

**EG INDUSTRIES BERHAD**  
(Company No: 222897-W)  
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

**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 2014.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2014. 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 2014. The audited financial statements of the Group as at and for the year ended 30 June 2014 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 2014 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 2016**

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 116 and MFRS 138, *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 116 and 141, *Agriculture : Bearer Plants*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017**

- MFRS 15, *Revenue from Contracts with Customers*

**MFRSs, Interpretations and amendments effective for a date yet to be confirmed**

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Effective 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 2014 was not subject to any qualification.

**A4. Seasonal or 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 Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no exceptional items that occurred during the current financial quarter under review which affect the assets, liabilities, equity, net income or cash flows of the Group except for those disclosed in Note B14.

**A6. Material changes in Estimates**

There was no material changes in estimates used in the preparation of the financial statements in the current financial quarter as compared to the preceding corresponding financial quarter.

**A7. Issuance of Equity or Debt Securities**

During the current quarter, the Company had issued 2,100,000 new ordinary shares of RM1 each pursuant to the exercise of 2,100,000 warrants 2005/2015 on 29 June 2015.

As of 30 June 2015, the number of outstanding ordinary shares of RM1 each in issue is 77,116,600. The Company held 284,000 of its shares as of 30 June 2015. The number of outstanding ordinary shares of RM1 each in issue after the set-off is 76,832,600.

Other than the above, there were no issuance and repayment of equity and debts securities, share cancellations and resale of treasury sales during the current financial quarter.

**A8. Dividend Paid**

No dividend has been paid for the twelve months ended 30 June 2015.

**A9. Segmental Reporting**

The segment analysis for the Group's results for the financial quarter ended 30 June 2015 is as follows:

<b>Current Year-to-date</b>	<b>Turnover</b>	<b>Profit before</b>
<b>Segment for the Group</b>	<b>RM'000</b>	<b>Taxation</b>
		<b>RM'000</b>
EMS	841,940	11,011
Others	-	12,108
Total	<u>841,940</u>	<u>23,119</u>

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

There were no valuation of property, plant and equipment during the current financial quarter ended 30 June 2015.

**A11. Material Subsequent Events**

There were no material events or transactions subsequent to the end of current financial quarter ended 30 June 2015, save as disclosed below:

- (i) On 21 April 2015, the Company has entered into a Sale and Purchase Agreement with Terence Tea Yeok Kian and Kim Chye Huat @ Bobby Lim Chye Huat for the purchase of 10,750,000 ordinary shares of SGD1.00 each in Singyasin Holdings Pte Ltd representing 95.81% equity interest in SYS for a total cash consideration of SGD3,832,400 (equivalent to RM10,309,539 translated at an exchange rate of RM2.6901 : SGD1.00). The acquisition is pending approval of the Company's shareholders.

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

There were no changes in the composition of the group for the current financial quarter and financial period to date.

**A13. Changes in Contingent Liabilities or Contingent Assets**

There were no material changes in contingent liabilities or contingent assets as at the end of the current financial quarter.

**A14. Capital Commitments**

As at 30 June 2015, the Group has no material capital commitment in respect of property, plant and equipment except for those disclosed in note A11.

**B. ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS**

**B1. Review of Performance**

**Comparison between the current quarter (“Q4 2015”) and the preceding correspondence quarter (“Q4 2014”)**

The Group achieved revenue of RM199 million for the current quarter ended 30 June 2015, a decreased of 14.6% as compared to RM233 million recorded in the previous year corresponding quarter. The decrease was mainly due to change of product sales mix to focus on high margin products and reduce in sales for low margin products. Despite the decreased in revenue, the profit before tax in the current quarter increased from RM2.45 million to RM3.58 million and the net operating margins increased from 4.3% in Q4 2014 to 6.1% in the current quarter. The improvement was mainly due to higher margin generated due to change of product mix and foreign exchange gain of RM0.8 million.

**Comparison between the current financial year-to-date and the preceding correspondence financial year-to-date**

In the financial year-to-date under review, the Group’s revenue decreased by 15% to RM841.9 million compared to the last year corresponding period of RM993.4 million.

Despite the decreased in revenue, the profit before tax in the current quarter increased from RM6 to RM23 million and the net operating margins increased from 3.7% in Q4 2014 to 7.0% in the current financial year-to-date. The improvement was mainly due to higher margin generated due to change of product mix, fair value gain on the realisation of available-for-sale financial assets totalling RM15.5 million and foreign exchange gain of RM0.8 mil.

**B2. Variation of Results against Preceding Quarter**

Description	4 <sup>th</sup> Quarter 2015 RM’000	3 <sup>rd</sup> Quarter 2015 RM’000	Increase/ (Decrease)	
			RM’000	%
Revenue	199,344	179,884	19,460	11%
Profit before tax	3,581	1,493	2,088	>100%

Revenue for the current quarter registered at approximately RM199 million, increased by RM19 million or 11% as compared to the immediate preceding quarter of approximately RM180 million.

The Group’s profit before tax increased by RM2.1 million compared to the immediate quarter was mainly resulted from higher sales generated during the current quarter and foreign exchange gain of RM0.8 million.

**B3. Prospect**

The Group will continue to focus its efforts in the exploring of new market opportunities, maintaining good customer relationships with high quality products; and improve its design and development capabilities to offer better solutions to customers. The Group is also actively seeking potential merger and acquisition (“M&A”) opportunities within the Electronic Manufacturing Services and its related sectors, establishing a comprehensive one stop electrical and electronics solution to leverage on organic growth and opportunities for further expansion.

In addition, the Group will strive to enhance its operational and cost efficiencies by taking prudent measures to achieve satisfactory results. The results of the Group for the financial year 2015 are expected to remain positive.

**B4. Variance on Forecast Profit / Shortfall in Profit Guarantee**

The Group did not issue any profit forecast/profit guarantee for the current financial quarter.

**B5. Taxation**

	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2015 RM'000	30/06/2014 RM'000	30/06/2015 RM'000	30/06/2014 RM'000
Current tax expense:				
- Current year	412	-	763	350
- Prior year	(66)	(116)	(66)	(116)
Total current tax recognised in profit or loss	346	(116)	697	234
Deferred tax income/(expense):				
- Current year	(191)	4,193	(191)	4,193
- Prior year	(3,023)	(595)	(3,023)	(595)
Total deferred tax recognised in profit or loss	(3,214)	3,598	(3,214)	3,598
	(2,868)	3,482	(2,517)	3,832

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 was granted promotional privileges under the Investment Promotional Act B.E. 2520 for a period of 8 years.

**B6. Profit/ (Loss) on Sale of Unquoted Investment and /or Property**

Save as disclosed below, there were no sales of unquoted investments or properties during the current financial period under review:

- (i) On 14 April 2015, Glisten Knight Sdn Bhd, a wholly-owned subsidiary of the Company has entered into a Sale and Purchase Agreement with Jupax Capital Sdn Bhd to dispose three parcels of agricultural land known as Lot 2 held under GRN 35863, Locality of Puncak Chabai, Mukim of Merbuk; and Lots 8 & 16 held under GRN 35852 & GM 1276 respectively, Locality of Pondok Chabai, Mukim of Bujang, all within District of Kuala Muda, State of Kedah for a cash consideration of RM4,500,000. The disposal is completed on May 2015.

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

During the current financial period ended 30 June 2015, the Group has disposed its investment in available-for-sale financial assets and the disposal gave rise to a total gain of RM15.5 million.

The Group had purchased RM6,653,129 quoted securities during the current financial period ended 30 June 2015.

**B8. Status of Uncompleted Corporate Announcement**

On 28 November 2014, the Company announced to undertake the following proposals:

- (i) Proposed reduction of its existing issued and paid-up share capital from RM75,016,600 comprising 75,016,600 ordinary shares of RM1.00 each in EG Industries Berhad (“EGIB”) to RM37,508,300 comprising 75,016,600 ordinary shares of RM0.50 each in EGIB via the cancellation of RM0.50 from the par value of each existing ordinary shares of RM1.00 each in EGIB pursuant to Section 64 of the Companies Act, 1965 (“Proposed Par Value Reduction”);
- (ii) Proposed private placement of up to 9,168,700 new ordinary shares of RM0.50 each in EGIB (“EGIB Shares” or “Shares”) upon completion of the Proposed Par Value Reduction to independent third party investor(s) to be identified at a later date;
- (iii) Proposed renounceable rights issue of up to 151,283,482 new EGIB Shares (“Rights Shares”) together with up to 75,641,741 free detachable warrants (“Warrants”) at an indicative issue price of RM0.50 per Rights Share on the basis of three (3) Rights Shares for every two (2) EGIB Shares held together with one (1) free Warrant for every two (2) Rights Shares subscribed at an entitlement date to be determined later (after the Proposed Par Value Reduction);
- (iv) Proposed establishment of an employees’ share grant scheme (“ESGS”) of up to 15% of the issued and paid-up share capital of EGIB (excluding treasury shares, if any) for eligible Directors (including Non-Executive Directors) and employees of EGIB and its subsidiaries which are not dormant; and
- (v) Proposed amendment to relevant clauses of the Memorandum and/or Articles of Association of the Company to facilitate the Proposed Par Value Reduction.

(collectively referred to as the “Proposals”)

Barring any unforeseen circumstances, the Proposals are expected to be completed in the second half of 2015.

Save as disclosed above, there were no other corporate proposals announced but not completed during the quarter under review.

**B9. Group Borrowings and Debt Securities**

Total Group borrowings as at 30 June 2015 are as follows:

	<b>30/06/2015</b>
	<b>RM’000</b>
(a) Secured:	
Term Loan	48,185
Revolving Credit	-
Banker Acceptance	143,288
Bank Overdraft	(30)
Hire Purchase Payable	14,340
	<u>205,783</u>

(b) Current	187,089
Non-current	18,694
	<u>205,783</u>
(c) Denominated in Malaysia Ringgit	166,354
Denominated in Thai Baht	39,429
	<u>205,783</u>

**B10. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at date of this report.

**B11. Changes in Material Litigation**

The Group is not engaged in any material litigation either as plaintiff or defendant and the Board does not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

**B12. Dividend**

No dividend has been recommended or declared for current quarter and current financial period under review.

**B13. Earnings Per Share**

The basic earnings per share for the current financial quarter and financial period have been calculated by dividing the net profit attributable to owners of the Company for the financial quarter and financial period by weighted average number of ordinary shares in issue during the financial quarter and financial period.

	<b>Individual Quarter Ended</b>		<b>Cumulative Quarter Ended</b>	
	<b>30/06/2015</b>	<b>30/06/2014</b>	<b>30/06/2015</b>	<b>30/06/2014</b>
Net profit attributable to owners of the Company (RM'000)	6,572	(1,028)	25,760	2,030
Weighted average number of ordinary shares outstanding	74,752,022	74,916,403	74,752,022	74,916,403
Basic earnings per share (Sen)	<u>8.79</u>	<u>(1.37)</u>	<u>34.46</u>	<u>2.71</u>

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

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

	<b>Current quarter ended 30/06/2015 RM'000</b>	<b>Current year-to-date 30/06/2015 RM'000</b>
Depreciation and amortization	6,313	25,830
Interest expense	2,483	9,816
Interest income	(52)	(125)
Net foreign exchange gain	435	(814)
Impairment loss of plant and equipment	1,292	1,292
Realisation of fair value gain from available-for-sale financial assets to profit or loss	126	(15,391)
Gain on disposal of property	(185)	(185)

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

	<b>Current quarter ended 30/06/2015 RM'000</b>
Total retained earnings of the Group	
- Realised	44,045
- Unrealised	(736)
	<hr/> 43,309
Less: Consolidation adjustments	(1,084)
Total retained earnings	<hr/> <hr/> 42,225

**BY ORDER OF THE BOARD**

Kang Pang Kiang  
Group Chief Executive Officer/ Executive Director  
Date : 28 August 2015