

Industrial 4.0
Acceleration of Technology

Annual Report 2017

Industrial 4.0

Acceleration of Technology

With the rising age of technology comes with better and faster alternatives for good business performance. Eonmetall is aspired to utilise the advancement of technology to accelerate its business solutions in innovative and productive manners. The visual indicates that Eonmetall holds the market in its hand, embrace the revolutionary impacts of Industrial 4.0. Riding along with the waves of technological advancement, Eonmetall continues to strengthen its competitiveness in the global market. Eonmetall aims to achieve greater efficiency and innovation in its business, as the talents of Eonmetall strive to provide a business structure that will help the company to realise the excellence of Industrial 4.0.



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of EONMETALL GROUP BERHAD (“the Company”) will be held at Ground Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Monday, 28 May 2018 at 2.00 p.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of Directors and Auditors thereon.
2. To re-elect the following Directors retiring pursuant to Article 86 of the Company’s Articles of Association (Constitution) and who, being eligible, offer themselves for re-election:
(a) Mr Goh Kee Seng; and
(b) Madam Tang Yin Kham
Ordinary Resolution 1
Ordinary Resolution 2
3. To approve the payment of Directors’ Fees from the Group totaling RM270,000 for the financial year ended 31 December 2017. **Ordinary Resolution 3**
4. To approve the benefit payable to the Directors of the Company up to an aggregate amount of approximately RM50,000 from 28 May 2018 until the conclusion of the next Annual General Meeting of the Company. **Ordinary Resolution 4**
5. To re-appoint Messrs BDO as Auditors of the Company until the next Annual General Meeting 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 the following resolutions as Ordinary Resolutions:

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 6**

“THAT, subject always to the Companies Act 2016 (“the Act”), the Company’s Articles of Association (Constitution) and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 76 of the Act, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of total number of issued shares/total number of voting shares of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued.”
7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED SHAREHOLDERS’ MANDATE”)** **Ordinary Resolution 7**

“THAT pursuant to Chapter 10.09 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), a general mandate of the shareholders be and is hereby granted for the Company and its subsidiaries to enter into recurrent related party transactions as set out in Section 2.4 under Part A of the Circular dated 30 April 2018, which are necessary for the Group’s day-to-day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders; and that the approval shall continue to be in force until the conclusion of the next Annual General Meeting of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earlier.”

Notice of Annual General Meeting (Cont'd)



8. PROPOSED RENEWAL OF AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY

Ordinary Resolution 8

“THAT subject always to the Act, rules, regulations and orders made pursuant to the Act, provisions of the Memorandum and Articles of Association (Constitution) of the Company and the Listing Requirements of the 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/total number voting shares of the Company for the time being (“EONMETALL Shares”);
- ii) the amount of fund to be allocated by the Company for the purpose of purchasing the EONMETALL Shares shall not exceed the aggregate of the retained profits of RM87,176,040 of the Company as at 31 December 2017;
- 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 Annual General Meeting 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 Annual General Meeting 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 Listing Requirements of the Bursa Securities or any other relevant authorities;
- iv) upon completion of the purchase(s) of the EONMETALL Shares by the Company, the Directors of the Company be hereby authorised to deal with the EONMETALL Shares in the following manner:-
 - a) to cancel the EONMETALL Shares so purchased; or
 - b) to retain the EONMETALL 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 EONMETALL 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 EONMETALL Shares.”

9. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Ordinary Resolution 9

“THAT Tang Yin Kham be retained as Independent Non-Executive Director of the Company.”

10. To transact any other business of which due notice shall have been given.

By Order of the Board

Tai Yit Chan (MAICSA 7009143)
Ong Tze-En (MAICSA 7026537)
Joint Company Secretaries
Penang, 30 April 2018

Notice of Annual General Meeting (Cont'd)

Notes:

Appointment of Proxy

1. A proxy may but need not be a Member or a qualified legal practitioner or an approved company auditor or a person approved by the Registrar.
2. To be valid, this form, duly completed must be deposited at the Registered Office of the Company at Suite 16-1, (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 George Town, Penang, 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 form of proxy 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 shall be entitled to appoint two (2) or more proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. If a Member appoints two (2) proxies, he must specify which proxy is entitled to vote on a show of hands. Only one (1) of those proxies is entitled to vote on a show of hands.
4. Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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 authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
7. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the members to speak at the meeting.
8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 16 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

Explanatory Note on Ordinary Business:

1. The Ordinary Resolution 4, the benefits payable to the Directors has been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the benefits payable is in the best interest of the Company and in accordance with the remuneration framework of the Group. The benefits comprised of meeting allowance, travelling allowance and Board Committee allowances.
This approval shall continue to be in force until the conclusion of the next Annual General Meeting of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to the Act; or revoked/varied by resolutions passed by the shareholders of the Company in general meeting; whichever is the earlier.

Explanatory Notes on Special Business:

1. The proposed Ordinary Resolution 6, is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to issued and allot ordinary shares at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.
As at the date of this Notice, the Company had issued 17,117,100 ordinary shares at an issue price of RM0.74 per ordinary share pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 25 May 2017 and which will lapse at the conclusion of the Fifteenth Annual General Meeting.
The renewal of this 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.
2. The proposed Ordinary Resolution 7, if passed, will approve the Proposed Shareholders' Mandate and allow the Company and its subsidiaries to enter into the existing recurrent related party transactions as set out in Section 2.4 under Part A of the Circular. This approval shall continue to be in force until the conclusion of the next Annual General Meeting of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earlier.
3. 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 10% of the issued shares capital/total number voting shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting of the Company.
4. The proposed Ordinary Resolution 9, if passed, will allow Tang Yin Kham to be retained as Independent Non-Executive Director ("INED") of the Company. The Board of Directors had, vide the Nominating Committee, conducted an annual performance evaluation and assessment of, Tang Yin Kham, who will serve as INED of the Company for a cumulative term of more than twelve (12) years and recommended her to continue acting as INED of the Company based on the justifications as set out in Corporate Governance Overview Statement in the Annual Report 2017.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Securities)

No individual is standing for election as a Director at the forthcoming Fifteenth Annual General Meeting of the Company.



Board of Directors

Tan Sri Dato' Mohd Desa Bin Pachi
Independent Non-Executive Chairman

Yeoh Cheng Chye
Managing Director/Chief Executive Officer

Dato' Goh Cheng Huat
Executive Director

Tan Sri Dato' Soong Siew Hoong
Independent Non-Executive Director

Goh Kee Seng
Non-Independent Non-Executive Director

Tang Yin Kham
Independent Non-Executive Director

Dato' Wahab Bin Hamid
Independent Non-Executive Director

Audit Committee

Tang Yin Kham
Chairman

Goh Kee Seng
Member

Dato' Wahab Bin Hamid
Member

Nominating Committee

Dato' Wahab Bin Hamid
Chairman

Tang Yin Kham
Member

Goh Kee Seng
Member

Remuneration Committee

Dato' Wahab Bin Hamid
Chairman

Tang Yin Kham
Member

Goh Kee Seng
Member

Company Secretaries

Tai Yit Chan (MAICSA 7009143)
Ong Tze-En (MAICSA 7026537)

Registered Office

Suite 16-1 (Penthouse Upper)
Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 George Town, Penang
Telephone No : (04) 229 4390
Facsimile No : (04) 226 5860

Head Office

Lot 1258 & 1259, MK 12
Jalan Seruling
Kawasan Perusahaan Valdor
14200 Sungai Bakap, Penang
Telephone No : (04) 582 8323
Facsimile No : (04) 582 1525
Email : info@eonmetall.com
Website : <http://www.eonmetall.com>

Registrars

Agriteum Share Registration Services
Sdn Bhd (578473-T)
2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 George Town, Penang
Telephone No : (04) 228 2321
Facsimile No : (04) 227 2391

Auditors

BDO (Firm No. AF 0206)
Chartered Accountants
51-21-F, Menara BHL
Jalan Sultan Ahmad Shah
10050 George Town, Penang
Telephone No : (04) 227 6888
Facsimile No : (04) 227 8118

Principal Bankers

Alliance Bank Malaysia Berhad (88103-W)
AmBank (M) Berhad (8515-D)
CIMB Bank Berhad (13491-P)
Citibank Berhad (297089-M)
HSBC Bank Malaysia Berhad (127776-V)
Malayan Banking Berhad (3813-K)
United Overseas Bank (M) Berhad (271809-K)

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Market
Stock Code : 7217
Stock Name : EMETALL

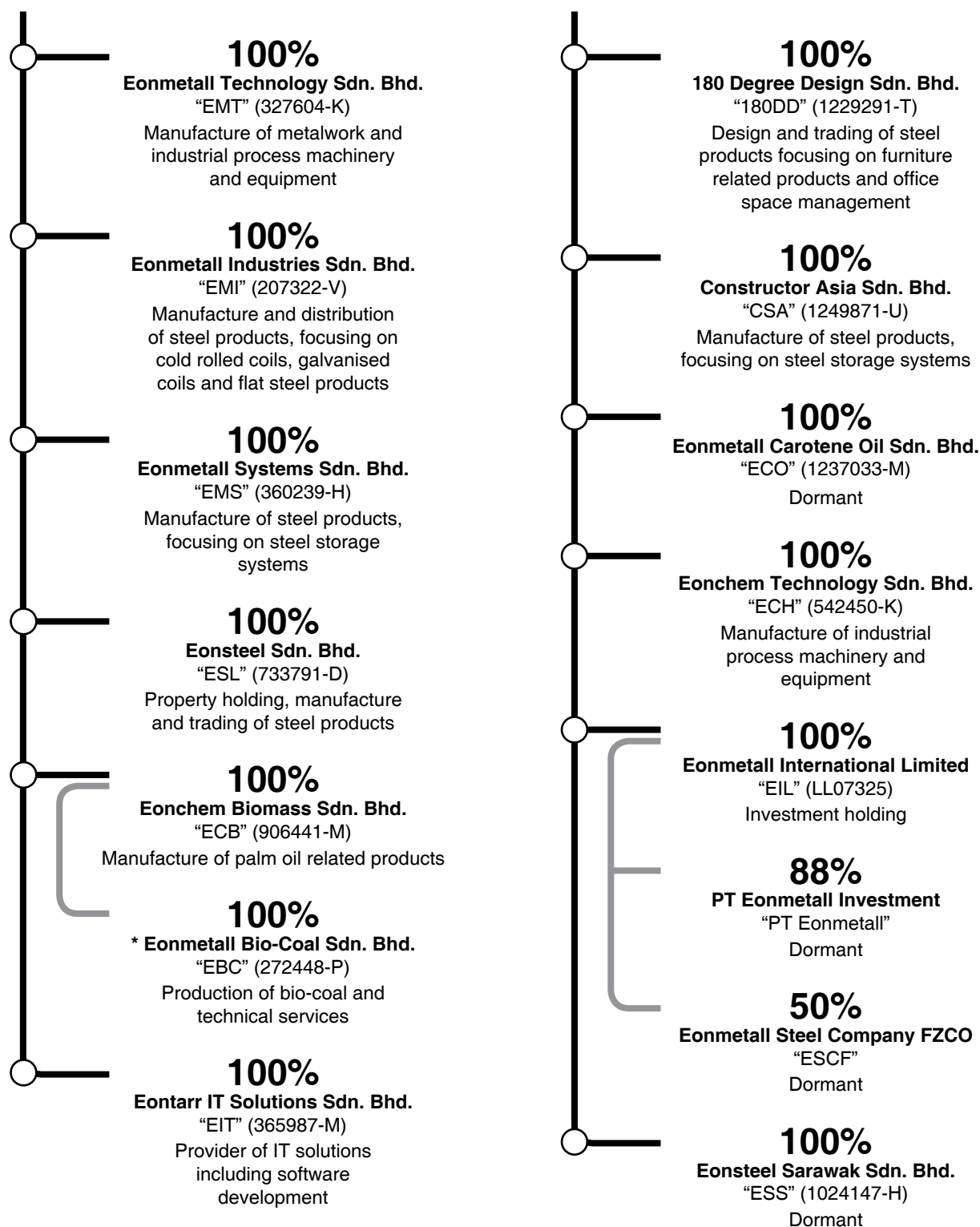
Group Structure & Principal Activities

as at 31.12.2017



EONMETALL

(631617-D)



Note: * Changed its name from CSC Bio-Coal Sdn. Bhd. effective from 5 January 2018.

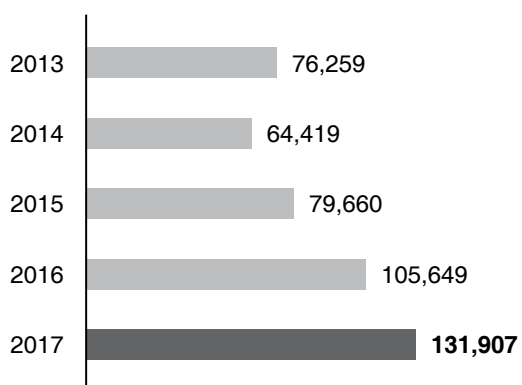
Group Financial Highlights



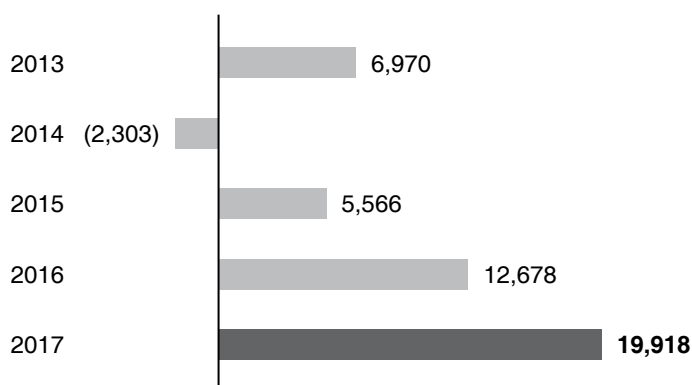
Financial year ended 31 December	2013	2014	2015	2016	2017
INCOME	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	76,259	64,419	79,660	105,649	131,907
Profit Before Tax	6,970	(2,303)	5,566	12,678	19,918
Profit attributable to Owners of the Company	6,249	(2,777)	6,173	12,462	18,702
FINANCIAL POSITION					
Total assets	213,370	208,359	227,487	237,450	289,398
Share Capital	85,586	85,586	85,586	85,586	99,801
Shareholders' Fund	146,522	143,515	148,732	156,567	185,543
PER SHARE					
Gross dividend (%)	0.0%	0.0%	0.0%	5.0%	5.0%
Net assets (RM)***	0.87	0.85	0.88	0.93	1.09
Basic Earnings (sen)***	3.71	(1.65)	3.66	7.39	10.97

*** Based on weighted average number of shares in issue net of treasury shares

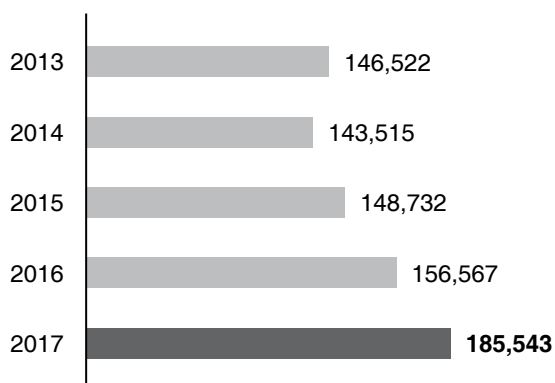
Turnover (RM'000)



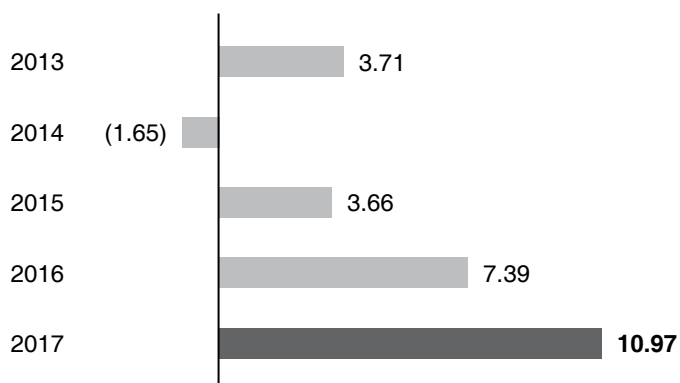
Profit Before Tax (RM'000)



Shareholders' Fund (RM'000)



Basic Earnings Per Share (RM'000)





Profile of Directors

Tan Sri Dato' Mohd Desa Bin Pachi

PSM, DSPN, KMN

Independent Non-Executive Chairman

Aged 84, Male, Malaysian

Tan Sri Dato' Mohd Desa Bin Pachi was appointed to the Board on 3 March 2005 and re-designated as Independent Non-Executive Chairman on 1 March 2018.

He is a Chartered Accountant by profession and is a Fellow of the Institute of Chartered Accountants in Australia. He studied accountancy in Melbourne, Australia under a Colombo Plan Scholarship. He joined Shell group of companies in 1962 and served in various capacities in the Finance/Administration. He is a fellow member of the Malaysian Institute of Management.

From 1970 to 1976, he was in public practice as a Chartered Accountant and was a partner of Desa Megat & Co and KPMG Peat Marwick. Subsequently, he was appointed as the first CEO of Permodalan Nasional Berhad (PNB) and later served as Chairman/CEO of Malaysia Mining Corporation Bhd, Executive Chairman of Fleet Group Sdn Bhd, Chairman/MD of The New Straits Times Press (Malaysia) Berhad and Chairman of Sistem Televisyen Malaysia Berhad (TV3). He was Chairman of CIMB Group Holding Berhad from 1984 to 2006.

He is an Independent Non-Executive Chairman of Leader Steel Holdings Berhad and a director of Handal Dinamis Holdings Bhd. He also sits on the Board of several private companies.

He has attended all four (4) board meetings held during the financial year ended 31 December 2017.

Yeoh Cheng Chye

Managing Director/Chief Executive Officer

Aged 49, Male, Malaysian

Yeoh Cheng Chye was appointed to the Board on 3 March 2005 and re-designated as Managing Director and Chief Executive Officer on 1 January 2013.

He graduated from University Pertanian Malaysia with a Bachelor in Computer Science (Hons) in year 1993. In year 2004, he obtained his Master in Business Administration from the University of Southern Pacific, United States.

He started his career in 1993 as a Systems Engineer I with Seagate Sdn Bhd, Penang, a manufacturer of hard disc drives, where he was involved in IT and test engineering systems support. In 1995, he was promoted to System Engineer II and Project Manager. He left in 1996 and joined Southern Steel Bhd as a Senior Systems Analyst where he headed the IT division for automation and manufacturing. In 1997, he joined Leader Steel Holdings Berhad as Management Information System Manager where he was responsible for the overall management of the IT function.

He was appointed as the Executive Director of Eontarr IT Solutions Sdn Bhd in year 1999 and Chief Operating Officer of Eonmetall Technology Sdn Bhd in 2001. Subsequently, he was promoted to Executive Director and Chief Operating Officer of the Group in 2005. He is mainly responsible for the overall general management and operation of the Group.

He sits on the Board of subsidiaries of Eonmetall.

He has attended all four (4) board meetings held during the financial year ended 31 December 2017.



Dato' Goh Cheng Huat

Executive Director
Aged 57, Male, Malaysian

Dato' Goh Cheng Huat was appointed to the Board on 3 March 2005 and re-designated as Executive Director on 1 January 2013.

As the founder of the Group, he has extensive experience, expertise and knowledge in the processing of iron and steel products. With more than 30 years in the industry, he has accumulated invaluable skills, which includes amongst others, the invention and enhancement of steel making machine and its related processes. In recognition of his entrepreneur skills, he was conferred the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports. His zeal and untiring efforts to improve steel products making processes did not go unnoticed, for in year 1999, he was awarded a patent for "Process For The Manufacturing Of Steel Products And Apparatus" and "4x2 High Cold Roll Angle Bar Machine". He is also the key inventor for "Recovery Oil from Palm Mesocarp Fibres", where the patent was granted in year 2009. His visionary approach and keen business acumen certainly augur well for the Group especially in its business direction.

In year 2013, he obtained his Master of Business Administration from the National University of Singapore.

Currently, he is an Executive Director of Leader Steel Holdings Berhad and its subsidiaries.

He also sits on the Board of subsidiaries of Eonmetall and several other private companies.

He has attended all four (4) board meetings held during the financial year ended 31 December 2017.

Tan Sri Dato' Soong Siew Hoong

PSM, KMN, SMS, DPSM, JSM
Independent Non-Executive Director
Aged 92, Male, Malaysian

Tan Sri Dato' Soong Siew Hoong was appointed to the Board on 3 March 2005 and re-designated as Independent Non-Executive Director on 1 March 2018.

His career started in 1973 when he ventured into manufacturing rubber-processing machinery by establishing Kwan Cheong Engineering Sdn. Bhd. The company ceased operation in 2002. He was conferred Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang DiPertuan Agong on 6 June 1998 and the Darjah Kebesaran Datuk Mahkota Selangor (DPMS) which carries the title of Dato' in year 1990.

On experiences, he has previously served as a member on the Councils of Standard and Industrial Research Institute of Malaysia (SIRIM) and the Human Resource Development Council. He was also a Director in Telekom Malaysia Berhad from October 1988 to May 1996.

He is currently the Executive Advisor of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and has held various other honorary positions such as Immediate Past President in the Malaysian Iron and Steel Industry Federation (MISIF). He is a current advisor to the Myanmar Industry Association, advisor to the Cambodia Chamber of Commerce and Industries and advisor to Uzbekistan Chambers of Commerce and Industries.

In addition, he is also on the executive council of Malaysian South South Association (MASSA).

Currently, he is a Non-Independent Non-Executive Director of Leader Steel Holdings Berhad. He also sits on the board of several private companies.

He has attended all four (4) board meetings held during the financial year ended 31 December 2017.



Profile of Directors (Cont'd)

Goh Kee Seng

Non-Independent Non-Executive Director
Aged 62, Male, Malaysian

Goh Kee Seng was appointed to the Board on 3 March 2005. He is a member of Audit Committee, Nominating Committee and Remuneration Committee.

He graduated from National Taiwan University of Taiwan in year 1979 with a Bachelor of Science Degree in Agricultural Chemistry.

His career started in 1980 when he joined Brion Research Institute of Taiwan. Following that, he spent 10 years on extensive travelling in the Asean countries while taking up regional posting in Brunei, Singapore and Malaysia. In 1991 he started his own business and has since ventured into various industries in software, biotechnology and food industries. Currently he is actively running a regional food business covering from beverage ingredient manufacturing to regional franchise operation in various countries.

Currently, he sits on the board of several private companies.

He has attended four (4) board meetings held during the financial year ended 31 December 2017.

Tang Yin Kham

Independent Non-Executive Director
Aged 66, Female, Malaysian

Tang Yin Kham was appointed to the Board on 3 March 2005. She is the Chairman of Audit Committee, a member of Nominating Committee and Remuneration Committee.

She is a partner of a Chartered Accountants Firm in Malaysia and has more than 37 years of exposure in public accounting sector. She is a Chartered Accountant of the Malaysian Institute of Accountants, a fellow member of the Association of Chartered Certified Accountants, United Kingdom, a fellow member of the Chartered Tax Institute of Malaysia and a member of the Financial Planning Association of Malaysia.

She also sits on the board of several private limited companies.

She has attended all four (4) board meetings held during the financial year ended 31 December 2017.



Dato' Wahab Bin Hamid

DPMS, DSDK, AMS, PPB
Independent Non-Executive Director
Aged 65, Male, Malaysian

Dato' Wahab Bin Hamid was appointed to the Board on 1 June 2011. He is the Chairman of Nominating Committee and Remuneration Committee. He is also a member of Audit Committee.

He graduated from National University of Malaysia with a Bachelor in Arts (Hons), major in Economic in year 1977. He was conferred with Darjah Kebesaran Datuk Setia Diraja Kedah (DSDK) in year 2009 and Darjah Kebesaran Datuk Paduka Mahkota Selangor (DPMS) in year 2010. Both awards carry the title of "Dato".

He has 36 years of service in Malaysian Investment Development Authority (MIDA) in various Divisions with increasing seniority including serving as a Director of MIDA Sarawak, Director of MIDA Korea, Director of MIDA Selangor, Director of MIDA Germany, Director of Human Resource Division, Director of Industry Support Division and Senior Director of Resource Based Industry Division. He was also the Deputy Director General II from June 2008 to April 2011.

He previously served as a Chairman of National Duty Exemption Committee and various Technical Working Group Committee under the Industrial Master Plan 3 (IMP 3), a Member of Standard Malaysia Council and National Committee on Investment. He was also a permanent member of ECER Investment Committee, Sabah Industrial Development and Finance Committee, Negeri Sembilan Investment Committee and Perak State Investment Management Committee.

He is currently an Advisor to YKGI Holding Berhad, Deputy Chairman of Starshine Holdings Sdn. Bhd., and as an Independent Director of TN Engineering Sdn. Bhd.

He has attended all four (4) board meetings held during the financial year ended 31 December 2017.

Notes:

- Other than Dato' Goh Cheng Huat and Datin Tan Pak Say, who are major shareholders of Eonmetall, none of the other Directors are major shareholders of Eonmetall. Datin Tan Pak Say is the spouse of Dato' Goh Cheng Huat.
- Other than Dato' Goh Cheng Huat and Mr Goh Kee Seng being siblings, none of the other Directors has any family relationships, as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, with any other Directors and/or major shareholders of Eonmetall.
- None of the Directors has any conflict of interest with Eonmetall Group other than as disclosed in the notes to the financial statements.
- Except as disclosed by Tan Sri Dato' Mohd Desa Bin Pachi, Dato' Goh Cheng Huat and Tan Sri Dato' Soong Siew Hoong, none of the other Directors holds any other directorship in public companies.
- None of the Directors has been convicted of any offences, other than traffic offences, within the past 5 years.
- None of the Directors has public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



Profile of Key Senior Management

Goh Hong Kent

Chief Operating Officer
Aged 34, Male, Malaysian

Goh Hong Kent was appointed on 1 January 2013 as Chief Operating Officer.

He started his career in 2005 as Personal Assistant to Managing Director of Leader Steel Holdings Berhad.

Later in 2005, he joined Eonmetall Technology Sdn Bhd as Assistant Operations Manager where he was mainly responsible for overseeing the Purchasing Department. Following his promotion to Operations Manager in 2007, he was responsible for heading the Purchasing and Human Resources departments.

In 2010, he was promoted as General Manager where he is in-charge of overall steel business activities of Eonmetall Industries Sdn Bhd and Eonmetall Systems Sdn Bhd.

Teoh Hee Hua

Corporate and Finance Manager
Aged 43, Male, Malaysian

Teoh Hee Hua was appointed on 1 February 2016 as Corporate and Finance Manager. He is a member of Malaysia Institute of Accountant (MIA).

He graduated from University Utara Malaysia with a Bachelor in Accounting (Hons) in year 1998.

He started his career in 1999 as an Audit Assistant with Neoh WM & Lam (now known as Aljerfri Dean) and was involved in the audit of various industries such as property development and construction, manufacturing, trading, transportation and logistics. He left the firm as an Audit Senior in year 2003, to join the commercial and manufacturing sectors where he held accounting and finance related positions with increasing responsibilities and scope of work.

In year 2016, he joined the Group to lead the corporate and finance function and is responsible for finance, statutory reporting, corporate governance and management reporting.

He has extensive experience in accounting, tax, audit, manufacturing operation, internal audit and corporate finance from 19 years of working in both professional and commercial environment.

Notes:

- Other than Mr Goh Hong Kent who is the son of Dato' Goh Cheng Huat and the nephew of Mr Goh Kee Seng, none of the other Key Senior Management has any family relationships, as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, with any other Directors and/or major shareholders of Eonmetall.
- None of the Key Senior Management has any conflict of interest with Eonmetall Group.
- None of the Key Senior Management holds any other directorship in public companies.
- None of the Key Senior Management has been convicted of any offences, other than traffic offences, within the past 5 years.
- None of the Key Senior Management has public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Chairman's Statement



On behalf of the Board of Directors of Eonmetall Group Berhad, it is my pleasure to present to you the Annual Report and Audited Financial Statements of Eonmetall and its subsidiaries for the financial year ended 31 December 2017.

Financial Performance

During the year under review, the Group registered revenue of RM131.9 million, an increase of 25% as compared with RM105.6 million recorded in the previous financial year. This is mainly attributed by the increase from both the machinery and equipment; and steel product and trading activity segments.

The Group's profit before tax ("PBT") for the current financial year is RM19.9 million, an increase of 57% as compared to the PBT of RM12.7 million recorded in previous financial year, mainly due to increase in revenue generated from machinery and equipment division, steel products and trading activity segments, and a one-off gain of negative goodwill from an acquisition. The group continues to maintain a set of healthy and financially sound balance sheet with a gearing ratio at 0.32 times, while the Group's net asset per share increased from RM0.93 to RM1.09; and cash and cash equivalents of approximately RM4.4 million.

Operational Review

Revenue registered from the steel products and trading activity segment increased by 31% to RM85.4 million for the financial year under review as compared to revenue of RM65.4 million recorded in previous financial year. This segment generated a PBT of RM7.9 million, an increase of 8% from PBT of RM7.3 million recorded during last financial year. The increase was mainly contributed by the increase in revenue.

Revenue registered from the machinery and equipment division increased by 16% to RM45.8 million as compared to RM39.5 million recorded in previous financial year. This segment generated a PBT of RM12.0 million, an increase of 45% from PBT of RM8.3 million as compared to corresponding financial year which was in line with the increase in revenue.

All business segments contributed healthy growth this year. The steel products and trading activity segment achieved higher export sales with several new markets penetration. The growth is further complemented through the Group's latest patented metalworking machinery which has gained significant demand since its commercialisation in mid-2016. However, the Group's PBT was affected by the strengthening of Ringgit Malaysia against the greenback as 49% (2016: 43%) of its revenue was generated from the export market.

Industry Trend and Prospect

The global market for Material Handling business is expected to achieve US\$134.8 billion by year 2020 with Asia presently accounted for 38% of the market. Coupled with the existing aging material handling systems and the enormous growth in e-business, more new distribution centers setup shall create a huge demand for more steel storage and racking requirements.

The Group has recently completed the collaborating for a manufacturing and license rights of a top European industrial warehousing provider (Gonvarri Material Handling and "Constructor" brand) for the exclusive rights in Asia and non-exclusive in Asia-Pacific. The partnering shall enable the Group to supply a comprehensive range of both static and dynamic storage racking solutions with an European certification. Presently, the steel storage business is the main contributor to the steel products and trading activity segment of the Group.

On machinery and equipment division, the Group has again successfully launched another new metalworking machine which is likely to contribute significantly to its business. The Group is also optimistic of being awarded the contract for 10 units of Built-Operate-Transfer ("BOT") for its palm oil extraction business with a large domestic conglomerate with effective year 2018 onwards.

Dividend

The Board of Directors has declared an Interim Single Tier Dividend of 2.5 sen per ordinary share totaling of RM4,706,703 for the year ended 31 December 2017.

The book closure and payment dates for the aforesaid dividend were 26 January 2018 and 12 February 2018 respectively.

Acknowledgement

On behalf of the Board, I thank our shareholders, esteemed customers and suppliers, financial institutions and other stakeholders for their continued support and confidence in the Group. I pledge for the utmost support and dedication from the management and all level of employees to strive for further business growth and opportunities.

Tan Sri Dato' Mohd Desa Bin Pachi
Independent Non-Executive
Chairman



Management Discussion & Analysis

Business Insight

Eonmetall Group Berhad (“Eonmetall” or “the Group”) is a leading steel racking systems manufacturer and a niche player in the designing and fabrication of metal works and palm oil related machines. Its core business activities are categorised into two key segments: steel products & trading (“Steel Products Division”) and machinery and equipment manufacturing (“M&E Division”).

The Group’s success in vertical downstream diversification into these value added activities has been made possible by leveraging on its steel industry background and multi-disciplinary strengths from human resource to well-equipped facilities, technical competency and continued focus on information system advancement. Today, Eonmetall is a total solutions provider that delivers advance design, reliable engineering, world-class manufacturing and cost effective project investment.

Eonmetall offers a wide spectrum of racking systems and machinery equipments (particularly patented solvent extraction plants both for Palm Fiber Oil Extraction Plant (“PFOEP”) and Palm Kernel Oil Extraction Plant (“PKOEP”)) fabrications solutions and can count on more than 20 years records of achievements in delivering integrated, innovative and complex solutions to both international and local clients. The Group’s strong presence in more than 45 countries in Asia, Asia Pacific, Africa, Europe and North America is a testament to its values and products.

The strong acceptance of Group’s PFOEP and PKOEP by palm oil millers in Malaysia and Indonesia has augured well for the Group as it derives good margins for these plants in the absence of close competition, coupled with the in-sourcing of inputs (steel products and machinery components) used in the fabrication of these plants.

2017 Performance Review

Financial year ended 31 December 2017 (“FY2017”) has been a good year for the global economy, financial markets as well as Malaysia and Eonmetall in particular. There were positive growth, rising stock markets and improved confidence despite ongoing political uncertainties in the major economies, threats from geopolitical and financial market developments and commodities price volatility. The rising domestic and international demand for goods and services saw Malaysia exceeded GDP (gross domestic product) growth expectations in 2017. GDP expanded by 5.9% (2016:4.2%) supported by faster expansion in both private and public sector spending.

A key highlight for the year was the rebound in gross exports growth as global demand strengthened. This was due mainly to higher demand from major trading partners following the upswing in the global technology cycle, investment expansion in the advanced economies and the turnaround in commodity prices. Commodity exports also turned around in 2017, supported largely by the recovery in major commodity prices.

Further, the local steel industry is on the road to recovery from a 5-year slump beleaguered from oversupply of steel products particularly from mainland China. The decision of the Chinese government to implement a cut in steel production output had, in turn, led to broad based higher steel prices. These, coupled with continued governmental safeguard duties against imports, growth in global demand, robust local economic growth had jolted local steel industry out of its doldrums.

On that account, Eonmetall has delivered yet another year of remarkable performance. FY2017 marked the 3-straight year of exponential growth for both top line and bottom line.

Net profits (including foreign exchange loss of RM2.8 million and RM4.9 million in gain from acquisition of a bio-coal business at negative goodwill) grew to RM18.7 million (FY2016: RM12.5 million) on the back of revenue growth to RM131.9 million. Growth in net profits rose on the back of stronger revenue recognition from both segments, as well improved margins primarily from its M&E segment. Revenue has been on the roll with the Group posting a 25% year-on-year growth from FY2016’s RM105.6 million.

On segmental basis, Steel Products took the growth lead with 30.63% upswing to deliver RM85.4 million in revenue for FY2017 albeit with marginal growth in its profits. On the other hand, M&E’s top line grew at half the rate to RM45.8 million and delivered a great improvement of 42.72% surge in profits due largely to improved margins over the same comparative period.

As at FY2017, the Group’s total assets stood at RM289.4 million, representing a growth of RM51.9 million compared to RM237.5 million at the end of FY2016.

The Group’s total liabilities increased by RM23.0 million to RM103.6 million as at FY2017 primarily due to higher trade and other payables as well as current loans and borrowings. Its gearing ratio of 0.32 times is marginally lower than 0.33 times reported for FY2016. Ascribing to the same reason, the Group’s current ratio dipped to 1.58 times as at FY2017 compared to 1.59 at the close of FY2016.



2017 Performance Review (Cont'd)

Meanwhile, the Group's financial position continues to strengthen with net assets per share attributable to equitable holders higher at RM1.09 compared to RM0.93 at FY2016.

During the year under review, the Group successfully raised funds through issuance of private placement of 17,117,100 new ordinary shares at RM0.74 per ordinary share and sale of 2,500,000 treasury shares at RM0.805 per treasury share. This resulted in an enlarged share capital represented by 188,288,100 ordinary shares.

In keeping with its position to reward the shareholders for their continued support, the Group had maintained dividend pay-out of 2.5 sen per ordinary shares for FY2017 with payment made on 12 February 2018.

Review of Operations

Eonmetall continues to leverage on its unique cost advantages of processing facilities for steel coils raw material through to final steel downstream finished products and internal sourcing of metalwork machinery which reduced capital costs, tremendously resulting in enhanced competitiveness in the market whilst boosting its margins to move ahead.

Under the Steel Products segment, racking systems are produced mainly for export notably to the Middle East and Asian regions.

On the other hand, the M&E segment focussed on the production of PFOEP and PKOEP, a patented specialist equipment to increase oil extraction rate for the palm oil industry. The technology, which is capable to increase the Oil Extraction Rate ("OER") and Kernel Extraction Rate ("KER"), has gained strong traction both locally and Indonesia.

During FY2017, the Group acquired a wholly owned subsidiary, Eonmetall Bio-Coal Sdn Bhd (formerly known as CSC Bio-Coal Sdn Bhd) ("EBC"). EBC, with its available equipment and machinery, will facilitate the Group's aspiration to invest in the biomass industry for the manufacturing and distribution of bio-coal and biochar by utilising palm and other agricultural biomass. The decision to invest is strategic: growing a new income stream through expansion of participation in the palm oil industry which the Group is particularly familiar with.

Biomass industry is also receiving strong support from the government through various initiatives and dedicated innovation units. In all, these signalled the serious intent to grow the industry into another high value economic driver for the nation and commitment to reduce carbon footprint by 40% through 2020. Getting in now would give the Group a leg over the competition.

As of now, biomass usage is at early developmental stage regionally and growth potential is tremendous with Korea and Japan leading the demand market for affordable, organic, renewable and cleaner fuel source for their thermal power plants.

The complementary effect of the new acquisition to its existing machinery and equipment business is two-fold. Firstly, the Group has ready and easy access to palm oil biomass residues at competitive pricing which will not require further forest clearance for wood pallets (as used presently) thus reducing carbon footprints for the users. Secondly, this diversification would tap into the Group's strength in the industry thus easing the learning curve for commercial viability and competency in managing this new project.

Moving Forward

On 19 March 2018, the Group entered into a strategic alliance with Gonvarri Material Handling AS and its related companies to establish a long-term partnership based on the strong and world renowned "Constructor" brand name and its static and high tech dynamic products for material handling.

The Group viewed this alliance positively as it would provide opportunity for Eonmetall to expand its range of products and market presence in the Asia region initially by capitalising on its partnership with a world class producer of racking system to produce and to sell an established portfolio of high quality products under the Constructor brand name. Under the alliance, the Group would initiate local production and eventual sales of racking system portfolio under the "Constructor" brand name in selected markets in Asia Pacific with Eonmetall granted exclusive rights to the South East Asian market and rights to other Asian markets.



Management Discussion & Analysis (Cont'd)

Moving Forward (Cont'd)

Eonmetall is optimistic of being awarded the contract for the construction of several PFOEP on a build-operate-transfer (BOT) basis and expects to deliver these plants within this year.

On the local economic front, GDP is expected to grow within the range of 5.5% to 5.8% with prospects of stable inflation and low employment. In addition, the federal government has rolled out several initiatives aimed at keeping the economy humming along and set the nation and people ready to face the challenges along the path to a technology driven future. This is also mirrored on the world economy which is also in a fairly positive position with strong growth from both developed and emerging economies. Nonetheless, there is always the concern over geo-political and policy uncertainties. Rising protectionism in some major developed economies that could hamper trade and invite retaliatory actions from other countries. The geo-political play in North Korea and Middle East could have implication that could weigh down world growth prospects.

The continued turnaround in the steel industry assisted by governmental directives and measures will augur well for the Group's Steel Products division. As for the M&E division, the strong macro-economic conditions have spurred capital expenditure as seen by the orders anticipated for the PFOEP and PKOEP.

Notwithstanding the economic outlook and posited on the strategic developments in recent months, Eonmetall's top line and earnings growth are expected to be sustainable with increased production capacity and growth for steel racking business brought on by the contract manufacturing and distribution for the Constructor brand and anticipated delivery of PFOEP and PKOEP.

Corporate Governance Overview Statement



The Board of Directors (“Board”) of Eonmetall Group Berhad (“Company” or “Eonmetall”) fully appreciates the importance of adopting and continuously maintaining the highest standards of Corporate Governance throughout Eonmetall and its subsidiaries (“the Group” or “Eonmetall Group”), with the aim of enhancing business success and corporate accountability, to safeguard and enhance the interests of its shareholders and stakeholders. The main focus is to adopt the substance behind good corporate governance practices with the ultimate aim to ensure Board effectiveness and efficacy in enhancing shareholders’ value. With the introduction of the Malaysian Code on Corporate Governance (“MCCG”) on 26 April 2017, the Board had endeavoured to adopt and apply, where practicable, the Practices as set out in the Code in its quest to enhance shareholders value and safeguard the Group’s assets.

The Board has implemented the Practices of the Code with the ensuing paragraphs in this Corporate Governance Overview Statement to describe the extent of how the Group has applied and complied with the Principles and Practices of the MCCG for the financial year ended 31 December 2017 (“FY2017”). This Overview Statement is made pursuant to paragraph 15.25(1) of Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) with guidance drawn from Practice Note 9 of Listing Requirements and the Corporate Governance Guide (3rd edition) issued by Bursa Securities.

The detailed application for each Practice as set out in the MCCG is disclosed in the Corporate Governance Report (“CG Report”) which is available on the corporate website: www.eonmetall.com as well as via an announcement on the website of Bursa Securities. The CG Report is based on a prescribed format as outlined under para 15.25(2) of the Listing Requirements. Summary of the corporate governance practices of Eonmetall during the financial year under review are described as follows:

Principle A: Board Leadership and Effectiveness

Part I Board Responsibilities

1 Board’s Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The Board has the overall responsibility to manage the business affairs of the Company and its subsidiaries and approving all strategies, providing leadership and direction as well as management supervision. In addition to its legal responsibilities, the Board ensures that Management has in place appropriate processes for management and internal controls, risk assessment and monitoring performance against agreed benchmark for the Group as well as ensuring businesses are carried out in compliance with governance practices and in a transparent and objective manner. Its overall objective is to enhance the value of its shareholders by achieving the strategic objectives of the Group.

As part of the Board’s effort to ensure that its duties and responsibilities are effectively discharged, the Board delegates certain functions to Board Committees, the Managing Director & Chief Executive Officer (“MD&CEO”) and the Management. The Board has established three (3) Board Committees, namely, Audit Committee, Nominating Committee and Remuneration Committee (collectively referred to as the “Board Committees”). The Board Committees comprises wholly of Non-Executive Directors with majority independent. These Board Committees operate within specific Terms of Reference that were drawn up in accordance with best practices in the MCCG and function principally to assist the Board in the execution of its duties and responsibilities towards improvement in operational and general management efficiency.

The Board, at its meetings, regularly reviews and approves the strategies and business plans of the Company and the Group, identifies and manages principal risks affecting the Group including establishing and approving relevant policies, reviewing the adequacy and integrity of the Group’s internal control systems, overseeing the performance of the Group’s businesses, reviewing succession planning and talent management, reviewing of Group strategies and promoting sustainability, enforcing compliance with legal and statutory requirements within the Group, acquisition or divestment policy, approval of major capital expenditure, consideration of significant financial matters and review of the financial and operating performance of the Group.

The Board has established clear functions reserved for the Board and those delegated to Management. The Board is responsible for the overall business framework within which the Group operates. This is formalised into a schedule of events that is reserved for the Board and these included determining overall group strategy and direction to approving acquisitions and divestments, business plan, budgets, capital expenditures, quarterly and annual financial results as well as monitoring financial and operational performance against targets. Management is responsible for the execution of activities to meet corporate plans as well instituting various measures to ensure due compliance with various governing legislations.



Corporate Governance Overview Statement (Cont'd)

Principle A: Board Leadership and Effectiveness (Cont'd)

Part I Board Responsibilities (Cont'd)

1 Board's Leadership on Objectives and Goals (Cont'd)

1.1 Strategic Aims, Values and Standards (Cont'd)

The Board acknowledges its role in the stewardship of the Group's direction and operations, and ultimately the enhancement of long-term shareholders value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for Management and monitoring the achievement of these goals. The Board delegates the responsibility of implementing Group strategies, business plans, policies and decisions to the management, which is led by the MD&CEO.

1.2 Chairman of the Board

The Board is led by an Independent Non-Executive Chairman supported by an experienced Board, comprising members with wide ranging experience in relevant fields such as general management, public policy, accounting and finance industry and information technology. The Chairman is responsible for leading the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions.

He provides leadership and governance of the Board in order to create a conducive condition geared towards building and growing Directors' effectiveness and ensure that appropriate issues are discussed by the Board in a timely manner. As part of that role, Chairman ensures that no member dominates discussion and that appropriate discussions take place with relevant opinions among members forthcoming.

Other roles of the Chairman include leading the Board in the oversight of management, ensuring adequacy and integrity of the governance process and issues, maintain regular dialogue with MD&CEO over operational matters and seek opinion of fellow Board members over any matters that give cause for major concerns.

1.3 Separation of Positions of Chairman and MD&CEO

The Board has always made the distinction that the position of the Chairman and the MD&CEO do not reside with the same person. In this regards the Chairman, Tan Sri Dato' Mohd Desa Bin Pachi is an Independent Non-Executive member of the Board.

There is a clear and separate division of responsibility in the roles and duties of the Chairman and MD&CEO as outlined earlier.

The MD&CEO has overall responsibilities over the daily conduct of operating units, human resource management with respect to key positions in the Group's hierarchy, financial management and business affairs as well as organisational effectiveness and implementation of Board policies and decisions. The MD&CEO also ensures that the Group's corporate identity, products and services are of high standard and reflective of market environment, business practices are in compliance with governmental regulations.

During scheduled Board meetings, the MD&CEO briefed on the performance and activities of the Group and specific proposals for capital expenditure and acquisition and disposals, if any. The Directors review and approve all corporate announcements, including the announcements on quarterly financial results, before releasing them to Bursa Securities.

All decisions and deliberations at Board Committee level are documented in the minutes of the respective Committee meetings. The Chairman of the Board Committees reports on the outcome and recommendations of the Board Committee meetings to the Board for further deliberation and approval. Such reporting is included in the minutes of Board meetings.

The Board recognises the importance for a proper identification of the roles and authority of Management as well as a formal procedure on matters that require multiple Board signatures and/or Board decision. The current set-up of the Board consists of a majority of the members have been with the Group since its commencement and thus, are cognisant of their respective roles and responsibilities over the years.

In reviewing the succession planning, the Board reviewed its size and composition based on the prevailing laws, rules, regulations and the internal policies of the Group on the tenure of directorships, not only to ensure continuity in meeting its long term goals and objectives but also to affirm that the knowledge, experience and skill sets of its members would be well suited to meet the demands of the ever changing landscape of the industry.

Corporate Governance Overview Statement (Cont'd)



Principle A: Board Leadership and Effectiveness (Cont'd)

Part I Board Responsibilities (Cont'd)

1 Board's Leadership on Objectives and Goals (Cont'd)

1.3 Separation of Positions of Chairman and CEO (Cont'd)

The Independent Non-Executive Directors are active in their roles by providing independent judgement, unbiased and independent views, when required and contributing actively to the deliberations on policies and issues. They also act in a manner to protect the interest of the minority shareholders in respect of policies and decisions deliberated by the Board. The Independent Non-Executive Directors do not participate in the daily management of the Group and are not engaged in any business or other relationship with the Group. Their presence ensures that issues of strategies, performance and resources proposed by the Management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business. In carrying out their roles, they thereby fulfil a crucial role in corporate accountability as they provide independent and objective views, opinions and judgements on issues being deliberated.

1.4 Qualified and Competent Company Secretaries

The Company Secretaries are capable of carrying out their duties to ensure the effective functioning of the Board. The Board is satisfied with the performance and support rendered by the Company Secretaries as the Directors are able to seek advice and service of the Company Secretaries. The Company Secretaries, who are competent, qualified and experienced, advises the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and the potential impact and implications arising there from.

The Company Secretaries, or her representatives, attend and ensure that all Board and its Committees meetings are properly convened. The decisions made and/or resolutions passed thereof are recorded in minutes of meetings and kept at the registered office of the Company together with its statutory registers. The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Board Committees and Management. The Board is also regularly updated and kept informed of the latest developments in the legislation and regulatory framework affecting the Group and are advised on the proposed contents and timing of material announcements to be made to regulatory authorities.

Other roles of the Company Secretaries included coordinating with Management the preparation of Board papers with management, ensure Board procedures and applicable rules are observed and maintaining records of the Board as well as provide timely dissemination of information relevant to the Directors' roles and functions and keeping them updated on evolving regulatory requirements.

1.5 Access to Information and Advice

Sufficient notice has always been given for all Board and Board Committee meetings. All Board and Board Committees are provided with an agenda and relevant board papers, reports including matters arising, financial, operational and regulatory compliance matter, at least 7 days prior to meetings to ensure that they have sufficient time to review and evaluate the matters to be deliberated and obtain further information, if needed, prior to meeting to expedite decision-making during meetings. Actions on all matters arising from any meeting are reported at the following meeting.

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. All the Directors have unrestricted access to any information within the Group to enable them to discharge their duties. The Chairman, with the assistance of the Company Secretaries, ensures that all Directors have full and timely access to information with Board papers distributed in advance of Board meetings.

The Board, as a whole, will determine, whether as a full board or in their individual capacity, to engage independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties and to enable them to discharge their duties, at the Company's expense.

Corporate Governance Overview Statement (Cont'd)

Principle A: Board Leadership and Effectiveness (Cont'd)

Part I Board Responsibilities (Cont'd)

2 Demarcation of responsibilities

2.1 Board Charter

The Board Charter clearly delineate the roles, duties and responsibilities of the Chairman, MD&CEO, Board, Board Committees and Management in order to provide a structured guidance. The Board Charter also includes the requirements of Directors in carrying out their leadership and supervisory role and in discharging their duties towards the Group as well as boardroom activities. The Board Policy Documentation, incorporating the Board Charter, Terms of Reference of the Board Committees and other policies, was first approved on 24 April 2014. The Board Policy Documentation will be reviewed from time to time to ensure its relevance. The Board Charter is available on the Company's corporate website at www.eonmetall.com.

3 Good business conduct and corporate culture

3.2 Code of Ethics and Conduct

The Board noted the importance of a code of ethics and conduct that emphasise the Group's commitment to ethical practices and compliance with the applicable laws and regulations which also governs the standards of ethics and good conduct expected from the Directors and employees of the Group. The Group has in place an Employee Handbook, which contains various human resource policies and serves as a guide for employees to ensure their actions and practices are in line with the guidelines under this Handbook.

The Board has a formalised Code of Ethics & Conduct setting out the standard of ethics and conduct expected from its Directors, management and employees to enhance the standards of corporate governance and corporate behaviour. The code covers a wide range of business practices and procedures and sets out the basic principles to guide the Group's Directors, management and employees in performing duties so as to improve work quality, productivity and self-discipline in order to provide effective, good and quality service.

The Code of Ethics and Code of Conduct are available on the Company's corporate website at www.eonmetall.com.

3.3 Whistleblowing Policy

The Company has, on 24 May 2016, adopted a Whistle Blower Policy. The Company has always advocated for openness and transparency in its commitment to the highest standard of integrity and accountability.

All malpractices or wrongdoings reported by the Whistleblower are made to the Chairman of Audit Committee (for financial reporting, unethical or illegal conduct) or MD&CEO (for Employment-related concern) and shall be set forth in writing or verbally.

The Whistle Blower Policy is available on the Company's corporate website at www.eonmetall.com.

Part II Board Composition

4 Board objectivity

4.1 Board Composition

The Board comprised of seven (7) members, two (2) Executive Directors, one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors, as at the date of this Annual Report as follows:

Position	Directors
Managing Director & Chief Executive Officer	Yeoh Cheng Chye
Executive Director	Dato' Goh Cheng Huat
Non-Independent Non-Executive Directors	Goh Kee Seng
Independent Non-Executive Director	Tan Sri Dato' Mohd Desa Bin Pachi (Re-designated on 1 March 2018) Tan Sri Dato' Soong Siew Hoong (Re-designated on 1 March 2018) Dato' Wahab Bin Hamid Tang Yin Kham

Corporate Governance Overview Statement (Cont'd)



Principle A: Board Leadership and Effectiveness (Cont'd)

Part II Board Composition (Cont'd)

4 Board objectivity (Cont'd)

4.1 Board Composition (Cont'd)

Brief profiles of the Board members are presented under Profile of Directors in this Annual Report.

Tan Sri Dato' Mohd Desa Bin Pachi and Tan Sri Dato' Soong Siew Hoong were re-designated as Independent Non-Executive Directors on 1 March 2018.

All concerns regarding the Group can be conveyed to any one of the Directors and or will be deliberated by all Directors during the Board meeting. As such, the Board had not appointed a Senior Independent Non-Executive Director to whom concerns regarding the Group may be conveyed.

The present composition of the Board is in compliance with Chapter 15.02 of the Listing Requirements, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are Independent Non-Executive Directors.

The Chairman of the Company is an Independent Non-Executive Chairman. Nonetheless, the current composition of the Board comprises of at least half of the Board members whom are Independent Directors. Further, the Board believes that the Independent Non-Executive Chairman is capable of acting in the best interest of the shareholders given his professionalism and long standing experience in the corporate world.

4.2 Tenure of Independent Directors

The Board is also mindful of the recommendation of the MCCG that tenure of an Independent Director generally should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Non-Executive Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. However, the Board may, in exceptional cases and subject to the assessment of the Nominating Committee on annual basis, recommend for an Independent Director who has served a cumulative term beyond nine (9) years to remain as an Independent Director subject to shareholders' approval. If the Board continue to retain the Independent Director after twelve (12) years, the Board shall seek shareholders' approval to retain the said Director as an Independent Director.

The Nominating Committee is satisfied that the Independent Non-Executive Directors of the Company continue to demonstrate their independence through their engagement in meetings by bringing objective and independent judgement to decisions taken by the Board. The Independent Non-Executive Directors of the Company had also devoted sufficient time and attention to the Group's affairs.

The justification may be determined in the form of greater rigor and transparency in the evaluation process which accompanies any recommendation for renewal of a Director's appointment / election at the general meeting.

Following the assessment and deliberation by the Board, the Board recommended Madam Tang Yin Kham, who has served the Board as an Independent Non-Executive Director of the Company since 3 March 2005, to continue to act as Independent Non-Executive Director subject to shareholders' approval at the forthcoming Annual General Meeting. Key justifications for her recommendation for continuation as Independent Non-Executive Director are as follows:

- (a) Her audit and accounting experience has enabled her to provide the Board and Board Committees with diverse set of experience, expertise, skills;
- (b) She has actively participated in Board deliberation, provided objectivity in decision-making and independent voice, views and opinions to the Board. Throughout her tenure of service, she has acted in the best interest of the Company and continued to exercise independent judgement and due care;
- (c) She has not developed, established or maintained any significant relationship which could impair her independence as an Independent Director, with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of her to carry out her duties as Independent Non-Executive Director or member of the Board's Committees; and
- (d) She devoted sufficient time and attention to her professional obligations for informed and balanced decision making.

Corporate Governance Overview Statement (Cont'd)

Principle A: Board Leadership and Effectiveness (Cont'd)

Part II Board Composition (Cont'd)

4 Board objectivity (Cont'd)

4.3 Policy on Tenure of Independent Directors

The Board did not adopt any policy which limits the tenure of its Independent Non-Executive Director to nine (9) years. Should the Board intend to retain any of its Independent Non-Executive 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 Independent Non-Executive Director after 12-year tenure, the Board should provide justification and seek annual shareholders' approval.

4.4 Diverse of Board and Senior Management

The Board is supportive of diversity on the Board and in Senior Management team. The appointment of Board and Senior Management personnel are based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background.

The current Directors, with their diverse background and professional specialisation, collectively, bring with them a wealth of experience and expertise in areas such as general management and operations, law, commercial, finance and accounting, corporate affairs, manufacturing as well as sales and marketing.

4.5 Gender Diversity

Whilst acknowledging the recommendation of the MCCG on gender diversity, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The presence of a sole lady Independent Non-Executive Director on the Board is testimony to the Group's commitment on gender diversity.

It must be noted that the Board and the Company's primary responsibility is the strength of the Board and the principal aim that new appointments must always be to select the best candidate available. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity, performance and experience to bring value and expertise to the Board. The Nomination Committee and the Board, will consider gender diversity as part of its future selection and will look into increasing female board representation going forward.

4.6 Diverse sources for new candidate(s) for Board appointment

There was no new appointment to the Board during the financial year ended 31 December 2017.

4.7 Nominating Committee

The Board, through the Nominating Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience, integrity and reputation, competence and capability to fulfil the duties of a Director appropriately. The Terms of Reference of the Nominating Committee is available for viewing at the Company's corporate website at www.eonmetall.com.

The Nominating Committee comprises of three (3) members, the majority of whom are Independent Non-Executive Directors. The members of Nominating Committee are as follows:

Name	Position
Dato' Wahab Bin Hamid	Chairman
Tang Yin Kham	Member
Goh Kee Seng	Member

Corporate Governance Overview Statement (Cont'd)



Principle A: Board Leadership and Effectiveness (Cont'd)

Part II Board Composition (Cont'd)

4 Board objectivity (Cont'd)

4.7 Nominating Committee (Cont'd)

The Nominating Committee met once (1) during the financial year and all members of the Nominating Committee attended the meeting to deliberate on the following matters:

- (a) Reviewed the term of office and performance of the Audit Committee.
- (b) Reviewed the current Board structure, size and composition with an aim to achieving a balance of views on the Board.
- (c) Reviewed and assessed the contribution of each Director and the effectiveness of the Board and Board Committees.
- (d) Discussed the character, experience, integrity and competence of the Directors, Chief Executive or Chief Financial Officer and to ensure they have the time to discharge their respective roles.
- (e) Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board.
- (f) Reviewed the level of independence of Independent Non-Executive Directors.
- (g) Reviewed and recommended re-election of Directors, who retire by rotation under the Articles of Association (Constitution) of the Company, at the forthcoming Annual General Meeting.
- (h) Reviewed and recommended for re-appointment, the Independent Non-Executive Director who have served the Company for a cumulative term of more than twelve (12) years, at the forthcoming Annual General Meeting.
- (i) Assessed and recommended the re-designation of Non-Independent Non-Executive Directors as Independent Non-Executive Directors.

Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Nominating Committee is empowered by the Board and its Terms of Reference to recommend to the Board on the appointment of new Directors. A formal and transparent procedure is in place for the appointment of new Directors to the Board such as screening, conducting initial selection of internal and external candidates, performing requisite evaluation and assessment on the candidates' ability to discharge their duties effectively and efficiently, prior to making recommendations to the Board for its approval. The Nominating Committee also ensures candidates possess the appropriate skills, core competencies, experience, integrity and time to effectively discharge his or her role as a Director. The Company Secretaries will ensure that all necessary information is obtained and that all legal and regulatory obligations are met before appointments of new Directors are made. The Nominating Committee had also discussed and deliberated on the qualifications and contributions of the Board and Nominating Committee with the respective members of the Nominating Committee abstaining from the process.

The Articles of Association (Constitution) of the Company provides that an election of Directors shall take place each year and, at the Annual General Meeting, 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 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 appointment or reappointment. 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 and/or re-appointment at next Annual General Meeting is assessed by the Nominating Committee before recommendation is made to the Board and shareholders for re-election and/or re-appointment. Appropriate assessment and recommendation by the Nominating Committee is based on the annual assessment conducted.

All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions are documented.

The Nominating Committee is to systematically keep under review the effectiveness of the Board and Board Committees as a whole and for assessing the contribution of each individual Director on an annual basis. Additionally, the Nominating Committee also reviews the required mix of skills, experience and other qualities, including core competencies of the members in discharging their duties. The skills and experience of each Director is analysed, inter-alia, in the areas of business operations technical and governmental affairs and legislation.

Corporate Governance Overview Statement (Cont'd)

Principle A: Board Leadership and Effectiveness (Cont'd)

Part II Board Composition (Cont'd)

5 Board Assessments

5.1 Overall effectiveness of the Board and individual Directors

The Nominating Committee had conducted an evaluation of level of independence of the two (2) Independent Non-Executive Directors of the Company through the Directors' self-evaluation. The Nominating Committee has indicated their satisfaction with the level of independence of each of their peer and their ability to act in the best interests of the Company in decision-making. The Board is also satisfied with the level of independence of the Independent Non-Executive Directors.

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director outlined in Paragraph 1.01 and Practice Note 13 of the Listing Requirements. The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and the Group.

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 the financial year ended 31 December 2017, the Board held four (4) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions and the direction of the Group. The major deliberation, in terms of issues discussed and the conclusion arrived by the Board during the meetings, are recorded by the Company Secretary with the minutes signed by the Chairman of the meetings.

Detail of attendance of each Director at the Board and respective Board Committees meetings of Eonmetall during the financial year under review is as follows:

Directors	Board	Audit Committee	Nominating Committee	Remuneration Committee
Tan Sri Dato' Mohd Desa Bin Pachi	4/4	-	-	-
Yeoh Cheng Chye	4/4	-	-	-
Dato' Goh Cheng Huat	4/4	-	-	-
Tan Sri Dato' Soong Siew Hoong	4/4	-	-	-
Dato' Wahab Bin Hamid	4/4	4/4	1/1	1/1
Goh Kee Seng	4/4	4/4	1/1	1/1
Tang Yin Kham	4/4	4/4	1/1	1/1

All Board members met the minimum percentage required for Board meeting attendance during the year under review as prescribed under the Listing Requirements.

In compliance with the Listing Requirements, each member of the Board does not hold more than five (5) directorships in public listed companies 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 notify the Board or 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.

Training

The Board are encouraged to attend relevant training courses and professional programmes deemed necessary so as to keep abreast with the changes to guidelines issued by the relevant authorities as well as developments in the business environment, which can complement their services to the Group. The Directors are regularly updated by the Company Secretaries on any changes to new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

Corporate Governance Overview Statement (Cont'd)



Principle A: Board Leadership and Effectiveness (Cont'd)

Part II Board Composition (Cont'd)

5 Board Assessments (Cont'd)

5.1 Overall effectiveness of the Board and individual Directors (Cont'd)

Training (Cont'd)

There is no formal training/induction program for new Director. On joining, new Director is given background information on the Group and its activities with site visits arranged, whenever necessary. The Directors will continue to undergo other relevant training programmes from time to time to enhance their skills and knowledge where relevant.

The Board had, through the Nominating Committee, 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 the better position to assess their areas of concern.

The training, conferences or seminars attended and or conducted by Directors for the financial year ended 31 December 2017 encompassed various topics as outlined below:

Directors	Training, Conferences or Seminars
Yeoh Cheng Chye	<ul style="list-style-type: none"> • Training and Workshop for MFRS 9, MFRS 15 and MFRS 16 • UOB Corporate Seminar: Global Market Outlook • MIDA Seminar: MNCs & SMEs Supply Chain Management & Opportunities "Acceleration the Adoption of Industry 4.0" • Bavaria Industry 4.0 Workshop • MITI Seminar: ASEAN Investment Forum - Opportunities & Challenges of Investing in ASEAN • MISIF Trade Forum: The Status, Challenges and Opportunities for Malaysian Iron and Steel Industry • Digital and Efficient Manufacturing/Smart and Production Manufacturing Seminar • MPOB Transfer of Technology 2017
Dato' Goh Cheng Huat	<ul style="list-style-type: none"> • ERA Trade and Investment Delegation to Dhaka, Bangladesh • Understand Macroeconomics Data and Issues for Better Investment Decision
Tan Sri Dato' Mohd Desa Bin Pachi	<ul style="list-style-type: none"> • Joining the Dots: Good Decision Making in a VUCA world • How Smart Companies are Harnessing the Power of the Stock Exchange • Leading in a Volatile, Uncertain Complex, Ambiguous (VUCA) World • 2018 Budget
Tan Sri Dato' Soong Siew Hoong	<ul style="list-style-type: none"> • ERA Trade and Investment Delegation to Dhaka, Bangladesh
Goh Kee Seng	<ul style="list-style-type: none"> • ERA Trade and Investment Delegation to Dhaka, Bangladesh
Tang Yin Kham	<ul style="list-style-type: none"> • Audit Quality Enhancement Programme for SMPs 2017 • GST Impact On Accounting and Tax Issues for Property Developers, JMB/MC & Property Investors • Seminar Percukaian Kebangsaan 2017
Dato' Wahab Bin Hamid	<ul style="list-style-type: none"> • Strategic Thinking & Leadership Process • Specialised Building Material Supply Chain Conference • Listing Requirements • MISIF Trade Forum: The Status, Challenges and Opportunities for Malaysian Iron and Steel Industry • National Supply Chain Conference

Corporate Governance Overview Statement (Cont'd)

Principle A: Board Leadership and Effectiveness (Cont'd)

Part III Remuneration

6 Level and composition of Remuneration

6.1 Remuneration policy

The objective of the Group's Directors' Remuneration Policy is to determine the level of remuneration package of Executive Directors, attract, develop and retain high performing and motivated Executive Directors, to provide a remuneration that commensurate with the responsibilities of their position and encourage of value creation for the Company and its Stakeholders.

As for Non-Executive Directors, the level of fee and other benefits is reflective of their experience, expertise, contribution to the Group, duty and level of responsibilities undertaken by them including the number of Board meetings attended. The determination of Directors' fees for the Non-Executive Directors including that of Non-Executive Chairman of the Board shall be a matter for the Board as a whole.

The Remuneration Committee is responsible for, inter alia, recommending to the Board the policy framework and remuneration structure for Directors as well as the remuneration packages of Executive Directors.

In the case of the executive Board members, the components of the remuneration package are linked to scope of the duty and responsibilities, conditions and experiences required, ethical values, internal balances and strategic targets of the Group as well as the corporate and individual performance. The executive Board members played no part in deciding their own remuneration and the respective Board members shall abstain from all discussion pertaining to their remuneration.

During the financial year, the Remuneration Committee met once, attended by all the members, to consider the remuneration package for the executive Board members as well as Directors' fees for the Non-Executive Directors. All deliberations of the Remuneration Committee are properly documented in the minutes of Committee meetings and recommendations are reported by the Remuneration Committee Chairman at Board meetings.

6.2 Remuneration Committee

The Remuneration Committee consists of three (3) Non-Executive Directors, the majority of whom are independent. The Remuneration Committee currently comprised of the following:

Name	Position
Dato' Wahab Bin Hamid	Chairman
Tang Yin Kham	Member
Goh Kee Seng	Member

The Remuneration Committee is empowered by the Board and its Terms of Reference to review proposed share option schemes, appraise performance of each individual Executive Director in proposing salary increment as well as annual bonus, considering and reviewing fringe benefits issues and to evaluate different remuneration methods and philosophies as well conducting studies of current industry practice.

The Terms of Reference of the Remuneration Committee is available for viewing at the Company's corporate website at www.eonmetall.com.

Corporate Governance Overview Statement (Cont'd)



Principle A: Board Leadership and Effectiveness (Cont'd)

Part III Remuneration (Cont'd)

7 Remuneration of Directors and Senior Management

7.1 Details of Directors' Remuneration

The aggregate remuneration, with categorisation into appropriate components and distinguishing between Executive and Non-Executive Directors, paid or payable to all Directors of the Company from the Company and the Group for the financial year ended 31 December 2017 are as follows:

Received from the Company			Received from the Group				
Fees	Others ¹	Total	Fees	Salary	Bonus	Others ¹	Total
(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)

Executive Directors

Yeoh Cheng Chye	36,000	5,500	41,500	36,000	724,808	128,000	98,777	987,585
Dato' Goh Cheng Huat	36,000	2,500	38,500	36,000	839,032	161,000	124,169	1,160,201

Non-Executive Directors

Tan Sri Dato' Mohd Desa Bin Pachi	36,000	2,500	38,500	36,000	-	-	35,500	71,500
Tan Sri Dato' Soong Siew Hoong	36,000	2,500	38,500	36,000	-	-	14,500	50,500
Goh Kee Seng	36,000	5,500	41,500	36,000	-	-	5,500	41,500
Tang Yin Kham	54,000	5,500	59,500	54,000	-	-	5,500	59,500
Dato' Wahab Bin Hamid	36,000	5,500	41,500	36,000	-	-	5,500	41,500
Total	270,000	29,500	299,500	270,000	1,563,840	289,000	289,446	2,412,286

Note:

¹ Other emoluments include allowance and advisory fees.

The Non-Executive Directors are paid fixed annual fees as members of the Board and Board Committees. The Directors' fees and benefits payable to Directors are approved by shareholders at each Annual General Meeting. All Directors are also paid meeting allowance for their attendance at each meeting.

7.2 Details of top 5 Senior Management's remuneration

The remuneration of top Senior Management can be made up of basic salary, bonus, benefits in-kind and other emoluments. Details of the remuneration of the top Senior Management in each successive bands of RM50,000 for the financial year ended 31 December 2017, are as follows:

Range of Remuneration	Top 5 Senior Management Team
RM100,001 to RM150,000	1
RM150,001 to RM200,000	2
RM300,001 to RM350,000	1
RM350,001 to RM400,000	1



Corporate Governance Overview Statement (Cont'd)

Principle A: Board Leadership and Effectiveness (Cont'd)

Part III Remuneration (Cont'd)

7 Remuneration of Directors and Senior Management (Cont'd)

7.2 Details of top 5 Senior Management's remuneration (Cont'd)

The MCCG has stipulated that the Company should disclose on a named basis the top five (5) senior management's detailed, the Board acknowledged the need for transparency in the disclosure. 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.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I Audit Committee

8 Effective and Independent Audit Committee

8.1 Chairman of the Audit Committee

Madam Tang Yin Kham, an Independent Non-Executive Director, is the Chairman of Audit Committee. The Chairman of the Audit Committee is not the Chairman of the Board.

Details on the composition, Terms of Reference and other pertinent facts of the Audit Committee is outlined under the Audit Committee Report in this Annual Report.

8.2 Policy requiring former key audit partner to observe 2-year cooling off period

None of the members of the Board were former key audit partners. Hence, no former key audit partner is appointed to the Audit Committee. As such, there was no need to establish such policy presently. Such a policy would be established when the need arises in future.

The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner.

8.3 Policy and procedures to assess the suitability, objectivity and independence of the external auditor

Under its Terms of Reference, the Audit Committee reviews the suitability, objectivity and independence of the external auditor of the Company on an annual basis. The review process covers the assessment of the independence of the external auditor, the evaluation of the external auditor's performance, competency, quality of work, audit fees and the adequacy of resources. The Audit Committee's Terms of Reference published on the Company's corporate website at www.eonmetall.com.

The Audit Committee has assessed the suitability and independence of the external auditors and is satisfied with the technical competency and independence of the external auditors. The Audit Committee meets with the external auditors at least twice (2) a year to discuss their audit plan and audit findings. The Audit Committee discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the Audit Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors and is satisfied with the technical competency and independence of the external auditors.

Corporate Governance Overview Statement (Cont'd)



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

Part I Audit Committee (Cont'd)

8 Effective and Independent Audit Committee (Cont'd)

8.3 Policy and procedures to assess the suitability, objectivity and independence of the external auditor (Cont'd)

The Audit Committee has considered the non-audit services provided by the external auditors during financial year ended 31 December 2017 and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The amount of fees paid for these services was not significant when compared to the total audit fees paid to the external auditors. The external auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence rules of the Malaysian Institute of Accountants.

The Board place great emphasis on the objectivity and independence of the auditors, namely Messrs. BDO, in providing relevant and transparent reports to the shareholders. To ensure full disclosure of matters, the auditors are regularly invited to attend the Audit Committee meetings (as well as the Annual General Meeting). In 2017, the auditors had met twice with the Audit Committee without the presence of the executive Board members and senior management.

8.4 Composition of the Audit Committee

An Audit Committee comprised solely of Independent Non-Executive Directors is not applicable to the Group presently. The current Audit Committee comprised of Non-Executive Directors with a majority independent.

8.5 Diversity in skills of the Audit Committee

The Audit Committee currently comprised of members with professional experience in financial, legal and public service 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 Audit Committee the ability to effectively discharge their roles and responsibilities.

Part II Risk Management and Internal Control

9 Effective risk management and internal control framework

9.1 Establish an effective risk management and internal control

The Board has established and adopted the Risk Management Policy to administer the Group's approach to risk management. The Board performs annual review on financial, operational and compliance controls in all material aspects and has received reasonable assurance from various Internal Audit Reports and Management on internal control system.

The Board has established a structured risk management framework aimed at identifying, evaluating, controlling, monitoring and reporting principal risks faced by the Group on an on-going basis.

9.2 Disclosure on the features of risk management and internal control framework

The Statement on Risk Management and Internal Control in this Annual Report provides an overview on the state of internal controls and risk management within the Group.

Continuous reviews are carried out by the Group's internal audit function and management to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The findings of the internal audit function are reported to the Audit Committee regularly.

9.3 Establishment of a 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 Audit Committee. The Audit Committee will report to the Board on exception basis if there was any change in the risks identified.



Corporate Governance Overview Statement (Cont'd)

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

Part II Risk Management and Internal Control (Cont'd)

10 Effective governance, risk management and internal control

10.1 Effectiveness of and disclosure on the internal audit function

The internal audit function is currently outsourced to an independent professional consulting firm. The Audit Committee monitors the feedback and reports from the internal auditors for matters of non-compliance, weakness in internal control systems or the lack of it and monitors the implementation of agreed corrective action plan to address such inadequacies by the Management. The internal auditors report directly to the Chairman of the Audit Committee.

The Audit Committee 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 activities of the internal auditors during the financial period are set out in the Audit Committee Report in this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I Communication with Stakeholders

11 Continuous communication between Company and stakeholders

11.1 Effectiveness and transparent and regular communication with stakeholders

The Group is committed to maintaining regular, transparent, coherent, timely and equitable dissemination of relevant and material information on the development of the Group to shareholders and stakeholders whilst balancing commercial confidentiality and regulatory considerations.

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.

In addition, the Board and Management welcome visits by investors, fund managers and analysts and conduct regular briefings to them as the Board believes that this will give investors and interested parties on one hand, a better appreciation and understanding of the Group's performance and on the other, awareness of the expectations and concerns of investors and such interested parties. Besides, the Company also maintains an official website at www.eonmetall.com that provides an easy and convenient avenue for public to gain access to more information of 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.

The Board is committed under its corporate governance obligation to have an effective channel of communication with shareholders and the investing public. It affirms that the primary channel to engage and communicate with its shareholders is during the general meetings.

The Group disseminates information in relation to its financial performance, operations and corporate developments through the annual reports, quarterly reports, circulars and various announcements. The Company's corporate website at www.eonmetall.com has 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. The Board will peruse through and approve all announcements prior to release of the same to Bursa Securities. The Group release all material information publicly through Bursa Securities. Shareholders and the public in general may also obtain announcements and financial results of the Company from Bursa Securities' website.

Corporate Governance Overview Statement (Cont'd)



PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

Part I Communication with Stakeholders (Cont'd)

11 Continuous communication between Company and stakeholders (Cont'd)

11.1 Effectiveness and transparent and regular communication with stakeholders (Cont'd)

Shareholders may also direct all their concerns with regard to the Group to the key contact person, Mr Yeoh Cheng Chye, MD&CEO of the Group.

11.2 Integrated Reporting

Integrated reporting is not applicable to the Group presently. This is Not Applicable to the Company in view that the Company does not fall within the definition of "Large Companies".

Part II Conduct of General Meetings

12 Encourage Shareholder Participation at General Meeting

12.1 Notice for Annual General Meeting

The Board encourages shareholders' participation and as such, the Annual General Meeting is an important event as the Board is given the opportunity to have a dialogue with the shareholders following presentation of annual audited financial results and to address any questions that may arise. The Company's notice of Annual General Meeting is sent to the shareholders least twenty-eight (28) days prior to the meeting date and is published in a daily newspaper circulating in Malaysia. Items of special business included in the Notice of Annual General Meeting will be accompanied by an explanation of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

Whilst this Annual Report provides a comprehensive source of information on the Group's financial and operational performance, the Board readily avail themselves to answer any such questions that may arise as shareholders may seek more information than what is available in the Annual Report and/or circulars.

The Board recognises the importance of accountability to its shareholders and investors through proper communication. The Board acknowledges that shareholders should be informed of all material business matters which influence the Group. Timely release of quarterly financial results to Bursa Securities and other information and corporate actions taken by the Group that warrant an announcement to Bursa Securities under the Listing Requirements will provide shareholders with a current overview of the Group's performance.

12.2 All Directors to attend general meetings

All the Directors attended the Annual General Meeting held in 2017.

12.3 Leveraging on technology for voting in absentia and remote shareholders' participation

Based on the past trend of number of investors, the Company does not have a large number of shareholders to warrant voting in absentia and/or remote shareholders' participation at Annual General Meeting. Further, all general meetings are held at the Company's premises which is easily accessible to all shareholders.

As of now, the Company encourages participation of shareholders through the issuance of proxies when the said shareholders are unable to attend and vote in person at general meetings and maintain the same location for the Annual General Meeting for the past years.

During the 2017 AGM, in line with Listing Requirements, all resolutions were decided by poll voting. Leveraging on information technology or effective meeting procedures, an electronic poll voting system was put in place whereby all shareholders of the Company participated in the polling procedure. An independent scrutineer was appointed to validate the poll results. Voting results of the general meetings are also announced instantaneously to shareholders/proxies after each resolution is put to vote. The decision of each resolution put to poll as well as the name of the independent scrutineer were announced to Bursa Securities on the same day as the Annual General Meeting.



Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

Part II Conduct of General Meetings (Cont'd)

12 Encourage Shareholder Participation at General Meeting (Cont'd)

12.3 Leveraging on technology for voting in absentia and remote shareholders' participation (Cont'd)

Statement on Compliance

The Board will continue to strive for sound standards of corporate governance throughout the Group. Presently, the Board is of the view that the Company has in all material aspects satisfactory complied with the principles and practices set out in the MCCG, except for the departures set out in the Corporate Governance Report.

The Corporate Governance Overview Statement is issued in accordance with a resolution of the Board of Directors dated 27 April 2018.

Sustainability Statement



Introduction

At **EONMETALL GROUP BERHAD (“EGB”)**, sustainability is central to the Group’s objective to be a global leading supplier of industrial process machinery designer and fabricator specialising in metalwork and palm oil related machinery as well as high quality, cost effective and innovative steel storage solutions and other steel related products.

As EGB embarked on its strategy to maximise profits and high shareholders return, it is also committed to grow as a responsible corporate entity by aligning, where applicable, its corporate objectives with that of its stakeholders, expectations and inspiration through sustainable practices. EGB sincerely believes that sustainability is a key component of the path to embark upon in delivering tangible results on our businesses and for the community as a whole.

Sustainability Approach

Today, sustainability is reflected and incorporated into its corporate culture and business practices. The Board of Directors and key senior management of EGB are fully committed to establish the Group’s sustainability policy, strategies, framework and approach which shall be centered around economic, environmental and governance elements. A Sustainability Executive Committee headed by members of key senior management team shall be set-up to formulate the Group’s sustainability strategies and framework in addition to monitoring the effectiveness of its implementation within the expectation of its stakeholders.

EGB takes the view that any sustainability approach should be science based and partnership-driven together with our employees, our suppliers, customers as well as the community at large, among others, that will increase our efficiencies, reduces risks and builds resilience into our value chain.

Key Sustainability Elements

The key elements of EGB sustainability focus shall be towards creation of a long-term value for its stakeholders as below:

Economic	Governance	Environmental
<p>(a) Active engagement with employees with the aim to bring forth their full potential thus enabling work satisfaction and a fulfilling career</p> <p>(b) Develop plans for talent promotion and retention which include equal opportunity as well as remuneration package based on responsibility, skills and talent development</p> <p>(c) Promote and practices healthy work environment and safety care in the work place. A Health and Safety committee is being established to implement policy and strategy to cultivate, promote and implement a conducive and safety-conscious working environment</p>	<p>(a) Promoting a culture of strong corporate governance with a tone from the top that engenders adopting the substance behind good governance practices</p> <p>(b) Continued support of various social centred programs, initiatives and projects contributing to the welfare of society at large</p> <p>(c) Establishing and maintaining smooth communication channels with stakeholders while continue to be responsive to their expectations</p>	<p>(a) Collaborate with clients to adapt our products to meet their needs complemented with high quality services</p> <p>(b) Constant improvement program in the manufacturing processes by harnessing the latest in technology and industrial designs to optimise output that is environmentally friendly</p> <p>(c) Environmental centric approach to manufacturing particularly in the utilisation of resources and management of wastage generated from operations</p> <p>(d) Achieve excellence through innovation and continuous improvement in its products and processes, high quality standards while minimising environmental impact and reducing greenhouse gas emission</p> <p>(e) Work closely with suppliers to promote ethical behavior and respect throughout the entire supply chain</p>

EGB shall continue to maintain and develop a Sustainability Policy that is dynamic and adaptive to the changing environment where the Group operates.



Statement on Risk Management and Internal Control

The Malaysian Code on Corporate Governance (“MCCG”) requires public listed companies to maintain a sound system of risk management and internal control to safeguard shareholders’ investments and company’s assets. Under the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Main Market Listing Requirements”), under paragraph 15.26(b), Directors of public listed companies are required to produce a statement on the state of the company’s internal control in their Annual Report.

The Board of Directors (“Board”) continues with its commitment to maintain sound systems of risk management and internal control throughout Eonmetall Group Berhad and its subsidiaries (“Group”) and in compliance with the Main Market Listing Requirements and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“Guidelines”). The Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year in review.

BOARD RESPONSIBILITY

The Board acknowledges the importance of sound risk management and internal control being embedded into the culture, processes and structures of the Group. The systems of internal control cover risk management and financial, organisational, operational, project and compliance controls. The Board affirms its overall responsibility for the Group’s systems of internal control and for reviewing the effectiveness and efficiency of those systems to ensure its viability and robustness. It should be noted, however, that such systems are designed to manage, rather than eliminate, risks of failure to achieve corporate objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established an ongoing process for identifying, evaluating, monitoring and managing significant risks faced, or potentially exposed to, by the Group in pursuing its corporate objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidelines.

MANAGEMENT’S ROLE

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. On an annual basis, the Chief Executive Officer and Chief Operating Officer have provided the Board the assurance that the Group’s risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

CONTROL STRUCTURE AND ENVIRONMENT

In furtherance to the Board’s commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement a strong structure and environment for the proper conduct of the Group’s business operations as follows:

- The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Chief Executive Officer leads the presentation of board papers and provides explanation of pertinent issues. In addition, the Board is kept updated on the Group’s activities and its operations on a regular basis;
- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational and human resource management, which is subject to regular review and improvement. A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require Board’s approval; and
- Regular and relevant information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making.

Statement on Risk Management and Internal Control (Cont'd)



RISK MANAGEMENT

The Group has established sound risk management practices to safeguard the Group's business interest from risk events that may impede the achievement of business strategy, enable value creation and growth through identification of opportunities and provide assurance to the Groups' various stakeholders.

The Group, has implemented the Enterprise Risk Management ("ERM") processes to identify, assess, monitor, report and mitigate risks impacting the Group's business and supporting activities.

The main components of the Group's risk governance and structure consists of the Board, the Audit Committee and the Management. The structure allows for strategic risk discussions to take place between the Board, the Audit Committee and the Management on a periodical basis. The summary of the accountabilities for the Board, the Audit Committee and the Management under the risk governance structure are as follows:

a. Board of Directors

- Overall risk oversight responsibility;
- Ensures that the principal risks are identified, and appropriate as well as robust systems are implemented to manage these risks;
- Reviews the adequacy and the integrity of the Group's internal control systems and information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

b. Audit Committee

- Reviews and endorses policies and frameworks and other key components of risk management for implementation within the Group;
- Reviews and endorses the corporate risk profile for the Group, and the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.

c. Management Committee

- Oversees the effective implementation of risk policies and guidelines, ERM and cultivation of risk management culture within the organisation;
- Reviews and monitors periodically the status of the Group's principal risks and their mitigation actions and update the Board and Audit Committee accordingly.

During the financial year under review, the Group had re-assessed risk management activities and identified 5 risks which are critical to the success of the business. The likelihood and impact of the risks have been assessed and appropriate mitigation actions have been identified for the risks.

In essence, Risk Management is conducted through an ongoing process between the Board, the Management and employees in the Group. The Group believes that the risk management framework and guidelines adopted and implemented have strengthened the risk ownership and risk management culture amongst the employees.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function and has engaged the services of an independent professional consulting firm, Messrs JWC Consulting Sdn. Bhd., to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the Internal Auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan has been put in place to improve the controls.

For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls.

The Audit Committee has full and direct access to the internal auditors and the Audit Committee receives reports on all internal audits performed. The Internal Auditors continue to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of the internal controls systems. Significant findings and recommendations for improvement are highlighted to Management and the Audit Committee, with periodic follow-up of the implementation of action plans. The Management is responsible for ensuring that corrective actions were implemented accordingly.



Statement on Risk Management and Internal Control (Cont'd)

INTERNAL AUDIT FUNCTION (Cont'd)

Based on the Internal Auditors' reports for the financial year ended 31 December 2017, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses has resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

As required by paragraph 15.23 of the Bursa Securities Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the procedures were performed in accordance with Audit Assurance Practice Guides 3 (AAPG 3) issued by Malaysian Institute of Accountants. Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is this Statement factually inaccurate.

This statement is issued in accordance with a resolution of the Directors dated 27 April 2018.

Audit Committee Report



Objectives

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:

- Assess the Group's processes relating to its risks, governance and control environment;
- Oversee financial reporting;
- Evaluate the internal and external audit processes;
- Overseeing the risk management framework of the Group;
- Reviewing and recommending an appropriate risk management strategy so as to ensure that business risk are effectively addressed by the Group; and
- Reviewing the adequacy and completeness of the Group's risk management process and recommending improvements where required.

The terms of reference of the Audit Committee is published on the Company's website at www.eonmetall.com.

Membership

The Audit Committee comprises the following members:

Name	Designation	Directorship
Tang Yin Kham	Chairman	Independent Non-Executive Director
Dato' Wahab Bin Hamid	Member	Independent Non-Executive Director
Goh Kee Seng	Member	Non-Independent Non-Executive Director

Composition

The Audit Committee comprises wholly of Non-Executive Directors, with a majority being Independent. The Chairman of the Audit Committee shall be an Independent Director. No alternate Director of the Board shall be appointed as a member of the Audit Committee.

The Nomination Committee shall review the terms of office and performance of each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

Meetings

During the financial year ended 31 December 2017, the Audit Committee held a total of four (4) meetings. Details of the attendance of the members at the meetings are as follows:

Name of Committee Member	Number meetings attended
Tang Yin Kham (Chairman)	4/4
Dato' Wahab Bin Hamid	4/4
Goh Kee Seng	4/4

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. The Company Secretary was present by invitation in all the meetings. Executive Directors and representatives of the external auditors and internal auditors were also invited to attend the meetings as and when the need arises.

The Committee also makes arrangements to meet and discuss with the external and internal auditors on any matters relating to the Group and its audit activities. The Committee met twice (2) with the external auditor separately without the presence of Executive Directors and management during the financial year under review.



Audit Committee Report (Cont'd)

Summary of Activities during the Financial Year

The Audit Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Committee for the financial year ended 31 December 2017 were as follows:

- Reviewed prior to the commencement of audit, the external auditors' scope of engagement, their audit plan and approach together with their request for increase audit fees;
- Reviewed with the external auditors, the findings and results of the audit, significant audit/accounting issues, including the management's response and comments;
- Reviewed the unaudited quarterly financial statements and annual audited financial statements of the Group before recommending to the Board's approval, focusing on changes in or implementation of major accounting policies, significant and unusual events and compliance with the provision the Companies Act 2016 and accounting standards approved by the Malaysian Accounting Standards Board;
- Reviewed the internal audit report prepared by an independent professional accounting and consulting firm, which highlighted the audit issues, recommendations and Management's response, including the implementation status of Management agreed actions to address findings highlighted in previous cycles of internal audit;
- Convened two (2) meetings in 2017 with external auditors in the absence of executive directors and management staff in order to provide an opportunity to the external auditors to candidly express and concerns they may have;
- Reviewed and recommended to the Board, the Audit Committee Report, Statement on Risk Management and Internal Control and Statement on Corporate Governance before inclusion in the Annual Report;
- Reviewed any major proposed transaction that would affect the risk management framework;
- Considered the proposal received for the assessment of current state of the Risk Management Framework adopted by the Group, identify the principal risks and update the existing risk register of the Group;
- Reviewed, periodically, related party transactions and recurrent related party transactions ("RRPT") of a revenue or trading nature on scope, threshold, limit of shareholders' mandate and any conflict of interest situation that might arise from the aforesaid transactions as reported by Management and report to the Board accordingly; and
- Reviewed the circular to the shareholders on RRPT recurrent of a revenue or trading nature.



Internal audit function

The Board acknowledges the need for an effective system of internal control covering all aspects of the Group's activities including the mapping and management of risks which the Group may be exposed to.

The Group has appointed an independent professional consulting firm to provide outsourced internal audit function to carry out internal audit of the Group. This is to assist the Audit Committee in discharging its duties and responsibilities. The cost incurred for the internal audit function of the Group in respect of the financial year under review is RM18,662.

The principal role of the internal audit function is to undertake independent and periodic reviews of the system of internal controls so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively. It is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of internal controls of the key business units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

During the financial year ended 31 December 2017, the internal audit function carried out 2 cycles of internal audits to test the adequacy and effectiveness of the internal control system of the Group on the following areas:

- (a) Sales @ marketing
- (b) Procurement

The Group, with the help of internal auditors has implemented the Enterprise Risk Management processes to identify, assess, monitor, report and mitigate risks impacting the Group's Business and supporting activities.

Further information on the internal audit function and its activities are set out in the Statement on Risk Management and Internal Control in this Annual Report.

This statement is issued in accordance with a resolution of Directors dated 27 April 2018.

Additional Compliance Information

In compliance with the MMLR of Bursa Securities, the following information is provided:

1. Utilisation of Proceeds

The Company raised RM12,666,654 from issuance of 17,117,100 unit Private Placement shares at the issue price of RM0.74 each during the financial year ended 31 December 2017.

	RM'000
Proceeds from issuance of Private Placements Shares	12,667
Expenses of Corporate Exercise	258
Working Capital Available	<u>12,409</u>

The proceeds of RM12,666,654 from the Private Placement has been utilised in the following manner:

Purpose	Utilisation as at 31 December 2017 (RM'000)
Expansion of business operation	5,201
Working capital	2,306
Total utilised	<u>7,507</u>

2. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to the external auditors or a firm or corporation affiliated to the external auditors by the Company and the Group for the financial year ended 31 December 2017 are as follows:

	Group (RM)	Company (RM)
Fees paid or payable to the external auditors:		
Audit fees	206,810	31,500
Non-audit fees		
- Non-audit fees paid or payable to the listed issuer's auditors, or a firm or corporation affiliated to the auditors' firm	18,200	18,200
Total	<u>225,010</u>	<u>49,700</u>

3. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors or major shareholders, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

4. Contract relating to loans

There were no contracts relating to loans entered into by the Company involving interests of Directors and major shareholders during the financial year ended 31 December 2017.

Additional Compliance Information (Cont'd)



5. Recurrent related Party Transactions of a revenue or trading nature

Details of recurrent related party transactions (RRPT) made during the financial year ended 31 December 2017 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 25 May 2017 are as tabulated. The information contained herein, save for the actual value transacted, is extracted from the Circular to shareholders dated 28 April 2017.

Provider of goods and services	Recipient of goods and services	Nature of Transaction	Actual value transacted (RM'000)	Related Parties
Eonmetall Industries Sdn. Bhd. ("EMI")	Genrizt Storage System ("Genrizt")	Sales of steel products	457	Dato' Goh Cheng Huat ("Dato' Goh") is a director of EMI. He is also a major shareholder of Eonmetall Corporation Sdn. Bhd. ("ECSB"). Datin Tan Pak Say ("Datin Tan") is a director of EMI. She is the spouse of Dato' Goh and the sister of Tan Phaik Hoon ("TPH"). She is also a major shareholder of ECSB by virtue of her indirect interest through ECSB and her spouse. Tan Kheng Hwa ("TKH") is the spouse of TPH. Genrizt is a partnership owned by TKH and TPH.
EMI & Eonmetall Technology Sdn. Bhd. ("EMT")	Eonlipids Sdn. Bhd. ("Eonlipids")	¹ Sales of steel products, sales and maintenance of machinery, and project works	2,369	Dato' Goh is a director of EMI, EMT, Eonlipids and ENS. Dato' Goh and Datin Tan are major shareholders of Eonlipids and ENS by virtue of their indirect interest through ECSB. Goh Kee Seng is a director of EMT, Eonlipids and ENS. He is a person connected to Dato' Goh and Datin Tan. He is also major shareholders of Eonlipids and ENS. Eonlipids and ENS are subsidiaries of ECSB.
	Eonlipids Nutrition Specialties Sdn. Bhd. ("ENS")		-	
EMI	[◊] Leader Steel Sdn. Bhd. ("LSSB") & [◊] Leader Steel Service Centre Sdn. Bhd. ("LSSC")	Sales and servicing of steel products	17,205	Tan Sri Dato' Mohd Desa Bin Pachi is a director of EMT and Leader Steel Holdings Berhad ("LSH"). Dato' Goh is a director of EMI, EMS, EMT, ESL, LSH, LSSB and LSSC. He is also a major shareholder of LSH by virtue of his interest and indirect interest through Bischart Sdn. Bhd. ("Bischart") and Datin Tan. Datin Tan is a director of EMI, EMS, EMT, LSH, LSSB and LSSC. She is also a major shareholder of LSH by virtue of her interest and indirect interest through Bischart and Dato' Goh. Tan Sri Soong is a directors and shareholders of Eonmetall and LSH.
[◊] LSSC	EMI	Purchase and servicing of steel products	2,476	
	Eonmetall Systems Sdn. Bhd. ("EMS")		6	
	Eonsteel Sdn. Bhd. ("ESL")		-	
EMT	[◊] LSSB	Sales and maintenance of machinery	727	Goh Hong Kent is a director of EMI, EMS, EMT and LSSC. He is a person connected to Dato' Goh and Datin Tan. He also has interest in LSH. ECSB is a major shareholder of Eonmetall.
[◊] LSSB & [◊] LSSC	EMT	Purchase and maintenance of machinery	637	
EMT	[◊] LSSC	¹ Construction of office building & a single storey steel factory	1,149	
EMI	[◊] LSSC	² Letting of single storey factory	300	

Notes:

[◊] Subsidiaries of LSH

¹ Projects delayed due to unfavourable market conditions.

² Single storey factory building located at Lot 393, Mukim 12, Seberang Perai Selatan, Penang with an area measuring 3,873 square metres at a monthly rental RM26,500.

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year	18,694,254	2,530,051
Attributable to:		
Owners of the parent	18,701,818	2,530,051
Non-controlling interests	(7,564)	0
	18,694,254	2,530,051

DIVIDEND

Dividend paid, declared or proposed since the end of the previous financial year was as follows:

In respect of financial year ended 31 December 2017:

	RM
First interim single-tier dividend of 2.5 sen per ordinary share paid on 12 February 2018	4,706,703

The Directors do not recommend any payment of final dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of Companies Act, 2016, as disclosed in Note 14 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 171,171,000 ordinary shares to 188,288,100 ordinary shares by way of issuance of 17,117,100 new ordinary shares pursuant to the private placement at the price of RM0.74 per ordinary share for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.



TREASURY SHARES

At the Annual General Meeting held on 25 May 2017, the shareholders of the Company by an ordinary resolution renewed the mandate given to the Company to repurchase its own shares based, amongst others, on the following terms:

- (i) The number of shares to be repurchased and/or held as treasury shares shall not exceed 10% of its existing issued and paid-up share capital of the Company;
- (ii) The amount to be utilised for the repurchase of own shares by the Company shall not exceed the total retained earnings and share premium of the Company at the time of purchase; and
- (iii) The Directors may retain the shares so repurchased as treasury shares and may resell the treasury shares and/or distribute them as share dividend and/or cancel them in a manner they deem fit in accordance with the provisions of the Companies Act, 2016 in Malaysia and listing requirements and applicable guidelines of Bursa Malaysia Securities Berhad.

The Company has the rights to retain, cancel, resell and/or distribute these shares as dividends. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended.

During the financial year, the Company had disposed of 2,500,000 treasury shares valued at RM0.805 for a total net consideration of RM2,012,500 in the open market, resulting in a surplus of RM1,236,819 which has been credited to the retained earnings account as disclosed in Note 14 to the financial statement.

As at 31 December 2017, the Company held a total of 20,000 ordinary shares as treasury shares out of its total issued and paid-up share capital of 188,288,100 ordinary shares are recorded at a carrying amount of RM6,964.

DIRECTORS

The Directors who have held for office since the date of the last report are:

Tan Sri Dato' Mohd Desa Bin Pachi
Yeoh Cheng Chye
Dato' Goh Cheng Huat
Dato' Wahab Bin Hamid
Tan Sri Dato' Soong Siew Hoong
Goh Kee Seng
Tang Yin Kham

The Directors of subsidiaries who have held office since the date of the last report and at the date of this report, not including those Directors listed above are:

Goh Hong Kent
Datin Tan Pak Say

Directors' Report (Cont'd)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2017	Bought	Sold	Balance as at 31.12.2017
Shares in the Company				
Direct interests:				
Tan Sri Dato' Mohd Desa Bin Pachi	30,000	0	0	30,000
Yeoh Cheng Chye	50,000	0	0	50,000
Dato' Goh Cheng Huat	28,399,900	3,560,000	(12,714,300)	19,245,600
Tan Sri Dato' Soong Siew Hoong	510,000	0	0	510,000
Indirect interests:				
Tan Sri Dato' Mohd Desa Bin Pachi*	549,800	0	0	549,800
Dato' Goh Cheng Huat	84,049,128	0	0	84,049,128
Tan Sri Dato' Soong Siew Hoong	496,600	0	0	496,600

* Deemed interest by virtue of Section 59(11)(c) of the Companies Act, 2016 held through children.

By virtue of his interests in the ordinary shares of the Company, Dato' Goh Cheng Huat is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of remunerations received or due and receivable by the Directors as shown in the financial statements) 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 the following:

- (i) deemed benefits arising from related party transactions as disclosed in Note 29 to the financial statements; and
- (ii) remuneration received by certain Directors as Directors/executives of the subsidiaries.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 26 to the financial statements.



INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

During the financial year, the total cost of insurance effected for the Directors and officers of the Group and of the Company is RM16,200 for a total sum insured of RM15,000,000.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for:
 - (i) the effects arising from gain on bargain purchase resulting in an increase in the Group's profit for the financial year by RM4,953,898 as disclosed in Note 7 to the financial statements.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Cont'd)

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2017 are disclosed in Note 23 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Dato' Goh Cheng Huat
Director

Yeoh Cheng Chye
Director

Penang
27 April 2018

Statement By Directors



In the opinion of the Directors, the financial statements set out on pages 51 to 110 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions 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 at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Dato' Goh Cheng Huat
Director

Yeoh Cheng Chye
Director

Penang
27 April 2018

STATUTORY DECLARATION

I, Yeoh Cheng Chye, (I/C No.: 681225-07-5115) being the Director primarily responsible for the financial management of Eonmetall Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 51 to 110 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
abovenamed at Georgetown in the State
of Penang this 27 April 2018

Yeoh Cheng Chye

Before me,

Commissioner for Oaths



Independent Auditors' Report to the Members of Eonmetall Group Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eonmetall Group Berhad, which comprise the statements of financial position as at 31 December 2017 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 110.

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 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') 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 ('ISAs'). 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' *Code of Ethics for Professional Accountants* ('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 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.

Recoverability of trade receivables

As at 31 December 2017, trade receivables that were past due and not impaired amounted to RM40,458,231. The details of trade receivables and related credit risk have been disclosed in Note 11 and Note 32 to the financial statements respectively.

Management recognised impairment losses on trade receivables based on specific known facts or circumstances on customers' abilities to pay.

The determination of whether the trade receivables are recoverable involves significant management judgement based on analyses of historical bad debts, ageing profile of the customers and changes in customer payment terms.

Audit response

Our audit procedures included the following:

- (a) assessed the recoverability of trade receivables that were past due but not impaired with reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- (b) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Independent Auditors' Report to the Members of Eonmetall Group Berhad (Cont'd)



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 other information 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 other information and, in doing so, consider whether the other information 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 other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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 MFRSs, IFRSs 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's 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 or 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 ISAs 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 ISAs, 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.



Independent Auditors' Report to the Members of Eonmetall Group Berhad (Cont'd)

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

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (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 of the Group and of the Company 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 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 7 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.

BDO
AF : 0206
Chartered Accountants

Lee Beng Tuan
3271/07/18 (J)
Chartered Accountant

Penang
27 April 2018

Statements of Financial Position

As at 31 December 2017



			Group		Company
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	103,184,890	95,593,439	0	0
Investment properties	6	30,614,105	30,981,324	0	0
Investments in subsidiaries	7	0	0	124,273,207	124,273,204
Investment in a joint venture	8	510	0	0	0
Other investment	9	0	0	0	0
Deferred tax assets	10	1,624,500	1,624,500	0	0
Trade and other receivables	11	0	0	43,584,152	23,565,331
		135,424,005	128,199,263	167,857,359	147,838,535
Current assets					
Inventories	12	74,538,086	61,475,844	0	0
Trade and other receivables	11	65,647,384	44,943,412	4,001,000	384,142
Current tax assets		86,109	210,092	4,551	0
Cash and bank balances	13	13,702,180	2,620,908	1,460,544	5,183
		153,973,759	109,250,256	5,466,095	389,325
TOTAL ASSETS		289,397,764	237,449,519	173,323,454	148,227,860
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	99,800,734	85,585,500	99,310,842	85,585,500
Treasury shares	14	(6,964)	(782,645)	(6,964)	(782,645)
Reserves	15	85,749,647	71,764,410	25,566,855	27,565,376
		185,543,417	156,567,265	124,870,733	112,368,231
Non-controlling interests		234,248	270,544	0	0
TOTAL EQUITY		185,777,665	156,837,809	124,870,733	112,368,231
LIABILITIES					
Non-current liabilities					
Borrowings	17	5,162,155	10,294,931	0	0
Trade and other payables	19	0	0	43,450,918	35,540,229
Deferred tax liabilities	10	758,600	1,407,400	0	0
		5,920,755	11,702,331	43,450,918	35,540,229
Current liabilities					
Trade and other payables	19	19,342,522	11,660,867	5,001,803	281,900
Borrowings	17	76,979,522	56,504,952	0	0
Current tax liabilities		1,377,300	743,560	0	37,500
		97,699,344	68,909,379	5,001,803	319,400
TOTAL LIABILITIES		103,620,099	80,611,710	48,452,721	35,859,629
TOTAL EQUITY AND LIABILITIES		289,397,764	237,449,519	173,323,454	148,227,860

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For The Financial Year Ended 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	21	131,906,878	105,649,414	4,000,000	0
Cost of sales		(94,291,202)	(78,509,086)	0	0
Gross profit		37,615,676	27,140,328	4,000,000	0
Other income		5,966,220	4,197,866	1,349,313	765,544
Distribution expenses		(4,514,466)	(3,674,871)	0	0
Administrative expenses		(11,114,409)	(9,724,716)	(768,064)	(579,704)
Other expenses		(3,875,473)	(2,053,614)	(383,142)	(383,142)
Finance costs	22	(4,105,235)	(3,206,531)	(1,708,801)	(953,623)
Share of loss of a joint venture, net of tax		(54,784)	0	0	0
Profit/(Loss) before tax	23	19,917,529	12,678,462	2,489,306	(1,150,925)
Tax (expense)/income	27	(1,223,275)	(215,582)	40,745	(56,998)
Profit/(Loss) for the financial year		18,694,254	12,462,880	2,530,051	(1,207,923)
Profit/(Loss) attributable to:					
Owners of the parent		18,701,818	12,461,780	2,530,051	(1,207,923)
Non-controlling interests		(7,564)	1,100	0	0
		18,694,254	12,462,880	2,530,051	(1,207,923)
Earnings per ordinary share attributable to equity holders of the Company:					
- Basic (sen)	28(a)	10.97	7.39		
- Diluted (sen)	28(b)	10.97	7.39		

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss and Other Comprehensive Income (Cont'd)

For The Financial Year Ended 31 December 2017



	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) for the financial year		18,694,254	12,462,880	2,530,051	(1,207,923)
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		275,962	(457,640)	0	0
Share of other comprehensive loss of a joint venture, net of tax	8(e)	(2,811)	0	0	0
Other comprehensive income/(loss) for the financial year, net of tax		273,151	(457,640)	0	0
Total comprehensive income/(loss) for the financial year		18,967,405	12,005,240	2,530,051	(1,207,923)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		19,003,701	12,052,523	2,530,051	(1,207,923)
Non-controlling interests		(36,296)	(47,283)	0	0
		18,967,405	12,005,240	2,530,051	(1,207,923)

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For The Financial Year Ended 31 December 2017

Group	Note	Non-distributable			Distributable			Total equity RM
		Share capital RM	Treasury shares RM	Share premium RM	Exchange translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	
Balance as at 1 January 2016		85,585,500	(781,430)	1,548,580	(1,319,019)	63,698,626	148,732,257	149,050,084
Profit for the financial year		0	0	0	0	12,461,780	12,461,780	12,462,880
Foreign currency translations		0	0	0	(409,257)	0	(409,257)	(457,640)
Total comprehensive (loss)/income		0	0	0	(409,257)	12,461,780	(12,052,523)	12,005,240
Transactions with owners								
Dividend paid	16	0	0	0	0	(4,216,300)	(4,216,300)	(4,216,300)
Purchase of treasury shares	14	0	(1,215)	0	0	0	(1,215)	(1,215)
Total transactions with owners		0	(1,215)	0	0	(4,216,300)	(4,217,515)	(4,217,515)
Balance as at 31 December 2016		85,585,500	(782,645)	1,548,580	(1,728,276)	71,944,106	156,567,265	156,837,809

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity (Cont'd)

For The Financial Year Ended 31 December 2017



Group	Note	Non-distributable			Distributable			Total equity RM
		Share capital RM	Treasury shares RM	Share premium RM	Exchange translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	
Balance as at 1 January 2017		85,585,500	(782,645)	1,548,580	(1,728,276)	71,944,106	156,567,265	156,837,809
Profit for the financial year		0	0	0	0	18,701,818	18,701,818	18,694,254
Foreign currency translations		0	0	0	304,694	0	304,694	275,962
Share of comprehensive loss of a joint venture		0	0	0	(2,811)	0	(2,811)	(2,811)
Total comprehensive income/(loss)		0	0	0	301,883	18,701,818	19,003,701	18,967,405
Transactions with owners								
Dividend	16	0	0	0	0	(4,706,703)	(4,706,703)	(4,706,703)
Issuance of ordinary shares pursuant to private placement	14	12,666,654	0	0	0	0	12,666,654	12,666,654
Disposal of treasury shares	14	0	775,681	0	0	1,236,819	2,012,500	2,012,500
Total transactions with owners		12,666,654	775,681	0	0	(3,469,884)	9,972,451	9,972,451
Transfer pursuant to Companies Act, 2016	14	1,548,580	0	(1,548,580)	0	0	0	0
Balance as at 31 December 2017		99,800,734	(6,964)	0	(1,426,393)	87,176,040	185,543,417	185,777,665

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

For The Financial Year Ended 31 December 2017

Company	Note	Non-distributable			Distributable	Total equity
		Share capital RM	Treasury shares RM	Share premium RM		
Balance as at 1 January 2016		85,585,500	(781,430)	1,058,688	31,930,911	117,793,669
Loss for the financial year		0	0	0	(1,207,923)	(1,207,923)
Other comprehensive loss, net of tax		0	0	0	0	0
Total comprehensive loss		0	0	0	(1,207,923)	(1,207,923)
Transactions with owners						
Dividend paid	16	0	0	0	(4,216,300)	(4,216,300)
Purchase of treasury shares	14	0	(1,215)	0	0	(1,215)
Total transactions with owners		0	(1,215)	0	(4,216,300)	(4,217,515)
Balance as at 31 December 2016		85,585,500	(782,645)	1,058,688	26,506,688	112,368,231
Balance as at 1 January 2017		85,585,500	(782,645)	1,058,688	26,506,688	112,368,231
Profit for the financial year		0	0	0	2,530,051	2,530,051
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive income		0	0	0	2,530,051	2,530,051
Transactions with owners						
Dividend	16	0	0	0	(4,706,703)	(4,706,703)
Issuance of ordinary shares pursuant to private placement	14	12,666,654	0	0	0	12,666,654
Disposal of treasury shares	14	0	775,681	0	1,236,819	2,012,500
Total transactions with owners		12,666,654	775,681	0	(3,469,884)	9,972,451
Transfer pursuant to Companies Act, 2016	14	1,058,688	0	(1,058,688)	0	0
Balance as at 31 December 2017		99,310,842	(6,964)	0	25,566,855	124,870,733

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

For The Financial Year Ended 31 December 2017



		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		19,917,529	12,678,462	2,489,306	(1,150,925)
Adjustments for:					
Bad debts written off		0	180,000	0	0
Depreciation of property, plant and equipment	5	5,500,282	4,975,795	0	0
Depreciation of investment properties	6	434,995	428,326	0	0
Gain on bargain purchase	7(c)	(4,953,898)	0	0	0
Gain on disposal of property, plant and equipment	23	(102,760)	(284,117)	0	0
Dividend income	21	0	0	(4,000,000)	0
Impairment losses on:					
- trade receivables	11(g)	679,479	1,076,344	0	0
- other receivables	11(g)	383,142	366,994	383,142	366,994
- other investment	9	27,575	0	0	0
Interest income		(20,082)	(15,957)	(1,349,024)	(747,081)
Interest expense	22	4,105,235	3,206,531	1,708,801	953,623
Inventories written down	12(c)	546,330	257,433	0	0
Written off of property, plant and equipment	5	190,401	0	0	0
Gain on fair value adjustment on other receivable		0	(16,148)	0	(16,148)
Reversal of impairment loss on trade receivables	11(g)	0	(480,000)	0	0
Share of loss of a joint venture	8	54,784	0	0	0
Unrealised foreign exchange loss/(gain)		2,735,822	(1,420,841)	0	0
Operating profit/(loss) before changes in working capital		29,498,834	20,952,822	(767,775)	(593,537)
Increase in inventories		(13,581,751)	(4,299,874)	0	0
Increase in trade and other receivables		(23,977,990)	(6,146,679)	0	0
Increase/(Decrease) in trade and other payables		2,560,194	(6,731,976)	13,200	(7,200)
Cash (used in)/generated from operations		(5,500,713)	3,774,293	(754,575)	(600,737)
Tax paid		(1,389,127)	(637,194)	(26,751)	(62,533)
Tax refunded		283,545	120,971	25,445	0
Net cash (used in)/from operating activities		(6,606,295)	3,258,070	(755,881)	(663,270)

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows (Cont'd)

For The Financial Year Ended 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	5(e)	(6,098,786)	(4,281,629)	0	0
Addition of investment properties	6	(67,776)	(541,000)	0	0
Acquisition of subsidiary, net of cash and cash equivalent	7(c)	(2,380,080)	0	0	0
Addition of:					
- investment in subsidiaries		0	0	(3)	0
- investment in joint venture		(58,105)	0	0	0
- other investment		(27,575)	0	0	0
Increase in amount owing by subsidiaries		0	0	(20,018,821)	(11,105,993)
Increase in amount owing to subsidiaries		0	0	7,910,689	16,180,554
Proceeds from disposal of property, plant and equipment		108,132	293,928	0	0
Interest received		20,082	15,957	1,349,024	747,081
Net cash (used in)/from investing activities		(8,504,108)	(4,512,744)	(10,759,111)	5,821,642

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows (Cont'd)

For The Financial Year Ended 31 December 2017



	Note	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown from short term borrowings		121,130,857	75,973,000	0	0
Proceeds from term loan		0	6,500,000	0	0
Repayment of:					
- short term borrowings		(97,231,000)	(73,045,000)	0	0
- term loans		(6,743,036)	(5,444,600)	0	0
- hire purchase creditors		(85,641)	(160,724)	0	0
Issuance of shares		12,666,654	0	12,666,654	0
Purchase of treasury shares	14	0	(1,215)	0	(1,215)
Proceeds from sale of treasury shares		2,012,500	0	2,012,500	0
Interests paid		(4,105,235)	(3,206,531)	(1,708,801)	(953,623)
Dividend paid	16	0	(4,216,300)	0	(4,216,300)
Net cash from/(used in) financing activities		27,645,099	(3,601,370)	12,970,353	(5,171,138)
Net increase/(decrease) in cash and cash equivalents		12,534,696	(4,856,044)	1,455,361	(12,766)
Effect of exchange rate changes on cash and cash equivalents		275,962	(457,640)	0	0
Cash and cash equivalents at beginning of financial year		(8,374,005)	(3,060,321)	5,183	17,949
Cash and cash equivalents at end of financial year	13(b)	4,436,653	(8,374,005)	1,460,544	5,183

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group RM	Borrowings, exclude bank overdrafts (Note 17) Company RM
As at 1 January 2017	55,804,970	0
Cash flows	17,071,180	0
As at 31 December 2017	72,876,150	0

The accompanying notes form an integral part of the financial statements.



Notes to the Financial Statements

31 December 2017

1. CORPORATE INFORMATION

Eonmetall Group Berhad ('the Company') is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang.

The principal places of business of the Company are located at Lot 1258 & 1259, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang, Lot 387 and Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.

The consolidated financial statements for the financial year ended 31 December 2017 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 27 April 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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 ('IFRSs') and the provisions of the Companies Act, 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 33(a) to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

4. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- (i) Segment 1 - includes manufacture and sale of metalwork machinery and other industrial process machinery and equipment
- (ii) Segment 2 - includes manufacture and sale as well as trading of steel product
- (iii) Segment 3 - property and investment holding and others

There are varying levels of integration between reportable segments, the machinery and equipment and steel product segments. This integration includes manufacture and sale of machinery and shared distribution services. Inter-segment pricing is determined on negotiated basis.

Notes to the Financial Statements (Cont'd)

31 December 2017



4. OPERATING SEGMENTS (Cont'd)

Performance is measured based on segment operating profit as included in the internal management reports that are reviewed by the Group's Managing Director (the 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. Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets, assets used primarily for corporate purpose and items that cannot be reasonably allocated to individual segment.

Segment liabilities exclude tax liabilities.

2017	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
Revenue				
Total revenue	49,475,239	152,604,722	6,196,971	208,276,932
Inter-segment revenue	(3,697,926)	(67,197,699)	(5,474,429)	(76,370,054)
Revenue from external customers	45,777,313	85,407,023	722,542	131,906,878
Interest income	3,460	12,613	4,009	20,082
Finance costs	(1,421,351)	(2,683,188)	(696)	(4,105,235)
Net finance (expense)/income	(1,417,891)	(2,670,575)	3,313	(4,085,153)
Depreciation	(766,510)	(4,085,471)	(1,083,296)	(5,935,277)
Segment profit/(loss) before income tax	11,797,241	7,384,779	(1,097,487)	18,084,533
Tax (expenses)/income	(1,387,379)	(65,492)	229,596	(1,223,275)
Other non-cash items				
- Gain on bargain purchase	0	0	4,953,898	4,953,898
- Impairment losses on trade and other receivables	(112,274)	(567,205)	(383,142)	(1,062,621)
- Impairment losses on other investment	0	0	(27,575)	(27,575)
- Inventories written down	(546,330)	0	0	(546,330)
- Written off of property, plant and equipment	(132,021)	0	(58,380)	(190,401)
Additions to non-current assets other than financial instruments and deferred tax assets	311,142	4,943,612	8,100,528	13,355,282
Segment assets	109,982,343	121,988,621	55,716,191	287,687,155
Segment liabilities	46,051,815	42,849,409	12,582,975	101,484,199

Notes to the Financial Statements (Cont'd)

31 December 2017

4. OPERATING SEGMENTS (Cont'd)

2016	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
Revenue				
Total revenue	42,603,774	123,750,376	2,159,524	168,513,674
Inter-segment revenue	(3,136,543)	(58,367,517)	(1,360,200)	(62,864,260)
Revenue from external customers	39,467,231	65,382,859	799,324	105,649,414
Interest income	3,969	11,988	0	15,957
Finance costs	(1,505,594)	(1,304,816)	(396,121)	(3,206,531)
Net finance expense	(1,501,625)	(1,292,828)	(396,121)	(3,190,574)
Depreciation	(841,573)	(3,789,606)	(772,942)	(5,404,121)
Segment profit/(loss) before income tax	8,265,922	4,522,037	(4,553,027)	8,234,932
Tax income/(expenses)	172,711	(360,156)	(28,137)	(215,582)
Other non-cash items				
- Bad debts written off	(180,000)	0	0	(180,000)
- Impairment losses on trade and other receivables	(743,112)	(333,232)	(366,994)	(1,443,338)
- Inventories written down	(257,433)	0	0	(257,433)
- Reversal of impairment losses on trade receivables	480,000	0	0	480,000
Additions to non-current assets other than financial instruments and deferred tax assets	160,358	4,136,722	670,549	4,967,629
Segment assets	84,023,268	103,307,789	48,283,870	235,614,927
Segment liabilities	30,197,869	47,834,690	428,191	78,460,750

Notes to the Financial Statements (Cont'd)

31 December 2017



4. OPERATING SEGMENTS (Cont'd)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities corresponding amounts are as follows:

	2017 RM	2016 RM
Revenue		
Total revenue for reportable segments	208,276,932	168,513,674
Elimination of inter-segmental revenues	(76,370,054)	(62,864,260)
Revenue per consolidated statement of profit or loss and other comprehensive income	131,906,878	105,649,414
Depreciation		
Depreciation of property, plant and equipment	5,500,282	4,975,795
Depreciation of investment properties	434,995	428,326
Depreciation as per consolidated statement of profit or loss and other comprehensive income	5,935,277	5,404,121
Profit for the financial year		
Total profit for reportable segments	18,084,533	8,234,932
Adjustment for inter-segmental profits	1,832,996	4,443,530
Profit before tax	19,917,529	12,678,462
Tax expenses	(1,223,275)	(215,582)
Profit for the financial year	18,694,254	12,462,880
Assets		
Total assets for reportable segments	287,687,155	235,614,927
Current tax assets	86,109	210,092
Deferred tax assets	1,624,500	1,624,500
Assets of the Group per consolidated statement of financial position	289,397,764	237,449,519
Liabilities		
Total liabilities for reportable segments	101,484,199	78,460,750
Current tax liabilities	1,377,300	743,560
Deferred tax liabilities	758,600	1,407,400
Liabilities of the Group per consolidated statement of financial position	103,620,099	80,611,710

Notes to the Financial Statements (Cont'd)

31 December 2017

4. OPERATING SEGMENTS (Cont'd)

Geographical information

Revenue and non-current assets information are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include investment in a joint venture and deferred tax assets.

	Revenue		Non-current assets	
	2017 RM	2016 RM	2017 RM	2016 RM
Malaysia	66,221,400	59,824,390	133,798,995	126,574,763
Africa	19,317,358	8,649,320	0	0
Bangladesh	2,650,136	2,897,258	0	0
Cambodia	2,876,838	283,475	0	0
Indonesia	2,043,905	1,344,562	0	0
Philippines	16,965,633	5,811,724	0	0
Singapore	4,550,997	3,428,375	0	0
Sri Lanka	1,534,881	4,329,144	0	0
Middle-east countries	4,465,777	11,333,500	0	0
Vietnam	7,184,216	3,440,000	0	0
Others	4,095,737	4,307,666	0	0
	<u>131,906,878</u>	<u>105,649,414</u>	<u>133,798,995</u>	<u>126,574,763</u>

Major customer

The following are major customers with revenue equal or more than 10 percent (10%) of Group's revenue:

	Revenue		Segments
	2017 RM	2016 RM	
Customer A	18,347,942	16,959,491	Steel product and trading activity
Customer B	17,919,820	8,600,000	Machinery and equipment
	<u>36,267,762</u>	<u>25,559,491</u>	

Notes to the Financial Statements (Cont'd)

31 December 2017



5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2017 RM	Additions RM	Acquisition of a Subsidiary RM	Disposals RM	Written off RM	Reclassification RM	Depreciation charge for the financial year RM	Balance as at 31.12.2017 RM
Carrying amount								
Freehold land	25,582,497	0	0	0	0	0	0	25,582,497
Buildings	39,658,350	66,206	18,475	0	0	303,275	(991,275)	39,055,031
Plant and machinery, moulds, tools and equipment	27,562,390	5,048,104	6,860,891	0	(184,521)	929,113	(3,987,581)	36,228,396
Furniture, fittings, office equipment and computer software	861,244	379,790	1,874	(5,369)	(5,880)	0	(303,894)	927,765
Motor vehicles	592,852	76,658	49,400	(3)	0	0	(197,352)	521,555
Electrical installation and renovation	103,718	528,028	0	0	0	0	(20,180)	611,566
Capital work-in-progress	1,232,388	0	258,080	0	0	(1,232,388)	0	258,080
	95,593,439	6,098,786	7,188,720	(5,372)	(190,401)	0	(5,500,282)	103,184,890

Notes to the Financial Statements (Cont'd)

31 December 2017

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group	Balance as at 1.1.2016 RM	Additions RM	Disposals RM	Depreciation charge for the financial year RM	Balance as at 31.12.2016 RM
Carrying amount					
Freehold land	25,582,497	0	0	0	25,582,497
Buildings	40,341,450	296,887	0	(979,987)	39,658,350
Plant and machinery, moulds, tools and equipment	27,470,977	3,505,928	0	(3,414,515)	27,562,390
Furniture, fittings, office equipment and computer software	1,062,152	128,321	(7,082)	(322,147)	861,244
Motor vehicles	347,852	495,493	(2,729)	(247,764)	592,852
Electrical installation and renovation	115,100	0	0	(11,382)	103,718
Capital work-in-progress	7,259,113	0	(6,026,725)	0	1,232,388
	<u>102,179,141</u>	<u>4,426,629</u>	<u>(6,036,536)</u>	<u>(4,975,795)</u>	<u>95,593,439</u>

Notes to the Financial Statements (Cont'd)

31 December 2017



5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group	2017			Carrying amount RM
	Cost RM	Accumulated depreciation RM	Accumulated impairment loss RM	
Freehold land	25,582,497	0	0	25,582,497
Buildings	46,243,638	7,168,439	20,168	39,055,031
Plant and machinery, moulds, tools and equipment	79,425,380	38,809,621	4,387,363	36,228,396
Furniture, fittings, office equipment and computer software	4,794,990	3,865,990	1,235	927,765
Motor vehicles	2,786,746	2,265,191	0	521,555
Electrical installation and renovation	788,397	176,831	0	611,566
Capital work-in-progress	258,080	0	0	258,080
	159,879,728	52,286,072	4,408,766	103,184,890

Group	2016			Carrying amount RM
	Cost RM	Accumulated depreciation RM		
Freehold land	25,582,497	0		25,582,497
Buildings	45,824,473	6,166,123		39,658,350
Plant and machinery, moulds, tools and equipment	60,807,106	33,244,716		27,562,390
Furniture, fittings, office equipment and computer software	3,768,449	2,907,205		861,244
Motor vehicles	3,095,938	2,503,086		592,852
Electrical installation and renovation	1,148,524	1,044,806		103,718
Capital work-in-progress	1,232,388	0		1,232,388
	141,459,375	45,865,936		95,593,439

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and annual rates are as follows:
- | | |
|---|-----------|
| Buildings | 50 years |
| Plant and machinery, moulds, tools and equipment | 5% - 10% |
| Furniture, fittings, office equipment and computer software | 10% - 20% |
| Motor vehicles | 10% - 20% |
| Electrical installation and renovation | 10% |
- (c) Freehold land has unlimited useful life and is not depreciated. Capital work-in-progress represents machinery under installation and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

Notes to the Financial Statements (Cont'd)

31 December 2017

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (d) The net carrying amount of property, plant and equipment of the Group held under hire purchase as at the end of the reporting period is as follows:

	2017 RM	Group 2016 RM
Motor vehicles	64,800	126,848

- (e) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	2017 RM	Group 2016 RM
Purchase of property, plant and equipment	6,098,786	4,426,629
Financed by hire purchase arrangements	0	(145,000)
Cash payments on purchase of property, plant and equipment	6,098,786	4,281,629

- (f) As at 31 December 2017, property, plant and equipment of the Group with a carrying amount of RM33,710,508 (2016: RM33,967,370) have been charged to banks for credit facilities granted to the Group as disclosed in Note 17(c) to the financial statements.

6. INVESTMENT PROPERTIES

	Balance as at 1.1.2017 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2017 RM
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Group

Carrying amount

Freehold land	11,265,000	0	0	11,265,000
Building	19,716,324	67,776	(434,995)	19,349,105
	30,981,324	67,776	(434,995)	30,614,105

	Balance as at 1.1.2016 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2016 RM
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Group

Carrying amount

Freehold land	11,265,000	0	0	11,265,000
Building	19,603,650	541,000	(428,326)	19,716,324
	30,868,650	541,000	(428,326)	30,981,324

Notes to the Financial Statements (Cont'd)

31 December 2017



6. INVESTMENT PROPERTIES (Cont'd)

Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

The fair value of the investment property for disclosure purposes, which is at Level 3 fair value, is based on Directors' estimation by reference to the market evidence of transaction prices for similar properties and recent experience in the location and category of the properties being valued.

The fair value of the investment property at the end of the reporting period is RM37,100,000 (2016: RM37,100,000).

Depreciation is calculated to write off the cost or valuation of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods for the investment properties are fifty (50) years.

Investment properties are charged to a financial institution for banking facilities granted to the Group as disclosed in Note 17(c) to the financial statements.

Direct operating expenses arising from investment properties generating rental income of RM952,200 (2016: RM952,200) during the financial year are RM740,130 (2016: RM823,026).

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	RM	RM
Unquoted ordinary shares, at cost	59,768,951	59,768,948
Redeemable preference shares	68,000,000	68,000,000
Less: Accumulated impairment loss	(3,495,744)	(3,495,744)
	<u>124,273,207</u>	<u>124,273,204</u>

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2017 %	2016 %	
Eonmetall Technology Sdn. Bhd. #	Malaysia	100	100	Manufacture of metalwork and industrial process machinery and equipment
Eonmetall Industries Sdn. Bhd. #	Malaysia	100	100	Manufacture and distribution of steel products, focusing on cold rolled coils, galvanised coils and flat steel products
Eonmetall Systems Sdn. Bhd. #	Malaysia	100	100	Manufacture of steel products, focusing on steel storage systems

Notes to the Financial Statements (Cont'd)

31 December 2017

7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2017 %	2016 %	
Eonsteel Sdn. Bhd. #	Malaysia	100	100	Property holding, manufacture and trading of steel products
Eonchem Biomass Sdn. Bhd. #	Malaysia	100	100	Manufacture of palm oil related products
Eontarr IT Solutions Sdn. Bhd. #	Malaysia	100	100	Provider of IT solutions including software development
180 Degree Design Sdn. Bhd. #	Malaysia	100	0	Design and trading of steel products focusing on furniture related products and office space management
Constructor Asia Sdn. Bhd. #	Malaysia	100	0	Manufacture of steel products, focusing on steel storage systems
Eonmetall Carotene Oil Sdn. Bhd. #	Malaysia	100	0	Dormant
Eonchem Technology Sdn. Bhd. #	Malaysia	100	100	Manufacture of industrial process machinery and equipment
Eonmetall International Limited #	Malaysia	100	100	Investment holding
Eonsteel Sarawak Sdn. Bhd. #	Malaysia	100	100	Dormant
Subsidiary of Eonchem Biomass Sdn. Bhd.				
Eonmetall Bio-Coal Sdn. Bhd. # [Formerly known as CSC Bio-Coal Sdn. Bhd.]	Malaysia	100	0	Production of bio-coal and technical services
Subsidiary of Eonmetall International Limited				
PT Eonmetall Investment ^	Indonesia	88	88	Dormant

Subsidiaries audited by BDO Malaysia

^ Subsidiary audited by BDO Member Firms

Notes to the Financial Statements (Cont'd)

31 December 2017



7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (a) The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment.

The recoverable amounts of the investments in subsidiaries are assessed by reference to the value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

- (b) During the financial year, the Company incorporated three (3) wholly owned subsidiaries bearing the name 180 Degree Design Sdn. Bhd., Eonmetall Carotene Oil Sdn. Bhd. and Constructor Asia Sdn. Bhd. comprising of one (1) ordinary shares at RM1 each in respective subsidiaries.
- (c) On 21 September 2017, Eonchem Biomass Sdn. Bhd., a wholly owned subsidiary, had acquired 100% equity interest, representing 18,000,000 ordinary shares in Eonmetall Bio-Coal Sdn. Bhd. (Formerly known as CSC Bio-Coal Sdn. Bhd.) for a total cash consideration of RM4,032,000.

The fair values of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

	At date of Acquisition RM
Property, plant and equipment	7,188,720
Inventories	26,821
Trade and other receivables	123,622
Cash and cash equivalents	1,651,920
Current tax assets	8,770
Other payables	(13,955)
Total identified net assets	8,985,898
Gain on bargain purchase	(4,953,898)
Purchase consideration	4,032,000
Cash and cash equivalents of the subsidiaries acquired	(1,651,920)
Net cash outflow of the Group on acquisition	2,380,080

- (d) The subsidiary of the Group that has non-controlling interests ('NCI') are as follows:

	PT Eonmetall Investment	
	2017	2016
NCI percentage of ownership interest and voting interest	12%	12%
Carrying amount of NCI (RM)	234,248	270,544
Total comprehensive loss allocated to NCI (RM)	36,296	47,283

Notes to the Financial Statements (Cont'd)

31 December 2017

7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (e) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

	PT Eonmetall Investment	
	2017 RM	2016 RM
Assets and liabilities		
Current assets	2,422,018	2,710,649
Current liabilities	(469,950)	(456,116)
Net assets	<u>1,952,068</u>	<u>2,254,533</u>
Results		
Revenue	0	0
(Loss)/Profit for the financial year	(63,035)	9,163
Other comprehensive loss	(239,430)	(403,188)
Total comprehensive loss	<u>(302,465)</u>	<u>(394,025)</u>
Cash flows used in operating activities	<u>(849)</u>	<u>(672)</u>
Net decrease in cash and bank balances	<u>(849)</u>	<u>(672)</u>

8. INVESTMENT IN A JOINT VENTURE

	Group	
	2017 RM	2016 RM
Unquoted ordinary shares, at cost	58,105	0
Share of post acquisition reserves, net of Group's unrealised profit and dividends	(54,784)	0
Exchange differences	(2,811)	0
	<u>510</u>	<u>0</u>

- (a) Investment in a joint venture is measured at cost less impairment losses, if any, in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.

Investment in a joint venture has yet to commence operations as at 31 December 2017. The Group determines whether an impairment loss is required by evaluating the extent to which the recoverable amount is less than its carrying amount. The recoverable amount is determined based on the value-in-use. Value-in-use is the net present value of the projected future cash flows discounted at an appropriate pre-tax discount rate, which involve judgements in estimating future results and to determine an appropriate pre-tax discount rate.

- (b) The most recent available financial statements of the joint venture is used by the Group in applying the equity method. The share of results of joint venture of the Group is based on the unaudited financial statements made up to 31 December 2017.

Notes to the Financial Statements (Cont'd)

31 December 2017



8. INVESTMENT IN A JOINT VENTURE (Cont'd)

(c) Details of the joint venture is as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activity
		2017 %	2016 %	
Eonmetall Steel Company FZCO	Dubai	50	0	Dormant

(d) The joint venture, in which the Group participates, are unlisted separate structured entity whose quoted market prices are not available. The contractual arrangement stipulates unanimous consent of all parties over relevant activities of joint venture and provides the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for liabilities of the joint arrangements resting primarily with the joint venture. These joint arrangements have been classified as joint ventures and have been included in the consolidated financial statements using the equity method.

(e) Summarised financial information of joint venture is as follows:

	Eonmetall Steel Company FZCO 2017 RM
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Asset and liability

Current asset	16,588
Current liability	(15,568)
Net assets	1,020

Proportion of the ownership of the Group 50%

Carrying amount of the investment in a joint venture 510

Results

Revenue	0
Expenses	(109,568)
Loss for the financial year	(109,568)
Other comprehensive loss	(5,622)
Total comprehensive loss	(115,190)

Share of results for the financial year

Share of loss	(54,784)
Share of other comprehensive loss	(2,811)
Share of total comprehensive loss	(57,595)

Notes to the Financial Statements (Cont'd)

31 December 2017

9. OTHER INVESTMENT

	Group	
	2017 RM	2016 RM
Unquoted shares outside Malaysia, at cost		
Balance as at 31 December	<u>27,575</u>	<u>0</u>
Less: Impairment loss		
Balance as at 31 December	<u>(27,575)</u>	<u>0</u>
Carrying amount	<u>0</u>	<u>0</u>
Fair value	<u>0</u>	<u>0</u>

10. DEFERRED TAX (ASSETS)/LIABILITIES

(a) The deferred tax (assets)/liabilities are made up of the following:

	Group	
	2017 RM	2016 RM
Balance as at 1 January	(217,100)	821,940
Recognised in profit or loss (Note 27)	(167,300)	(838,740)
Underprovision of deferred tax in prior years	(481,500)	(200,300)
Balance as at 31 December	<u>(865,900)</u>	<u>(217,100)</u>
Presented after appropriate offsetting:		
Deferred tax assets	(1,624,500)	(1,624,500)
Deferred tax liabilities	758,600	1,407,400
	<u>(865,900)</u>	<u>(217,100)</u>

(b) Deferred tax (assets)/liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Property, plant and equipment	0	0	5,485,000	6,620,700	5,485,000	6,620,700
Unabsorbed losses	0	(699,800)	0	0	0	(699,800)
Unutilised reinvestment allowances	(6,350,900)	(6,138,000)	0	0	(6,350,900)	(6,138,000)
Tax (assets)/liabilities	(6,350,900)	(6,837,800)	5,485,000	6,620,700	(865,900)	(217,100)
Set off	4,726,400	5,213,300	(4,726,400)	(5,213,300)	0	0
Net tax (assets)/liabilities	<u>(1,624,500)</u>	<u>(1,624,500)</u>	<u>758,600</u>	<u>1,407,400</u>	<u>(865,900)</u>	<u>(217,100)</u>

Notes to the Financial Statements (Cont'd)

31 December 2017



10. DEFERRED TAX (ASSETS)/LIABILITIES (Cont'd)

- (b) Deferred tax (assets)/liabilities of the Group are attributable to the following (Cont'd):

Deferred tax (assets)/liabilities of the Group

	Unutilised reinvestment allowance RM	Unabsorbed losses RM	Property, plant and equipment RM	Total RM
Balance as at 1 January 2017	(6,138,000)	(699,800)	6,620,700	(217,100)
Recognised in profit or loss (Note 27)	(212,900)	699,800	(1,135,700)	(648,800)
Balance as at 31 December 2017	<u>(6,350,900)</u>	<u>0</u>	<u>5,485,000</u>	<u>(865,900)</u>
Balance as at 1 January 2016	(6,362,800)	(653,500)	7,838,240	821,940
Recognised in profit or loss (Note 27)	224,800	(46,300)	(1,217,540)	(1,039,040)
Balance as at 31 December 2016	<u>(6,138,000)</u>	<u>(699,800)</u>	<u>6,620,700</u>	<u>(217,100)</u>

- (c) Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowance to the extent that it is probable that taxable profits would be available against which the losses, capital allowances and reinvestment allowance could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.
- (d) The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position is as follows:

	Group	
	2017 RM	2016 RM
Taxable temporary differences	10,222,100	8,334,700
Unabsorbed tax losses	(10,672,100)	(9,944,600)
Unabsorbed capital allowances	(8,940,300)	(7,229,100)
Unutilised reinvestment allowance	(20,637,800)	(27,390,300)
	<u>(30,028,100)</u>	<u>(36,229,300)</u>

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences could be utilised.

Notes to the Financial Statements (Cont'd)

31 December 2017

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
Trade receivables				
Third parties	63,168,308	37,344,309	0	0
Amounts owing by related parties	6,600,770	9,235,647	0	0
Amounts due from contract customers (Note (d))				
- Third parties	1,471,092	3,180,325	0	0
	71,240,170	49,760,281	0	0
Less: Impairment loss				
- Third parties	(11,692,763)	(11,013,284)	0	0
	59,547,407	38,746,997	0	0
Other receivables				
Other receivables	5,780,631	5,653,106	1,497,536	1,497,536
Amount owing by a subsidiary	0	0	4,000,000	0
Deposits	900,643	771,764	1,000	1,000
	6,681,274	6,424,870	5,498,536	1,498,536
Less: Impairment loss				
- Other receivables	(1,497,536)	(1,114,394)	(1,497,536)	(1,114,394)
	5,183,738	5,310,476	4,001,000	384,142
Loan and receivables	64,731,145	44,057,473	4,001,000	384,142
Prepayments	916,239	885,939	0	0
Current trade and other receivables	65,647,384	44,943,412	4,001,000	384,142
Non-current				
Other receivables				
Amounts owing by subsidiaries	0	0	47,034,229	27,015,408
Less: Impairment loss				
- Subsidiaries	0	0	(3,450,077)	(3,450,077)
Loan and receivables	0	0	43,584,152	23,565,331
Total trade and other receivables	65,647,384	44,943,412	47,585,152	23,949,473

Notes to the Financial Statements (Cont'd)

31 December 2017



11. TRADE AND OTHER RECEIVABLES (Cont'd)

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 90 days (2016: 30 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) Included in other receivables of the Group is an amount owing by a third party in relation to a partial disposal of a subsidiary company, PT Eonmetall Investment, in prior years amounting to RM283,500 (2016: RM312,900).

Included in other receivables of the Group are advances to a supplier amounting to RM1,132,242 (2016: RM1,248,450).

- (c) Non-current amounts owing by subsidiaries (non-trade) are unsecured, interest bearing ranging from 4.56% to 4.64% (2016: 4.46% to 4.61%) per annum and repayable upon demand in cash and cash equivalents.
- (d) Amounts due from contract customers

	2017 RM	Group 2016 RM
Aggregate costs incurred to date	31,169,894	31,064,812
Add: Attributable profits	19,618,920	19,558,235
	50,788,814	50,623,047
Less: Progress billings	(49,317,722)	(47,442,722)
	1,471,092	3,180,325

- (e) The currency exposure profile of trade and other receivables is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	24,938,364	28,000,949	47,585,152	23,949,473
United States Dollar	39,920,375	16,714,302	0	0
Singapore Dollar	773,619	213,518	0	0
Euro Dollar	15,026	14,643	0	0
	65,647,384	44,943,412	47,585,152	23,949,473

Notes to the Financial Statements (Cont'd)

31 December 2017

11. TRADE AND OTHER RECEIVABLES (Cont'd)

(f) The ageing analysis of trade receivables of the Group is as follows:

	Group	
	2017 RM	2016 RM
Neither past due nor impaired	19,089,176	12,601,460
Past due, not impaired		
1 to 30 days	4,592,798	3,995,894
31 to 120 days	3,501,108	5,789,316
121 to 365 days	21,311,450	7,554,183
More than 365 days	11,052,875	8,806,144
	40,458,231	26,145,537
Past due and impaired	11,692,763	11,013,284
	<u>71,240,170</u>	<u>49,760,281</u>

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

The credit quality of trade receivables that are neither past due nor impaired as at the end of reporting period were assessed as follows:

	Group	
	2017 RM	2016 RM
Counterparties without external credit ratings		
- Group A	1,233,390	2,457,322
- Group B	17,855,786	10,144,138
Total unimpaired trade receivables	<u>19,089,176</u>	<u>12,601,460</u>

(i) Group A refers to new customers (less than 12 months).

(ii) Group B refers to existing customers, including related parties (more than 12 months) with no defaults in the past.

Trade receivables that are past due but not impaired

Trade receivables that are past due but not impaired mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

Notes to the Financial Statements (Cont'd)

31 December 2017



11. TRADE AND OTHER RECEIVABLES (Cont'd)

- (f) The ageing analysis of trade receivables of the Group is as follows (Cont'd):

Trade receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of the reporting period are as follows:

	Individually impaired	
	2017 RM	2016 RM
Group		
Trade receivables, gross	28,375,783	20,466,150
Less: Impairment loss	(11,692,763)	(11,013,284)
	16,683,020	9,452,866

- (g) The reconciliation of movement in the impairment loss are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables				
Balance as at 1 January	11,013,284	10,416,940	0	0
Charge for the financial year (Note 23)	679,479	1,076,344	0	0
Reversal of impairment loss (Note 23)	0	(480,000)	0	0
Balance as at 31 December	11,692,763	11,013,284	0	0
Other receivables				
Balance as at 1 January	1,114,394	747,400	4,564,471	4,197,477
Charge for the financial year (Note 23)	383,142	366,994	383,142	366,994
Balance as at 31 December	1,497,536	1,114,394	4,947,613	4,564,471
	13,190,299	12,127,678	4,947,613	4,564,471

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, ageing profiles of the customers and past historical payment trends when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

- (h) Information on financial risks of trade and other receivables is disclosed in Note 32 to the financial statements.

Notes to the Financial Statements (Cont'd)

31 December 2017

12. INVENTORIES

	Group	
	2017 RM	2016 RM
At cost		
Raw materials	21,464,553	16,144,890
Work-in-progress	38,030,511	29,516,071
Manufactured inventories	5,990,370	7,904,822
	65,485,434	53,565,783
At net realisable value		
Raw materials	1,533,265	1,368,709
Work-in-progress	6,838,896	5,815,358
Manufactured inventories	680,491	725,994
	9,052,652	7,910,061
Total	74,538,086	61,475,844

- (a) Inventories are determined using the first-in, first-out formula. The cost of raw materials comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and manufactured inventories includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.
- (b) 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.
- (c) The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

During current financial year, the Group has written down inventories by RM546,330 (2016: RM257,433) to net realisable value.

Notes to the Financial Statements (Cont'd)

31 December 2017



13. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	13,702,180	2,620,908	1,460,544	5,183

(a) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	11,842,139	1,721,244	1,460,544	5,183
United States Dollar	927,811	530,190	0	0
Singapore Dollar	905,557	346,550	0	0
Euro Dollar	19,898	19,529	0	0
Others	6,775	3,395	0	0
	13,702,180	2,620,908	1,460,544	5,183

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	13,702,180	2,620,908	1,460,544	5,183
Bank overdrafts included in borrowings (Note 17)	(9,265,527)	(10,994,913)	0	0
	4,436,653	(8,374,005)	1,460,544	5,183

(c) Information on financial risks of cash and bank balances is disclosed in Note 32 to the financial statements.

14. SHARE CAPITAL

	Group			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	171,171,000	85,585,500	171,171,000	85,585,500
Issuance of ordinary shares				
pursuant to private placement	17,117,100	12,666,654	0	0
Transfer from share premium account				
pursuant to the Companies Act, 2016	0	1,548,580	0	0
Balance as at 31 December	188,288,100	99,800,734	171,171,000	85,585,500

Notes to the Financial Statements (Cont'd)

31 December 2017

14. SHARE CAPITAL (Cont'd)

	Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	171,171,000	85,585,500	171,171,000	85,585,500
Issuance of ordinary shares				
pursuant to private placement	17,117,100	12,666,654	0	0
Transfer from share premium account				
pursuant to the Companies Act, 2016	0	1,058,688	0	0
Balance as at 31 December	<u>188,288,100</u>	<u>99,310,842</u>	<u>171,171,000</u>	<u>85,585,500</u>

- (a) During the financial year, the issued and fully paid up ordinary share capital of the Company was increased from 171,171,000 ordinary shares to 188,288,100 ordinary shares by way of issuance of 17,117,100 new ordinary shares pursuant to the private placement at the price of RM0.74 per ordinary share for cash.
- (b) The owners of the parent (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.
- (c) With the introduction of the Companies Act, 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM1,548,580 and RM1,058,688 have been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act, 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act, 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 25 May 2017, renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January	(2,520,000)	(782,645)	(2,518,000)	(781,430)
Disposal of treasury shares	2,500,000	775,681	0	0
Purchase of treasury shares	0	0	(2,000)	(1,215)
Balance as at 31 December	<u>(20,000)</u>	<u>(6,964)</u>	<u>(2,520,000)</u>	<u>(782,645)</u>

Notes to the Financial Statements (Cont'd)

31 December 2017



14. SHARE CAPITAL (Cont'd)

Treasury shares (Cont'd)

- (i) When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Companies Act, 2016 in Malaysia.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

- (ii) The amount relates to the disposal of treasury shares

During the financial year, the Company had disposed of 2,500,000 (2016: Nil) treasury shares valued at RM0.805 (2016: Nil) for a total net consideration of RM2,012,500 in the open market, resulting in a surplus of RM1,236,819 which has been credited to the retained earnings account.

As at 31 December 2017, 20,000 (2016: 2,520,000) out of the total 188,288,100 (2016: 171,171,000) issued and fully paid ordinary shares are held as treasury shares by the Company. The number of outstanding ordinary shares in issue as at 31 December 2017 after deducting the treasury shares is 188,268,100 (2016: 168,651,000).

Treasury shares have no rights to voting, dividends or participation in other distribution.

15. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-distributable:				
Share premium	0	1,548,580	0	1,058,688
Translation reserve	(1,426,393)	(1,728,276)	0	0
	(1,426,393)	(179,696)	0	1,058,688
Distributable:				
Retained earnings	87,176,040	71,944,106	25,566,855	26,506,688
	<u>85,749,647</u>	<u>71,764,410</u>	<u>25,566,855</u>	<u>27,565,376</u>

- (a) Share premium

With the introduction of the Companies Act, 2016 effective 31 January 2017, the balance within the share premium account has been transferred to the share capital account as disclosed in Note 14 to the financial statements.

- (b) Translation reserve

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

Notes to the Financial Statements (Cont'd)

31 December 2017

16. DIVIDENDS

	Group and Company			
		2017		2016
	Dividend per share sen	Amount of dividend RM	Dividend per share sen	Amount of dividend RM
Single tier interim dividend declared/ paid	<u>2.5</u>	<u>4,706,703</u>	<u>2.5</u>	<u>4,216,300</u>

17. BORROWINGS

	2017 RM	Group 2016 RM
Current		
<i>Secured</i>		
Term loans	5,154,262	6,800,397
Hire purchase creditors (Note 18)	35,876	85,642
Bank overdrafts (Note 13(b))	9,265,527	10,994,913
Bankers' acceptances	51,856,000	28,874,000
Revolving credits	10,250,000	9,750,000
Trust receipts	417,857	0
	<u>76,979,522</u>	<u>56,504,952</u>
Non-current		
<i>Secured</i>		
Term loans	5,096,229	10,193,130
Hire purchase creditors (Note 18)	65,926	101,801
	<u>5,162,155</u>	<u>10,294,931</u>
Total borrowings		
Term loans	10,250,491	16,993,527
Hire purchase creditors (Note 18)	101,802	187,443
Bank overdrafts (Note 13(b))	9,265,527	10,994,913
Bankers' acceptances	51,856,000	28,874,000
Revolving credits	10,250,000	9,750,000
Trust receipts	417,857	0
	<u>82,141,677</u>	<u>66,799,883</u>

Notes to the Financial Statements (Cont'd)

31 December 2017



17. BORROWINGS (Cont'd)

(a) All borrowings are denominated in Ringgit Malaysia.

(b) Interest rates

Term loans

- floating rates 1.50% (2016: 0.50% to 1.50%) below prevailing base lending rates per annum and 1.5% (2016: Nil) above prevailing base lending rates per annum.

0.60% to 2.00% (2016: 0.60% to 2.00%) above cost of funds or prevailing base lending rates per annum

- fixed rates 6.75% (2016 : 6.75%) per annum

Hire purchase creditors 4.72% to 5.97% (2016: 4.70% to 5.97%) per annum

Bank overdrafts 0.55% to 1.75% (2016: 0.55% to 1.75%) above prevailing base lending rates per annum

Bankers' acceptances, revolving credits and trust receipts 0.75% to 1.25% (2016: 0.75% to 1.25%) above cost of funds per annum

(c) The bank borrowings of the Group, other than hire purchase creditors are secured by the followings:

(i) fixed charges over the following assets of the Group

	Note	2017 RM	2016 RM
Freehold land and buildings	5(f)	33,710,508	33,967,370
Investment properties	6	<u>30,614,105</u>	<u>30,981,324</u>

(ii) corporate guarantee of RM82,039,875 (2016: RM66,028,088) from the Company.

Notes to the Financial Statements (Cont'd)

31 December 2017

17. BORROWINGS (Cont'd)

(d) Borrowings are repayable as follows:

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Group						
2017						
Secured						
Term loans	2018 - 2022	10,250,491	5,154,262	2,070,278	3,025,951	0
Hire purchase creditors	2018 - 2022	101,802	35,876	30,664	35,262	0
Bank overdrafts	2018	9,265,527	9,265,527	0	0	0
Bankers' acceptances	2018	51,856,000	51,856,000	0	0	0
Revolving credits	2018	10,250,000	10,250,000	0	0	0
Trust receipts	2018	417,857	417,857	0	0	0
		82,141,677	76,979,522	2,100,942	3,061,213	0

Group

2016

Secured

Term loans	2017 - 2021	16,993,527	6,800,397	5,155,871	5,037,259	0
Hire purchase creditors	2017 - 2021	187,443	85,642	35,876	65,925	0
Bank overdrafts	2017	10,994,913	10,994,913	0	0	0
Bankers' acceptances	2017	28,874,000	28,874,000	0	0	0
Revolving credits	2017	9,750,000	9,750,000	0	0	0
		66,799,883	56,504,952	5,191,747	5,103,184	0

(e) Information on financial risks of borrowings is disclosed in Note 32 to the financial statements.

18. HIRE PURCHASE CREDITORS

	2017 RM	Group 2016 RM
Minimum hire purchase payments:		
- not later than one (1) year	40,714	93,041
- later than one (1) year but not later than five (5) years	70,020	110,733
Total minimum hire purchase payments	110,734	203,774
Less: Future interest charges	(8,932)	(16,331)
Present value of hire purchase	101,802	187,443

Notes to the Financial Statements (Cont'd)

31 December 2017



18. HIRE PURCHASE CREDITORS (Cont'd)

	Group	
	2017 RM	2016 RM
Repayable as follows:		
Current liabilities		
- not later than one (1) year (Note 17)	35,876	85,642
Non-current liabilities		
- later than one (1) year but not later than five (5) years (Note 17)	65,926	101,801
	101,802	187,443

- (a) Hire purchase liabilities are effectively secured as the rights to the assets under hire purchase in the event of default.
- (b) Information on financial risks of hire purchase creditors is disclosed in Note 32 to the financial statements.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
Trade payables				
Amounts owing to related parties	2,909,114	904,594	0	0
Third parties	6,355,346	6,197,420	0	0
	9,264,460	7,102,014	0	0
Other payables				
Accrued expenses	2,557,773	1,853,896	295,100	281,900
Amounts owing to a related party	64,274	58,024	0	0
Other payables	7,456,015	2,646,933	4,706,703	0
	10,078,062	4,558,853	5,001,803	281,900
Non-current				
Other payables				
Amounts owing to subsidiaries	0	0	43,450,918	35,540,229
	19,342,522	11,660,867	48,452,721	35,822,129

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2016: 30 to 60 days).
- (b) The amount owing to a related party is non-trade in nature, unsecured, interest-free and repayable upon demand in cash and cash equivalents.
- (c) Non-current amounts owing to subsidiaries (non-trade) are unsecured, interest bearing ranging from 4.56% to 4.64% (2016: 4.46% to 4.61%) per annum and repayable upon demand in cash and cash equivalents.

Notes to the Financial Statements (Cont'd)

31 December 2017

19. TRADE AND OTHER PAYABLES (Cont'd)

(d) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	15,787,575	8,396,754	48,452,721	35,822,129
United States Dollar	3,370,810	3,077,690	0	0
Euro Dollar	183,402	183,402	0	0
Singapore Dollar	735	3,021	0	0
	<u>19,342,522</u>	<u>11,660,867</u>	<u>48,452,721</u>	<u>35,822,129</u>

(e) Information on financial risks of trade and other payables is disclosed in Note 32 to the financial statements.

20. CONTINGENT LIABILITIES

	Company	
	2017 RM	2016 RM

Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries - unsecured

82,039,875 66,028,088

The corporate guarantees are given to the financial institutions as one of the securities in relation to banking facilities granted to the subsidiaries.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote. Accordingly, the Directors have estimated the financial impact of the guarantees as at 31 December 2017 to be insignificant.

21. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Invoiced value of goods sold				
less discounts and returns	131,741,111	96,282,436	0	0
Contract revenue	165,767	9,366,978	0	0
Gross dividend from a subsidiary	0	0	4,000,000	0
	<u>131,906,878</u>	<u>105,649,414</u>	<u>4,000,000</u>	<u>0</u>

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Notes to the Financial Statements (Cont'd)

31 December 2017



21. REVENUE (Cont'd)

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Construction contracts

Profits from contract works are recognised on a percentage of completion method. Percentage of completion is determined based on the proportion of contract costs incurred for work performed to date against total estimated costs where the outcome of the project can be estimated reliably.

When it is probable that total contract costs would exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable would be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(e) Rental income

Rental income is recognised based on accrual basis.

22. FINANCE COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expenses on:				
- amounts owing to subsidiaries	0	0	1,708,801	953,623
- bank overdrafts	722,420	381,302	0	0
- bankers' acceptances	1,907,174	1,196,441	0	0
- hire purchase	7,865	15,029	0	0
- revolving credits	535,110	465,553	0	0
- term loans	905,561	922,248	0	0
- others	27,105	225,958	0	0
	<u>4,105,235</u>	<u>3,206,531</u>	<u>1,708,801</u>	<u>953,623</u>

Notes to the Financial Statements (Cont'd)

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23. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after charging:

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration:					
- statutory audits					
- current year		208,310	187,897	31,500	28,600
- overprovision in prior year		(1,500)	0	0	0
- other services		18,200	25,500	18,200	25,500
Bad debts written off		0	180,000	0	0
Depreciation of:					
- property, plant and equipment	5	5,500,282	4,975,795	0	0
- investment properties	6	434,995	428,326	0	0
Directors' emoluments					
- fees		270,000	270,000	270,000	270,000
- other emoluments		2,142,286	2,331,670	29,500	28,500
Impairment losses on:					
- trade receivables	11(g)	679,479	1,076,344	0	0
- other receivables	11(g)	383,142	366,994	383,142	366,994
- other investment	9	27,575	0	0	0
Realised foreign exchange loss		52,954	0	0	0
Unrealised foreign exchange loss		2,735,822	0	0	0
Rental of premises		117,790	71,482	0	0
Research and development					
expenses		457,744	457,235	0	0
Inventories written down	12(c)	546,330	257,433	0	0
Written off of property, plant and equipment	5	190,401	0	0	0

Profit/(Loss) before tax is arrived at after crediting:

Gain on disposal of property, plant and equipment		102,760	284,117	0	0
Gain on fair value adjustment on other receivable		0	16,148	0	16,148
Insurance compensation		25,569	2,419	291	2,314
Realised foreign exchange gain		0	140,768	0	0
Unrealised foreign exchange gain		0	1,420,841	0	0
Interest income		20,082	15,957	0	0
Interest charged to subsidiaries		0	0	1,349,024	747,081
Rental of premise		786,121	1,118,304	0	0
Reversal of impairment loss on trade receivables	11(g)	0	480,000	0	0

Notes to the Financial Statements (Cont'd)

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24. KEY MANAGEMENT PERSONNEL REMUNERATIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of executive directors and other key management personnel during the financial year are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive directors and other key management personnel				
- fees	72,000	72,000	72,000	72,000
- remuneration	2,690,361	2,362,018	8,000	8,000
	<u>2,762,361</u>	<u>2,434,018</u>	<u>80,000</u>	<u>80,000</u>

25. EMPLOYEE BENEFITS

	Group	
	2017 RM	2016 RM
Wages, salaries, bonuses and incentive	12,918,664	11,567,460
Contributions to defined contribution plans	1,012,657	900,835
Social security contributions	77,704	63,830
Other employee benefits	502,621	489,255
	<u>14,511,646</u>	<u>13,021,380</u>

- (a) Included in the employee benefits of the Group and of the Company are Executive Directors' fee and remuneration amounting to RM2,147,786 and RM80,000 (2016: RM2,335,170 and RM80,000) respectively.
- (b) Included in the staff costs above are an amount of RM457,744 (2016: RM457,235) charged out as research and development expenses.

26. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors of the company				
Executive:				
- fees	72,000	72,000	72,000	72,000
- other emoluments	2,075,786	2,263,170	8,000	8,000
	<u>2,147,786</u>	<u>2,335,170</u>	<u>80,000</u>	<u>80,000</u>
Non-executive:				
- fees	198,000	198,000	198,000	198,000
- other emoluments	66,500	68,500	21,500	20,500
	<u>264,500</u>	<u>266,500</u>	<u>219,500</u>	<u>218,500</u>
Total Directors' remuneration	<u>2,412,286</u>	<u>2,601,670</u>	<u>299,500</u>	<u>298,500</u>

Notes to the Financial Statements (Cont'd)

31 December 2017

27. TAX EXPENSE/(INCOME)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense based on profit/(loss) for the financial year	2,291,600	1,237,076	15,700	57,000
(Over)/Underprovision in prior years	(419,525)	17,546	(56,445)	(2)
	1,872,075	1,254,622	(40,745)	56,998
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	(167,300)	(838,740)	0	0
Overprovision in prior years	(481,500)	(200,300)	0	0
	(648,800)	(1,039,040)	0	0
Total tax expense/(income)	1,223,275	215,582	(40,745)	56,998

The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profits for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before tax	19,917,529	12,678,462	2,489,306	(1,150,925)
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	4,780,200	3,042,800	597,500	(276,200)
Tax effects in respect of:				
- Non-allowable expenses	1,735,500	1,258,276	378,200	333,200
- Non-taxable income	(992,700)	(1,684,440)	(960,000)	0
- Pioneer income	(1,910,400)	(1,113,800)	0	0
- Changes in tax rate	0	(9,200)	0	0
- Utilisation of previously unrecognised deferred tax assets	(1,488,300)	(1,095,300)	0	0
(Over)/Underprovision of tax expense in prior years	(419,525)	17,546	(56,445)	(2)
Underprovision of deferred tax in prior years	(481,500)	(200,300)	0	0
	1,223,275	215,582	(40,745)	56,998

Notes to the Financial Statements (Cont'd)

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27. TAX EXPENSE/(INCOME) (Cont'd)

Tax on each component of other comprehensive income is as follows:

	Before tax RM	Group Tax effect RM	After tax RM
2017			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	275,962	0	275,962
Share of other comprehensive loss of a joint venture	(2,811)	0	(2,811)
	<u>273,151</u>	<u>0</u>	<u>273,151</u>

2016

Items that may be reclassified subsequently to profit or loss

Foreign currency translations	<u>(457,640)</u>	<u>0</u>	<u>(457,640)</u>
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A wholly owned subsidiary of the Company, Eonmetall Technology Sdn. Bhd., has been granted the following pioneer status:

- For a total of 10 years from 28 August 2008 to 27 August 2018 to manufacture the solvent extraction plant for the extraction of oil for animal, fixed fats, oleo-chemical and other processing, other than crude palm oil.
- For a total of 5 years from 6 July 2015 to 5 July 2020 to manufacture the hot rolling machinery, modules and related parts for long products of iron and steel.

A wholly owned subsidiary of the Company, Eonchem Biomass Sdn. Bhd., has been granted the pioneer status for a total of 5 years from 23 February 2011 to 22 February 2016 to process solvent extracted palm oil and solvent extracted palm kernel oil. The pioneer status has expired in previous financial year.

A wholly owned subsidiary of the Company, Eonsteel Sarawak Sdn. Bhd., has been granted the pioneer status under Malaysian Investment Development Authority on 19 September 2013, which exempts it from income tax for a period of 5 years.

28. EARNINGS PER ORDINARY SHARE

(a) Basic

	Group 2017 RM	2016 RM
Profit for the financial year attributable to equity holders of the parent	<u>18,701,818</u>	<u>12,461,780</u>
Weighted average number of ordinary shares in issue	<u>170,472,546</u>	<u>168,651,652</u>
Basic earnings per ordinary share (sen)	<u>10.97</u>	<u>7.39</u>

Notes to the Financial Statements (Cont'd)

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28. EARNINGS PER ORDINARY SHARE (Cont'd)

(b) Diluted

Diluted earnings per ordinary share is the same as basic earning per ordinary share as there is no dilutive potential ordinary share.

29. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

The Group has related parties relationship with the following:

Names of related parties	Relationship
Leader Steel Sdn. Bhd.	A company in which certain Directors of the Company have substantial interest.
Leader Steel Service Centre Sdn. Bhd.	A company in which certain Directors of the Company have substantial interest.
Genrizt Storage System	A major shareholder of the Company is connected to this company.
Eonlipids Sdn. Bhd.	A company in which a Director of the Company has substantial interest.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Subsidiaries:				
Dividend income	0	0	4,000,000	0
Interest expense	0	0	1,708,801	953,623
Interest income	0	0	1,349,024	747,081
Related parties:				
Rental of premise receivable	300,000	300,000	0	0
Sales	21,908,434	22,450,733	0	0
Purchases	3,119,425	2,699,176	0	0
Purchases of motor vehicle	66,038	0	0	0

Balances with related parties at the end of the financial year are disclosed in Note 11 and Note 19 to the financial statements.

The above transactions were carried out a terms and rates as agreed between the Group and the related parties.

Notes to the Financial Statements (Cont'd)

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30. CAPITAL COMMITMENTS

	Group	
	2017 RM	2016 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	63,320	44,900

31. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's strategy is to maintain the balance between debt and equity and to ensure sufficient operating cash flows to repay its liabilities as and when they fall due. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent. The gearing ratios as at 31 December 2017 and 31 December 2016 are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Borrowings	82,141,677	66,799,883	0	0
Trade and other payables	19,342,522	11,660,867	48,452,721	35,822,129
Total liabilities	101,484,199	78,460,750	48,452,721	35,822,129
Less: Cash and bank balances	(13,702,180)	(2,620,908)	(1,460,544)	(5,183)
Net debt	87,782,019	75,839,842	46,992,177	35,816,946
Total capital	185,543,417	156,567,265	124,870,733	112,368,231
Net debt	87,782,019	75,839,842	46,992,177	35,816,946
Equity	273,325,436	232,407,107	171,862,910	148,185,177
Gearing ratio	32%	33%	27%	24%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 December 2017.

Notes to the Financial Statements (Cont'd)

31 December 2017

31. FINANCIAL INSTRUMENTS (Cont'd)

(b) Categories of financial instruments

Group	Loans and receivables	
	2017 RM	2016 RM
Financial assets		
Trade and other receivables (exclude prepayments)	64,731,145	44,057,473
Cash and bank balances	13,702,180	2,620,908
	<u>78,433,325</u>	<u>46,678,381</u>

	Other financial liabilities	
	2017 RM	2016 RM
Financial liabilities		
Borrowings	82,141,677	66,799,883
Trade and other payables	19,342,522	11,660,867
	<u>101,484,199</u>	<u>78,460,750</u>

Company	Loans and receivables	
	2017 RM	2016 RM
Financial assets		
Trade and other receivables (exclude prepayments)	47,585,152	23,949,473
Cash and bank balances	1,460,544	5,183
	<u>49,045,696</u>	<u>23,954,656</u>

	Other financial liabilities	
	2017 RM	2016 RM
Financial liabilities		
Trade and other payables	48,452,721	35,822,129

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as short-term receivables, payables and borrowings, are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.



31. FINANCIAL INSTRUMENTS (Cont'd)

(c) Methods and assumptions used to estimate fair value (Cont'd)

(ii) Hire-purchase creditors

The fair values of hire-purchase creditors are estimated based on the future contractual cash flows discounted at current market interest rates available for similar financial instruments and of the same remaining maturities.

(iii) Non-current other receivable and non-current other payable

The fair value of non-current other receivable and non-current payable is estimated by discounting expected future cash flows based on cost of debts of the Company.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from 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).

Fair value of non-derivative financial liabilities, 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 borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements (Cont'd)

31 December 2017

31. FINANCIAL INSTRUMENTS (Cont'd)

(d) Fair value hierarchy (Cont'd)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Total carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2017										
Group										
Financial liability										
Other financial liabilities										
Fixed rate borrowing and hire purchase creditors	0	0	0	0	0	1,972,438	0	1,972,438	1,972,438	2,101,802

Notes to the Financial Statements (Cont'd)

31 December 2017



31. FINANCIAL INSTRUMENTS (Cont'd)

(d) Fair value hierarchy (Cont'd)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (Cont'd).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Total carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2017										
Company										
Financial asset										
Loans and receivables										
Amounts owing by subsidiaries	0	0	0	0	0	0	41,663,466	41,663,466	41,663,466	43,584,152
Financial liability										
Other financial liabilities										
Amounts owing to subsidiaries	0	0	0	0	0	0	41,536,104	41,536,104	41,536,104	43,450,918

Notes to the Financial Statements (Cont'd)

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31. FINANCIAL INSTRUMENTS (Cont'd)

(d) Fair value hierarchy (Cont'd)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (Cont'd).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2016										
Group										
Financial asset										
Loans and receivables										
Other receivables	0	383,142	0	383,142	0	0	0	0	383,142	383,142
Financial liability										
Other financial liabilities										
Fixed rate borrowing and hire purchase creditors	0	0	0	0	0	4,747,366	0	4,747,366	4,747,366	5,187,443

Notes to the Financial Statements (Cont'd)

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31. FINANCIAL INSTRUMENTS (Cont'd)

(d) Fair value hierarchy (Cont'd)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (Cont'd).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2016										
Company										
Financial asset										
Loans and receivables										
Amounts owing by subsidiaries	0	0	0	0	0	0	22,554,873	22,554,873	22,554,873	23,565,331
Other receivables	0	383,142	0	383,142	0	0	0	0	383,142	383,142
Financial liability										
Other financial liabilities										
Amounts owing to subsidiaries	0	0	0	0	0	0	34,016,299	34,016,299	34,016,299	35,540,229

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2017 and 31 December 2016.

(e) The management regularly reviews significant unobservable inputs and valuation adjustments in respect to the measurement of fair values of financial instrument.

Notes to the Financial Statements (Cont'd)

31 December 2017

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through internal control systems, insurance programmes and adherence to the Group's financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, foreign currency risk and interest rate risk. Information on the management of the related exposures is detailed below.

(a) Credit risk

Trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are the Group's customers. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to three (3) months for major customers. The Group consistently monitors its outstanding receivables to minimise credit risk.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group and of the Company to credit risk is substantially represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	2017		2016	
	RM	% of total	RM	% of total
By countries				
Malaysia	23,610,367	40%	24,774,136	64%
Middle East	3,311,086	6%	5,294,637	14%
Africa	21,411,194	36%	5,798,110	15%
Indonesia	227,194	1%	15,768	0%
Bangladesh	1,738	0%	866,220	2%
Myanmar	737,856	1%	460,653	1%
Singapore	735,385	1%	35,778	0%
Sri Lanka	4,575	0%	222,254	1%
Philippines	3,238,000	5%	0	0%
Vietnam	5,526,698	9%	0	0%
Others	743,314	1%	1,279,441	3%
	59,547,407	100%	38,746,997	100%
By industry sectors				
Machinery and equipment	45,299,892	76%	24,352,375	63%
Steel product and trading activity	14,247,515	24%	14,394,622	37%
	59,547,407	100%	38,746,997	100%

Notes to the Financial Statements (Cont'd)

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(a) Credit risk (Cont'd)

Credit risk concentration profile (Cont'd)

At the end of the reporting period, approximately:

- (i) 60% (2016: 46%) of the Group's trade receivables were due from four (4) (2016: seven) major customers who are located in Malaysia, Africa, Philippines and Vietnam.
- (ii) Approximately 11% (2016: 24%) of the Group's trade and other receivables were due from related parties whilst 92% (2016: 98%) of the Company's receivables were balances with its subsidiaries.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 11 to the financial statements.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 11 to the financial statements.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 to the financial statements.

(b) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

The table below summaries the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 December 2017				
Group				
Financial liabilities				
Trade and other payables	19,342,522	0	0	19,342,522
Loan and borrowings	77,516,660	5,723,199	0	83,239,859
Total undiscounted financial liabilities	96,859,182	5,723,199	0	102,582,381
Company				
Financial liability				
Trade and other payables	5,001,803	45,454,005	0	50,455,808
Total undiscounted financial liability	5,001,803	45,454,005	0	50,455,808

Notes to the Financial Statements (Cont'd)

31 December 2017

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(b) Liquidity and cash flow risk (Cont'd)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
--	--	----------------------------	--------------------------	-------------

As at 31 December 2016

Group

Financial liabilities

Trade and other payables	11,660,867	0	0	11,660,867
Loan and borrowings	57,150,183	11,132,300	0	68,282,483
Total undiscounted financial liabilities	68,811,050	11,132,300	0	79,943,350

Company

Financial liability

Trade and other payables	281,900	37,132,431	0	37,414,331
Total undiscounted financial liability	281,900	37,132,431	0	37,414,331

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ('USD'), Euro Dollar ('EURO') and Singapore Dollar ('SGD').

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD, EURO and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

		Group	
		2017 RM	2016 RM
Profit after tax			
USD/RM	- strengthen by 5% (2016: 5%)	1,424,140	538,338
	- weaken by 5% (2016: 5%)	(1,424,140)	(538,338)
EURO/RM	- strengthen by 5% (2016: 5%)	(5,642)	(5,671)
	- weaken by 5% (2016: 5%)	5,642	5,671
SGD/RM	- strengthen by 5% (2016: 5%)	63,781	21,168
	- weaken by 5% (2016: 5%)	(63,781)	(21,168)

Sensitivity analysis of other foreign currencies are not disclosed as they are not material to the Group.

Notes to the Financial Statements (Cont'd)

31 December 2017



32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The exposure of the Group and of the Company to interest rate risk arises primarily from their loans and borrowings. The Group and the Company borrows at both, floating and fixed rates of interest to generate the desired interest profile and to manage the Group's and the Company's exposure to interest rate fluctuations.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and of the Company if interest rates at the end of reporting period changed by ten (10) basis points with all other variables held constant:

	Group	
	2017 RM	2016 RM
Profit after tax		
- Increase by 0.1% (2016: 0.1%)	(60,830)	(46,209)
- Decrease by 0.1% (2016: 0.1%)	<u>60,830</u>	<u>46,209</u>

	Company	
	2017 RM	2016 RM
Profit after tax		
- Increase by 0.1% (2016: 0.1%)	101	(26,655)
- Decrease by 0.1% (2016: 0.1%)	<u>(101)</u>	<u>26,655</u>

The sensitivity is higher in 2017 than in 2016 because of an increase in outstanding borrowings during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

Notes to the Financial Statements (Cont'd)

31 December 2017

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(d) Interest rate risk (Cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

Group	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
As at 31 December 2017									
Fixed rates									
Hire purchase creditors	17	4.72 - 5.97	35,876	30,664	35,262	0	0	0	101,802
Term loans	17	6.75	2,000,000	0	0	0	0	0	2,000,000
Floating rates									
Bank overdrafts	17	7.50 - 8.65	9,265,527	0	0	0	0	0	9,265,527
Term loans	17	5.50 - 8.15	3,154,262	2,070,278	1,834,317	1,191,634	0	0	8,250,491
Bankers' acceptances	17	3.42 - 5.14	51,856,000	0	0	0	0	0	51,856,000
Revolving credits	17	4.74 - 5.86	10,250,000	0	0	0	0	0	10,250,000
Trust receipts	17	4.33	417,857	0	0	0	0	0	417,857

Notes to the Financial Statements (Cont'd)

31 December 2017



32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(d) Interest rate risk (Cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk (Cont'd):

Group	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
As at 31 December 2016									
Fixed rates									
Hire purchase creditors	17	4.70 - 5.97	85,642	35,876	65,925	0	0	0	187,443
Term loans	17	6.75	3,000,000	2,000,000	0	0	0	0	5,000,000
Floating rates									
Bank overdrafts	17	7.20 - 8.40	10,994,913	0	0	0	0	0	10,994,913
Term loans	17	5.25 - 7.25	3,800,397	3,155,871	2,090,490	1,755,135	1,191,634	0	11,993,527
Bankers' acceptances	17	3.42 - 5.14	28,874,000	0	0	0	0	0	28,874,000
Revolving credits	17	5.00 - 5.40	9,750,000	0	0	0	0	0	9,750,000

Notes to the Financial Statements (Cont'd)

31 December 2017

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(d) Interest rate risk (Cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk (Cont'd):

Company	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
As at 31 December 2017									
Floating rates									
Amounts owing by subsidiaries	11	4.56 - 4.64	0	43,584,152	0	0	0	0	43,584,152
Amounts owing to subsidiaries	19	4.56 - 4.64	0	43,450,918	0	0	0	0	43,450,918
As at 31 December 2016									
Floating rates									
Amounts owing by subsidiaries	11	4.46 - 4.61	0	23,565,331	0	0	0	0	23,565,331
Amounts owing to subsidiaries	19	4.46 - 4.61	0	35,540,229	0	0	0	0	35,540,229

Notes to the Financial Statements (Cont'd)

31 December 2017



33. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

(a) New MFRSs adopted during the financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48

Notes to the Financial Statements (Cont'd)

31 December 2017

33. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Cont'd)

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (Cont'd)

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company (Cont'd):

Title	Effective Date
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, other than MFRS 15 and MFRS 9, since the effects would only be observable for the future financial years. The Group is currently finalising the adjustments upon adoption of MFRS 15 and MFRS 9.

List of Properties owned by the Group



Location	Date of Revaluation/ Acquisition	Tenure	Approximate Age of Building	Area (Square metres)	Description of property/ Existing Use	Net book Value at 31 December 2017 RM'000
Eonmetall Technology Sdn Bhd						
Grant 64234, Lot 1258, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.	1 January 2011/ 08 August 2000	Freehold	17 yrs	39,159	A factory building is erected on the adjoining parcels of the land	19,628
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.	1 January 2011/ 08 August 2000	Freehold	17 yrs	11,198		
Eonmetall Industries Sdn Bhd						
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang.	1 January 2011/ 18 July 2003	Freehold	10 yrs	62,887	Single storey detached factory and a three storey office	31,017
GM 652, Lot 20024 and GM 653, Lot 20025, Lot 384, Mukim 12, Seberang Perai Selatan, Penang.	30 October 2012	Freehold	6 yrs	12,016	Vacant land	1,190
Lot No. T-2317, Mukim 13 No. 35, Lorong Cempaka 28 14110 Simpang Ampat Seberang Perai Selatan, Penang.	-/1 April 2006	Freehold	11 yrs	116	Single storey terrace house/ Residential premise for factory workers	73
Lot No. T-2318, Mukim 13 No. 37, Lorong Cempaka 28 14110 Simpang Ampat Seberang Perai Selatan, Penang.	-/1 April 2006	Freehold	11 yrs	116	Single storey terrace house/ Residential premise for factory workers	73
Eonsteel Sdn Bhd						
Lot No. 387, MK12, Seberang Perai Selatan, Penang.	1 January 2011/ 19 May 2009	Freehold	7 yrs	69,767	Single storey detached factory	30,614
Eonchem Biomass Sdn Bhd						
Lot No. 391, MK12, Seberang Perai Selatan, Penang.	-/19 November 2013	Freehold	5 yrs	39,607	Single storey detached factory and single storey warehouse	12,892

Analysis of Shareholdings

Analysis of Shareholdings as at 28 March 2018

Total number of issued shares	: 188,288,100 (inclusive 1,765,800 treasury shares)
Class of share	: Ordinary shares
Voting rights	: One vote for every ordinary share held

Distribution of Shareholdings

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share
1 - 99	45	2.08	1,988	0.00
100 - 1,000	360	16.67	139,434	0.08
1,001 - 10,000	1067	49.40	6,001,477	3.19
10,001 - 100,000	583	26.99	18,516,623	9.83
100,001 - less than 5% of issued shares	103	4.77	60,333,850	32.04
9,414,405 - 5% and above of issued shares	2	0.09	103,294,728	54.86
TOTAL	2,160	100.00	188,288,100	100.00

Substantial Shareholders

The substantial shareholders of the Company based on the Register of Substantial Shareholders of the Company are as follows:

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Dato' Goh Cheng Huat	19,245,600	10.32	⁽ⁱ⁾ 84,049,128	45.06
2	Datin Tan Pak Say	-	-	⁽ⁱⁱ⁾ 103,294,728	55.38
3	Eonmetall Corporation Sdn. Bhd.	84,049,128	45.06	-	-

⁽ⁱ⁾ Deemed interested pursuant to Section 8(4) of the Companies Act 2016.

⁽ⁱⁱ⁾ Deemed interested pursuant to spouse's direct and indirect interest pursuant to Section 8(4) and Section 59(11)(c) of the Companies Act 2016.

Directors' Shareholdings

The Directors interests based on the Register of Directors' Shareholdings of the Company are as follows:

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Tan Sri Dato' Mohd Desa Bin Pachi	30,000	0.02	⁽ⁱ⁾ 549,800	0.29
2	Yeoh Cheng Chye	50,000	0.03	-	-
3	Dato' Goh Cheng Huat	19,245,600	10.32	⁽ⁱⁱ⁾ 84,049,128	45.06
4	Goh Kee Seng	-	-	-	-
5	Tan Sri Dato' Soong Siew Hoong	510,000	0.27	⁽ⁱⁱ⁾ 496,600	0.27
6	Tang Yin Kham	-	-	-	-
7	Dato' Wahab Bin Hamid	-	-	-	-

⁽ⁱ⁾ Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 via his child.

⁽ⁱⁱ⁾ Deemed interested pursuant to Section 8(4) of the Companies Act 2016.

By virtue of his interests in the shares of the Company, Dato' Goh Cheng Huat is also deemed to have interest in the shares of all the subsidiaries to the extent the Company has an interest.

Analysis of Shareholdings (Cont'd)



Thirty Largest Shareholders as at 28 March 2018

No.	Name	No. of Shares	% of Issued Shares
1	EONMETALL CORPORATION SDN BHD	42,049,128	22.33
2	EONMETALL CORPORATION SDN BHD	21,000,000	11.15
3	EONMETALL CORPORATION SDN BHD	21,000,000	11.15
4	GOH CHENG HUAT	16,278,600	8.65
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	6,957,700	3.70
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)	4,982,800	2.65
7	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	3,500,000	1.86
8	GOH CHENG HUAT	2,967,000	1.58
9	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,920,000	1.02
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	1,900,000	1.01
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	1,765,600	0.94
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	1,710,000	0.91
13	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB-PRINCIPAL ASSET MANAGEMENT BERHAD FOR YAYASAN MOHD NOAH	1,254,000	0.67
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIONG HUI YEE (8068671)	1,100,000	0.58
15	GOH LI LI	1,060,000	0.56
16	UOBM NOMINEES (TEMPATAN) SDN BHD UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR BSN AGGRESSIVE FUND	1,060,000	0.56
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO FOOK HERNG (7000803)	1,050,000	0.56
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY AN NA (7001107)	1,050,000	0.56
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	1,048,800	0.56
20	TAI HO FAH	1,018,400	0.54
21	FOO CHEK HENG	1,000,000	0.53
22	FOONG NGET LEE	959,000	0.51
23	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB GROWTH AND INCOME FOCUS TRUST	900,000	0.48
24	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	853,600	0.45
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN YEW HING (7000829)	799,000	0.42
26	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB-PRINCIPAL ASSET MANAGEMENT BERHAD FOR KHADIJAH BINTI ABDUL RAHMAN	781,100	0.41
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB-PRINCIPAL EQUITY FUND	749,300	0.40
28	IDRIS BIN PILUS	700,000	0.37
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR HONG LEONG SEA-5 EQUITY FUND (412383)	700,000	0.37
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEAP BAN AIK	640,900	0.34

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Form of Proxy

**EONMETALL**

(431617-D)

EONMETALL GROUP BERHAD

(Incorporated in Malaysia)

I/We, _____
(Full name in Block Letters)

of _____
(Full Address)

being a member/members of the above-named Company, hereby appoint

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of shareholding

* and/or

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of shareholding

as *my/our proxy(ies), to vote for *me/us on *my/our behalf at the Fifteenth Annual General Meeting of the Company, to be held at Ground Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Monday, 28 May 2018 at 2.00 p.m., and at any adjournment thereof.

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

(Please indicate with an "X" in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given, the proxy(ies) will vote or abstain at their discretion)

* *Strike out whichever is not desired.*

Signed this _____ day of _____ 2018.

Signature of Shareholder(s)/Common Seal

Notes:

1. A proxy may but need not be a Member or a qualified legal practitioner or an approved company auditor or a person approved by the Registrar.
2. To be valid, this form, duly completed must be deposited at the Registered Office of the Company at Suite 16-1, (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 George Town, Penang, 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 form of proxy 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 form of proxy, other than the particulars of the proxy have been duly completed by the Member(s).
3. A Member shall be entitled to appoint two (2) or more proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. If a Member appoints two (2) proxies, he must specify which proxy is entitled to vote on a show of hands. Only one (1) of those proxies is entitled to vote on a show of hands.
4. Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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 authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
7. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the members to speak at the meeting.
8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 16 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) 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 to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting of the Company and any adjournment thereof.

Fold along this line

**STAMP
HERE**

To:

The Joint Company Secretaries
EONMETALL GROUP BERHAD (631617D)
Suite 16-1 (Penthouse Upper)
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 George Town, Penang

Fold along this line

www.eonmetall.com

EONMETALL GROUP BERHAD (631617-D)

Plant 1

Lot 1258 & 1259, Mk. 12, Jalan Seruling,
Kawasan Perusahaan Valdor,
14200 Sungai Bakap, Penang, Malaysia.
Tel +604 582 8323 Fax +604 582 1525

Plant 2

Lot 393, Mk. 12,
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Email info@eonmetall.com