

EG INDUSTRIES BERHAD

(Company No : 222897-W)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2013

A. FRS134 – Interim Financial Reporting

A1. **Basis Preparation**

This interim financial report is unaudited and is prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) No 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read together with the Group’s Audited Financial Statement for the year ended 30 June 2012. For the periods up and including the financial year ended 30 June 2012, the Group prepared its financial statements in accordance with the Financial Reporting Standards (“FRS”).

The group has adopted the MFRS framework issued by Malaysian Accounting Standards Board (“MASB”) with effect from 1 July 2012. This MFRS framework was introduced by the MASB in order to fully converge the Malaysian’s existing FRS framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board.

The group has applied MFRS 1 First Time Adoption of MFRS in the preparation of this interim financial report. In preparing the opening MFRS Statement of Financial Positions as at 1 July 2011, the Group has adjusted the amounts previously reported in its financial statements prepared in accordance with FRS.

There has been no material impact to the Group’s financial statements upon the adoption of the MFRS.

A2. **Changes in accounting policies**

The Group has adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 July 2012. The adoption of these new and revised MFRSs and IC Interpretations did not result in any changes to the significant accounting policies adopted by the Group except for the foreign currency translation reserve.

Under FRS, the Group recognized translation differences on foreign operations as a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be nil as the date of transition to MFRS. Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation differences as at 1 July 2011 amounting to RM 1,243,000 was adjusted to retained earnings as at that date as well as 30 June 2012.

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

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

- Amendments to MFRS 101, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income.

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

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (2011)
- MFRS 127, Separated Financial Statements
- MFRS 128, Investments in Associates and Joint Ventures
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to MFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

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

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

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

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

A3. Audit Report

The auditors' report of the Group's financial statements for the year ended 30 June 2012 was not subject to any qualification.

A4. Seasonal/Cyclical Factors

The business operations of the Group are subject to seasonal or cyclical factors that are common in the industry in which the Group operates in.

A5. Unusual and Exceptional Items

There were no unusual or exceptional items for the current financial quarter.

A6. Changes in Estimates

There were no changes in estimates that have a material effect in the current financial quarter and financial year-to-date results.

A7. Issuance of Equity or Debt Securities

There were no issuance, cancellation, repurchase and repayment of debt and equity securities for the financial quarter ended 30 June 2013.

A8. Dividend Paid

There was no dividend paid for the financial quarter ended 30 June 2013.

A9. **Segmental Reporting**

Current Year to Date	Turnover	Profit/(Loss) before Taxation
Segment for the Group	RM'000	RM'000
EMS	799,910	8,264
2-Layer Parquet Flooring	500	(3,986)
Others	446	(672)
Total	<u>800,856</u>	<u>3,606</u>

A10. **Valuation of Property, Plant and Equipment**

There was no valuation of property, plant and equipment during the financial quarter under review.

A11. **Material Subsequent Events**

There were no material subsequent events during the financial quarter under review.

A12. **Effect of Changes in Composition of the Group**

There were no changes in composition of the group during the financial quarter under review.

A13. **Contingent Liabilities**

There were no material contingent liabilities as at the date of the interim financial statement.

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

	Current Year Quarter 30/06/2013 RM'000	Preceding Year Quarter 30/06/2012 RM'000	Current Year To Date 30/06/2013 RM'000	Preceding Year To Date 30/06/2012 RM'000
<u>Revenue</u>	193,727	180,014	800,856	850,227
- EMS	193,444	178,129	799,910	842,241
- Parquet Flooring	(1)	1,590	500	7,586
- Others	284	295	446	400
<u>Profit/ (Loss) Before Tax</u>	(104)	1,083	3,606	3,688
- EMS	3,070	1074	8,264	4,380
- Parquet Flooring	(3,179)	(34)	(3,986)	(33)
- Others	5	43	(672)	(659)

The Group has recorded revenue of RM193.7 million for the current quarter and RM800.8 million for year to date. The revenue has increased by RM13.7million as compared to the last year corresponding quarter and decreased by RM49.4 million for year to date respectively. The Group recorded a pre-tax loss of RM0.104 million for the current quarter as compared to RM1.08 million for the same quarter last year.

The increase in revenue for the current quarter under review was due to the increase in sales recorded by the EMS division at Malaysia plant as well as Thailand plant. The decrease in pre-tax profit was mainly due the written down of stock in current year quarter.

B2. Material Changes in the Profit Before Taxation for the Quarter Reported On as Compared with the Immediate Preceding Quarter

For the quarter under review, the Group recorded a pre-tax loss of RM0.104 million (sales: RM193.7 million) as compared to the immediate preceding quarter pre-tax profit of RM 2.48 million (sales: RM208.6 million). The decrease in pre-tax profit was mainly due the written down of stock in current year quarter.

B3. Prospect

The Group will strive to ensure that it achieve satisfactory result by taking prudent measures and improving operational efficiency.

B4. Variance on Forecast Profit / Shortfall in Profit Guarantee
Not applicable.

B5. Taxation

	Current Year Quarter 30/06/2013 RM'000	Preceding Year Quarter 30/06/2012 RM'000	Current Year To Date 30/06/2013 RM'000	Preceding Year To Date 30/06/2012 RM'000
Current	(70)	28	430	(24)
Deferred	2,351	2,323	1,781	2,323
	<u>1,711</u>	<u>2,351</u>	<u>2,211</u>	<u>2,299</u>

The effective tax rate of the Group for the current quarter and year to date is lower than the statutory income tax rate mainly due to the availability of reinvestment allowance by a subsidiary and a foreign subsidiary who has been granted tax holiday.

B6. Profits/(Losses) on Sale of Unquoted Investments and /or Properties

There were no sales of unquoted investments or properties during the financial period under review.

B7. Purchase or Disposal of Quoted Securities Other Than Securities in Existing Subsidiaries and Associated Company

There was no gain from disposal of quoted securities during the financial period under review.

B8. Status of Uncompleted Corporate Announcement

There is no uncompleted corporate announcement at the date of issuance of this quarterly report.

B9. Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2013 were as follows:

	RM'000
(a) Secured:	
Bank Overdraft	# 1,314
Banker Acceptance	# 94,843
Revolving Credit	# 16,884
Trust Receipt	# 18,310
Hire Purchase Payable	# 12,105
Trade Financing	# 12,184
Term Loan	# 4,813
	<u>160,453</u>
(b) Repayment within 12 months	152,333
Repayment after 12 months	8,120
	<u>160,453</u>

The borrowings of RM37,403,490.00 denominated in Thai Baht.

B10 Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 30 Jun 2013.

B11. Changes in Material Litigation

There was no material litigation as at 23rd August 2013, a date not earlier than 7 days from the date of issue of this quarterly report.

B12. Dividend

The Board of Directors does not recommend any dividend for the current financial quarter.

B13. Earnings Per Share

i) Basic Earning Per Share – For current year to date

Earning per share of 2.37 sen for the current year to date has been computed based on the Group's net profit attributable to shareholders of the Company for the current year to date of RM1.77 million divided by the weighted average number of ordinary shares outstanding during the current year to date of 74,928,436 as at 30th Jun 2013.

ii) Basic Earning Per Share – For preceding year corresponding period

Earning per share of 1.11 sen for the preceding year corresponding period has been computed based on the Group's net profit attributable to shareholders of the Company for the preceding year corresponding period of RM0.83 million divided by the weighted average number of ordinary shares outstanding during preceding year corresponding period of 74,939,162 as at 30th Jun 2012.

B14. Notes to the Statement of Comprehensive Income

Profit before tax is stated after charging / (crediting):

	Quarter ended 30.06.2013 RM'000	Current year- to-date ended 30.06.2013 RM'000
Interest income	(102)	(135)
Interest expense	2,312	8,608
Depreciation and amortisation	4,233	17,872
Net foreign exchange (gain) or loss	(2,246)	312

B15. Realised or Unrealised Profit and Losses of the Group

	Current Quarter 30.06.2013 RM'000
Realised profit	12,400
Unrealised profit	3,719
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	16,119
Less: Consolidation adjustments	(1,737)
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Total retained earning	14,382
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BY ORDER OF THE BOARD

Tai Keik Hock
Executive Chairman
Date : 30th August 2013