

EG INDUSTRIES BERHAD

(Company No : 222897-W)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014

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 31 March 2014, 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 RM 0.41 per share. The total consideration paid for the repurchase including transaction costs was RM 2,093.62 and this was financed by internally generated funds.

As at to-date, the Company is holding 106,000 EG shares purchased which are all held as Treasury Shares. The total consideration paid for the repurchase including transaction costs was RM28,777.90.

A8. Dividend Paid

There was no dividend paid for the financial quarter ended 31 March 2014.

A9. Segmental Reporting

Current Year to Date	Turnover	Profit/(Loss) before Taxation
Segment for the Group	RM'000	RM'000
EMS	759,770	4,663
2-Layer Parquet Flooring	-	(252)
Others	217	(741)
Total	<u>759,987</u>	<u>3,670</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 31/03/2014 RM'000	Preceding Year Quarter 31/03/2013 RM'000	Current Year To Date 31/03/2014 RM'000	Preceding Year To Date 31/03/2013 RM'000
<u>Revenue</u>	250,612	208,596	759,987	607,129
- EMS	250,478	208,411	759,770	606,466
- Parquet Flooring	-	122	-	501
- Others	134	63	217	162
<u>Profit/ (Loss)</u>				
<u>Before Tax</u>	1,964	2,483	3,670	3,710
- EMS	2,252	3,188	4,663	5,194
- Parquet Flooring	(72)	(463)	(252)	(807)
- Others	(216)	(242)	(741)	(677)

The Group has recorded revenue of RM250.6 million for the current quarter and RM760.0 million for year to date. The revenue has increased by RM42.0 million as compared to the last year corresponding quarter and increased by RM152.9 million for year to date respectively. The Group recorded a pre-tax profit of RM1.964 million for the current quarter as compared to RM2.483 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 to the higher depreciation and finance costs incurred in respect of the new investment in machineries.

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 RM1.964 million (sales: RM250.6 million) as compared to the immediate preceding quarter pre-tax profit of RM0.836 million (sales: RM262.0 million). The increase in profit despite lower sales was mainly due to the favorable exchange rate for USD/MYR.

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 31/03/2014 RM'000	Preceding Year Quarter 31/03/2013 RM'000	Current Year To Date 31/03/2014 RM'000	Preceding Year To Date 31/03/2013 RM'000
Current	200	450	350	500
Deferred	-	-	-	-
	<u>200</u>	<u>450</u>	<u>350</u>	<u>500</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 31 March 2014 were as follows:

	RM'000
(a) Secured:	
Term Loan	# 12,928
Revolving Credit	# 2,500
Banker Acceptance	# 142,946
Bank Overdraft	# 1,143
Hire Purchase Payable	# 19,872
Trust receipt	# 9,349
	<u># 188,738</u>
(b) Repayment within 12 months	158,838
Repayment after 12 months	29,900
	<u>188,738</u>

The borrowings of RM51million denominated in Thai Baht.

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 31 March 2014.

B11. Changes in Material Litigation

There was no material litigation as at 22nd May 2014, 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 Sharei) Basic Earning Per Share – For current year to date

Earning per share of 4.08 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 RM3.06 million divided by the weighted average number of ordinary shares outstanding during the current year to date of 74,916,403 as at 31st March 2014.

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

Earning per share of 4.39 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 RM3.29 million divided by the weighted average number of ordinary shares outstanding during preceding year corresponding period of 74,931,038 as at 31st March 2013.

B14. Notes to the Statement of Comprehensive Income

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

	Quarter ended 31.03.2014 RM'000	Current year- to-date ended 31.03.2014 RM'000
Interest income	(116)	(172)
Interest expense	3,041	7,083
Depreciation and amortization	6,040	16,259
Net foreign exchange (gain) or loss	(435)	2,000

B15. Realised or Unrealised Profit and Losses of the Group

	Current Quarter 31.03.2014 RM'000
Realised profit	17,753
Unrealised profit	1,592
	<hr/>
	19,345
Less: Consolidation adjustments	(1,852)
	<hr/>
Total retained earning	<hr/> 17,493 <hr/>

BY ORDER OF THE BOARD

Tai Keik Hock
Executive Chairman
Date : 29th May 2014