities to financial institutions

Leasehold land are pledged as securities for bank borrowings as disclosed in Note 18.1 to the financial statements.

4.3 Leasehold land

At 30 June 2020, the remaining period of the lease term of the leasehold land ranges from 30 to 60 years.

5. Investment properties - Group

	Buildings RM'000
Cost	
At 1 July 2018/30 June 2019/30 June 2020	**3,952**
Accumulated depreciation	
At 1 July 2018	182
Depreciation charge for the financial year	65
At 30 June 2019/1 July 2019	247
Depreciation charge for the financial year	65
At 30 June 2020	**312**
Carrying amounts	
At 1 July 2018	3,770
At 30 June 2019	3,705
At 30 June 2020	**3,640**

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

	2020 RM'000	2019 RM'000
Rental income	**286**	344
Direct operating expenses:		
- income generating	**161**	118

5.1 Fair value information

The fair value of the investment properties as at 30 June 2020 is classified as level 3 in the fair value hierarchy and is determined to be approximately RM6,060,108 (2019: RM5,433,230).

The fair value of the investments properties was estimated as follows:

(i) Certain investment properties were 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; and

(ii) Certain investment properties were estimated by Directors based on external appraisal of market values of comparable properties.

5. Investment properties - Group (Cont'd)

5.2 Securities

Investment properties are charged as securities to financial institutions for borrowings granted to the Group as disclosed in Note 18.1 to the financial statements.

5.3 Investment properties under leases

Investment properties are leased to third parties. The lease contains a cancellable period. No contingent rents are charged.

6. Investments in subsidiaries - Company

	2020 RM'000	2019 RM'000
Unquoted shares, at cost		
At 1 July 2019/2018	**172,336**	152,716
Subscription of shares in a subsidiary	**-**	19,620
At 30 June	**172,336**	172,336
Less: Accumulated impairment loss	**(9,050)**	(9,050)
At 30 June	**163,286**	163,286

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %	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
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

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

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

Name of subsidiary	Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %	Principal activities
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

6.1 Non-controlling interest in a subsidiary

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

	Mastimber Industries Sdn. Bhd. 2020 RM'000	2019 RM'000
NCI percentage of ownership interest and voting interest	**4.50%**	4.50%
Carrying amount of NCI	**(361)**	(361)
Profit allocated to NCI	**-**	-
Summarised financial information before intra-group elimination		
At 30 June		
Current assets	**33**	38
Non-current liabilities	**(8,061)**	(8,061)
Current liabilities	**(7)**	(8)
Net liabilities	**(8,035)**	(8,031)
Year ended 30 June		
Loss for the financial year	**(4)**	(3)
Total comprehensive expense	**(4)**	(3)
Cash flows used in operating activities	**(5)**	(3)
Net decrease in cash and cash equivalents	**(5)**	(3)

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

6.2 Additional investment in a subsidiary company

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.

7. Investment in an associate - Group

	2020 RM'000	2019 RM'000
At cost		
Unquoted shares in Malaysia	**1,960**	1,960

Details of the associate are as follows:

Name of associate	Country of incorporation	Effective ownership interest 2020 %	Effective ownership interest 2019 %	Principal activity
TM SMT Sdn. Bhd.*#@	Malaysia	49	49	Wholesale of computer hardware, software and peripherals

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

On 7 May 2019, the Group acquired 1,960,000 units of ordinary shares at RM1 per share in TM SMT Sdn. Bhd. by way of cash.

The Group has not recognised losses related to TM SMT Sdn. Bhd., totalling and cumulatively of RM58,163 (2019: RM2,448) since the Group has no obligation in respect of these losses.

8. Other investments - Group/Company

	2020 RM'000	2019 RM'000
Non-current		
Fair value through other comprehensive income		
Quoted shares in Malaysia	**27**	31
Quoted shares outside Malaysia	**3,101**	3,311
	3,128	3,342

9. Intangible assets

Group	Goodwill RM'000	Software cost RM'000	Intellectual property RM'000	Total RM'000
Cost				
At 1 July 2018	10,148	3,185	8,875	22,208
Addition	-	43	-	43
Foreign exchange differences	-	17	-	17
At 30 June 2019/1 July 2019	10,148	3,245	8,875	22,268
Addition	-	255	-	255
Foreign exchange differences	-	11	-	11
At 30 June 2020	**10,148**	**3,511**	**8,875**	**22,534**
Amortisation and impairment loss				
At 1 July 2018				
Accumulated amortisation	-	1,049	1,110	2,159
Accumulated impairment loss	-	-	-	-
	-	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 July 2019				
Accumulated amortisation	-	1,397	1,998	3,395
Accumulated impairment loss	-	-	-	-
	-	1,397	1,998	3,395
Amortisation for the financial year	-	368	888	1,256
Impairment loss	-	-	2,600	2,600
Foreign exchange differences	-	4	-	4
At 30 June 2020				
Accumulated amortisation	-	1,769	2,886	4,655
Accumulated impairment loss	-	-	2,600	2,600
	-	**1,769**	**5,486**	**7,255**
Carrying amounts				
At 1 July 2018	10,148	2,136	7,765	20,049
At 30 June 2019	10,148	1,848	6,877	18,873
At 30 June 2020	**10,148**	**1,742**	**3,389**	**15,279**

9. Intangible assets (Cont'd)

Company	Software cost RM'000
Cost	
At 1 July 2018/30 June 2019/30 June 2020	**89**
Amortisation	
At 1 July 2018	17
Amortisation for the financial year	30
At 30 June 2019/1 July 2019	47
Amortisation for the financial year	30
At 30 June 2020	**77**
Carrying amounts	
At 1 July 2018	72
At 30 June 2019	42
At 30 June 2020	**12**

9.1 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 6% (2019: 7%).

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.

9. Intangible assets (Cont'd)

9.2 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.

During the financial year, an impairment loss of RM2,600,000 is recognised in the Group's profit or loss due to low demand of the products from the customers.

The recoverable amount of intellectual property has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period and a discount rate of 6% per annum. Cash flow projections during the budget period for intellectual property are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on intellectual property's past performance, management's expectations of the market development, the success in new products launched, the success in reducing the working capital requirements and the success of the cost cutting strategy implemented by the Group.

9.3 Software cost

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

10. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment						
- capital allowance	**-**	-	**(7,108)**	(8,667)	**(7,108)**	(8,667)
Unutilised reinvestment allowance	**1,233**	1,250	**-**	-	**1,233**	1,250
Unutilised increased in export allowance	**7,159**	8,610	**-**	-	**7,159**	8,610
Provisions	**415**	390	**-**	-	**415**	390
Other temporary differences	**-**	-	**(190)**	(219)	**(190)**	(219)
Tax assets/(liabilities)	**8,807**	10,250	**(7,298)**	(8,886)	**1,509**	1,364
Set off of tax	**(7,298)**	(8,765)	**7,298**	8,765	**-**	-
Net tax assets/(liabilities)	**1,509**	1,485	**-**	(121)	**1,509**	1,364

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.

10. 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 30.6.2018 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive income RM'000	Exchange difference RM'000	At 30.6.2019/ 1.7.2019 RM'000	Recognised in profit or loss (Note 26) RM'000	Exchange difference RM'000	At 30.6.2020 RM'000
Group								
Property, plant and equipment								
- capital allowance	(9,668)	1,001	-	-	(8,667)	1,559	-	**(7,108)**
Unutilised reinvestment allowance	6,579	(5,329)	-	-	1,250	(17)	-	**1,233**
Increase in export allowance	3,515	5,095	-	-	8,610	(1,451)	-	**7,159**
Provisions	440	(23)	(27)	-	390	25	-	**415**
Other temporary differences	506	(731)	-	6	(219)	26	3	**(190)**
	1,372	13	(27)	6	1,364	142	3	**1,509**

10. 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):

	2020 RM'000	2019 RM'000
Group		
Unutilised increased export allowance	**45,111**	35,282

For the Malaysian entities, the unutilised reinvestment allowance carry-forwards will only be available for carry forward up to a period of 7 consecutive years. Any amounts not utilised upon expiry of the 7 years will be disregarded.

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.

11. Trade and other receivables

	Note	2020 RM'000	2019 RM'000
Group			
Trade			
Trade receivables			
- third parties		**272,604**	208,975
- an associate		**12**	-
- a related party		**1,583**	-
		274,199	208,975
Non-trade			
Other receivables		**3,060**	1,552
Amount due from an associate		**87**	-
Deposits		**139**	185
Prepayments		**889**	1,341
		4,175	3,078
		278,374	212,053

11. Trade and other receivables (Cont'd)

	Note	2020 RM'000	2019 RM'000
Company			
Non-current			
Amount due from subsidiaries	11.1	**9,925**	10,632
Current			
Non-trade			
Amount due from subsidiaries	11.1	**61,962**	40,000
Other receivables		**114**	313
Deposits		**2**	2
Prepayments		**9**	9
		62,087	40,324
		72,012	50,956

11.1 Amount due from subsidiaries

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

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

12. Inventories - Group

	2020 RM'000	2019 RM'000
Raw materials	**184,752**	102,037
Work-in-progress	**66,324**	45,829
Manufactured inventories	**41,548**	50,305
	292,624	198,171

The amount of inventories recognised as slow moving and cost of sales during the financial year amounted to RM3,000,178 (2019: RMNIL) and RM854,079,454 (2019: RM877,657,320) respectively.

13. 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 18.1).

14. Share capital and treasury shares - Group/Company

	2020		2019	
	Amount RM'000	Number of shares ('000)	Amount RM'000	Number of shares ('000)
Issued and fully paid:				
At 1 July	**106,315**	**271,230**	102,080	266,773
Issue pursuant to:				
- Conversion of redeemable convertible preference shares (Note 14.1)	**3,590**	**3,779**	4,235	4,457
At 30 June	**109,905**	**275,009**	106,315	271,230

14.1 Conversion from 3,778,700 (2019: 4,457,400) redeemable convertible preference shares ("RCPS") to 3,778,700 (2019: 4,457,400) ordinary shares with the conversion ratio of 1 new ordinary share for 1 RCPS held.

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.

14.2 Treasury shares

	2020		2019	
	Amount RM'000	Number of shares ('000)	Amount RM'000	Number of shares ('000)
Treasury shares				
At 1 July	**(8,043)**	**(17,586)**	-	-
Acquisition of treasury shares	**-**	**-**	(8,043)	(17,586)
At 30 June	**(8,043)**	**(17,586)**	(8,043)	(17,586)

In the previous financial year, the Company repurchased 17,585,900 of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.46 per share. The total consideration paid was RM8,061,163 including transaction costs of RM17,803. The repurchase was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with the provision of Section 127 of the Companies Act, 2016.

At 30 June 2020, the Company held 17,585,900 (2019: 17,585,900) of its shares as treasury shares. The number of outstanding ordinary shares in issue after deducting treasury shares held is 257,422,692 (2019: 253,644,262).

15. 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, 3,778,700 (2019: 4,457,000) RCPS were converted into 3,778,700 (2019: 4,457,000) ordinary shares of RM0.95 each of the Company. At the end of the financial year, the number of RCPS in issue is 42,337,070 (2019: 46,115,770).

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.

15. Redeemable convertible preference shares (Cont'd)

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

	Group and Company		
	Liability component of RCPS RM'000	Equity component of RCPS RM'000	Total RM'000
2020			
At 1 July 2019	**3,306**	**38,013**	**41,319**
Conversion of RCPS into ordinary shares	**(245)**	**(3,480)**	**(3,725)**
Interest expense (Note 23)	**171**	**-**	**171**
Dividend paid (Note 29)	**(1,683)**	**-**	**(1,683)**
At 30 June 2020	**1,549**	**34,533**	**36,082**
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 23)	247	-	247
Dividend paid (Note 29)	(671)	-	(671)
At 30 June 2019/1 July 2019	3,306	38,013	41,319

The fair value of the liability component of the RCPS at 30 June 2020 amounted to RM1,549,012 (2019: RM3,306,070). The fair value is calculated using cash flow discounted at a rate based on the borrowings rate of 6.12% (2019: 6.12%) and are within Level 3 of the fair value hierarchy.

16. Reserves

	Note	2020 RM'000	2019 RM'000
Group			
Non-distributable:			
Warrants reserve	16.1	**26,836**	26,836
Fair value reserve	16.2	**(3,757)**	(3,543)
Translation reserve	16.3	**21,396**	16,572
Capital reserve	16.4	**28,558**	28,558
		73,033	68,423
Distributable:			
Retained earnings		**113,620**	127,091
		186,653	195,514
Company			
Non-distributable:			
Warrants reserve	16.1	**26,836**	26,836
Fair value reserve	16.2	**(3,757)**	(3,543)
Capital reserve	16.4	**28,558**	28,558
Retained earnings/(Accumulated losses)		**1,291**	(6,322)
		52,928	45,529

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

16.1 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 15 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.

16. Reserves (Cont'd)

16.1 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 2020, the total number of Warrants 2015/2020 which remained unexercised was 68,963,282 (2019: 68,963,282).

16.2 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 until the assets are derecognised or impaired.

16.3 Translation reserve

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

16.4 Capital reserve

Capital reserve arose from the capital reduction exercise.

17. Lease liabilities - Group

	2020 RM'000
At 1 July 2019- Adjustment on initial application of MFRS 16	**7,775**
Additions	**245**
Payments	**(2,452)**
At 30 June 2020	**5,568**
Presented as:	
Non-current	**3,231**
Current	**2,337**
	5,568

17. Lease liabilities - Group (Cont'd)

The maturity analysis of lease liabilities of the Group at the end of the reporting period:

	2020 RM'000
Less than 1 year	**2,591**
Between 1 and 5 years	**3,433**
	6,024
Less: Future finance charges	**(456)**
	5,568

The Group leases plant and machinery and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

18. Loans and borrowings - Group

	2020 RM'000	2019 RM'000
Non-current:		
Secured		
Term loans	**2,526**	3,610
Finance lease liabilities	**-**	5,360
	2,526	8,970

	2020 RM'000	2019 RM'000
Current:		
Secured		
Bankers' acceptances	**181,673**	121,650
Trust receipts	**35,678**	13,255
Term loans	**1,081**	1,081
Finance lease liabilities	**-**	2,415
Trade financing	**-**	44,660
Revolving credits	**7,490**	-
	225,922	183,061

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

18.1 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 4.2) and investment properties of the Group (Note 5.2);

ii) fixed deposits held in lien of the Group and of the Company (Note 13); 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.

18.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	← 2019 →		
	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
Between 1 and 5 years	5,788	428	5,360
	8,588	813	7,775

19. 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 (2019: 30 days to 400 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:

	2020 RM'000	2019 RM'000
Present value of obligations - non current	**517**	395

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

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

	2020 RM'000	2019 RM'000
At 1 July	**395**	431
Amount recognised in profit or loss		
- Past service cost	**-**	(20)
- Current service cost	**94**	88
- Interest cost	**14**	10
- Foreign exchange differences	**14**	22
	517	531
Amount recognised in other comprehensive income		
- Gain from re-measurement of provision for retirement benefits	**-**	(136)
At 30 June	**517**	395

The principal actuarial assumptions used are as follows:

	2020	2019
Discount rate	**3.47%**	3.47%
Inflation rate	**2.75%**	2.75%
Future salary increase		
- prior to age 30	**5.0%**	5.0%
- between age 30 to 40	**5.0%**	5.0%
- age 40 onwards	**5.0%**	5.0%

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.

19. 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:

	2020		2019	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Group				
Discount rate (1% movement)	**(65)**	**79**	(42)	52
Long-term salary increment rate (1% movement)	**86**	**(72)**	49	(41)
Turnover rate (20% change from base assumption)	**(84)**	**112**	(47)	63

20. Trade and other payables

	Note	2020 RM'000	2019 RM'000
Group			
Trade			
- third parties		**317,573**	174,929
- a related party		**3**	-
		317,576	174,929
Non-trade			
Other payables		**8,692**	5,907
Deferred revenue		**-**	26
Deposit		**103**	68
Accruals		**12,936**	6,488
		21,731	12,489
		339,307	187,418

20. Trade and other payables (Cont'd)

	Note	2020 RM'000	2019 RM'000
Company			
Non-current			
Amount due to subsidiaries	20.1	**9,536**	8,671
Current			
Non-trade			
Amount due to subsidiaries	20.1	**42,503**	30,059
Other payables	20.2	**846**	51
Accruals		**149**	149
		43,498	30,259
		53,034	38,930

20.1 Amount due to subsidiaries

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

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

20.2 Other payables

Included in other payables of the Company are RM806,608 (2019: RM NIL) representing dividend on RCPS payable as disclosed in Note 29 to the financial statements.

21. Provision - Group

	Warranties	
	2020 RM'000	2019 RM'000
At 1 July 2019/2018	**800**	800
Provision reversed during the financial year	**(533)**	-
At 30 June	**267**	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.

22. Revenue

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers				
Sales	**1,002,716**	1,012,751	**-**	-
Dividend income	**1**	2	**8,001**	2
Interest income	**145**	143	**145**	143
Management fee	**-**	-	**448**	464
Other revenue				
Service fee	**318**	30	**-**	-
	1,003,180	1,012,926	**8,594**	609

22.1 Disaggregation of revenue

Disaggregation of revenue based on primary geographical markets has been disclosed in Note 33 to the financial statements.

22.2 Nature of goods and services

Revenue is recognised when control of the goods or services is transferred to the customers. 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 (2019: 30 days to 90 days). Assurance warranties of 2 years are given to certain customers.

22.3 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.

22.4 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.

23. Finance costs

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expenses on:				
Bankers' acceptances/ Trade financing	**5,239**	6,101	**-**	-
Decretion of interest implicit in long-term receivables	**-**	-	**924**	1,335
Trust receipts	**598**	368	**-**	-
Lease liabilities	**398**	-	**-**	-
Finance lease liabilities	**-**	432	**-**	-
Term loans	**225**	368	**-**	-
Revolving credits	**176**	-	**-**	-
RCPS- Liability component	**171**	247	**171**	247
Others	**-**	190	**-**	-
	6,807	7,706	**1,095**	1,582

24. (Loss)/Profit before tax

(Loss)/Profit is arrived at after charging/(crediting):

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
After charging:				
Auditors' remuneration				
- Statutory audit				
- UHY	**119**	113	**39**	39
- other auditors	**122**	120	**-**	-
- Other services				
- UHY	**16**	26	**16**	26
- other auditors	**15**	30	**15**	30
Material expenses/(income)				
Depreciation of property, plant and equipment (Note 3)	**36,306**	30,832	**-**	-
Depreciation of right-of-use assets (Note 4)	**1,582**	-	**-**	-
Depreciation of investment properties (Note 5)	**65**	65	**-**	-
Amortisation of intangible assets (Note 9)	**1,256**	1,228	**30**	30
Directors' remuneration:				
Directors of the Company				
- fees	**130**	130	**130**	130
- other emoluments	**723**	837	**723**	837
- contributions to Employees' Provident Fund	**80**	84	**80**	84
Other Directors				
- other emoluments	**165**	158	**-**	-
- contributions to Employees' Provident Fund	**20**	19	**-**	-
Impairment loss on intangible assets	**2,600**	-	**-**	-
Loss/(Gain) on disposal of plant and equipment	**629**	(255)	**-**	-
Loss/(Gain) on foreign exchange, net				
- realised	**3,059**	(1,976)	**-**	(245)
- unrealised	**(3,747)**	(1,997)	**(415)**	-
Property, plant and equipment written off	**-**	12	**-**	-
Provision for retirement benefits (Note 19)	**108**	78	**-**	-
Provision for slow moving stocks	**3,000**	-	**-**	-

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

(Loss)/Profit is arrived at after charging/(crediting): (Cont'd)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Reversal of provision for warranty	**(533)**	-	**-**	-
Accretion of interest implicit in long-term payables	**-**	-	**(1,026)**	(1,329)
Interest income	**(680)**	(471)	**-**	-
Expenses/(income) arising from leases				
Expenses relating to short-term leases	**167**	-	**-**	-
Expenses relating to leases of low-value assets	**32**	-	**-**	-
Rental income	**(5)**	(5)	**-**	-
Rental income from investment properties	**(286)**	(344)	**-**	-
Rental of equipment	**-**	74	**-**	-
Rental of premises	**-**	147	**-**	-
Net loss on impairment of financial instruments				
Impairment on trade receivables	**1,769**	558	**-**	-

25. Employee benefits

25.1 Staff costs

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Wages, salaries and others	**60,725**	46,228	**-**	-

Included in staff costs of the Group are RM3,289,052 (2019: RM2,764,478) representing contributions to Employees' Provident Fund.

25. Employee benefits (Cont'd)

25.2 Key management personnel compensation

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors' fees	**130**	130	**130**	130
Short-term employee benefits	**1,930**	1,770	**723**	837
Contributions to Employees' Provident Fund	**223**	193	**80**	84
	2,283	2,093	**933**	1,051

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.

26. Tax expense

Recognised in profit or loss

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax expense				
Malaysian				
- current year	**230**	526	**-**	-
- prior year	**710**	6	**-**	-
Total current tax recognised in profit or loss	**940**	532	**-**	-
Deferred tax income				
(Reversal)/Origination of temporary differences	**(21)**	(13)	**-**	-
Prior year	**(121)**	-	**-**	-
Total deferred tax recognised in profit or loss	**(142)**	(13)	**-**	-
Total tax expense	**798**	519	**-**	-

26. Tax expense

Reconciliation of tax expense

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(Loss)/Profit before tax	**(12,808)**	13,103	**7,478**	(950)
Income tax calculated using Malaysian tax rate at 24% (2019: 24%)	**(3,074)**	3,145	**1,795**	(228)
Effect of different tax rate in foreign jurisdiction	**(32)**	(31)	**-**	-
Effect of tax incentives	**(426)**	(554)	**-**	-
Effect of unrecognised temporary difference	**2,359**	(1,954)	**-**	-
Non-deductible expenses	**1,403**	592	**371**	547
Non-taxable income	**8**	-	**(2,166)**	(319)
Others	**(29)**	(685)	**-**	-
Under provision of current tax in prior years	**710**	6	**-**	-
Over provision of deferred tax in prior year	**(121)**	-	**-**	-
	798	519	**-**	-

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.

27. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share for the financial year ended 30 June 2020 was based on the (loss)/profit attributable to ordinary shareholders of as follows:

	2020 RM'000	2019 RM'000
(Loss)/Profit attributable to ordinary shareholders	**(13,610)**	12,583
Weighted average number of ordinary shares outstanding	**257,214**	263,116
Basic (loss)/earnings per ordinary share (sen)	**(5.29)**	4.78

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

Diluted earnings per ordinary share

The diluted (loss)/earnings per share has been computed based on adjusted (loss)/earnings attributable to ordinary shareholders divided by the adjusted weighted average number of ordinary shares outstanding after adjusting the effect of all dilutive potential ordinary shares calculated as follows:

	2020 RM'000	2019 RM'000
(Loss)/Profit attributable to ordinary shareholders	**(13,610)**	12,583
Weighted average number of ordinary shares used in the calculation of basic (loss)/earning per share	**257,214**	263,116
Effect of exercise of warrants	*	16,298
Effect of conversion of RCPS	*	32,892
Weighted average number of ordinary shares	**257,214**	312,306
Diluted (loss)/earnings per ordinary share (sen)	**(5.29)**	4.03

* The effect of the potential incremental shares from Warrants and RCPS were not taken into account in the computation of diluted earnings per share for the financial year ended 30 June 2020 as the exercise price of the warrants and RCPS are higher than the average market price of the Company's ordinary shares

28. 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	30.6.2020	30.6.2019
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.

29. Dividends

Dividends on RCPS paid/declared by the Company were as follows:

	2020 RM'000	2019 RM'000
First annual dividend on 50,573,170 RCPS, paid on 27 July 2018	**-**	671
First annual dividend on 46,115,770 RCPS, paid on 12 July 2019	**876**	-
First annual dividend on 42,337,070 RCPS, paid on 14 July 2020	**807**	-
	1,683	671

First annual dividend amounting to RM806,608 has been accrued and was paid subsequent to the reporting date.

30. Reconciliation of liabilities arising from financing activities

Group 2020	At 30 June 2019 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 July 2019 RM'000	Financing cash flows (i) RM'000	Foreign exchange adjustments RM'000	New lease RM'000	RCPS-Liability component (Note 15) RM'000	Other changes RM'000	At 30 June 2020 RM'000
Term loans (Note 18)	4,691	-	4,691	(1,084)	-	-	-	-	3,607
Lease liabilities (Note 17)	-	7,775	7,775	(2,452)	-	245	-	-	5,568
Finance lease liabilities (Note 18)	7,775	(7,775)	-	-	-	-	-	-	-
Other bank borrowings (Note 18)	179,565	-	179,565	47,202	(1,926)	-	-	-	224,841
RCPS-Liability component (Note 15)	3,306	-	3,306	-	-	-	(876)	(881)	1,549
	195,337	-	195,337	43,666	(1,926)	245	(876)	(881)	235,565

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

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 15) RM'000	Other changes RM'000	At 30 June 2019 RM'000
Term loans (Note 18)	7,642	(2,951)	-	-	-	-	4,691
Finance lease liabilities (Note 18)	8,439	(3,917)	-	3,253	-	-	7,775
Other bank borrowings (Note 18)	167,769	13,716	(1,920)	-	-	-	179,565
RCPS- Liability component (Note 15)	4,025	-	-	-	(671)	(48)	3,306
	187,875	6,848	(1,920)	3,253	(671)	(48)	195,337

(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 2018 RM'000	RCPS- Liability component (Note 15) RM'000	Other changes RM'000	At 30 June 2019/ 1 July 2019 RM'000	Cash flow used in financing activities (Note 15) RM'000	Other changes RM'000	At 30 June 2020 RM'000
RCPS- Liability component (Note 15)	4,025	(671)	(48)	3,306	(876)	(881)	1,549

31. Related parties

31.1 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 6 and Note 7 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.), WE Components Pte. Ltd., Jubilee Industries Holding Ltd. and Accrelist 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.

31. Related parties (Cont'd)

31.2 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:

	2020 RM'000	2019 RM'000
(a) Transactions with companies in which certain Directors have a substantial financial interest		
Group		
Sales	**-**	371
Purchase of raw materials	**(736)**	(1,747)
(b) Transaction with subsidiaries		
Company		
Additional investment in a subsidiary	**-**	(19,620)
Advances given	**21,252**	42,010
Advances from	**(43,193)**	(40,991)
Dividend receivable	**8,000**	-
License fee	**32**	32
Management fee received	**448**	464
Repayment to	**(22,296)**	(40,480)
Repayment from	**1,406**	70,999
(c) Transaction with an associate		
Group		
Advances	**215**	-
Sales	**1,735**	-
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 20 to the financial statements. All the outstanding balances are expected to be settled in cash or partially capitalised as paid-up share capital.

32. Financial instruments

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments 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
2020			
Financial assets			
Group			
Other investments	**3,128**	**-**	**3,128**
Trade and other receivables (exclude prepayments)	**277,485**	**277,485**	**-**
Fixed deposits with licensed banks	**18,040**	**18,040**	**-**
Cash and bank balances	**12,866**	**12,866**	**-**
	311,519	**308,391**	**3,128**
Company			
Other investments	**3,128**	**-**	**3,128**
Trade and other receivables (exclude prepayments)	**72,003**	**72,003**	**-**
Fixed deposits with licensed banks	**4,996**	**4,996**	**-**
Cash and bank balances	**472**	**472**	**-**
	80,599	**77,471**	**3,128**

32. Financial instruments (Cont'd)

32.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	AC RM'000
2020 (Cont'd)		
Financial liabilities		
Group		
Lease liabilities	**5,568**	**5,568**
Loans and borrowings	**228,448**	**228,448**
RCPS- Liability component	**1,549**	**1,549**
Trade and other payables	**339,307**	**339,307**
	574,872	**574,872**
Company		
RCPS- Liability component	**1,549**	**1,549**
Trade and other payables	**53,034**	**53,034**
	54,583	**54,583**

	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

32. Financial instruments (Cont'd)

32.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	AC RM'000	FVOCI-EIDUIR RM'000
2019 (Cont'd)			
Company			
Other investments	3,342	-	3,342
Trade and other receivables (exclude prepayments and non-refundable deposits)	50,947	50,947	-
Fixed deposits with licensed banks	6,217	6,217	-
Cash and bank balances	207	207	-
	60,713	57,371	3,342

	Carrying amount RM'000	AC RM'000
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		
RCPS- Liability component	3,306	3,306
Trade and other payables	38,930	38,930
	42,236	42,236

32. Financial instruments (Cont'd)

32.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net (losses)/gains on:				
Equity instruments designated at fair value through other comprehensive income	**(214)**	(3,384)	**(214)**	(3,384)
Financial assets measured at amortised cost	**(944)**	616	**1,113**	1,472
Financial liabilities measured at amortised cost	**(6,807)**	(7,706)	**(1,036)**	(1,582)
	(7,965)	(10,474)	**(137)**	(3,494)

32.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

32.4 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.

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.

32. Financial instruments (Cont'd)

32.4 Credit risk (Cont'd)

Trade Receivables (Cont'd)

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:

	2020 RM'000	2019 RM'000
Group		
Domestic	**40,485**	73,104
Asia Pacific (other than Malaysia)	**207,428**	115,309
Others	**26,286**	20,562
	274,199	208,975

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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2020.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Group			
Not past due	**197,432**	**(5)**	**197,427**
Past due 1 - 30 days	**61,682**	**(5)**	**61,677**
Past due 31 - 60 days	**11,108**	**(5)**	**11,103**
Past due 61 - 90 days	**861**	**(5)**	**856**
	271,083	**(20)**	**271,063**
Credit impaired			
Past due more than 90 days	**5,443**	**(2,307)**	**3,136**
	276,526	**(2,327)**	**274,199**

32. Financial instruments (Cont'd)

32.4 Credit risk (Cont'd)

Trade Receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

	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 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 (2019: 4) customers who collectively contributed 84% (2019: 86%) of the Group's trade receivables at 30 June.

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

	2020 RM'000	2019 RM'000
Group		
Balance at 1 July	**558**	-
Net remeasurement of loss allowance	**1,769**	558
Balance at 30 June	**2,327**	558

32. Financial instruments (Cont'd)

32.4 Credit risk (Cont'd)

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.

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.

32. Financial instruments (Cont'd)

32.4 Credit risk (Cont'd)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM228,448,419 (2019: RM184,256,539) 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.

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 2020.

32. Financial instruments (Cont'd)

32.4 Credit risk (Cont'd)

Inter-company balances (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
2020			
Low credit risk			
- Amount due from subsidiaries	**71,887**	**-**	**71,887**
2019			
Low credit risk			
- Amount due from subsidiaries	50,632	-	50,632

32.5 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.

32. **Financial instruments (Cont'd)**

32.5 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
2020							
Group							
Non-derivative financial liabilities							
Bankers' acceptances	181,673	1.26 – 4.30	181,673	181,673	-	-	-
Revolving credits	7,490	1.89 – 3.15	7,490	7,490	-	-	-
Trust receipts	35,678	1.26 – 3.20	35,678	35,678	-	-	-
Term loans	3,607	4.33 – 4.83	3,969	1,259	1,200	1,510	-
Lease liabilities	5,568	4.75 – 6.94	6,024	2,591	1,858	1,575	-
RCPS- Liability component	1,549	2.00	1,549	708	841	-	-
Trade and other payables	339,307	-	339,307	339,307	-	-	-
	574,872		575,690	568,706	3,899	3,086	-
Company							
Non-derivative financial liabilities							
Amount due to subsidiaries	9,536	4.87	9,536	-	-	9,536	-
Trade and other payables (excluding non-current amount due to subsidiaries)	43,498	-	43,498	43,498	-	-	-
RCPS- Liability component	1,549	2.00	1,549	708	841	-	-
Financial guarantees	-	-	228,448	228,448	-	-	-
	54,583		283,031	272,654	841	9,536	-

32. Financial instruments (Cont'd)

32.5 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
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 (excluding non-current amount due to subsidiaries)	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	-

32. Financial instruments (Cont'd)

32.6 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.

32.6.1 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 European 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	
2020	
Trade and other receivables	**229,286**
Trade and other payables	**(308,278)**
Cash and bank balances	**9,774**
Fixed deposits with licensed banks	**2,129**
Loans and borrowings	**(214,842)**
Net exposure	**(281,931)**
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)

32. Financial instruments (Cont'd)

32.6 Market risk (Cont'd)

32.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis

A 5% (2019: 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		
2020		
USD	**10,713**	**(10,713)**
2019		
USD	5,760	(5,760)

A 5% (2019: 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.

32.6.2 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.

32. Financial instruments (Cont'd)

32.6 Market risk (Cont'd)

32.6.2 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
Financial assets	**18,040**	19,370	**4,996**	6,217
Financial liabilities	**(231,958)**	(190,646)	**(1,549)**	(3,306)
	(213,918)	(171,276)	**3,447**	2,911
Floating rate instruments				
Financial assets	**-**	-	**9,925**	10,632
Financial liabilities	**(3,607)**	(4,691)	**(9,536)**	(8,671)
	(3,607)	(4,691)	**389**	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.

(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		
2020		
Floating rate instruments	**(27)**	**27**
2019		
Floating rate instruments	(36)	36

32. Financial instruments (Cont'd)

32.6 Market risk (Cont'd)

32.6.2 Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis **(Cont'd)**

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

	Profit or (loss)	
	100 bp increase RM'000	100 bp decrease RM'000
Company		
2020		
Floating rate instruments	**3**	**(3)**
2019		
Floating rate instruments	15	(15)

32.6.3 Other price risk

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

Risk management objectives, policies and processes for managing the risk

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

Equity price risk sensitivity analysis

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% (2019: 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.

	Group	
	2020 RM'000	2019 RM'000
Effect on equity	**313**	334

32.7 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.

32. Financial instruments (Cont'd)

32.7 Fair value information (Cont'd)

The table below analyses other financial instruments at fair value.

	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
2020										
Group										
Financial asset										
Quoted shares	3,128	-	-	3,128	-	-	-	-	3,128	3,128
Financial liabilities										
Term loans – variable rate	-	-	-	-	-	-	(3,607)	(3,607)	(3,607)	(3,607)
Lease liabilities	-	-	-	-	-	-	(5,695)	(5,695)	(5,695)	(5,568)
	-	-	-	-	-	-	(9,302)	(9,302)	(9,302)	(9,175)
Company										
Financial assets										
Amount due from subsidiaries	-	-	-	-	-	9,925	-	9,925	9,925	9,925
Quoted shares	3,128	-	-	3,128	-	-	-	-	3,128	3,128
	3,128	-	-	3,128	-	9,925	-	9,925	13,053	13,053
Financial liabilities										
Amount due to subsidiaries	-	-	-	-	-	(9,536)	-	(9,536)	(9,536)	(9,536)

32. Financial instruments (Cont'd)

32.7 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)

32. Financial instruments (Cont'd)

32.7 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. (2019: 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.

33. 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.

33. 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.

2020	EMS and OEM/ODM for electronic and electrical products RM'000	Other non-reportable segment RM'000	Consolidated total RM'000
External revenue	**1,002,621**	**559**	**1,003,180**
Segment profit/(loss)	**(5,676)**	**(7,132)**	**(12,808)**
Included in the measure of segment profit are:			
Loss on disposal of property, plant and equipment	**629**	**-**	**629**
Depreciation of property, plant and equipment	**36,136**	**170**	**36,306**
Depreciation of right-of-use assets	**1,570**	**12**	**1,582**
Amortisation of intangible assets	**338**	**918**	**1,256**
Depreciation of investment properties	**-**	**65**	**65**
Finance costs	**6,523**	**284**	**6,807**
Impairment loss on intangible assets	**-**	**2,600**	**2,600**
Impairment on trade receivables	**1,769**	**-**	**1,769**
Interest income	**(680)**	**(145)**	**(825)**
Gain on foreign exchange, net - unrealised	**(3,743)**	**(3)**	**(3,747)**
Provision for slow moving stocks	**3,000**	**-**	**3,000**
Reversal of provision for warranty	**(533)**	**-**	**(533)**
Segment assets	**880,780**	**17,589**	**898,369**
Included in the measure of segment assets are:			
Additions to property, plant and equipment	**62,064**	**2**	**62,066**
Additions to right-of-use assets	**10,921**	**-**	**10,921**
Additions to intangible assets	**255**	**-**	**255**

33. Operating segment (Cont'd)

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
Investment in an associate	1,960	-	1,960

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, investment in an associate and deferred tax assets.

	Malaysia RM'000	Singapore RM'000	Europe RM'000	Thailand RM'000	Others RM'000	Consolidated RM'000
2020						
Revenue from external customers	**185,715**	**38,499**	**49,910**	**461,408**	**267,648**	**1,003,180**
Non-current assets	**183,714**	**-**	**-**	**104,821**	**-**	**288,535**
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

33. Operating segment (Cont'd)

Major customers

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

	Revenue		Segment
	2020 RM'000	2019 RM'000	
Customer A	**123,236**	180,745	EMS and OEM/ODM for electronic and electrical products
Customer B	**423,821**	432,772	
Customer C	**242,263**	125,031	

34. 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 2020 and at 30 June 2019 were as follows:

	Group	
	2020 RM'000	2019 RM'000
Total loans and borrowings (Note 18)	**228,448**	192,031
RCPS- Liability component (Note 15)	**1,549**	3,306
	229,997	195,337
Less: Cash and cash equivalents	**(12,866)**	(20,503)
Net debt	**217,131**	174,834
Total equity	**322,687**	331,438
Debt-to-equity ratio	**0.67**	0.53

35. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 July 2019.

At 1 July 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 July 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 July 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 July 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

As a lessor

Group entities who are intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

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

Impacts on financial statements

Impact arising from the adoption of MFRS 16 on the financial statements:

Statement of Financial Position

	At 30 June 2019 RM'000	Adjustment on initial application of MFRS 16 RM'000	As at 1 July 2019 RM'000
Property, plant and equipment	234,052	(26,177)	207,875
Right-of-use assets	-	26,177	26,177
Finance lease payable	7,775	(7,775)	-
Lease liability	-	7,775	7,775

36. Capital commitment - Group

	2020 RM'000	2019 RM'000
Authorised and contracted for		
- Property, plant and equipment	**2,745**	875

37. Significant event

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operates.

The Group and the Company have performed an assessment of the overall impact of the situation on the Group and the Company's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial year ended 30 June 2020.

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 52 to 141 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 2020 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,

27 October 2020

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 52 to 141 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 27 October 2020.

Dato' Kang Pang Kiang

Before me:

Commisioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of EG Industries Berhad (Registration No. 199101012585 (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 2020 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 52 to 141.

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 2020, and of its financial performance and its cash flows for the financial 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 financial 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 RM1,003 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. - Performed a range of sensitivities across the different elements in the impairment model to identify which assumptions are key and were most sensitive in management's assessment.

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 45% of the Group's current assets as at 30 June 2020. During the financial year, the Group assessed the impairment of trade receivables and the assessment of impairment involves significant estimation uncertainty subjective assumptions and the application of 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. - Inspected post year end cash receipt relating to collection of past due debts.
Carrying amount of inventories	
Refer to Note 12 – Inventories to the financial statements The Group held significant inventory balances as at 30 June 2020 of RM292 million. There is a risk over the valuation of inventories due to possible slow moving and obsolete inventories. Slow moving inventories may be due to items that are generally not fast moving such as replacement parts for the repair of the products sold. Obsolete inventories may be due to phasing out of older models or inventories that are no longer saleable. The valuation of inventories is a key audit matter because of the judgement involved in assessing the level of inventory allowance required.	We designed and performed the following key procedures, among others: - We tested the design and implementation of controls over the identification of slow moving inventories and obtained an understanding of the Company's process for measuring the amount of write down required and tested the appropriateness of the costing of inventories. - We tested net realisable values to the selling prices.
Impairment of intangible assets	
Refer to Note 9 – Intangible assets to the financial statements As at 30 June 2020, the Group's intangible assets comprising mainly of goodwill on consolidation and intellectual property which amounted to RM10 million and RM3 million respectively. The assessment of the recoverable amount of these intangible assets is based on forecasting and discounting future cash flows, which are inherently highly judgmental. The key assumptions include growth rates, discount rates applied and the forecast performance based on management's view of future business prospects. Changes in external economic and future market conditions and errors in the above estimates can impact the assessment of the carrying value of the intangible assets as well as the profit or loss recognised by the Group.	We designed and performed the following key procedures, among others: - Assessing the valuation methodology adopted by management; - Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; - Reconciling input data used in the cash flow forecasts to supporting evidence, such as approved budgets and considering the reasonableness of those budgets; - Considering the potential impact of reasonably possible downside changes in these key assumptions.

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.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries, of which we have not acted as auditors, are disclosed in Note 6 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
02239/07/2022 J
Chartered Accountant

27 October 2020

Penang

LIST OF PROPERTIES HELD BY THE GROUP

Location	Age of Building	Date of Last Valuation	Area (sq. ft.)	Existing Use	Tenure	Net Book Value As at 30/06/2020 (RM)
Lot 122 304 Industrial Park Tha Tum District Srimahapho Prachinburi, Thailand	12	05/04/2011	172,223	Factory, Office Building & Warehouse	Freehold	7,293,856
H.S.(M) 17426 P.T.No. 8543 Bandar Sungai Petani Daerah Kuala Muda Kedah, Malaysia	27	21/06/2017	174,240	Factory, Office Building & Warehouse	Leasehold (60 years) (08/10/2049)	21,579,720
H.S.(M) 17427 P.T.No. 8544 Bandar Sungai Petani Daerah Kuala Muda Kedah, Malaysia	7	30/07/2015	152,460	Factory, Office Building & Warehouse	Leasehold (60 years) (24/03/2050)	2,742,086
H.S.(M) 18565 P.T.No. Plot 35 Bandar Sungai Petani Daerah Kuala Muda Kedah, Malaysia	-	03/09/2014	121,968	Vacant Land	Leasehold (60 years) (12/09/2054)	566,677
H.S.(M) 23422 P.T.No 8545 Bandar Sungai Petani Daerah Kuala Muda Kedah, Malaysia	2	04/05/2017	260,491	Factory, Office Building & Warehouse	Leasehold (60 years) (24/03/2050)	13,302,452
1-18-1 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	7	18/12/2014	1,132	Office	Leasehold (99 years) (02/04/2095)	723,508
1-12A-16 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	6	18/12/2014	459	Office	Leasehold (99 years) (02/04/2095)	304,688
1-12A-17 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	6	18/12/2014	459	Office	Leasehold (99 years) (02/04/2095)	304,688

LIST OF PROPERTIES HELD BY THE GROUP (Cont'd)

Location	Age of Building	Date of Last Valuation	Area (sq. ft.)	Existing Use	Tenure	Net Book Value As at 30/06/2020 (RM)
1-10-1 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	4	27/06/2016	1,711	Office	Leasehold (99 years) (02/04/2095)	1,119,609
1-10-2 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	4	27/06/2016	915	Office	Leasehold (99 years) (02/04/2095)	620,506
1-10-7 Suntech@Penang Cybercity, Lintang Mayang Pasir 3 11950 Bayan Baru Penang, Malaysia	4	27/06/2016	2,164	Office	Leasehold (99 years) (02/04/2095)	1,407,380
Plot 329(d) Batu Kawan Industrial Park Penang, Malaysia	-	18/11/2019	228,464	Vacant Land	Leasehold (60 years) Commencing from the date of issuance of the document of title	10,209,462

STATISTICS OF SHAREHOLDINGS

as at 2 October 2020

Total no. of issued share capital	:	293,858,936 Ordinary Shares (including 17,585,900 Treasury Shares)
Class of shares	:	Ordinary Shares
Voting rights	:	One vote per Ordinary Share

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	93	1.33	3,795	0.00
100 – 1,000	787	11.25	623,225	0.21
1,001 – 10,000	3,326	47.54	19,437,971	6.61
10,001 – 100,000	2,440	34.88	81,543,651	27.75
100,001 – 14,692,945 (*)	347	4.96	143,886,894	48.96
14,692,946 and above (**)	3	0.04	48,363,400	16.46
TOTAL	**6,996**	**100.00**	**293,858,936**	**100.00**

Remarks:

* Less than 5% of issued shares

** 5% and above of issued shares

DIRECTORS' SHAREHOLDINGS

	No. of Ordinary Shares Held			
Name	Direct Interest	%(#)	Indirect Interest	%(#)
Dato' Terence Tea Yeok Kian	2,445,025	0.89	37,606,424[a]	13.61
Dato' Kang Pang Kiang	10,855,300	3.93	-	-
Ang Seng Wong	-	-	-	-
Lim Sze Yan	-	-	-	-
Lee Kean Teong	32,900	0.01	-	-

(a) 37,606,424 shares held through Jubilee Industries Holdings Ltd

(#) After netting off 17,585,900 treasury shares

SUBSTANTIAL SHAREHOLDERS

	No. of Ordinary Shares Held			
Name	Direct Interest	%(#)	Indirect Interest	%(#)
Jubilee Industries Holdings Ltd.	37,606,424	13.61	-	-
Dato' Terence Tea Yeok Kian	2,445,025	0.89	37,606,424 [a]	13.61
Accrelist Limited	-	-	37,606,424 [a]	13.61

(a) 37,606,424 shares held through Jubilee Industries Holdings Ltd

(#) After netting off 17,585,900 treasury shares

STATISTICS OF SHAREHOLDINGS (Cont'd)

as at 2 October 2020

30 Largest Shareholders as at 2 October 2020
(Without aggregating securities from different securities accounts belonging to the same person)

NO.	NAMES	HOLDINGS	% (#)
1	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JUBILEE INDUSTRIES HOLDINGS LTD	15,530,000	5.6213
2	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JUBILEE INDUSTRIES HOLDINGS LTD	15,247,500	5.5190
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (DATO') (6000059)	10,540,300	3.8152
4	KENANGA NOMINEES (ASING) SDN BHD JUBILEE INDUSTRIES HOLDINGS LTD (023)	6,828,924	2.4718
5	LEE TEIK HEE	4,539,700	1.6432
6	LIM HOOI PHENG	3,624,200	1.3118
7	HUANG TIONG SII	3,500,000	1.2669
8	TAN PHAIK IMM	3,078,700	1.1144
9	GIAP SENG CAPITAL SDN. BHD.	2,665,892	0.9649
10	LEE PAK HOONG	2,554,021	0.9245
11	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TERENCE TEA YEOK KIAN	2,422,300	0.8768
12	GIAP SENG CAPITAL SDN. BHD.	2,000,000	0.7239
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KEH CHUAN SENG	1,641,000	0.5940
14	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG HAN PENG (MY0915)	1,565,000	0.5665
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YOON MENG @ LOH YOON MIN (E-IMO)	1,550,000	0.5610
16	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING MING	1,500,000	0.5429
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG SAY KHEONG (E-PPG/JMR)	1,419,700	0.5139
18	BOON KIT LEONG	1,400,000	0.5067
19	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG SAY KHEONG (MARGIN)	1,400,000	0.5067
20	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW SOOK MENG (MGN-KPK0002M)	1,356,375	0.4910
21	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA	1,300,000	0.4705
22	LOW CHOON YEN	1,242,600	0.4498
23	CHUA ENG KIAT	1,166,500	0.4222
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI KENG THYE	1,000,000	0.3620
25	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GRACE CHEAH YEONG SEN (PNG)	980,000	0.3547
26	SOW TIAP	920,000	0.3330
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KONG CHONG SOON @ CHI SUIM (PB)	900,000	0.3258
28	HO PHON GUAN	900,000	0.3258
29	LOW JOO TEOW	856,000	0.3098
30	TEH CHIA HOW	820,400	0.2970
	TOTAL:	**94,449,112**	**34.1869**

(#) *After netting off 17,585,900 treasury shares*

STATISTICS OF WARRANTS-C 2015/2020

as at 2 October 2020

No. of Warrants-C	:	68,682,934
Adjusted Exercise/Conversion price	:	RM0.42
Exercise/Conversion ratio	:	1 Warrant-C for 1 new Ordinary Share
Maturity Date	:	3 November 2020

Size of Holdings	No. of Holders	%	No. of Warrants-C	%
1 – 99	485	32.57	25,853	0.04
100 – 1,000	103	6.92	61,373	0.09
1,001 – 10,000	293	19.68	1,649,738	2.40
10,001 – 100,000	479	32.17	19,729,773	28.73
100,001 – 3,434,145 (*)	129	8.66	47,216,197	68.75
3,434,146 and above (**)	0	0.00	0	0.00
TOTAL	**1,489**	**100.00**	**68,682,934**	**100.00**

Remarks:

* Less than 5% of issued warrants

** 5% and above of issued warrants

DIRECTORS' WARRANTS-C HOLDINGS

	No. of Warrants-C Held			
Name	Direct Interest	%	Indirect Interest	%
Dato' Terence Tea Yeok Kian	-	-	-	-
Dato' Kang Pang Kiang	2,877,921	4.19	-	-
Ang Seng Wong	-	-	-	-
Lim Sze Yan	-	-	-	-
Lee Kean Teong	-	-	-	-

STATISTICS OF WARRANTS-C 2015/2020

as at 2 October 2020

30 Largest Warrants-C Holders as at 2 October 2020
(Without aggregating securities from different securities accounts belonging to the same person)

NO.	NAMES	HOLDINGS	%
1	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (DATO') (6000059)	2,787,440	4.0584
2	TAN KAH SIAN	2,500,000	3.6399
3	CHEONG LI LYNN	1,725,700	2.5126
4	CHAN KWANG YEW	1,500,000	2.1839
5	KOH KENG YONG	1,315,100	1.9147
6	NG SEE KUANG	1,300,000	1.8928
7	SAYE WEI LIAM	1,002,000	1.4589
8	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	900,000	1.3104
9	CHIN KEAN PING	889,700	1.2954
10	WOON YONG SHEN	750,000	1.0920
11	LOW SOOK MENG	673,947	0.9812
12	ONG YONG HANG	664,400	0.9673
13	BURHANUDDIN BIN AB. RAHMAN	610,000	0.8881
14	GIANLUCA ORLANDI	600,000	0.8736
15	KOAY TIAN TEIK	600,000	0.8736
16	MOHAMAD REDZUAN BIN ROSLAN	600,000	0.8736
17	LEE BEE GEOK	561,721	0.8178
18	TAN SIN CHEE	557,700	0.8120
19	NG KIAT SIONG	550,021	0.8008
20	HOMEVEST CAPITAL SDN.BHD.	550,000	0.8008
21	OOI WEOI ZHAN	535,000	0.7789
22	LOW SUAN KONG	530,060	0.7717
23	ERIES AZWAN BIN DERAMAN	500,000	0.7280
24	KENANGA NOMINEES (TEMPATAN) SDN BHD CHENG YU SENG	500,000	0.7280
25	ROSLAN BIN MISIRAN	500,000	0.7280
26	LEE JING YI	494,057	0.7193
27	ROHAZIFAH BINTI SAMSUDIN	491,400	0.7155
28	KOO KAI LIANG	470,000	0.6843
29	TOH KIAN SOON	468,100	0.6815
30	WONG FOOK YEW	457,700	0.6664
	TOTAL:	**25,584,046**	**37.2495**

STATISTICS OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS")

as at 2 October 2020

No. of RCPS	:	23,767,344
Exercise/Conversion price	:	RM0.95 of RCPS for 1 new Ordinary Share
Conversion ratio	:	1 RCPS for 1 new Ordinary Share
Coupon Rate	:	2% per annum payable annually
Maturity Date	:	12 October 2022

Size of Holdings	No. of Holders	%	No. of RCPS	%
1 – 99	61	6.22	2,889	0.01
100 – 1,000	174	17.76	104,610	0.44
1,001 – 10,000	544	55.51	2,049,743	8.62
10,001 – 100,000	173	17.65	5,037,462	21.20
100,001 – 1,188,366 (*)	23	2.35	6,973,431	29.34
1,188,367 and above (**)	5	0.51	9,599.209	40.39
TOTAL	**980**	**100.00**	**23,767,344**	**100.00**

Remarks:

* Less than 5% of issued RCPS

** 5% and above of issued RCPS

DIRECTORS' RCPS HOLDINGS

	No. of RCPS Held			
Name	Direct Interest	%	Indirect Interest	%
Dato' Terence Tea Yeok Kian	-	-	-	-
Dato' Kang Pang Kiang	2,603,300	10.95	-	-
Ang Seng Wong	-	-	-	-
Lim Sze Yan	-	-	-	-
Lee Kean Teong	-	-	-	-

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

as at 2 October 2020

30 Largest RCPS Holders as at 2 October 2020
(Without aggregating securities from different securities accounts belonging to the same person)

NO.	NAMES	HOLDINGS	%
1	ONG KENG SENG	3,203,400	13.4782
2	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KANG PANG KIANG (DATO') (6000059)	2,540,300	10.6882
3	SHIN LOON SDN BHD	1,400,000	5.8904
4	TAN PHAIK IMM	1,254,000	5.2761
5	LEE PAK HOONG	1,198,384	5.0421
6	SIM MUI KHEE	1,082,000	4.5525
7	GIAP SENG CAPITAL SDN. BHD.	933,178	3.9263
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIN HOOI	930,000	3.9129
9	LEE TEIK HEE	427,000	1.7966
10	LIM HOOI PHENG	323,900	1.3628
11	Y.P. CONSTRUCTION SDN BHD	305,400	1.2850
12	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING MING	300,000	1.2622
13	LOW SOOK MENG	291,275	1.2255
14	ONG YONG HANG	255,000	1.0729
15	MARIAM PARINEH	250,000	1.0519
16	PANG CHONG YEN	230,000	0.9677
17	DATUK TAY HOCK TIAM	190,000	0.7994
18	LOW CHOON YEN	190,000	0.7994
19	PHUAN WE PING	158,800	0.6681
20	NG LING CHONG	150,000	0.6311
21	CHU ENG HOCK	142,000	0.5975
22	CHUA ENG KIAT	124,028	0.5218
23	LOW SUAN KONG	113,000	0.4754
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIA KHAI HUAN (820072)	110,000	0.4628
25	SU MING YAW	109,000	0.4586
26	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIN YEN	107,500	0.4523
27	HIEW KAT KEE	100,600	0.4233
28	CHONG JIT HUI	100,000	0.4207
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KONG CHONG SOON @ CHI SUIM (PB)	100,000	0.4207
30	KOK WAI MENG	100,000	0.4207
	TOTAL:	**16,718,765**	**70.3434**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting ("AGM") of shareholders of EG Industries Berhad ("EG" or "the Company") will be held at Plot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah on Friday, 27 November 2020 at 11:30 a.m. to transact the following business :

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 and the Reports of Directors and Auditors thereon.

2. To approve the following payments to Directors of the Company :
   (a) Fees and benefits payable of up to an aggregate amount of RM150,000 for the financial year ended 30 June 2020. — Ordinary Resolution 1
   (b) Fees and benefits payable of up to an aggregate amount of RM200,000 for the period from 1 July 2020 until the next AGM of the Company and further, to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine. — Ordinary Resolution 2

3. To re-elect the following Directors who retire in accordance with Clause 99 of the Company's Constitution:-

   (a) Mr Ang Seng Wong — Ordinary Resolution 3
   (b) Dato' Terence Tea Yeok Kian — Ordinary Resolution 4

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

AS SPECIAL BUSINESS, to consider and if thought fit, to pass with or without any modification, the following Resolutions :-

5. **Retention of Senior Independent Non Executive Director** — Ordinary Resolution 6

   "That Mr Ang Seng Wong be hereby retained as a Senior Independent Non-Executive Director ("Senior INED") of the Company until the conclusion of the next AGM."

6. **Power to Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016** — Ordinary Resolution 7

   "THAT subject always to the Companies Act 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Section 75 and 76 of the Act to issue and allot shares in the Company to such persons, at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being."

7. **Proposed Renewal of Authority to Buy Back Its Own Shares by the Company** Ordinary Resolution 8

"THAT subject always to the Companies Act 2016 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares in the Company's total number of issued shares through the Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following:-

i) the aggregate number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the total number of issued shares of the Company for the time being ("EG Shares");

ii) the amount of fund to be allocated by the Company for the purpose of purchasing the EG Shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable);

iii) the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:

a) the conclusion of the next AGM of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
b) the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Main Market Listing Requirements of the Bursa Securities or any other relevant authorities;

iv) upon completion of the purchase(s) of the EG Shares by the Company, the Directors of the Company be hereby authorised to deal with the EG Shares in the following manner:

a) to cancel the EG Shares so purchased; or

b) to retain the EG Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or

c) to retain part of the EG Shares so purchased as treasury shares and cancel the remainder; or

d) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such actions and steps as are necessary or expedient to implement or to effect the purchase of EG shares."

8. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions between the Company and/or its Subsidiaries** Ordinary Resolution 9

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company and/or its subsidiaries ("EG Group") to enter into recurrent related party transactions of a revenue or trading nature as set out in the Circular to Shareholders dated 30 October 2020 which transactions are necessary for the day-to-day operations in the ordinary course of business of EG Group on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

AND THAT, such approval, shall continue to be in force until:
(a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;
(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("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 resolution passed by the shareholders of the Company in a general meeting, whichever is earlier.

FURTHER THAT the Directors of the Company be and are hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities to give full effect to the Proposed Shareholders' Mandate."

9. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution.

By Order of the Board

ONG TZE-EN (MAICSA 7026537) (SSM PC NO. 202008003397)
LAU YOKE LENG (MAICSA 7034778) (SSM PC NO. 202008003368)
Joint Company Secretaries

Penang, 30 October 2020

Notes on proxy and voting:

1. A proxy may but need not be a member of the Company.

2. For a proxy to be valid, the Proxy Form duly completed must be deposited at the Registered Office of the Company at 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Penang, Malaysia not less than forty-eight (48) hours before the time for holding the meeting PROVIDED that in the event the member(s) duly executes the Proxy Form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the Proxy Form, other than the particulars of the proxy have been duly completed by the member(s).

3. A member entitled to attend and vote is entitled to appoint more than one (1) proxy to attend and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

4. Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least (1) proxy in respect of each securities account it may hold with ordinary shares of the Company standing to the credit of the said securities account.

Notes on proxy and voting: (Cont'd)

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

6. If the appointer is a corporation, the Proxy Form must be executed under the corporation's common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing.

7. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 20 November 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote on his/her behalf.

Explanatory Notes on Ordinary Business:

1. The Ordinary Resolutions 1 and 2, are to seek shareholders' approval on the Directors' Fees and benefits payable to the Directors which had been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the Fees and benefits payable is in the best interest of the Company and in accordance with the remuneration framework of the Group. It will also authorised payment to be made by the Company on a monthly basis and/or as and when incurred. The Board is of the view that it is fair and equitable for the Directors to be paid on a monthly basis and/or as and when incurred particularly after they have discharged their responsibilities and rendered their services to the Company. The benefits payable comprise of meeting and Board Committee allowances. This approval shall continue to be in force until the conclusion of the next AGM of the Company. Please refer the Corporate Governance Overview Statement for details of the fees and benefits payable for the Directors.

Explanatory Notes on Special Business:

2. The Ordinary Resolution 6, is to seek shareholders' approval on the appointment of Mr Ang Seng Wong ("Mr Ang") as INED. Mr Ang was appointed as INED on 30 January 2009 and has served the Company as INED for more than twelve (12) years as at the date of the notice of the Twenty Ninth Annual General Meeting. The Nominating Committee has assessed the independence of Mr Ang and noted that he met the independence guidelines as set out in Chapter 1 and Practice Note 13 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. He has demonstrated independence in character, opinion and judgement. The Board, therefore, considers Mr Ang to be independent and recommends him to remain as Senior INED of the Company.

3. The Proposed Ordinary Resolution 7, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares /total number of voting shares 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 shareholders of the Company in general meeting will expire at the conclusion of the next AGM.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 29 November 2019 and which will lapse at the conclusion of the Twenty Ninth AGM.

   This renewed General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

4. The Proposed Ordinary Resolution 8, if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 29,385,893 shares representing 10% of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.

5. The Proposed Ordinary Resolution 9, if passed, will approve the Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions and allow the Company and its subsidiaries to enter into Recurrent Related Party Transactions in accordance with Chapter 10 of the Listing Requirements of the Bursa Securities. This approval shall continue to be in force until the conclusion of the next AGM or the expiration of the period within which the next AGM is required by the law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

Statement of Accompanying Notice of Annual General Meeting
(Pursuant to Paragraph 8.27(2) of the Listing Requirements)

No individual is standing for election as a Director at the forthcoming AGM of the Company.

IMPORTANT NOTICE:-

In view of the outbreak of COVID-19 which is now a global pandemic, the Company has in place rules and control for the AGM in order to safeguard the health of attendees at the AGM. You are requested to read and adhere to the Administrative Guide issued which is sent together with this Notice of AGM and published on the Company's website at www.eg.com.my. Members are also reminded to monitor the Company's website and announcements from time to time for any changes to the AGM's arrangement.

This page is intentionally left blank.

EG Industries Berhad
Registration No. 199101012585 (222897-W)
(Incorporated in Malaysia)

PROXY FORM

No of ordinary shares held	
CDS Account No.	

I/We ____
(FULL NAME IN BLOCK LETTERS, NRIC / PASSPORT / COMPANY NO.)

of____
(FULL ADDRESS IN BLOCK LETTERS AND CONTACT NUMBER)

being a *member / members of EG Industries Berhad ("**Company**"), hereby appoint(s):-

Full Name (in Block Letters)	Mobile No.	NRIC/ Passport No.	No. of Shares	% of Shareholding

* and / or

Full Name (in Block Letters)	Mobile No.	NRIC/ Passport No.	No. of Shares	% of Shareholding

or failing him / her, the Chairman of the Twenty Ninth Annual General Meeting ("**29th AGM**"), as *my / our proxy to vote for *me / us and on *my / our behalf at the 29th AGM of the Company to be held at Plot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah on Friday, 27 November 2020 at 11:30 am, or at any adjournment thereof.

*My / our proxy is to vote on the ordinary resolutions as indicated by an "X" in the appropriate spaces below. If this Proxy Form is returned without any indications as to how the proxy shall vote, *my / our proxy shall vote or abstain as he/ she thinks fit.

	ORDINARY RESOLUTIONS								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
FOR									
AGAINST									

* Strike out whichever is not desired.

Signed this ____________day of ____________2020

____
Signature of Shareholder(s)/Common Seal

Notes on proxy and voting:

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, the Proxy Form duly completed must be deposited at the Registered Office of the Company at 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Penang, Malaysia not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the Proxy Form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the Proxy Form, other than the particulars of the proxy have been duly completed by the member(s).
3. A member entitled to attend and vote is entitled to appoint more than one (1) proxy to attend and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. If the appointer is a corporation, the Proxy Form must be executed under the corporation's common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing.
7. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 20 November 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote on his/her behalf.

Personal Data Privacy

By submitting the duly executed Proxy Form, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

IMPORTANT NOTICE:-

In view of the outbreak of COVID-19 which is now a global pandemic, the Company has in place rules and control for the AGM in order to safeguard the health of attendees at the AGM. You are requested to read and adhere to the Administrative Guide issued which is sent together with this Notice of AGM and published on the Company's website at www.eg.com.my. Members are also reminded to monitor the Company's website and announcements from time to time for any changes to the AGM's arrangement.

Please fold across the line and close

Stamp

To: The Company Secretaries
EG Industries Berhad
Registration No. 199101012585 (222897-W)
Registered Office
170-09-01, Livingston Tower
Jalan Argyll, 10050 George Town
Pulau Pinang

Please fold across the line and close

ADMINISTRATIVE GUIDE
TWENTY NINTH ANNUAL GENERAL MEETING

Day and Date	:	Friday, 27 November 2020
Time	:	11.30 am
Venue	:	Lot 102, Jalan 4, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah

Dear valued shareholders of EG Industries Berhad ("**EGIB**" or "**the Company**")

In view of the Covid-19 pandemic, your safety remains our utmost priority. The Administrative Guide is necessary to introduce safety measures and controls to be undertaken by the Company to safeguard the well-being of all participants during the Twenty Ninth Annual General Meeting ("**29th AGM**") as well as to comply with the Government and/authorities' directives and guidelines on public gatherings and events as well as the standard operating procedures ("SOP") which may be issued from time to time.

As the Covid-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measurers as appropriate up to the day of the 29th AGM of the Company, in accordance with the guidelines and/or SOP issued by the Malaysian Government and other relevant authorities in order to minimise any risk to shareholders and others attending the 29th AGM. The Company would like to thank all participants for their patience and co-operation in enabling us to hold our 29th AGM with optimum safe distancing measures amidst the Covid-19 pandemic. Rest assured, all shareholders/proxies including attendees shall be kept informed of any unexpected changes.

Registration

1. Registration shall commence from 10.00 am at the entrance of the venue and the counter(s) will remain open until such time as may be determined by the Chairman of the meeting. There will be signages to direct you to the registration area.

2. Kindly produce your original National Registration Identity Card ("**NRIC**") or Passport (for foreign shareholder) at the registration counter for verification purposes. Please ensure you collect your NRIC/Passport immediately thereafter. **No person will be allowed to register on behalf of another shareholder/proxy, even with the original NRIC or Passport of that other person.**

3. The registration counter(s) shall manage verification of shareholdings and registration matters only.

Entitlement to Attend and Vote at the 29th AGM

4. If you wish to attend yourself, please do not submit any Proxy Form for the 29th AGM. You will not be allowed to attend the 29th AGM together with the proxy appointed by you regardless of how many CDS accounts you may have.

5. For the purpose of determining shareholders who are entitled to attend the 29th AGM, only shareholders whose names appear in the General Meeting Record of Depositors as at **20 November 2020** shall be entitled to attend, participate, speak and vote at the 29th AGM or appoint proxy(ies) to attend, participate, speak and/or vote on their behalf.

6. If you have submitted your Proxy Form prior to the 29th AGM and subsequently decided to attend the 29th AGM yourself, please proceed to registration counter(s) to revoke the appointment of your proxy before registration.

Form of Proxy(ies)

7. Shareholders must ensure that the duly executed original Proxy Form is deposited at the registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.

Questions relating to the resolutions to be tabled at the Company's 29th AGM

8. Due to limitation of persons allowed for attending the 29th AGM, shareholders are allowed to submit their questions relating to the agenda in advance of the 29th AGM in the following manner:

   (a) **By post.** Shareholders may mail their questions by post to the registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia.

   When sending in your questions via email or post, please also provide the following details:

   - Your full name and address;
   - Number of shares held; and
   - Contact number

   We regret that we will not be able to answer your questions if we are unable to verify your shareholder status.

Deadline to submit questions. All questions must reach us no later than **11.30 am** on **20 November 2020.**

Addressing questions. We will endeavour to address all substantial and relevant questions received from shareholders during the 29th AGM. However, as there may not be sufficient time to address all such questions during the 29th AGM itself, the responses will be sent or emailed to the shareholders at the earliest possible time.

We wish to inform that as the 29th AGM is for matters tabled, only substantial and relevant questions relating to the agenda as set out in the Notice of the 29th AGM will be addressed.

The Company will also publish the proceedings of the 29th AGM on its corporate website under the "Investor Relations" section, including the responses to substantial and relevant questions from shareholders.

Mobile devices

9. Please ensure that all mobile devices such as phones/ other sound emitting devices are put on silent mode during the 29th AGM to ensure smooth and uninterrupted proceedings. Any recording of the proceedings, either vocal or audio visual, is strictly prohibited.

Personal Belongings

10. Please take care of your own personal belongings. The Company will not be held responsible/liable for any lost items.

Public Health Precautions and Preventive Measures

11. **Registration with MySejahtera, temperature checks, health declaration form and face mask**

    (a) All persons attending the 29th AGM will be required to download the MySejahtera application and check in accordingly, wear a mask at all times, undergo a temperature screening as required by the SOP. The self-declaration form may be used for the purpose of contact tracing, if required.

    (b) Further to the SOP, you would not be allowed into the meeting, if your temperature reading is above 37.5°C or you show symptoms of respiratory illness such as sore throat, flu, cough, and/or shortness of breath; or based on your self-declaration, you are advised to self-isolate.

    (c) As a precautionary measure, you are strongly advised not to attend the 29th AGM and to appoint proxy(ies) to attend in your stead, if:

        (i) you are unwell with sore throat, flu, cough, fever, diarrhea and/or shortness of breath; or

        (ii) you have travel history to high risk countries affected by Covid-19 in the past 14 days; or

        (iii) you have contact with a person who is confirmed with Covid-19 infection in the past 14 days.

    (d) The registration and admission for the 29th AGM shall be on **first-come, first-served basis.**

12. **No refreshment and no door gifts / goody-bags**

    To ensure physical distancing and to reduce the number of crowds at the meeting, there will be no refreshment served nor distribution of door gifts/ goody-bags to all attendees of the meeting.

13. **Seating arrangement**

    The seats allocated for attendees at the 29th AGM venue will be maintained at a certain distance from one another as per the SOP.

Enquiries

14. If you have enquiry prior to the 29th AGM, you may contact our Company Secretary during office hours (8.30 am to 5.30 pm) from Monday to Friday at:

    Boardroom Corporate Services Sdn. Bhd.

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

    T: +604 229 4390

Personal Data Policy

By submitting the duly executed Proxy Form, the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/ she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

The Company and its subsidiaries, their officers and employees shall have no liability whatsoever to any and all shareholders, their proxies, corporate representatives or any other party arising out of or in connection with any of them being infected or suspected of being infected with Covid-19 and/or suffering any losses arising out of or in connection with attendance at the 29th AGM and/or measures undertaken by the Company in the Company's sole discretion in response to the Covid-19 pandemic.

EG INDUSTRIES BERHAD 199101012585 (222897-W)
Plot 102, Jalan 4, Bakar Arang Industrial Estate,
08000 Sungai Petani, Kedah, Malaysia.
Tel : +(604) 422 9881
Fax : +(604) 422 9885
Email : eg@eg.com.my

www.eg.com.my