

# EG INDUSTRIES BERHAD

(Company No : 222897-W)

(Incorporated in Malaysia)

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 2013.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2013. These explanatory notes, attached to the condensed consolidated interim financial statements, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2013. The audited financial statements of the Group as at and for the year ended 30 June 2013 were prepared under Malaysian Financial Reporting Standards (MFRSs).

#### A2. **Significant Accounting policies**

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the year ended 30 June 2013 except for the adoption of the following new and revised MFRSs :

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

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting\*
- IC Interpretation 21, Levies\*

##### **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 2013 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 September 2013, save for the following:

During the current quarter, the Company repurchased 5,000 of its issued ordinary shares from the open market at an average price of RM0.300 per share. The total consideration paid for the repurchase including transaction costs was RM1,542.45 and this was financed by internally generated funds.

As at to-date, the Company is holding 101,000 EG shares purchased which are all held as Treasury Shares. The total consideration paid for the repurchase including transaction costs was RM26,684.28.

**A8. Dividend Paid**

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

**A9. Segmental Reporting**

<b>Current Year to Date</b>	<b>Turnover</b>	<b>Profit/(Loss) before Taxation</b>
<b>Segment for the Group</b>	<b>RM'000</b>	<b>RM'000</b>
EMS	247,302	1,237
2-Layer Parquet Flooring	-	(98)
Others	29	(269)
Total	<u>247,331</u>	<u>870</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**

	<b>Current Year Quarter 30/09/2013 RM'000</b>	<b>Preceding Year Quarter 30/09/2012 RM'000</b>	<b>Current Year To Date 30/09/2013 RM'000</b>	<b>Preceding Year To Date 30/09/2012 RM'000</b>
<b><u>Revenue</u></b>	<b>247,331</b>	<b>192,789</b>	<b>247,331</b>	<b>192,789</b>
- EMS	247,302	192,544	247,302	192,544
- Parquet Flooring	-	203	-	203
- Others	29	42	29	42
<b><u>Profit/ (Loss) Before Tax</u></b>	<b>870</b>	<b>621</b>	<b>870</b>	<b>621</b>
- EMS	1,237	989	1,237	989
- Parquet Flooring	(98)	(173)	(98)	(173)
- Others	(269)	(195)	(269)	(195)

The Group has recorded revenue of RM247.3 million for the current quarter and year to date. The revenue has increased by RM54.5 million as compared to the last year corresponding quarter and year to date respectively. The Group recorded a pre-tax profit of RM0.87 million for the current quarter as compared to RM0.62 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 increase in pre-tax profit was mainly due to the increased revenue.

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 profit of RM 0.87 million (sales: RM247.3 million) as compared to the immediate preceding quarter pre-tax loss of RM 0.104 million (sales: RM193.7 million). The increase in profit was mainly due to the increased revenue and also there was written down of stock in immediate preceding 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 30/09/2013 RM'000	Preceding Year Quarter 30/09/2012 RM'000	Current Year To Date 30/09/2013 RM'000	Preceding Year To Date 30/09/2012 RM'000
Current	(100)	(20)	(100)	(20)
Deferred	-	-	-	-
	<u>(100)</u>	<u>(20)</u>	<u>(100)</u>	<u>(20)</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 September 2013 were as follows:

	RM'000
(a) Secured:	
Term Loan	# 3,421
Revolving Credit	# 3,500
Banker Acceptance	# 124,999
Bank Overdraft	# 1,116
Hire Purchase Payable	# 17,885
Trust receipt	# 17,845
	<u>168,766</u>
(b) Repayment within 12 months	157,435
Repayment after 12 months	11,331
	<u>168,766</u>

# The borrowings of RM39,281,562.00 denominated in Thai Baht.

**B10 Off Balance Sheet Financial Instruments**

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

**B11. Changes in Material Litigation**

There was no material litigation as at 21<sup>st</sup> November 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 1.04 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 RM0.87 million divided by the weighted average number of ordinary shares outstanding during the current year to date of 74,919,404 as at 30<sup>th</sup> September 2013.

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

Earning per share of 0.82 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 RM0.62 million divided by the weighted average number of ordinary shares outstanding during preceding year corresponding period of 74,933,839 as at 30<sup>th</sup> September 2012.

**B14. Notes to the Statement of Comprehensive Income**

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

	<b>Quarter ended 30.09.2013 RM'000</b>	<b>Current year- to-date ended 30.09.2013 RM'000</b>
Interest income	(14)	(14)
Interest expense	2,214	2,214
Depreciation and amortization	5,077	5,077
Net foreign exchange (gain) or loss	902	902

**B15. Realised or Unrealised Profit and Losses of the Group**

	<b>Current Quarter 30.09.2013 RM'000</b>
Realised profit	11,343
Unrealised profit	2,200
	<hr/>
	13,543
Add: Consolidation adjustments	1,672
	<hr/>
Total retained earning	<u>15,215</u>

**BY ORDER OF THE BOARD**

Tai Keik Hock  
Executive Chairman

Date : 28<sup>th</sup> November 2013