



**EONMETALL**

EONMETALL GROUP BERHAD  
(631617-D)



*Expansion*  
of **IDEAS**

ANNUAL REPORT 2018

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## Expansion of **IDEAS**

Founded in Malaysia more than 28 years ago, Eonmetall Group Berhad has been establishing its network of excellence across ASEAN, Asia, Asia-Pacific, Middle East and North Africa (MENA) as well as Europe. Today, we continue to invest in R&D to improve products, enhance our services and build our future.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

**Yeoh Cheng Chye**  
Managing Director/Chief Executive Officer

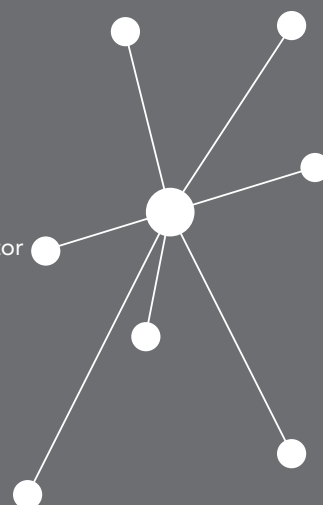
**Dato' Goh Cheng Huat**  
Executive Director

**Tan Sri Dato' (Dr) Soong Siew Hoong**  
Independent Non-Executive Director

**Dato' Wahab Bin Hamid**  
Independent Non-Executive Director

**Tang Yin Kham**  
Independent Non-Executive Director

**Goh Kee Seng**  
Non-Independent Non-Executive Director



## COMPANY SECRETARIES

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

## 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

## REGISTERED OFFICE

170-09-01, Livingston Tower  
Jalan Argyll  
10050 George Town, Pulau Pinang  
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

## REGISTRAR

Agriteum Share Registration Services  
Sdn Bhd (578473-T)  
2<sup>nd</sup> 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 PLT  
(LLP0018825-LCA & 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 25 April 2019



Eonmetall Group Berhad (631617-D)

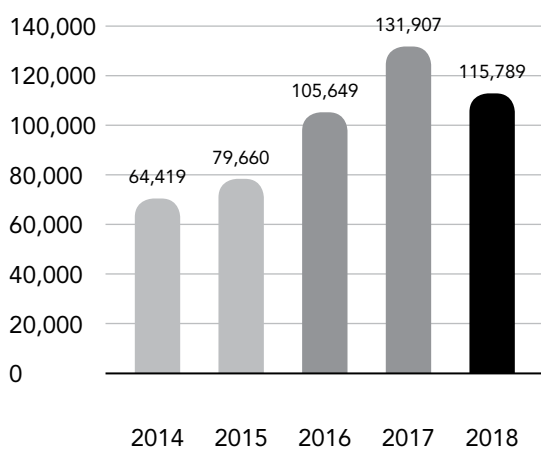
<p><b>Eonmetall Industries Sdn Bhd</b> "EMI" (207322-V)</p> <p><b>100%</b> Manufacture and distribution of steel products, focusing on cold rolled coils, galvanized coils and flat steel products</p>	<p><b>Eontarr IT Solutions Sdn Bhd</b> "EIT" (365987-M)</p> <p><b>100%</b> Provider of IT solutions including software development</p>	<p><b>Eonsteel Sdn Bhd</b> "ESL" (733791-D)</p> <p><b>100%</b> Property holding, manufacture and trading of steel products</p>
<p><b>Eonmetall Technology Sdn Bhd</b> "EMT" (327604-K)</p> <p><b>100%</b> Manufacture of metalwork and industrial process machinery and equipment</p>	<p><b>Eonchem Technology Sdn Bhd</b> "ECH" (542450-K)</p> <p><b>100%</b> Manufacture of industrial process machinery and equipment</p>	<p><b>180 Degree Design Sdn Bhd</b> "180DD" (1229291-T)</p> <p><b>100%</b> Design and trading of steel products focusing on furniture related products and office space management</p>
<p><b>Eonmetall Systems Sdn Bhd</b> "EMS" (360239-H)</p> <p><b>100%</b> Manufacture of steel products, focusing on steel storage systems</p>	<p><b>Eonmetall International Limited</b> "EIL" (LL07325)</p> <p><b>100%</b> Investment holding</p>	<p><b>Constructor Asia Sdn Bhd</b> "CSA" (1249871-U)</p> <p><b>100%</b> Trading and distribution of steel racking system and storage solutions</p>
<p><b>Eonchem Biomass Sdn Bhd</b> "ECB" (906441-M)</p> <p><b>100%</b> Manufacture of palm oil related products</p>	<p><b>PT Eonmetall Investment</b> "PT Eonmetall"</p> <p><b>88%</b> Dormant</p>	<p><b>Constructor ANZ Limited "CAL"</b></p> <p><b>100%</b> Dormant</p>
<p><b>Eonmetall Bio-Coal Sdn Bhd</b> "EBC" (272448-P)</p> <p><b>100%</b> Production of bio-coal and technical services</p>	<p><b>Eonmetall Steel Company FZCO</b> "ESCF"</p> <p><b>50%</b> Dormant</p>	<p><b>Eonmetall Copper Sdn Bhd</b> (1024147-H) [Formerly known as Eonsteel Sarawak Sdn Bhd] "ECR"</p> <p><b>100%</b> Dormant</p>
	<p><b>Eonmetall Investments Zambia Limited "EIZ"</b></p> <p><b>93.33%</b> Dormant</p>	<p><b>Eonmetall Carotene Oil Sdn Bhd</b> "ECO" (1237033-M)</p> <p><b>100%</b> Dormant</p>
	<p><b>Eonmetall Steel Industries Ethiopia PLC "ESIE"</b></p> <p><b>50%</b> Dormant</p>	<p><b>Eonmetall China Sdn Bhd</b> [Formerly known as Grand Hill Assets Sdn Bhd] "ECA" (1281494-V)</p> <p><b>51%</b> Investment holdings</p>
	<p><b>Africa Steel Investment Limited</b> (LL15345) "ASIL"</p> <p><b>60%</b> Investment holding</p>	<p><b>Shaanxi Longxing Steel Co., Ltd.</b></p> <p><b>100%</b> Dormant</p>

# GROUP FINANCIAL HIGHLIGHTS

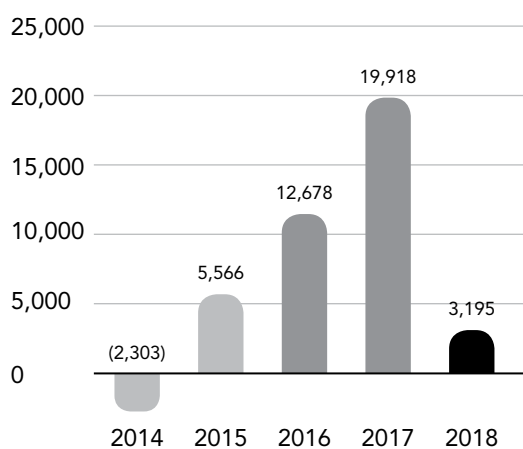
Financial year ended 31 December	2014	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>INCOME</b>					
Turnover	64,419	79,660	105,649	131,907	115,789
(Loss)/Profit Before Tax	(2,303)	5,566	12,678	19,918	3,195
(Loss)/Profit attributable to Owners of the Company	(2,777)	6,173	12,462	18,702	3,099
<b>FINANCIAL POSITION</b>					
Total assets	208,359	227,487	237,450	289,398	322,710
Share Capital	85,586	85,586	85,586	99,801	99,801
Shareholders' Fund	143,515	148,732	156,567	185,543	171,992
<b>PER SHARE</b>					
Gross dividend (%)	0.0	0.0	5.0	5.0	0.0
Net assets (RM)***	0.85	0.88	0.93	1.09	0.92
Basic Earnings (sen)***	(1.65)	3.66	7.39	10.97	1.66

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

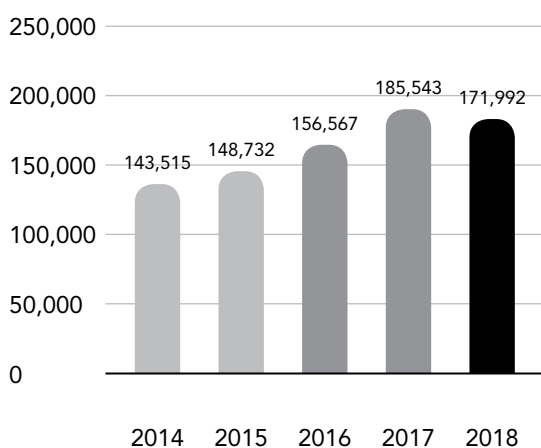
Turnover (RM'000)



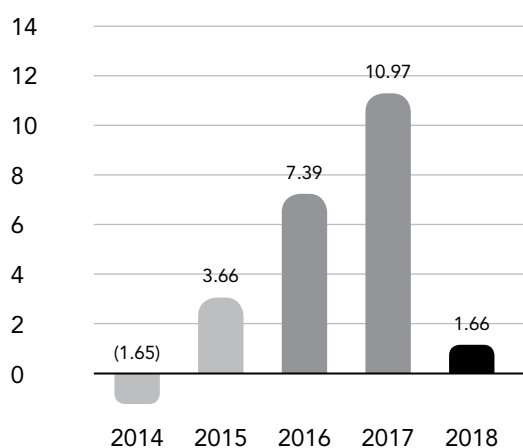
(Loss)/Profit Before Tax (RM'000)



Shareholders' Fund (RM'000)



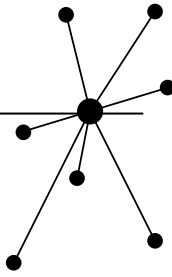
Basic Earnings Per Share (sen)



## PROFILE OF DIRECTORS

### TAN SRI DATO' MOHD DESA BIN PACHI

PSM, DSPN, KMN  
Independent Non-Executive Chairman  
Aged 85, 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 the Independent Non-Executive Chairman of Leader Steel Holdings Berhad and a director of Handal Dinamis 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 2018.

### YEOH CHENG CHYE

Managing Director/Chief Executive Officer  
Aged 50, 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 served in the Malaysian Iron and Steel Industry Federation (MISIF) Council as Chairman of The Machinery and Equipment Group since May 2013. He was then elected as the Chairman of Northern Region Branch of MISIF for the term 2018 to 2021.

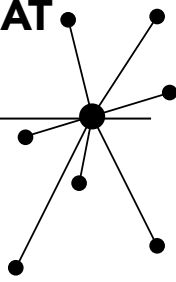
He sits on the Board of subsidiaries of Eonmetall.

He has attended all four (4) board meetings held during the financial year ended 31 December 2018.

## PROFILE OF DIRECTORS (Cont'd)

### DATO' GOH CHENG HUAT

Executive Director  
Aged 58, 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 spirit, 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 was awarded Master of Business Administration by the National University of Singapore.

Currently, he is an Executive Director of Leader Steel Holdings Berhad and sits on the Board of 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 2018.

### TAN SRI DATO' (DR) SOONG SIEW HOONG

PSM, KMN, SMS, DPSM, JSM  
Independent Non-Executive Director  
Aged 93, Male, Malaysian

**Tan Sri Dato' (Dr) 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. He was awarded Honorary Doctor of Business by Wawasan Open University on 24 November 2018.

On experiences, he has previously served as a member on the Council 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, as well as advisor to the Cambodia Chamber of Commerce and Industries and Uzbekistan Chambers of Commerce and Industries.

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

Currently, he is an 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 2018.

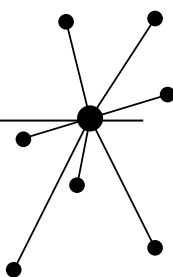
## PROFILE OF DIRECTORS (Cont'd)

### GOH KEE SENG

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Non-Independent Non-Executive Director  
Aged 63, Male, Malaysian

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**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 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 postings in Brunei, Singapore and Malaysia. In 1991 he started his own business and has since ventured into various industries ranging from software, biotechnology to food industries. Currently, he is actively running a regional food business covering from beverage ingredient manufacturing to franchise operation in various countries.

He also sits on the board of several private companies.

He has attended three (3) out of four (4) board meetings held during the financial year ended 31 December 2018.

### TANG YIN KHAM

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Independent Non-Executive Director  
Aged 67, Female, Malaysian

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**Tang Yin Kham** was appointed to the Board on 3 March 2005.

She is the Chairman of Audit Committee as well as a member of Nominating Committee and Remuneration Committee.

Ms Tang is the Senior Partner of a Firm of Chartered Accountants and has more than 38 years of professional experience in public accounting sector. She is Chartered Accountant of the Malaysian Institute of Accountants (MIA), a Fellow of the ACCA (Association of Chartered Certified Accountants), UK and a Fellow of the Chartered Tax Institute of Malaysia (CTIM).

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

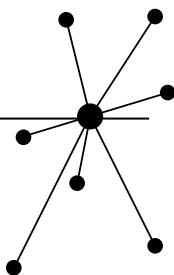
She has attended all four (4) board meetings held during the financial year ended 31 December 2018.



## PROFILE OF DIRECTORS (Cont'd)

### DATO' WAHAB BIN HAMID

DPMS, DSDK, AMS, PPB  
Independent Non-Executive Director  
Aged 66, Male, Malaysian



Dato' Wahad 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 2018.

#### 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 relationship, 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' (Dr) 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 35, 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 44, Male, Malaysian

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

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

In year 2018, he was awarded a Master of Business Administration in Manufacturing and Production Management (MBAMPM) by Wawasan Open University.

He has extensive experience in accounting, tax, audit, manufacturing operation, internal audit and corporate finance from 20 years of working in both professional and commercial environment.

He started his career in 1999 as an Audit Assistant with Neoh WM & Lam (now known as AljeffriDean) and was involved in the audit of various industries from property development and construction to 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.

### 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 relationship, 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 ("the Board") of Eonmetall Group Berhad ("Eonmetall" or "the Company"), it is my pleasure to present our Annual Report and Audited Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2018 ("FY2018").

## Financial Performance

During FY2018, the Group recorded revenue of RM115.8 million, a decrease of 12% as compared with RM131.9 million recorded in the preceding financial year. The decrease is mainly due to lower revenue from steel product and trading activity segment.

The Group's profit before tax ("PBT") was RM3.2 million, a decrease of 84% as compared to RM19.9 million recorded in the previous financial year. The drop in PBT was in-line with the decrease of revenue from the steel products and trading activity segment, coupled with the impact from higher finance cost incurred, higher operating losses from the newly set up biomass division, pre-operating expenses incurred for the "Constructor" brand racking business and a one-off gain of RM4.95 million obtained from a business acquisition during the previous financial year.

The Group continues to maintain a set of the healthy and financially sound balance sheet with a gearing ratio at 0.44 times, while the net asset per share decreased from RM1.09 down to RM0.92.

## Operational Review

Revenue contributed from the steel products and trading activity segment decreased by 22% to RM66.8 million for the financial year under review as compared to revenue of RM85.4 million recorded in the previous financial year. This segment generated a PBT of RM1.8 million, a decrease of 77% from PBT of RM7.9 million recorded during the previous financial year. The decrease was mainly due to the lower revenue generated from the coil processing division impacted by the change of domestic steel policy, higher production and operating expenses for the promotion of "Constructor" brand racking business.

Revenue registered from the machinery and equipment division increased by 5% to RM47.9 million as compared to RM45.8 million recorded in the previous financial year. However, this segment generated a PBT of RM5.0 million, a decrease of 58% from PBT of RM12.0 million as compared to corresponding financial year which was mainly due to the higher production costs.

The Group also incurred losses mainly due to high depreciation from the newly set up biomass division which commenced operation during the FY2018.

## Industry Trend and Prospect

In October 2018, we announced the signing of an agreement with a subsidiary of FGV Holdings Berhad to construct, commission, operate and maintaining of six (6) Palm Fibre Oil Extraction (PFOE) plants with the option for another four (4) units upon the successful operation of the initial six (6) units. The project fabrication is expected to contribute to both revenue and profit during FY2019 as the operation of the plants commence from second half of 2019 onwards for a concession period of ten (10) years.

In Malaysia, there are about 454 palm oil mills and 45 palm kernel crushing plants with a capacity of more than 112 million and 7 million tons respectively, and more than 1,000 palm oil mills in Indonesia. To-date, the Group has successfully commissioned 19 units of PFOE and PKOE (Palm Kernel Oil Extraction) plants in Malaysia and Indonesia. Both countries produce about 85% of the global palm oil output, and this is expected to provide significant market opportunities for the Group either as straight sale or on a concession business model.

On machinery and equipment division, the Group is expecting significant orders coming from several successful joint-ventures to set-up a steel downstream manufacturing in China and on the African continent. The partnership under-taken shall provide the Group with the first-right to supply the steel processing machineries needed for the operations.

In the second quarter of 2019, we are expecting the certificate of clearance for manufacturing and distribution of Constructor racking products by Gonvarri Material Handling AS. To recap, the Group in March 2018, obtained exclusive licensing rights to manufacture, both exclusive and non-exclusivity to distribute steel racking solutions in selected countries in ASIAN and Asia Pacific regions. The steel racking division contributes about 58% to the Group's revenue in FY2018. The commercialisation of Constructor racking is expected to contribute significantly to this business division moving forward. The global market for material handling business is expected to achieve US\$134.8 billion by the year 2020 with Asia presently accounted for 38% of the market.

# CHAIRMAN'S STATEMENT (Cont'd)

## Dividend

The Board of Directors has not recommended any dividend payment for FY2018.

## Appreciation

On behalf of the Board, I would like to 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, taking into the considerations of the prospects undertaken by the Group businesses moving forward.

**Tan Sri Dato' Mohd Desa Bin Pachi**  
Independent Non-Executive Chairman  
25 April 2019

# MANAGEMENT DISCUSSION & ANALYSIS

## Business & Economic Insight

2018 started off on a strong note with global trade and growth propelled by expectation momentum from last year. It turned out to be very eventful with significant developments both domestically and globally. The unfolding of these events as the year progressed had impacted economy on both global and national levels.

At the domestic level, the historic change in federal government leadership has brought about changes in various priorities from finance to economy and socio-politic that are still ongoing. Globally, the ongoing trade tensions have escalated with no respite in sight. If unresolved, there could be material repercussion on global investment and trade activities. In addition are the protracted socio-political and policy uncertainty in the European and Middle-East arenas.

At the same time, there was renewed volatility in commodity prices and uncertainty in global financial markets. As a result, most major economy experienced a more moderate expansion in 2018. Malaysia was resilient, despite the challenging global economic and financial environment, to report a respectable 4.7% GDP (gross domestic product) growth (2017: 5.9%). Domestic demand continued to anchor growth, supported mainly by private sector expenditure.

## Review of Operations

Collectively, Eonmetall Group Berhad ("Eonmetall") and its subsidiaries ("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 key operations are categorised as steel products & trading ("Steel Products Division") and machinery and equipment manufacturing ("M&E Division").

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, the Group has been able to compete efficiently and grow its presence in downstream steel industry activities.

Its Steel Products Division, which offers a wide spectrum of racking systems, was further enhanced when the Group entered into a strategic partnership with Gonvarri Material Handling AS ("Gonvarri") mid last year. The partnership grants the Group licensing rights to manufacture and distribute steel racking solutions under Constructor product flagship for an initial 5-year term with the option to renew for a further 5 years.

In addition, both strategic partners are able to capitalise on their mutual strengths to expand on plans to manufacture and distribute Constructor steel racking solutions across Asia and Asia Pacific. Constructor Asia Sdn. Bhd. (CASB), the subsidiary undertaking the Constructor steel racking solutions business commenced operations during the year to spearhead the development and growth of the Group's Constructor business and products.

Under its M&E Division, Eonmetall's range of machinery equipment include patented solvent extraction plants both for Palm Fibre Oil Extraction ("PFOE") and Palm Kernel Oil Extraction ("PKOE") plants coupled with the Group's extensive presence in Malaysia and Indonesia demonstrates its values, products and services. .

During the year, Eonmetall Bio-Coal Sdn. Bhd. (formerly known as CSC Bio-Coal Sdn Bhd) ("EBC") commenced operations for the manufacturing and distribution of bio-coal and biochar by utilising palm and other agricultural biomass. Earnings contribution is negligible presently as the project is still at developmental stage with management working on optimising its operational strategies. The Group remains committed to this project as a mean to build on a new income stream through expansion of participation in the biomass industry which the Group is particularly familiar with.

On 8 October 2018, the Group announced the entry by its wholly owned subsidiary, Eonmetall Carotene Oil Sdn. Bhd. into a Built, Operate, Own and Transfer ("BOOT") arrangement with FGV Palm Industries Sdn. Bhd. (formerly known as Felda Palm Industries Sdn. Bhd.) ("FPISB"). The arrangement entails the Group to construct, commission, operate and maintain a PFOE plant each alongside 6 FPISB's existing palm oil mills on a profit or revenue sharing basis over 10 years. The same arrangement may be extended to another 4 palm oil mills owned by FPISB upon successful implementation of the first 6 PFOE plants. In concluding this deal with a major palm oil miller in Malaysia, the Group will get to enjoy profits from fabrication of the plants and recurring profits from the extraction and sale of the residual palm oil over 10 years.

# MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)



## The Year in Review

The road to recovery from a 5-year slump beleaguered by oversupply of steel products particularly from mainland China remains riddled with challenges from changes to global trade policies to tepid demand arising from review of infrastructure projects by federal government and cost issues. As a buyer of steel products, we are impacted by rising steel prices which are rising on cost push factors following rise in fuel and other steel manufacturing costs. In turn, profit margin is dampened by cost down pressure from customers.

Against that challenging backdrop, the Group remained resilient and focussed on driving volume sales aided by disciplined approach towards cost management. Eonmetall reported revenue of RM115.8 million in respect of financial year ended 31 December 2018 ("FY2018") compared to RM131.9 million in the preceding year. The deceleration in revenue correlated with general drop in demand for Steel Products Division.

The Group profit dipped to RM3.1 million from RM18.7 million reported in FY2017. The significant earnings drop was in line with decreasing revenue which was aggravated by higher production cost and operating expenses for the promotion of the "Constructor" brand products. Further, PBT for FY2017 was bolstered by a RM5.0 million gain from acquisition of a bio-coal business.

As at FY2018, the Group's total assets grew to RM322.7 million, a 12% upside from RM289.4 million at the end of FY2017. At the same time, the Group's total liabilities also increased significantly to RM150.1 million from RM103.6 million as at FY2017 primarily due to higher long term loans and borrowings drawn down to support increase in working capital requirements on raw material and assets purchases. Accordingly, its gearing ratio of 0.44 times is higher than 0.32 times reported for FY2017. On the same basis, the Group's current ratio marginally shrank to 1.46 times compared to 1.58 at the close of FY2017.

Given the twin need to conserve cash and fund business expansion, the Board did not recommend any dividend for FY2018.

## Anticipated Risks

The Board is mindful of the various risks that the Group is exposed to as it pursues its growth strategies. There is close monitoring of financial risks to ensure that the Group has sufficient financial resources to fund its growth whilst minimising adverse impact from, among others, interest rate, and currency fluctuations to the Group's financial position. At the same, the Group also scrutinises the receivables to ensure that credit risk exposure is kept at manageable level.

The Board acknowledged that market pricing as well as socio-economic and politic changes are examples of external elements that could impact the Group's expansion plan. In mitigation, the Group spreads out its geographical reach to ensure no concentration of revenue from one country and strategises its purchasing to minimise adverse impact of steel prices.

## Moving Forward

During the year and up-to-date, the Group announced the set-up of four (4) subsidiaries which are to spearhead the Board's plan to expand beyond its existing business and the familiar Malaysian shore. Presently, the Group has moved ahead with the expansion into China given the readily available market and raw materials. Given the faster pace of progress in Angola, Management is revisiting its original proposal for investment on the African continent so realign focus and concentration of time and effort for better investment return.

In 2019, the global economy is projected to expand moderately and the Malaysian economy is expected to sustain its growth momentum, expanding by 4.3% – 4.8% in 2019 (2018: 4.7%). Domestic demand will remain the anchor of growth, underpinned by continued expansion in private sector activity. Private consumption growth is expected to moderate, but remain firm supported by stable labour market conditions and continued wage growth. The implementation of several government measures, particularly aimed at alleviating rising cost of living, is expected to further support consumption spending, especially by lower income households.

## MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

In addition, there was acceleration in manufacturing GDP growth to RM7.3565 billion in the final quarter of FY2018 (the highest since 2010) and is expected to maintain its growth rate. In turn, this should generate demand for warehousing and steel racking solutions. As for the M&E Division, the signing of the BOOT Agreement is a first step towards production and delivery of orders for the PFOE plants that would deliver improvement to revenue and earnings in FY2019.

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 manufacturing and distribution for the Constructor brand steel racking and anticipated delivery of PFOE plants .

The management will monitor the market, industry and economic development closely, and ensure that prompt actions are taken in response and or to mitigate the impact of these changes. Barring any unforeseen circumstances and adverse external economic factors, the Board of Directors is of the view that the Group's operations for FY 2019 will turn to positive.

# 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. The Board had endeavoured to adopt and apply, where practicable, the Practices as set out in the Malaysian Code on Corporate Governance ("MCCG") to enhance shareholders value and safeguard the Group's assets.

This Corporate Governance Overview Statement provides the summary of the Company's corporate governance practices during the financial year with reference to the following three (3) principles set out in the MCCG:

Principle A: Board leadership and effectiveness;

Principle B: Effective audit and risk management; and

Principle C: Integrity in corporate reporting and meaningful relationship with stakeholders

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](http://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 Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). 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 the following Board Committees to perform certain of its functions and to provide recommendations and advice:

- Audit Committee;
- Nominating Committee; and
- Remuneration Committee

These Board Committees comprise solely of Non-Executive Directors with a majority being independent. Each of these Board Committees operates under clearly defined Terms of Reference as approved by the Board which are periodically reviewed.

The Board appoints the Chairman and members of each Board Committee. The Chairman of the respective Board Committees will report to the Board on the outcome of any discussions and make recommendations thereon to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

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.



# 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 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.

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, iron and steel 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.

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

The Independent Non-Executive Chairman is primary responsible for the effective and efficient conduct and working of the Board. He leads the Board with focus on governance, compliance and acts as a facilitator at Board meetings.

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. At each of its scheduled meetings, the MD&CEO will brief on the performance and activities of the Group and specific proposals for capital expenditure and acquisitions and disposals, if any.

# 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)

##### 1.4 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

The Board recognises that the decision-making process is highly dependent on the quality of information available. All the Directors have access to all information within the Group and may seek the advice of Management on matters under discussion or request further information on the Group's business activities. 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, whether as full Board or in their personal capacity, may upon approval from the Board, seek independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties and to enable them to discharge their duties, at the Group's expense.

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.

#### 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 Charter is subject to periodically review by the Board to ensure that it remains consistent with the Board's roles and responsibilities, changing needs of the Company as well as any development in the prevailing legislation and practices.

On 26 February 2019, the Board Charter, was revised to enhance governance practices on the Board in line with the principles of good corporate governance in the MCCG and requirements of MMLR of Bursa Securities.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part I Board Responsibilities (Cont'd)

#### 3 Good business conduct and corporate culture

##### 3.1 Code of Conduct and Ethics

The Board is committed towards inculcating a corporate culture which engenders ethical conduct throughout the Group. The Code of Conduct is based on principles in relation to trust, integrity, responsibility, excellence, loyalty, commitment, dedication, discipline, diligence and professionalism. Where else the Code of Ethics is based on the principles of sincerity, integrity, responsibility and corporate social responsibility.

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.

Both Codes are available on the corporate website at [www.eonmetall.com](http://www.eonmetall.com).

##### 3.2 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 corporate website at [www.eonmetall.com](http://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 Director	Goh Kee Seng
Independent Non-Executive Director	Tan Sri Dato' Mohd Desa Bin Pachi
	Tan Sri Dato' (Dr) Soong Siew Hoong
	Dato' Wahab Bin Hamid
	Tang Yin Kham

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

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.

# 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)

The present composition of the Board is in compliance with Chapter 15.02 of MMLR of Bursa Securities, which requires that at least two (2) Directors or one-third (1/3) 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 of beyond nine (9) years to remain as an Independent Director subject to shareholders' approval. If Board continue to retain the Independent Director as 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.

##### 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.

# 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)

##### 4.4 Diverse of Board and Senior Management Team

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

The present 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.

With the current composition of one (1) female Director who is also Independent Non-Executive Director, which testifies to the Group's commitment on gender diversity.

##### 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 2018 ("FY2018").

##### 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 corporate website at [www.eonmetall.com](http://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

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:

- Reviewed the term of office and performance of the Audit Committee.
- Reviewed the current Board structure, size and composition with an aim to achieving a balance of views on the Board.
- Reviewed and assessed the contribution of each Director and the effectiveness of the Board and Board Committees.
- 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.
- Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board.
- Reviewed the level of independence of Independent Non-Executive Directors.
- 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.
- Reviewed and recommended for re-appointment, the Independent Non-Executive Directors who have served the Company for a cumulative term of more than twelve (12) years, at the forthcoming Annual General Meeting.
- Reviewed and approved the Terms of Reference of the Nominating Committee.

# 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 Board has adopted a Directors' Assessment Policy which sets out the criteria and procedures for the Board performance assessment. The Nominating Committee conducts annual review of the effectiveness of the Board and Board Committees as well as performance of each individual Director. The assessment is administered via customised questionnaires, using a self and peer-rating model for continuous improvement.

The Nominating Committee reviews annually 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. Furthermore, the Nominating Committee reviews size and composition of the Board with particular consideration on the impact on the effective functioning of the Board.

The Nominating Committee had also reviewed and assessed the independence of the Independent Directors based on the Directors' professionalism and integrity in the decision-making process, ability to form independence judgements, as well as objectivity and clarity in deliberations in addition to the specific criteria of independence as set out in the MMLR of Bursa Securities.

The results of all assessments and comments by Directors were summarised tabled for review and discussion at the Nominating Committee meeting. Thereafter, the Chairman of Nominating Committee would report on the results and deliberations to the Board.

Based on the outcome of evaluation for the financial year under review, the Nominating Committee and the Board were satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director is satisfactory. The Nominating Committee believes that the current Board composition is well balanced with the right mix of high-calibre individuals with the necessary skills, qualification, experience, knowledge, credibility, independence and core competencies.

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 re-appointment. 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.

The Company Secretaries will ensure that all appointments are properly effected with the necessary legal and regulatory obligations duly met.

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 FY2018, 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.

# 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)

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' (Dr) Soong Siew Hoong	4/4	-	-	-
Dato' Wahab Bin Hamid	4/4	5/5	1/1	1/1
Goh Kee Seng	3/4	4/5	1/1	1/1
Tang Yin Kham	4/4	5/5	1/1	1/1

Board meetings are scheduled ahead to enable the Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention to the Board meeting agenda.

Management personnel and external consultants are also invited to attend the Board meetings as and when required in order to present and advise the members with information and clarification on certain meeting agenda to facilitate informed decision-making.

The Board is satisfied with the time commitment given by the Directors as demonstrated by their full attendance to the meetings of the Board and Board Committees.

All the Directors do not hold more than 5 directorships in other public listed companies as required under paragraph 15.06 of the MMLR of Bursa Securities 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.

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. Nonetheless, the Nominating Committee had recommended for training to improve financial literacy and keep with changes to financial reporting environment as well as understanding the impact of the changes arising from implementation of Companies Act 2016 and other related laws.

# 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)

The training, conferences or seminars attended and or conducted by Directors for the FY2018 encompassed various topics as outlined below:

Directors	Training, Conferences or Seminars
Tan Sri Dato' Mohd Desa Bin Pachi	<ul style="list-style-type: none"> <li>• Global Market Review and Outlook 2018</li> <li>• Members' Rights Under the Companies Act 2016 – What are they</li> <li>• MIA Conference 2018</li> <li>• Panel discussion on the topic of "Effective Policy Making: Harnessing Synergies and Cooperation" in conjunction with the Centennial of Governor Tun Ismail Ali's birth.</li> <li>• Redefining Financial integrity</li> </ul>
Yeoh Cheng Chye	<ul style="list-style-type: none"> <li>• BDO Tax Budget Seminar 2018</li> <li>• Corporate Seminar 2018 – Global Market Outlook From UOB Bank</li> <li>• Industry 4.0, Post-Budget 2019 Discourse</li> <li>• Sustainability Statement 2018</li> <li>• 13<sup>th</sup> Conference on Status &amp; Outlook of the Malaysian Iron &amp; Steel Industry - Forging Ahead in Challenging Times</li> </ul>
Dato' Goh Cheng Huat	<ul style="list-style-type: none"> <li>• Shaanxi - Hong Kong Economic and Trade Cooperation Exchange Conference.</li> </ul>
Tan Sri Dato' (Dr) Soong Siew Hoong	<ul style="list-style-type: none"> <li>• 13<sup>th</sup> Conference on Status &amp; Outlook of the Malaysian Iron &amp; Steel Industry - Forging Ahead in Challenging Times</li> </ul>
Dato' Wahab Bin Hamid	<ul style="list-style-type: none"> <li>• Industrial Parks Forum for Central Region</li> <li>• MIDA Annual Media Conference - The launching of Investment Performance Report for 2017</li> <li>• National Supply Chain Conference on Rail Projects</li> <li>• National Investment Seminar 2018</li> </ul>
Tang Yin Kham	<ul style="list-style-type: none"> <li>• Detailed Analysis and Application of the Three New Standards: MFRS9, MFRS15 &amp; MFRS16</li> <li>• Employee Remuneration reporting &amp; Potential Risks Faced By Employees</li> <li>• Malaysian Code on Corporate Governance and Bursa's Listing Requirements - Application, Disclosure and Reporting Expectations</li> <li>• National Tax Conference 2018</li> <li>• Seminar Percukaian Kebangsaan 2018</li> </ul>
Goh Kee Seng	<ul style="list-style-type: none"> <li>• Food Defence, Food Fraud Prevention and Risk Assessment</li> </ul>

The Company facilitates the organisation of training programs for Directors and maintain a record of the trainings attended by the Directors.



# 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 FY2018, 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 corporate website at [www.eonmetall.com](http://www.eonmetall.com).

#### 7 Remuneration of Directors and Senior Management

##### 7.1 Details of Directors' Remuneration

The remuneration payable in respect of Directors' fees for FY2018 are categorised as follows:

Type of fees	(RM)
Executive Directors (per pax)	36,000
Non-Executive Directors (per pax)	36,000
Non-Executive Director and Chairman of the Audit Committee	54,000

# 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)

##### 7.1 Details of Directors' Remuneration (Cont'd)

The fees and benefits payable for the Directors are endorsed by the Board for approval by the shareholders at the AGM prior to payment.

The remuneration received/receivable by the Directors of the Company for FY2018 is as disclosed in the CG Report.

##### 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 2018, are as follows:

Range of Remuneration	Top 5 Senior Management Team
Below RM50,000	-
RM50,000 to RM100,000	-
RM100,001 to RM150,000	-
RM150,001 to RM200,000	2
RM200,001 to RM250,000	-
RM250,001 to RM300,000	1
RM300,001 to RM350,000	1
RM350,001 to RM400,000	-
RM400,001 to RM450,000	-
RM450,001 to RM500,000	1

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.

# 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

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 corporate website at [www.eonmetall.com](http://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.

The Audit Committee has considered the non-audit services provided by the external auditors during FY2018 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 BDO PLT (converted from a conventional partnership, BDO, on 2 January 2019), 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 Meetings). In 2018, 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

The present Audit Committee comprised wholly of Non-Executive Directors, majority of whom are Independent.

The composition, roles and responsibilities and key activities of the Audit Committee are set out under the Audit Committee Report in this Annual Report. Although not required to observe this Step-Up Practice for the Audit Committee to comprise solely of Independent Non-Executive Directors as the Company does not fall within the definition of "Large Companies" as prescribed by the Code, the Nominating Committee and the Board would consider compliance of this Practice concurrent with that for Practice 8.1 afore-said.

##### 8.5 Diversity in skills of the Audit Committee

The Audit Committee currently comprised of members with professional experience in financial, business and economic 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



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

### 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 systems.

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.

#### 10 Effective governance, risk management and internal control 10.1 Effectiveness of the internal audit function 10.2 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE C: INTERGRITY 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](http://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 corporate website at [www.eonmetall.com](http://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.

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

#### 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 at least twenty-eight (28) days prior to the meeting date and is published in a major local newspaper. 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.

# 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)

##### 12.1 Notice for Annual General Meeting (Cont'd)

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 MMLR will provide shareholders with a current overview of the Group's performance.

##### 12.2 All Directors to attend general meetings

All the Directors had attended the Fifteenth Annual General Meeting held on 28 May 2018.

##### 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 since the past three (3) years.

### 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 25 April 2019.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

for preparing the Annual Audited Financial Statements

The Directors are required by the Companies Act 2016 to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and their results and cash flows for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2018, the appropriate accounting policies were used and applied consistently, adopted to include new and revised Malaysian Financial Reporting Standards where applicable. The Board is also at the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Directors are responsible for ensuring that the Company keeps proper accounting records which enable the financial position of the Group and the Company to be disclosed with reasonable accuracy and which enable them to ensure that the financial statements comply with the Act.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group as well as prevent and detect fraud and irregularities.

# SUSTAINABILITY REPORTING

## INTRODUCTION

This sustainability statement is prepared as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Malaysia**”) and in accordance with the Sustainability Reporting Guide (“**Guide**”) issued by Bursa Malaysia.

Eonmetall Group Berhad (“the Company”) and its subsidiaries (“**Group**”) have relied on the guidance provided under the Guide for its sustainability practices. The Guide provides guidance on how to embed sustainability in our organisation and helps us to identify, evaluate and manage our material economic, environmental and social (“**EES**”) risks and opportunities. Our sustainability practices aim to generate long term benefits to our stakeholders in terms of business continuity and value creation.

## SCOPE OF REPORTING

This statement covers the sustainability performance of our core business operations for the financial year ended 31 December 2018 unless stated otherwise.

Our core business operations comprised of two divisions: (1) manufacture and sale of metalwork machinery and other industrial process machinery including solvent extraction plant, and (2) manufacture and sale as well as trading of steel product specialising in steel storage system.

## COMMITMENT TO SUSTAINABILITY

Sustainability practices should be embedded and integrated into the business operations of an organisation rather than on a standalone basis, to ensure continuity, relevance and sustainability of the practices. In order to embed sustainability effectively, our Board of Directors has committed to lead the sustainability development efforts by establishing a Sustainability Committee to be responsible for identifying material sustainability matters and formulating the related sustainability initiatives. The Sustainability Committee is headed by the Managing Director & Chief Executive Officer (“**MD&CEO**”) and its members are represented by the Chief Operating Officer, General Manager and head or senior representative from each department namely purchasing, marketing & sales, production, maintenance, finance & corporate, and human resources. Our MD&CEO provides strong stewardship towards the implementation of the sustainability initiatives within the Group.

The reporting governance structure is as follows:



The roles and responsibilities of the above governance bodies are:

### The Board

- Oversees the sustainability efforts and initiatives of the Group;
- Reviews and endorses the Group’s material sustainability matters;
- Reviews and endorses the sustainability initiatives proposed by the Sustainability Committee;
- Reviews and endorses the annual sustainability reporting for inclusion in our annual report; and
- Sets strategies that support long-term value creation and includes strategies on EES considerations underpinning sustainability.

### Sustainability Committee

- Identifies material sustainability matters that are relevant to the Group’s business operations;
- Proposes sustainability initiatives and measures to be implemented across the Group;
- Implements sustainability initiatives that have been approved by the Board;
- Conducts data gathering for sustainability reporting; and
- The Chairman reports the overall progress of the Group’s sustainability efforts to the Board.



# SUSTAINABILITY REPORTING (Cont'd)

## COMMITMENT TO SUSTAINABILITY (Cont'd)

### Sustainability Practices

In line with the Guide, sustainability is viewed in the context of EES, as good governance is regarded as one of the underlying foundation that underpin the focus on performance along the aforementioned dimensions. The terms economic, environmental and social can be explained as follows:

Economic	Environmental	Social
An organisation's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. It does not focus on the financial condition of the organisation.  <i>Note: These may include the organisation's procurement practices, or community investment.</i>	An organisation's impact on living and non-living natural systems, including land, air, water and ecosystems.  <i>Note: These may include the organisation's usage of energy and water, discharge of emissions, or loss of biodiversity, etc</i>	The impacts an organisation has on the social systems within which it operates.  <i>Note: These may include the organisation's relationships with communities, employees, consumers, etc.</i>

(Source: Adapted from the GRI Standards)

### Stakeholder Engagement

A stakeholder is essentially an individual or a group that has an effect on, or is affected by our Group and our activities. Naturally, our stakeholders influence the way we carry out our business activities and how we formulate our strategies to meet their expectations and to generate long term benefits to our stakeholders in terms of business sustainability and value creation.

The table below lists the needs of our different stakeholder groups and how we engage and address their needs.

Stakeholder Groups	Areas of Interest	Engagement Methods
Investors	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Business prospects</li> </ul>	<ul style="list-style-type: none"> <li>Engagement with shareholders during the Company's annual general meeting</li> <li>Quarterly reporting</li> <li>Dissemination of information through the Company's website</li> <li>Investor briefing</li> <li>Independent research report</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Product quality</li> <li>Reliable delivery</li> <li>Competitive prices</li> </ul>	<ul style="list-style-type: none"> <li>Customers' feedback</li> <li>After sales service</li> <li>Sales and marketing visits</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Competitive salary and benefits package</li> <li>Clear line of reporting and proper communication channel</li> <li>Work – life balance</li> <li>Career path and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Employee handbook</li> <li>Survey on human resource practices in the market</li> <li>Internal training</li> <li>Engagement with employees</li> <li>Sports and recreation programme</li> <li>Occupational safety and health</li> </ul>
Vendors	<ul style="list-style-type: none"> <li>Procurement policy and procedures</li> <li>Prompt payments within credit period</li> <li>Business prospects and financial stability</li> </ul>	<ul style="list-style-type: none"> <li>Disseminate procurement policy and procedures</li> <li>Assessment on suitability of vendors</li> <li>Reinforcement of code of conduct for ethical practices</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Impact of operations on surrounding environment</li> <li>Corporate social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Engagement with local communities</li> <li>Provide job opportunities</li> <li>Pay attention to polluting emissions and effluents</li> </ul>
Regulatory authorities	<ul style="list-style-type: none"> <li>Compliance with existing laws</li> <li>Standards and certification</li> </ul>	<ul style="list-style-type: none"> <li>Updates on rules and regulations</li> <li>Consultation with authorities</li> <li>Attendance at relevant seminars and conferences</li> </ul>

# SUSTAINABILITY REPORTING (Cont'd)

## COMMITMENT TO SUSTAINABILITY (Cont'd)

### Material Sustainability Matters ("MSM")

Sustainability matters are the risks and opportunities arising from the EES impacts of an organisation's operations and activities and sustainability matters are considered material if they (a) reflect our Group's significant EES impacts; or (b) substantively influence the assessments and decisions of our stakeholders.

Based on existing policies and practices, we have identified and prioritised the following material sustainability matters which have the greatest impacts on our business operations and stakeholders.

#### *Economic*

We have formulated sustainability practices which aim to generate long term benefits to all our stakeholders in terms of business continuity and value creation.

Depending on the financial performance of our Group, we are mindful of rewarding our shareholders with the appropriate return on their investments in our Company. We always engage our shareholders during our annual general meeting which is a platform for them to air their views and to clarify with management on matters of interest. In addition, we conduct periodical investors' briefing and work with independent market researchers on the Group's financial review and analysis. Such information is then compiled and uploaded to our Company's website and can be accessed via a dedicated page, Investor Relations. We have in place policies and practices which governed our business dealings and the conduct of our employees and the same have been disseminated to all concerned either through our website or made known to employees at their place of work.

- **Marketplace**

We are committed to conduct our business activities ethically and in a transparent manner so as to build a lasting and trusting business relationship with all our stakeholders.

- **Product quality**

Our reputation is built upon the quality products we deliver to our customers. Our products meet regulatory, safety and quality standards and our ability to penetrate the export markets of Asean, Asia, Asia Pacific, Middle East and North Africa, and the USA is a testimony to our product quality. Our product quality is further affirmed by us being awarded exclusive manufacturing and distribution of European standard racking systems as well as complying to specific country's standard such as AS standard for Australian racking standard. The quality management we have in place is designed to monitor and control the processes from planning and development to production and after-sales service in order to fulfil our customers' high demand for quality.

- **Customer satisfaction**

We recognise and believe in the slogan of "Customer Satisfaction First". In line with this slogan, our service staff are well trained prioritise to customer satisfaction and to achieve this attribute, our service staff are required to attend training in product knowledge and soft skills development in line with the Quality Policy commitment within ISO9001:2015.

- **Market presence**

To constantly expand our market share, we participate regularly in trade exhibitions and visit customers. For the year under review, we have participated in 7 local and overseas exhibitions, basically to promote our products to new markets. We had also visited customers to engage with them and to obtain feedback which will form part of our data base to formulate our business strategy to expand our market share.

Our products are globally accepted and we are able to give our customers total solutions in advance design, reliable engineering, world class manufacturing and cost effective project management. In addition, we have gained recognition as the leading design innovator and fabricator of the patented Solvent Extraction Plant for palm mesocarp fibre and palm kernel cake.

# SUSTAINABILITY REPORTING (Cont'd)

## COMMITMENT TO SUSTAINABILITY (Cont'd)

### *Economic (Cont'd)*

- ***Procurement policy and procedures***

We engage in responsible procurement practices whereby proper procedures are laid down to ensure that any procurement made is properly evaluated and approved by the relevant authority after considering the production needs and existing stock balance position. We only source our raw materials from approved vendors which meet certain acceptable business practices and deliver high quality materials based on our specifications which should be in compliance with international and Malaysia standards especially for imported steel materials. Our officers are expected to conduct themselves ethically and are only allowed to accept non-cash gifts from vendors in relation to cultural/festive celebrations. We will not tolerate any corrupt practices in all business dealings and any breach of this policy will be dealt with severely.

- ***IT system***

We are supported by SAP B1 ERP system which captures all our sales and service staff are given access to the system which provides on-time details on stocks and production status. This enables our staffs to engage meaningfully with our customers and therefore cuts down on unnecessary delay in obtaining/extracting data. The system also allows another staff to access to a particular project account in the event the person-in-charge is not around to attend to it. The investment in a reputable IT system will sustain our business practices for the long term benefits to be derived therefrom.

Our IT system has all the necessary security features in place to secure our data base and to protect against malware attacks.

- ***Workplace***

Our employees are our greatest asset and managing them is our priority. We have in place our Employee Handbook which spelt out our HR policies and practices and comply with the Employment Act, 1955. In order to retain our talents, we have come out with competitive remuneration packages which are comparable in the industry, as well as creating a healthy and conducive workplace. This strategy will provide us with a stable and productive workforce which will contribute to our sustainability efforts. Further, we have in place our Code of Conduct to govern ethics and behaviour of our employees in the discharge of their duties in the workplace as well as in our business dealings with customers, vendors and service providers.

- ***Recruitment***

We have implemented a standard recruitment procedure which will ensure the proper identification and recruitment of new talent to join our organisation to contribute to the growth of our business.

- ***Career path***

In order to retain our talents, we provide opportunities for high-potential employees to develop and progress to senior positions in the Group. Priority is given to existing employees for promotions rather than recruiting fresh candidates from outside.

- ***Training***

We believe in empowering our employees by having in place a standard operating procedure on training and personnel development. Investing in appropriate training to our employees will result in better customer service, productivity improvements, better efficiency and better workplace safety practices. During the year, we carried out 39 training sessions covering financial management to occupational health & safety and quality management for our employees. Ultimately, we hope to achieve better business performance and profitability and improve staff morale.

- ***Employee engagement***

In engaging our employees, we employ a "two-way" approach where we give opportunity for the employees to make known their grievances and also to give suggestions to improve or resolve their concerns and unhappiness and fellow concern. We have placed a "suggestion box" to facilitate this practice.

We embrace diversity by celebrating various major festivals with our employees to promote understanding of each other's culture and thereby creating harmony, peace and joy in our organisation.

# SUSTAINABILITY REPORTING (Cont'd)

## COMMITMENT TO SUSTAINABILITY (Cont'd)

### *Economic (Cont'd)*

- **Work-life balance**

To promote a healthy working life, we believe in providing a balanced work-life environment to all our employees to enable them to have more time for their family and/or to pursue and advance their areas of interest. In this respect, we do not encourage overtime work unless it is absolutely necessary such as to meet customer's order or regulatory deadlines, promote a healthy lifestyle, also organise weekly badminton sessions as part of healthy lifestyle promotion.

- **Safety and health**

Our policy is to create a safe and healthy workplace for our employees where they can have a peace of mind whenever they are working in our factory premises. We have complied, to the best of our ability, the existing laws and regulations relevant to our operations such as Occupational Safety and Health Act, 1994, Environmental Quality Act, 1974, Factories and Machinery Act, 1967 and Fire Services Act, 1988.

Some of the more important measures which we have implemented to complement the compliance of the aforementioned laws and regulations included:

- Establish a Safety Committee to oversee and monitor ongoing safety and health initiatives which have been implemented.
- Implement a standard security procedure to protect our factory from unauthorised access, sabotage and espionage.
- Register all production overhead cranes and machinery and equipment, specifically on solvent plant and subject them to periodical inspection.
- Regular maintenance of fire extinguishers and proper layout location and signage plan for the fire extinguishers for easy identification in the event of emergency.

- **Work and business ethics and anti-corruption policy**

Our work ethics require all our employees to discharge their duties and responsibilities in accordance to their job functions professionally, honestly, productively and efficiently. Likewise for those conducting business on behalf of the Group are required to observe generally accepted business ethics such as engaging in fair negotiations with our customers and vendors and adopting a "win-win" strategy when closing business deals.

Premised on the aforementioned, we will not tolerate bribery and corruption practices among our employees irrespective of ranks and status. As bribery and corruption practices fall under criminal, anyone caught will be dealt with severely like reporting to the police and brought to court.

- **Whistleblower policy**

We are committed to conduct our affairs in an ethical, responsible and transparent manner. In this respect we have a Whistleblower Policy in place whereby our employees are encouraged to report any malpractices or wrongdoings to the Chairman of the Audit Committee for any unethical or illegal conduct in financial reporting and to the Managing Director & Chief Executive Officer for any employment related concerns. The identity of a whistleblower is protected under this policy. The whistleblower policy is uploaded to our website at [www.eonmetall.com](http://www.eonmetall.com).

- **Certification**

We have acquired the ISO 9001:2015 – Quality Management Systems certification which sums up the high standard of management practices in our organisation. This certification ensures that our customers will consistently receive high quality products and services. In turns, this brings many benefits, including satisfied customers as well as happy management and employees.

# SUSTAINABILITY REPORTING (Cont'd)

## COMMITMENT TO SUSTAINABILITY (Cont'd)

### *Environment*

As a responsible corporate citizen, we have the duty to protect the environment where we operate in. As such, we are committed to sustainability development goals and we operate in a way that ensures the environment is kept clean and safe from harmful pollutants. We believe in preserving the environment for future generations whilst meeting the needs of our stakeholders.

- **Environmental safety**

We practise regular maintenance of our gas storage area with the objective of preventing gas leakages into the environment. Thanks to our sustainability practices up-to-date, there have been no untoward incidents which have a negative impact to our environment.

- **Waste management**

We store our production waste in a proper storage area and the waste is regularly disposed of as scraps. We do not have any scheduled waste which requires special handling pursuant to the Environmental Quality Act, 1974.

- **Going green**

We have already changed our lightings to LED (light-emitting diodes) lights which have longer life span as well being more energy efficient. This has improve our working environment besides saving on electricity bills.

### *Social*

We believe in the philosophy of giving back to society to show our gratitude and appreciation for our success. In giving, we strengthen the local communities which will contribute to nation building. At the same time, helps to create a culture of giving among our employees.

During the year under review, we have contributed financial aid to a local government aided school for its expansion programme as we believe every child is entitled to a proper and strong education foundation to prepare the child for a better future.

### **Conclusion**

Going forward, we will continue to strengthen our sustainability development efforts by revisiting and reassessing the identified **MSM** for recalibration if necessary, and to identify new **MSM** for action.

We are committed and serious in our sustainability practices to bring our Group to the next level of excellence giving assurance to our business continuity and value creation.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors (“the Board”) of Eonmetall Group Berhad (“the Company”) continues with its commitment to maintain a sound system of risk management and internal control to safeguard the shareholders’ investment and the Group’s assets.

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 ended 31 December 2018 (“FY2018”). The Statement on Risk Management and Internal Control is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

## 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 as well as financial, organisational, operational, project and compliance controls. The Board affirms its overall responsibility for the Group’s systems of internal control and risk management and for reviewing the effectiveness and efficiency of these 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. The Board has received assurance from the Chief Executive Officer and Chief Operating Officer that the Group’s risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement.

## 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 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 risk management 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 organization;
- 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 FY2018, the Group had continually monitor and follow up on risk management activities, identified 8 risks which are significant to the success of the business. The likelihood and impact of the risks have been assessed and appropriate mitigation actions have been identified and carried out 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 management and 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 and risk management.

The internal audit adopts a risk-based approach to develop 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 regards to policies and procedures, and the effectiveness of the internal controls and risk management systems. Significant findings and recommendations for improvement are highlighted to Management and the Audit Committee, with periodic follow-up on the implementation of action plans. The Management is responsible for ensuring that corrective actions are implemented accordingly.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

## INTERNAL AUDIT FUNCTION (Cont'd)

### Weakness in Internal Controls

Based on the internal auditors' reports for FY2018, there is a reasonable assurance that the Group's systems of internal control and risk management are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during FY2018, all of which had been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in this Annual Report.

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

### Review of this Statement by External Auditors

The external auditors have reviewed this Statement in accordance to Paragraph 15.23 of the Main Market Listing Requirement of Bursa Securities. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in this Annual Report is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

This Statement is issued in accordance with a resolution of the Directors dated 25 April 2019.



# AUDIT COMMITTEE REPORT

## Objectives

The primary function of the Audit Committee of Eonmetall Group Berhad (“Eonmetall” or “the Company”) 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;
- Oversee the risk management framework of the Group;
- Review and recommend an appropriate risk management strategy so as to ensure that business risks 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 (“TOR”) of the Audit Committee is published on the Company’s website at [www.eonmetall.com](http://www.eonmetall.com).

## Composition & Meeting

The Audit Committee comprises wholly of Non-Executive Directors, with a majority being independent. The composition is in compliance with paragraph 15.09 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The members of the Audit Committee and their attendance at the five (5) meetings held during financial year ended 31 December 2018 (“FY2018”) is as tabulated:

Directors   Designation	Number of meetings attended
Tang Yin Kham (Chairman) Independent Non-Executive Director	5/5
Dato’ Wahab Bin Hamid (Member) Independent Non-Executive Director	5/5
Goh Kee Seng (Member) Non-Independent Non-Executive Director	4/5

All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. The Chairman of the Audit Committee, Madam Tang Yin Kham, is a Chartered Accountant of the Malaysian Institute of Accountants, a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a fellow member of the Chartered Tax Institute of Malaysia. No alternate Director of the Board shall be appointed as a member of the Audit Committee.

On 22 November 2018, the TOR of the Audit Committee was enhanced in line with the Malaysian Code on Corporate Governance introduced on 26 April 2017. The TOR of the Audit Committee is available for reference at the Company’s website at [www.eonmetall.com](http://www.eonmetall.com).

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

The Secretary of the Audit Committee shall be responsible for drawing up the agenda in consultation with the Chairman of the Audit Committee.

The minutes of each Audit Committee meeting were reported and tabled for confirmation at its following meeting. The Audit Committee Chairman reports to the Board on the activities undertaken and the key recommendations for the Board’s consideration and decision.

The Audit 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. During the financial year under review, the Audit Committee met twice (2) with the external auditor separately without the Executive Board members and management to discuss the audit findings and any other observations that they may have during the audit process.

# AUDIT COMMITTEE REPORT

(Cont'd)

## Summary of Activities Undertaken during the Financial Year

The Audit Committee carried out its duties in accordance with its TOR during the financial year. The main activities undertaken by the Audit Committee during the financial year ended and up-to-date were as follows:

### Financial Reporting

- (a) Reviewed the unaudited quarterly financial statements and annual audited financial statements of the Group before recommending to the Board for approval, focusing on changes in or implementation of major accounting policies, significant and unusual events and compliance with the provision of the Companies Act 2016 and accounting standards approved by the Malaysian Accounting Standards Board before recommending the same to the Board for approval.
- (b) Reviewed relevant issues which have or could have significant impact on the results of the Group such as receivables, inventory management, investment, divestments, bank borrowings and strategic operations of subsidiaries.

### External Audit

- (a) Reviewed prior to the commencement of audit, the external auditors' scope of engagement, their audit plan and approach together with their request for the increase in audit fees;
- (b) Reviewed with the external auditors, the findings and results of the audit, significant audit/accounting issues, including the management's response and comments;
- (c) Reviewed and evaluated the performance and effectiveness of the external auditors. The Audit Committee was satisfied with the external auditors' performance and made its recommendations to the Board on their re-appointment as auditors at the forthcoming annual general meeting.

### Internal Audit and Risk Management

- (a) Reviewed the internal audit reports 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 reviews;
- (b) Reviewed and approved the Internal Audit Plan to ensure the adequacy of the scope and comprehensive coverage of the activities of the Group;
- (c) Reviewed any major proposed transaction that would affect the risk management framework;
- (d) Considered the proposal received for the assessment of the current state of the Risk Management Framework adopted by the Group, identify the principal risks and update the existing risk register of the Group.

### Governance

- (a) Met with the external auditors without the presence of the Executive Board members and Management staff to discuss on major issues of concern.
- (b) 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 that might arise from the aforesaid transactions as reported by Management and report to the Board accordingly.
- (c) Reviewed the circular to the shareholders on RRPT of a revenue or trading nature.
- (d) Reviewed non-audit fees paid/payable to the external auditors and its affiliated firms.
- (e) Reviewed and adopted the revision to the TOR of the Audit Committee before recommending to the Board for approval.
- (f) Reviewed and approved/recommended, as applicable, the Audit Committee Report and the Statement on Risk Management and Internal Control for Board's approval before inclusion in the Annual Report 2018.

# AUDIT COMMITTEE REPORT

(Cont'd)

## Internal audit function

The Board acknowledges the need for an effective system of internal control and risk management 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 carry out internal audit reviews on 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 FY2018 was RM21,342.

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 under review, the internal auditors had conducted audit reviews on conversion and production, general safety and security and inventory management of the Group based on the approved internal audit plan. Upon completion of their work, the internal auditors presented their findings and recommendations as well as the Management's responses and action plans to the Audit Committee for its review and deliberation. The internal auditors also conducted follow-up reviews to monitor the implementation of the management's action plans for reporting to the Audit Committee.

The Group, with the help of the internal auditor 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 the Annual Report 2018.

This statement is issued in accordance with a resolution of Directors dated 25 April 2019.

# ADDITIONAL COMPLIANCE INFORMATION

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

## 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposals during the financial year ended 31 December 2018.

## 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 with the external auditors by the Company and the Group for the financial year ended 31 December 2018 are as follows:

	Group (RM)	Company (RM)
Fees paid or payable to the external auditors:		
Audit fees	198,970	30,000
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	16,000	16,000
<b>Total</b>	<b>214,970</b>	<b>46,000</b>

## 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 2018 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 2018.

## ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

### 5. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Annual General Meeting held on 28 May 2018, the Company obtained a shareholders' mandate to allow the Group enter into recurrent related party transactions (RRPT) of a revenue or trading nature.

The details of RRPT of a revenue or trading nature conducted during the financial year ended 31 December 2018 pursuant to the shareholders' mandate are disclosed as follow:-

Provider of goods and services	Recipient of goods and services	Nature of Transaction	Actual value transacted (RM)	Related Parties
Eonmetall Industries Sdn Bhd ("EMI")	Genrizt Storage System ("Genrizt")	Sales of steel products	428,873	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")	<sup>(2)</sup> Sales of steel products, sales and maintenance of machinery, and project works	1,919,981	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	<sup>(1)</sup> Leader Steel Sdn Bhd ("LSSB") & <sup>(1)</sup> Leader Steel Service Centre Sdn Bhd ("LSSC")	Sales and servicing of steel products	2,677,798	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 Dato' (Dr) Soong is a director and shareholder of Eonmetall and LSH. 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.
<sup>(1)</sup> LSSC	EMI	Purchase and servicing of steel products	1,738,778	
	Eonmetall Systems Sdn Bhd ("EMS")		98	
	Eonsteel Sdn Bhd ("ESL")		-	
EMT	<sup>(1)</sup> LSSB	Sales and maintenance of machinery	3,034,979	
<sup>(1)</sup> LSSB & <sup>(1)</sup> LSSC	EMT	Purchase and maintenance of machinery	679,505	
EMT	<sup>(1)</sup> LSSC	<sup>(2)</sup> Construction of office building & a single storey steel factory	817,650	
EMI	<sup>(1)</sup> LSSC	<sup>(3)</sup> Letting of single storey factory	300,000	

#### Notes:

<sup>1</sup> Subsidiaries of LSH

<sup>2</sup> Projects delayed due to unfavorable market conditions.

<sup>3</sup> 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 RM25,000.

# 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 2018.

## 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	<u>3,088,548</u>	<u>4,888,741</u>
Attributable to:		
Owners of the parent	3,099,447	4,888,741
Non-controlling interests	<u>(10,899)</u>	<u>0</u>
	<u>3,088,548</u>	<u>4,888,741</u>

## DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

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

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares and 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.

# DIRECTORS' REPORT (Cont'd)

## TREASURY SHARES

At the Annual General Meeting held on 28 May 2018, 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 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 repurchased a total of 2,645,100 of its issued ordinary shares from the open market at an average price of RM0.60 per share. The total consideration paid for the repurchase was RM1,594,288. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2018, the Company held as treasury shares a total of 2,665,100 of its 188,288,100 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,601,252 and further relevant details are disclosed in Note 17 to the financial statements.

## DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

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

\* These Directors are also Directors of certain subsidiaries of the Company.

The Directors of subsidiaries who have held office during the financial year and up to the date of this report, not including those Directors listed above are as follows:

Goh Hong Kent  
Datin Tan Pak Say  
Yan XingXu

(Appointed on 8 June 2018)

# DIRECTORS' REPORT (Cont'd)

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2018 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 31.12.2018
	Balance as at 1.1.2018	Bought	Sold	
<b>Shares in the Company</b>				
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	19,245,600	367,800	0	19,613,400
Tan Sri Dato' (Dr) 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' (Dr) 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 32 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 29 to the financial statements.



# DIRECTORS' REPORT (Cont'd)

## 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 had satisfied themselves that all known bad debts had been written off 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.

### (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 render the amounts written off for bad debts or 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.

### (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.

# DIRECTORS' REPORT (Cont'd)

## SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 36 to the financial statements.

## AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), 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 2018 are disclosed in Note 26 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

**Dato' Goh Cheng Huat**  
Director

**Yeoh Cheng Chye**  
Director

Penang  
25 April 2019

# STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 55 to 120 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 2018 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  
25 April 2019

# 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 55 to 120 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 25 April 2019

Before me,

**Yeoh Cheng Chye**

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 2018 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 120.

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 2018, and of their financial performance and their cash flows for the financial 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.

#### (a) Impairment of trade receivables

As at 31 December 2018, the Group had trade receivables which amounted to RM61,672,761, which were net of impairment losses of RM26,678,406. The details of trade receivables and related credit risk have been disclosed in Note 13 and Note 35(a) to the financial statements respectively.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward-looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

#### *Audit response*

Our audit procedures included the following:

- (i) recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- (ii) recomputed the correlation coefficient between the macroeconomic indicators set by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group;
- (iii) inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses;
- (iv) assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages; and
- (v) challenge management on the basis for determining cash flows recoverable in worst-case scenarios, where applicable.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EONMETALL GROUP BERHAD (Cont'd)

## Key Audit Matters (Cont'd)

### (b) Impairment assessment of the carrying amount of investments in subsidiaries

As at 31 December 2018, investment in subsidiaries of the Company were RM126,883,206 as disclosed in Notes 7 to the financial statements.

The determination of recoverable amounts requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries. In this instance, the recoverable amount is based on value-in-use. These key assumptions include budgeted gross profit margins, growth rates, terminal values as well as determining an appropriate pre-tax discount rate used for each subsidiary.

#### *Audit response*

Our audit procedures included the following:

- (i) challenged assessment of management that no further impairment losses on investments was required based on recoverable amounts of the subsidiaries;
- (ii) compared cash flow projections against recent performance and assessed and challenged the key assumptions used in the projections by comparing to actual gross margins and growth rates;
- (iii) compared prior period projections to actual outcomes to assess reliability of management forecasting process;
- (iv) verified budgeted gross profit margins, growth rates and terminal values by assessing evidence available to support these key assumptions;
- (v) verified pre-tax discount rate used for each subsidiary by comparing to weighted average cost of capital of the Group and relevant risk factors; and
- (vi) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

### (c) Impairment of amounts owing by subsidiaries

As at 31 December 2018, amounts owing by subsidiaries of the Company were RM13,100,475 which were net of impairment losses of RM3,763,359 as disclosed in Notes 13 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by subsidiaries, appropriate forward-looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

#### *Audit response*

Our audit procedures included the following:

- (i) assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages; and
- (ii) challenged management on the basis for determining cash flows recoverable in worst-case scenarios, where applicable.

# 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 ability of the Group and of the Company 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:

- a) 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.
- b) 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 internal control of the Group and of the Company.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 ability of the Group or the Company 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.

# 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):

- e) 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.
- f) 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 PLT**  
LLP0018825-LCA & AF 0206  
Chartered Accountants

**Lee Beng Tuan**  
03271/07/2020 J  
Chartered Accountant

Penang  
25 April 2019

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	137,929,405	103,184,890	0	0
Investment properties	6	0	30,614,105	0	0
Investments in subsidiaries	7	0	0	126,883,206	124,273,207
Investment in an associate	8	413,633	0	0	0
Investment in a joint venture	9	0	510	0	0
Other investment	10	0	0	0	0
Goodwill	11	0	0	0	0
Deferred tax assets	12	1,624,500	1,624,500	0	0
Trade and other receivables	13	7,636,998	0	13,100,475	43,584,152
		<u>147,604,536</u>	<u>135,424,005</u>	<u>139,983,681</u>	<u>167,857,359</u>
<b>Current assets</b>					
Inventories	15	95,072,220	74,538,086	0	0
Trade and other receivables	13	61,756,649	65,647,384	1,000	4,001,000
Contract assets	14	1,137,723	0	0	0
Current tax assets		442,878	86,109	39,245	4,551
Cash and bank balances	16	16,695,737	13,702,180	1,039,614	1,460,544
		<u>175,105,207</u>	<u>153,973,759</u>	<u>1,079,859</u>	<u>5,466,095</u>
<b>TOTAL ASSETS</b>		<u>322,709,743</u>	<u>289,397,764</u>	<u>141,063,540</u>	<u>173,323,454</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	17	99,800,734	99,800,734	99,310,842	99,310,842
Treasury shares	17	(1,601,252)	(6,964)	(1,601,252)	(6,964)
Reserves	18	73,792,522	85,749,647	30,455,596	25,566,855
		<u>171,992,004</u>	<u>185,543,417</u>	<u>128,165,186</u>	<u>124,870,733</u>
Non-controlling interests		650,338	234,248	0	0
<b>TOTAL EQUITY</b>		<u>172,642,342</u>	<u>185,777,665</u>	<u>128,165,186</u>	<u>124,870,733</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	20	29,494,188	5,162,155	0	0
Trade and other payables	22	0	0	12,604,054	43,450,918
Deferred tax liabilities	12	631,300	758,600	0	0
		<u>30,125,488</u>	<u>5,920,755</u>	<u>12,604,054</u>	<u>43,450,918</u>
<b>Current liabilities</b>					
Trade and other payables	22	18,469,924	19,342,522	294,300	5,001,803
Borrowings	20	101,421,776	76,979,522	0	0
Current tax liabilities		50,213	1,377,300	0	0
		<u>119,941,913</u>	<u>97,699,344</u>	<u>294,300</u>	<u>5,001,803</u>
<b>TOTAL LIABILITIES</b>		<u>150,067,401</u>	<u>103,620,099</u>	<u>12,898,354</u>	<u>48,452,721</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>322,709,743</u>	<u>289,397,764</u>	<u>141,063,540</u>	<u>173,323,454</u>

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 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	24	115,789,362	131,906,878	5,700,000	4,000,000
Cost of sales		(90,441,674)	(94,291,202)	0	0
Gross profit		25,347,688	37,615,676	5,700,000	4,000,000
Other income		2,388,343	5,966,220	1,648,510	1,349,313
Distribution expenses		(3,400,077)	(4,514,466)	0	0
Administrative expenses		(12,742,087)	(11,114,409)	(580,892)	(768,064)
Other expenses		(2,491,997)	(3,875,473)	(313,282)	(383,142)
Finance costs	25	(5,905,734)	(4,105,235)	(1,581,225)	(1,708,801)
Share of loss of an associate and a joint venture, net of tax		(1,389)	(54,784)	0	0
Profit before tax	26	3,194,747	19,917,529	4,873,111	2,489,306
Tax (expense)/income	30	(106,199)	(1,223,275)	15,630	40,745
Profit for the financial year		3,088,548	18,694,254	4,888,741	2,530,051
Profit attributable to:					
Owners of the parent		3,099,447	18,701,818	4,888,741	2,530,051
Non-controlling interests		(10,899)	(7,564)	0	0
		3,088,548	18,694,254	4,888,741	2,530,051
Earnings per ordinary share attributable to equity holders of the Company:					
- Basic (sen)	31(a)	1.66	10.97		
- Diluted (sen)	31(b)	1.66	10.97		

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 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Profit for the financial year</b>	<b>3,088,548</b>	<b>18,694,254</b>	<b>4,888,741</b>	<b>2,530,051</b>
<b>Other comprehensive (loss)/income:</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Foreign currency translations	(346,792)	275,962	0	0
Share of other comprehensive loss of an associate and a joint venture, net of tax	(4,488)	(2,811)	0	0
<b>Other comprehensive (loss)/income for the financial year, net of tax</b>	<b>(351,280)</b>	<b>273,151</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the financial year</b>	<b>2,737,268</b>	<b>18,967,405</b>	<b>4,888,741</b>	<b>2,530,051</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	2,809,356	19,003,701	4,888,741	2,530,051
Non-controlling interests	(72,088)	(36,296)	0	0
	<b>2,737,268</b>	<b>18,967,405</b>	<b>4,888,741</b>	<b>2,530,051</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		Non-controlling interests RM
Balance as at 1 January 2017		85,585,500	(782,645)	1,548,580	(1,728,276)	71,944,106	156,567,265	270,544	156,837,809
Profit for the financial year		0	0	0	0	18,701,818	18,701,818	(7,564)	18,694,254
Foreign currency translations		0	0	0	304,694	0	304,694	(28,732)	275,962
Share of comprehensive loss of a joint venture		0	0	0	(2,811)	0	(2,811)	0	(2,811)
Total comprehensive income/(loss)		0	0	0	301,883	18,701,818	19,003,701	(36,296)	18,967,405
<b>Transactions with owners</b>									
Dividend paid	19	0	0	0	0	(4,706,703)	(4,706,703)	0	(4,706,703)
Issuance of ordinary shares pursuant to private placement	17	12,666,654	0	0	0	0	12,666,654	0	12,666,654
Disposal of treasury shares	17	0	775,681	0	0	1,236,819	2,012,500	0	2,012,500
Total transactions with owners		12,666,654	775,681	0	0	(3,469,884)	9,972,451	0	9,972,451
Transfer pursuant to Companies Act 2016	17	1,548,580	0	(1,548,580)	0	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	234,248	185,777,665

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	← Non-distributable →					→ Distributable			Total equity RM
		Share capital RM	Treasury shares RM	Exchange translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM			
Balance as at 1 January 2018, as previously reported		99,800,734	(6,964)	(1,426,393)	87,176,040	185,543,417	234,248	185,777,665		
Adjustments on initial application of MFRS 9	37.1(a)	0	0	0	(14,766,481)	(14,766,481)	0	(14,766,481)		
Restated balance as at 1 January 2018		99,800,734	(6,964)	(1,426,393)	72,409,559	170,776,936	234,248	171,011,184		
Profit for the financial year		0	0	0	3,099,447	3,099,447	(10,899)	3,088,548		
Foreign currency translations		0	0	(285,603)	0	(285,603)	(61,189)	(346,792)		
Share of comprehensive loss of an associate and joint venture		0	0	(4,488)	0	(4,488)	0	(4,488)		
Total comprehensive (loss)/income		0	0	(290,091)	3,099,447	2,809,356	(72,088)	2,737,268		
<b>Transactions with owners</b>										
Purchase of treasury shares	17	0	(1,594,288)	0	0	(1,594,288)	0	(1,594,288)		
Acquisition of a subsidiary		0	0	0	0	0	488,178	488,178		
Total transactions with owners		0	(1,594,288)	0	0	(1,594,288)	488,178	(1,106,110)		
Balance as at 31 December 2018		99,800,734	(1,601,252)	(1,716,484)	75,509,006	171,992,004	650,338	172,642,342		

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Non-distributable			Distributable		Total equity RM
	Share capital RM	Treasury shares RM	Share premium RM	Retained earnings RM		
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
<b>Transactions with owners</b>						
Dividend paid	0	0	0	(4,706,703)		(4,706,703)
Issuance of ordinary shares pursuant to private placement	12,666,654	0	0	0		12,666,654
Disposal of treasury shares	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	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

# STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Non-distributable			Distributable		Total equity RM
	Share capital RM	Treasury shares RM	Retained earnings RM	Share capital RM	Treasury shares RM	
<b>Company</b>						
Balance as at 1 January 2018	99,310,842	(6,964)	25,566,855			124,870,733
Profit for the financial year	0	0	4,888,741			4,888,741
Other comprehensive income, net of tax	0	0	0			0
Total comprehensive income	0	0	4,888,741			4,888,741
<b>Transactions with owners</b>						
Purchase of treasury shares	0	(1,594,288)	0			(1,594,288)
Total transactions with owners	0	(1,594,288)	0			(1,594,288)
Balance as at 31 December 2018	99,310,842	(1,601,252)	30,455,596			128,165,186

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		<b>3,194,747</b>	19,917,529	<b>4,873,111</b>	2,489,306
Adjustments for:					
Depreciation of property, plant and equipment	5	<b>5,722,458</b>	5,500,282	<b>0</b>	0
Depreciation of investment properties	6	<b>436,533</b>	434,995	<b>0</b>	0
Gain on bargain purchase	7	<b>0</b>	(4,953,898)	<b>0</b>	0
Gain on disposal of property, plant and equipment	26	<b>(106)</b>	(102,760)	<b>0</b>	0
Dividend income	24	<b>0</b>	0	<b>(5,700,000)</b>	(4,000,000)
Impairment losses on:					
- trade receivables	13	<b>878,322</b>	679,479	<b>0</b>	0
- other receivables	13	<b>356,222</b>	383,142	<b>313,282</b>	383,142
- other investment		<b>0</b>	27,575	<b>0</b>	0
- goodwill	11	<b>2,280</b>	0	<b>0</b>	0
Interest income from:					
- banks	26	<b>(24,836)</b>	(20,082)	<b>0</b>	0
- amounts owing by subsidiaries	26	<b>0</b>	0	<b>(1,648,510)</b>	(1,349,024)
Interest expense	25	<b>5,905,734</b>	4,105,235	<b>1,581,225</b>	1,708,801
Inventories written down	15	<b>461,274</b>	546,330	<b>0</b>	0
Inventories written off	15	<b>323,807</b>	0	<b>0</b>	0
Written off of property, plant and equipment	5	<b>16,959</b>	190,401	<b>0</b>	0
Reversal of impairment loss on trade receivables	13	<b>(449,022)</b>	0	<b>0</b>	0
Share of loss of an associate and a joint venture		<b>1,389</b>	54,784	<b>0</b>	0
Unrealised foreign exchange (gain)/loss	26	<b>(1,596,321)</b>	2,735,822	<b>0</b>	0
Operating profit/(loss) before changes in working capital		<b>15,229,440</b>	29,498,834	<b>(580,892)</b>	(767,775)
Increase in inventories		<b>(21,319,215)</b>	(13,581,751)	<b>0</b>	0
Increase in trade and other receivables		<b>(17,710,409)</b>	(23,977,990)	<b>0</b>	0
Increase in contract assets		<b>(1,137,723)</b>	0	<b>0</b>	0
Increase/(Decrease) in trade and other payables		<b>3,833,483</b>	2,560,194	<b>(800)</b>	13,200
Cash used in operations		<b>(21,104,424)</b>	(5,500,713)	<b>(581,692)</b>	(754,575)
Tax paid		<b>(1,925,248)</b>	(1,389,127)	<b>(19,064)</b>	(26,751)
Tax refunded		<b>7,893</b>	283,545	<b>0</b>	25,445
Net cash used in operating activities		<b>(23,021,779)</b>	(6,606,295)	<b>(600,756)</b>	(755,881)

# STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	5	(10,345,404)	(6,098,786)	0	0
Addition of investment properties	6	(71,100)	(67,776)	0	0
Acquisition of subsidiary, net of cash and cash equivalent	7	494,984	(2,380,080)	0	0
Addition of:					
- investment in subsidiaries		0	0	(3,009,999)	(3)
- investment in an associate		(419,000)	0	0	0
- investment in a joint venture		0	(58,105)	0	0
- other investment		0	(27,575)	0	0
Decrease/(Increase) in amount owing by subsidiaries		0	0	9,570,395	(20,018,821)
(Increase)/Decrease in amount owing to subsidiaries		0	0	(146,864)	7,910,689
Proceeds from disposal of property, plant and equipment		110,250	108,132	0	0
Interest received from:					
- banks		24,836	20,082	0	0
- amounts owing by subsidiaries		0	0	1,648,510	1,349,024
Net cash (used in)/from investing activities		<u>(10,205,434)</u>	<u>(8,504,108)</u>	<u>8,062,042</u>	<u>(10,759,111)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Drawdown from short term borrowings		174,610,959	121,130,857	0	0
Proceeds from term loans		29,998,000	0	0	0
Repayment of:					
- short term borrowings		(152,952,827)	(97,231,000)	0	0
- term loans		(5,150,805)	(6,743,036)	0	0
- hire purchase creditors		(35,876)	(85,641)	0	0
Issuance of shares		0	12,666,654	0	12,666,654
Purchase of treasury shares	17	(1,594,288)	0	(1,594,288)	0
Proceeds from sale of treasury shares		0	2,012,500	0	2,012,500
Interests paid		(5,905,734)	(4,105,235)	(1,581,225)	(1,708,801)
Dividend paid		(4,706,703)	0	(4,706,703)	0
Net cash from/(used in) financing activities		<u>34,262,726</u>	<u>27,645,099</u>	<u>(7,882,216)</u>	<u>12,970,353</u>
Net increase/(decrease) in cash and cash equivalents		1,035,513	12,534,696	(420,930)	1,455,361
Effect of exchange rate changes on cash and cash equivalents		(346,792)	275,962	0	0
Cash and cash equivalents at beginning of financial year		4,436,653	(8,374,005)	1,460,544	5,183
Cash and cash equivalents at end of financial year	16(b)	<u>5,125,374</u>	<u>4,436,653</u>	<u>1,039,614</u>	<u>1,460,544</u>



# STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings, exclude bank overdrafts (Note 20)	
	Group RM	Company RM
As at 1 January 2017	55,804,970	0
Cash flows	<u>17,071,180</u>	<u>0</u>
As at 31 December 2017	<u>72,876,150</u>	<u>0</u>
As at 1 January 2018	72,876,150	0
Cash flows	<u>46,469,451</u>	<u>0</u>
As at 31 December 2018	<u>119,345,601</u>	<u>0</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

## 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 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang.

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 2018 comprise the financial statements of the Company and its subsidiaries and the interests of the Group in an associate and a joint venture. 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 25 April 2019.

## 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 37.1 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 4. OPERATING SEGMENTS (Cont'd)

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.

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.

	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
<b>2018</b>				
<b>Revenue</b>				
Total revenue	59,421,992	125,860,073	8,152,205	193,434,270
Inter-segment revenue	(11,448,883)	(59,027,825)	(7,168,200)	(77,644,908)
Revenue from external customers	<u>47,973,109</u>	<u>66,832,248</u>	<u>984,005</u>	<u>115,789,362</u>
Interest income	6,423	18,413	0	24,836
Finance costs	(2,825,318)	(3,080,340)	(76)	(5,905,734)
Net finance expense	<u>(2,818,895)</u>	<u>(3,061,927)</u>	<u>(76)</u>	<u>(5,880,898)</u>
Depreciation	(630,358)	(4,425,883)	(1,102,750)	(6,158,991)

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 4. OPERATING SEGMENTS (Cont'd)

	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
<b>2018 (Cont'd)</b>				
Segment profit before income tax	6,665,693	1,176,071	1,198,572	9,040,336
Tax income/(expense)	176,553	(191,680)	(91,072)	(106,199)
Other non-cash items				
- Impairment losses on trade and other receivables	(878,322)	0	(356,222)	(1,234,544)
- Impairment losses on goodwill	0	0	(2,280)	(2,280)
- Inventories written down	(461,274)	0	0	(461,274)
- Inventories written off	(296,986)	0	(26,821)	(323,807)
- Share of loss of an associate and a joint venture, net of tax	0	0	(1,389)	(1,389)
- Written off of property, plant and equipment	0	(14,521)	(2,438)	(16,959)
Investment in an associate	0	0	413,633	413,633
Additions to non-current assets other than financial instruments and deferred tax assets	277,691	5,834,051	4,723,762	10,835,504
<b>Segment assets</b>	<b>109,054,578</b>	<b>144,188,307</b>	<b>67,399,480</b>	<b>320,642,365</b>
<b>Segment liabilities</b>	<b>56,899,209</b>	<b>72,851,459</b>	<b>19,635,220</b>	<b>149,385,888</b>
<b>2017</b>				
<b>Revenue</b>				
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	<u>45,777,313</u>	<u>85,407,023</u>	<u>722,542</u>	<u>131,906,878</u>
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	<u>(1,417,891)</u>	<u>(2,670,575)</u>	<u>3,313</u>	<u>(4,085,153)</u>
Depreciation	(766,510)	(4,085,471)	(1,083,296)	(5,935,277)

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 4. OPERATING SEGMENTS (Cont'd)

	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
<b>2017 (Cont'd)</b>				
Segment profit/(loss) before income tax	11,797,241	7,384,779	(1,097,487)	18,084,533
Tax income/(expenses)	(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)
Investment in a joint venture	0	0	510	510
Additions to non-current assets other than financial instruments and deferred tax assets	311,142	4,943,612	8,186,208	13,440,962
<b>Segment assets</b>	<b>109,982,343</b>	<b>121,988,621</b>	<b>55,716,191</b>	<b>287,687,155</b>
<b>Segment liabilities</b>	<b>46,051,815</b>	<b>42,849,409</b>	<b>12,582,975</b>	<b>101,484,199</b>

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

	2018 RM	2017 RM
<b>Revenue</b>		
Total revenue for reportable segments	193,434,270	208,276,932
Elimination of inter-segmental revenues	(77,644,908)	(76,370,054)
Revenue per consolidated statement of profit or loss and other comprehensive income	<u>115,789,362</u>	<u>131,906,878</u>
<b>Depreciation</b>		
Depreciation of property, plant and equipment	5,722,458	5,500,282
Depreciation of investment properties	436,533	434,995
Depreciation as per consolidated statement of profit or loss and other comprehensive income	<u>6,158,991</u>	<u>5,935,277</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 4. OPERATING SEGMENTS (Cont'd)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities corresponding amounts are as follows: (Cont'd)

	2018 RM	2017 RM
<b>Profit for the financial year</b>		
Total profit for reportable segments	9,040,336	18,084,533
Adjustment for inter-segmental profits	(5,845,589)	1,832,996
Profit before tax	3,194,747	19,917,529
Tax expenses	(106,199)	(1,223,275)
Profit for the financial year	<u>3,088,548</u>	<u>18,694,254</u>
<b>Assets</b>		
Total assets for reportable segments	320,642,365	287,687,155
Current tax assets	442,878	86,109
Deferred tax assets	1,624,500	1,624,500
Assets of the Group per consolidated statement of financial position	<u>322,709,743</u>	<u>289,397,764</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	149,385,888	101,484,199
Current tax liabilities	50,213	1,377,300
Deferred tax liabilities	631,300	758,600
Liabilities of the Group per consolidated statement of financial position	<u>150,067,401</u>	<u>103,620,099</u>

### 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 an associate, investment in a joint venture and deferred tax assets.

	Revenue		Non-current assets	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	83,613,991	66,221,400	145,566,403	133,798,995
Africa	6,588,975	19,317,358	0	0
Bangladesh	1,260,263	2,650,136	0	0
Cambodia	1,300,414	2,876,838	0	0
Indonesia	733,899	2,043,905	0	0
Philippines	2,678,967	16,965,633	0	0
Singapore	7,768,279	4,550,997	0	0
Sri Lanka	1,634,310	1,534,881	0	0
Middle-east countries	5,573,611	4,465,777	0	0
Vietnam	8,563	7,184,216	0	0
Others	4,628,090	4,095,737	0	0
	<u>115,789,362</u>	<u>131,906,878</u>	<u>145,566,403</u>	<u>133,798,995</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 4. OPERATING SEGMENTS (Cont'd)

### Major customer

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

	Revenue		Segments
	2018 RM	2017 RM	
Customer A	3,369,173	18,347,942	Steel product and trading activity
Customer B	6,525,368	17,919,820	Machinery and equipment
Customer C	27,105,680	186,413	Machinery and equipment
	<u>37,000,221</u>	<u>36,454,175</u>	

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2018 RM	Additions RM	Disposals RM	Written off RM	Transfer from investment properties (Note 6) RM	Depreciation charge for the financial year RM	Balance as at 31.12.2018 RM
<b>Carrying amount</b>							
Freehold land	25,582,497	0	0	0	11,265,000	0	36,847,497
Buildings	39,055,031	133,085	0	(8,562)	18,983,672	(995,992)	57,167,234
Plant and machinery, moulds, tools and equipment	36,228,396	9,863,517	(53,780)	0	0	(4,168,805)	41,869,328
Furniture, fittings, office equipment and computer software	927,765	160,633	(3,534)	(8,397)	0	(313,818)	762,649
Motor vehicles	521,555	188,169	(52,830)	0	0	(179,658)	477,236
Electrical installation and renovation	611,566	0	0	0	0	(64,185)	547,381
Capital work-in-progress	258,080	0	0	0	0	0	258,080
	<u>103,184,890</u>	<u>10,345,404</u>	<u>(110,144)</u>	<u>(16,959)</u>	<u>30,248,672</u>	<u>(5,722,458)</u>	<u>137,929,405</u>



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

Group	Balance as at 1.1.2017 RM	Additions RM	Acquisition of a Subsidiary RM	Disposals RM	Written off RM	Reclassi- fication RM	Depreciation charge for the financial year RM	Balance as at 31.12.2017 RM
<b>Carrying amount</b>								
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
	<u>95,593,439</u>	<u>6,098,786</u>	<u>7,188,720</u>	<u>(5,372)</u>	<u>(190,401)</u>	<u>0</u>	<u>(5,500,282)</u>	<u>103,184,890</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

	← 2018 →			
	Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
<b>Group</b>				
Freehold land	36,847,497	0	0	36,847,497
Buildings	65,351,583	8,164,181	20,168	57,167,234
Plant and machinery, moulds, tools and equipment	88,422,672	42,165,981	4,387,363	41,869,328
Furniture, fittings, office equipment and computer software	4,938,391	4,174,507	1,235	762,649
Motor vehicles	2,908,877	2,431,641	0	477,236
Electrical installation and renovation	788,397	241,016	0	547,381
Capital work-in-progress	258,080	0	0	258,080
	<u>199,515,497</u>	<u>57,177,326</u>	<u>4,408,766</u>	<u>137,929,405</u>

	← 2017 →			
	Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
<b>Group</b>				
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
	<u>159,879,728</u>	<u>52,286,072</u>	<u>4,408,766</u>	<u>103,184,890</u>

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment except for freehold land 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 building improvement in progress 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 2018

## 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 reporting period is as follows:

	Group	
	2018 RM	2017 RM
Motor vehicles	43,200	64,800

(e) As at 31 December 2018, property, plant and equipment of the Group with a carrying amount of RM63,637,202 (2017: RM33,710,508) have been charged to banks for credit facilities granted to the Group as disclosed in Note 20 to the financial statements.

## 6. INVESTMENT PROPERTIES [GROUP ONLY]

	Balance as at 1.1.2018 RM	Additions RM	Depreciation charge for the financial year RM	Transfer to property, plant and equipment (Note 5) RM	Balance as at 31.12.2018 RM
<b>Carrying amount</b>					
Freehold land	11,265,000	0	0	(11,265,000)	0
Building	19,349,105	71,100	(436,533)	(18,983,672)	0
	30,614,105	71,100	(436,533)	(30,248,672)	0

	Balance as at 1.1.2017 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2017 RM
<b>Carrying amount</b>				
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

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.

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.

In the previous financial year, the fair value of the investment property at the end of the reporting period was RM37,100,000.

The fair value of the investment property for disclosure purposes, which was at Level 3 fair value, was 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.

In the previous financial year, investment properties were charged to a financial institution for banking facilities granted to the Group as disclosed in Note 20 to the financial statements.

In the previous financial year, direct operating expenses arising from investment properties generating rental income of RM952,200 were RM740,130.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Unquoted ordinary shares, at cost	62,778,950	59,768,951
Redeemable preference shares	67,600,000	68,000,000
Less: Accumulated impairment losses	(3,495,744)	(3,495,744)
	<u>126,883,206</u>	<u>124,273,207</u>

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2018 %	2017 %	
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
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	100	Design and trading of steel products focusing on furniture related products and office space management
Constructor Asia Sdn. Bhd. #	Malaysia	100	100	Trading and distribution of steel racking system and storage solutions
Eonmetall Carotene Oil Sdn. Bhd. #	Malaysia	100	100	Dormant
Eonchem Technology Sdn. Bhd. #	Malaysia	100	100	Manufacture of industrial process machinery and equipment
Eonmetall International Limited #	Malaysia	100	100	Investment holding

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 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
		2018 %	2017 %	
Eonmetall Copper Sdn. Bhd. (Formerly known as Eonsteel Sarawak Sdn. Bhd.) #	Malaysia	100	100	Dormant
Eonmetall China Sdn. Bhd. (Formerly known as Grand Hill Assets Sdn. Bhd.) #	Malaysia	51	0	Investment holdings
<b>Subsidiary of Eonchem Biomass Sdn. Bhd.</b>				
Eonmetall Bio-Coal Sdn. Bhd. #	Malaysia	100	100	Production of bio-coal and technical services
<b>Subsidiary of Eonmetall China Sdn. Bhd.</b>				
Shaanxi Longxing Steel Co., Ltd.*	China	51	0	Dormant
<b>Subsidiary of Eonmetall International Limited</b>				
PT Eonmetall Investment ^	Indonesia	88	88	Dormant
Eonmetall Investments Zambia Limited*	Zambia	93	0	Dormant
Africa Steel Investment Limited #	Malaysia	60	0	Investment holdings

# Subsidiaries audited by BDO PLT in Malaysia

^ Subsidiary audited by BDO Member Firms

\* Consolidated using management financial statements up to 31 December 2018

(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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(b) During the financial year, the Company:

- (i) subscribe for an additional 2,499,999 ordinary share in Eonmetall Carotene Oil Sdn. Bhd. for a total consideration of RM2,499,999 which was satisfied by way of cash payment.
- (ii) subscribe for an additional 126,000 redeemable preference share in Eonsteel Sdn. Bhd. for a total consideration of RM12,600,000 which was satisfied by way of capitalisation of amount owing by Eonsteel Sdn. Bhd.
- (iii) subscribe for an additional 53,000 redeemable preference share in Eonchem Biomass Sdn. Bhd. for a total consideration of RM5,300,000 which was satisfied by way of capitalisation of amount owing by Eonchem Biomass Sdn. Bhd.
- (iv) subscribe for an additional 17,000 redeemable preference share in 180 Degree Design Sdn. Bhd. for a total consideration of RM1,700,000 which was satisfied by way of capitalisation of amount owing by 180 Degree Design Sdn. Bhd.
- (v) subscribe for an additional 50,000 redeemable preference share in Eonmetall Systems Sdn. Bhd. for a total consideration of RM5,000,000 which was satisfied by way of capitalisation of amount owing by Eonmetall Systems Sdn. Bhd.

(c) On 23 August 2018, the Company had acquired 51% equity interest, representing 510,000 ordinary shares in Eonmetall China Sdn. Bhd. (Formerly known as Grand Hill Assets Sdn. Bhd.) for a total cash consideration of RM510,000.

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
Trade and other receivables	1
Cash and cash equivalents	1,004,984
Other payables	(9,456)
Total identified net assets	<u>995,529</u>
Non-controlling interest	<u>(487,809)</u>
Total deemed purchase consideration	507,720
Goodwill on acquisition	<u>2,280</u>
Purchase consideration	510,000
Cash and cash equivalents of the subsidiaries acquired	<u>(1,004,984)</u>
Net cash inflow of the Group on acquisition	<u>(494,984)</u>

(d) During the financial year, Eonmetall Industries Sdn. Bhd., a wholly owned subsidiary of the Company, has redeemed 250,000 redeemable preference share for a total consideration of RM25,000,000 which was satisfied by way of capitalisation of amount owing to Eonmetall Industries Sdn. Bhd.

(e) During the financial year, the following indirect subsidiaries have been incorporated:

- (i) On 13 August 2018, Eonmetall International Limited, a wholly owned subsidiary of the Company, has incorporated Eonmetall Investments Zambia Limited ('EIZ') in Republic of Zambia by subscribing 14,000 ordinary shares of Zambia Kwacha 1 each, representing 93% of the total issued share capital of EIZ.
- (ii) On 21 November 2018, Eonmetall International Limited, a wholly owned subsidiary of the Company, has incorporated Africa Steel Investment Limited ('ASIL') in Federal Territory of Labuan, Malaysia by subscribing 6 ordinary shares of USD 1 each, representing 60% of the total issued share capital of ASIL.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (f) In the previous 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.
- (g) In the previous financial year, 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

- (h) The subsidiaries of the Group that have non-controlling interests ('NCI') are as follows:

	Eonmetall China Sdn. Bhd. Group	Eonmetall Investment Zambia Limited	Africa Steel Investment Limited	PT Eonmetall Investment	Total
<b>2018</b>					
NCI percentage of ownership interest and voting interest	49%	7%	40%	12%	
Carrying amount of NCI (RM)	441,543	348	(8,596)	217,043	650,338
Total comprehensive loss allocated to NCI (RM)	46,266	5	8,612	17,205	72,088

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(h) The subsidiaries of the Group that have non-controlling interests ('NCI') are as follows (Cont'd):

	Eonmetall China Sdn. Bhd. Group	Eonmetall Investment Zambia Limited	Africa Steel Investment Limited	PT Eonmetall Investment	Total
<b>2017</b>					
NCI percentage of ownership interest and voting interest	N/A	N/A	N/A	12%	
Carrying amount of NCI (RM)	N/A	N/A	N/A	234,248	234,248
Total comprehensive loss allocated to NCI (RM)	N/A	N/A	N/A	36,296	36,296

(i) 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:

	Eonmetall China Sdn. Bhd. Group RM	Eonmetall Investment Zambia Limited RM	Africa Steel Investment Limited RM	PT Eonmetall Investment RM
<b>2018</b>				
<b>Assets and liabilities</b>				
Current assets	8,325,639	5,218	41	2,290,611
Current liabilities	(1,824,530)	0	(21,530)	(481,919)
Non-current liabilities	(5,600,000)	0	0	0
Net assets/(liabilities)	901,109	5,218	(21,489)	1,808,692
<b>Results</b>				
Revenue	0	0	0	0
Profit/(Loss) for the financial year	812	0	(21,530)	(22,372)
Other comprehensive loss	(95,232)	(64)	0	(121,008)
Total comprehensive loss	(94,420)	(64)	(21,530)	(143,380)
Cash flows (used in)/from operating activities	(5,659)	(5,218)	0	114,145
Cash flows from financing activities	8,424,528	0	0	0
Net increase/(decrease) in cash and bank balances	8,418,869	(5,218)	0	114,145



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (i) 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 (Cont'd):

	PT Eonmetall Investment RM
<b>2017</b>	
<b>Assets and liabilities</b>	
Current assets	2,422,018
Current liabilities	(469,950)
Net assets	<u>1,952,068</u>
<b>Results</b>	
Revenue	0
Loss for the financial year	(63,035)
Other comprehensive loss	(239,430)
Total comprehensive loss	<u>(302,465)</u>
Cash flows used in operating activities	(849)
Net decrease in cash and bank balances	<u>(849)</u>

## 8. INVESTMENT IN AN ASSOCIATE [2018 ONLY]

	Group RM
Unquoted ordinary shares, at cost	419,000
Share of post acquisition reserves, net of Group's unrealised profit and dividends	(367)
Exchange differences	(5,000)
	<u>413,633</u>

- (a) Investment in an associate 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.
- (b) The financial statements of the associate are coterminous with those of the Group. In applying equity method of accounting, the most recent available financial statements of the associate have been used. The use of unaudited financial statements is not expected to have any significant effects on the financial statement of the Group.
- (c) Details of the associate is as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activity
		2018 %		
Eonmetall Steel Industries Ethiopia PLC*	Ethiopia	50		Dormant

\* Share of post acquisition reserves using management financial statements up to 31 December 2018

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 8. INVESTMENT IN AN ASSOCIATE [2018 ONLY] (Cont'd)

(d) Summarised financial information of associate is as follows:

	Eonmetall Steel Industries Ethiopia PLC RM
<b>Assets and liabilities</b>	
Current assets	827,805
Current liabilities	(540)
<b>Net assets</b>	<u>827,265</u>
<b>Results</b>	
Revenue	0
Loss for the financial year	(734)
Other comprehensive loss	(10,000)
Total comprehensive loss	<u>(10,734)</u>
Cash flows used in operating activities	(195)
Net decrease in cash and bank balances	<u>(195)</u>

(e) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is as follows:

	Eonmetall Steel Industries Ethiopia PLC RM
Share of net assets of the Group	
Carrying amount in the statement of financial position	<u>413,633</u>
Share of loss of the Group	(367)
Share of other comprehensive loss of the Group	(5,000)
Share of total comprehensive loss of the Group	<u>(5,367)</u>

## 9. INVESTMENT IN A JOINT VENTURE

	2018 RM	Group 2017 RM
Unquoted ordinary shares, at cost	58,105	58,105
Share of post acquisition reserves, net of Group's unrealised profit and dividends	(55,806)	(54,784)
Exchange differences	(2,299)	(2,811)
	<u>0</u>	<u>510</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 9. INVESTMENT IN A JOINT VENTURE (Cont'd)

- (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.
- (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 2018.
- (c) Details of the joint venture is as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activity
		2018 %	2017 %	
Eonmetall Steel Company FZCO*	Dubai	50	50	Dormant

\* Share of post acquisition reserves using management financial statements up to 31 December 2018

- (d) The joint venture, in which the Group participates, is unlisted separate structured entity whose quoted market price is 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 arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with the joint venture. This joint arrangement has been classified as joint venture and has 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	
	2018 RM	2017 RM
<b>Assets and liabilities</b>		
Current assets	17,916	16,588
Current liabilities	(26,086)	(15,568)
<b>Net (liabilities)/assets</b>	<b>(8,170)</b>	<b>1,020</b>
<b>Results</b>		
Revenue	0	0
Expenses	(10,214)	(109,568)
Loss for the financial year	(10,214)	(109,568)
Other comprehensive income/(loss)	1,025	(5,622)
<b>Total comprehensive loss</b>	<b>(9,189)</b>	<b>(115,190)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 9. INVESTMENT IN A JOINT VENTURE (Cont'd)

- (f) Reconciliation of net assets of the joint venture to the carrying amounts of the investment in a joint venture is as follows:

	Eonmetall Steel Company FZCO	
	2018 RM	2017 RM
Share of net assets of the Group		
Carrying amount in the statement of financial position	<u>0</u>	<u>510</u>
Share of loss	(1,022)	(54,784)
Share of other comprehensive income/(loss)	<u>512</u>	<u>(2,811)</u>
Share of total comprehensive loss	<u>(510)</u>	<u>(57,595)</u>

- (g) The unrecognised share of losses of a joint venture, Eonmetall Steel Company FZCO amounted to RM4,085 (2017: RMNil) in the current financial year.

## 10. OTHER INVESTMENT

	Group	
	2018 RM	2017 RM
<b>Unquoted shares outside Malaysia</b>		
Balance as at 31 December	<u>0</u>	<u>0</u>

- (a) On 1 January 2018, other investment were classified as financial assets at fair value through profit or loss pursuant to MFRS 9 *Financial Instruments*. Comparatives were not restated in accordance with the transition requirements in paragraph 7.2.15 of this Standard.
- (b) Prior to 1 January 2018, the equity and corporate debt securities were classified as available-for-sale financial assets pursuant to MFRS 139 *Financial Instruments: Recognition and Measurement*.
- (c) Unquoted shares of the Group are categorised as Level 3 in the fair value hierarchy. Fair values of investments in unquoted shares are based on estimated based on the price to book valuation model.
- (d) There is no transfer between levels in the hierarchy during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 11. GOODWILL [2018 ONLY]

	Group RM
<b>Cost</b>	
Balance at 1 January	0
Acquisition of subsidiary (Note 7)	2,280
	<u>2,280</u>
Impairment on goodwill	(2,280)
	<u>0</u>

An impairment loss on goodwill amounting to RM2,280 relating to a subsidiary, Eonmetall China Sdn. Bhd., had been recognised in the financial year ended 31 December 2018 due to the subsidiary making losses.

## 12. DEFERRED TAX (ASSETS)/LIABILITIES

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

	2018 RM	Group 2017 RM
Balance as at 1 January	(865,900)	(217,100)
Recognised in profit or loss (Note 30)	(117,300)	(167,300)
Underprovision of deferred tax in prior years	(10,000)	(481,500)
Balance as at 31 December	<u>(993,200)</u>	<u>(865,900)</u>
Presented after appropriate offsetting:		
Deferred tax assets	(1,624,500)	(1,624,500)
Deferred tax liabilities	631,300	758,600
	<u>(993,200)</u>	<u>(865,900)</u>

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

	Assets		Liabilities		Net	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Property, plant and equipment	0	0	5,263,700	5,485,000	5,263,700	5,485,000
Unutilised reinvestment allowances	(6,256,900)	(6,350,900)	0	0	(6,256,900)	(6,350,900)
Tax (assets)/liabilities	(6,256,900)	(6,350,900)	5,263,700	5,485,000	(993,200)	(865,900)
Set off	4,632,400	4,726,400	(4,632,400)	(4,726,400)	0	0
Net tax (assets)/liabilities	<u>(1,624,500)</u>	<u>(1,624,500)</u>	<u>631,300</u>	<u>758,600</u>	<u>(993,200)</u>	<u>(865,900)</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 12. 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 2018	(6,350,900)	0	5,485,000	(865,900)
Recognised in profit or loss (Note 30)	94,000	0	(221,300)	(127,300)
Balance as at 31 December 2018	<u>(6,256,900)</u>	<u>0</u>	<u>5,263,700</u>	<u>(993,200)</u>
Balance as at 1 January 2017	(6,138,000)	(699,800)	6,620,700	(217,100)
Recognised in profit or loss (Note 30)	(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>

(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	
	2018 RM	2017 RM
Taxable temporary differences	34,321,800	28,844,000
Unabsorbed tax losses		
- expires by 31 December 2025	(11,992,400)	(10,583,500)
Unabsorbed capital allowances	(16,518,600)	(9,639,400)
Unutilised reinvestment allowance	(45,110,000)	(46,586,300)
	<u>(39,299,200)</u>	<u>(37,965,200)</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.

The unabsorbed tax losses up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unabsorbed tax losses for the year of assessment 2019 onwards will expire in seven (7) years.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-current</b>				
<b>Trade receivables</b>				
Third parties	7,745,625	0	0	0
Less: Impairment losses				
- Third parties	(108,627)	0	0	0
	<b>7,636,998</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other receivables</b>				
Amounts owing by subsidiaries	0	0	16,863,834	47,034,229
Less: Impairment losses				
- Subsidiaries	0	0	(3,763,359)	(3,450,077)
	<b>0</b>	<b>0</b>	<b>13,100,475</b>	<b>43,584,152</b>
<b>Non-current trade and other receivables</b>	<b>7,636,998</b>	<b>0</b>	<b>13,100,475</b>	<b>43,584,152</b>
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	70,609,442	63,168,308	0	0
Amounts owing by related parties	9,996,100	6,600,770	0	0
Amounts due from contract customers (Note (e))				
- Third parties	0	1,471,092	0	0
	<b>80,605,542</b>	<b>71,240,170</b>	<b>0</b>	<b>0</b>
Less: Impairment losses				
- Third parties	(26,098,367)	(11,692,763)	0	0
- Amounts owing by related parties	(471,412)	0	0	0
	<b>54,035,763</b>	<b>59,547,407</b>	<b>0</b>	<b>0</b>
<b>Other receivables</b>				
Other receivables	7,207,831	5,780,631	1,497,536	1,497,536
Amount owing by a subsidiary	0	0	0	4,000,000
Deposits	962,035	900,643	1,000	1,000
	<b>8,169,866</b>	<b>6,681,274</b>	<b>1,498,536</b>	<b>5,498,536</b>
Less: Impairment losses				
- Other receivables	(1,853,758)	(1,497,536)	(1,497,536)	(1,497,536)
	<b>6,316,108</b>	<b>5,183,738</b>	<b>1,000</b>	<b>4,001,000</b>
<b>Current trade and other receivables</b>	<b>60,351,871</b>	<b>64,731,145</b>	<b>1,000</b>	<b>4,001,000</b>
Prepayments	1,404,778	916,239	0	0
	<b>61,756,649</b>	<b>65,647,384</b>	<b>1,000</b>	<b>4,001,000</b>
<b>Total trade and other receivables</b>	<b>69,393,647</b>	<b>65,647,384</b>	<b>13,101,475</b>	<b>47,585,152</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 13. TRADE AND OTHER RECEIVABLES (Cont'd)

- (a) Total trade and other receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 90 days (2017: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) 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, amounting to RM289,900 (2017: RM283,500).

Included in other receivables of the Group are advances to a supplier amounting to RM1,402,500 (2017: RM1,132,242).

- (d) Non-current amounts owing by subsidiaries (non-trade) are unsecured, interest bearing ranging from 4.61% to 5.07% (2017: 4.56% to 4.64%) per annum, which are unsecured and not payable within the next twelve (12) months.
- (e) Amounts due from contract customers

	Group 2017 RM
Aggregate costs incurred to-date	31,169,894
Add: Attributable profits	19,618,920
	<u>50,788,814</u>
Less: Progress billings	(49,317,722)
	<u>1,471,092</u>

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	48,682,150	24,938,364	13,101,475	47,585,152
United States Dollar	20,165,977	39,920,375	0	0
Singapore Dollar	530,854	773,619	0	0
Euro Dollar	14,666	15,026	0	0
	<u>69,393,647</u>	<u>65,647,384</u>	<u>13,101,475</u>	<u>47,585,152</u>

- (g) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (industrial production index) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within other expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward-looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 13. TRADE AND OTHER RECEIVABLES (Cont'd)

- (g) Impairment for other receivables and amounts owing from subsidiaries are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comprising the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Lifetime expected loss provision for trade receivables as at 31 December 2018 are as follows:

	Expected loss rate	Gross carrying amount RM	Impairment RM
Current	0.86%	15,848,156	136,759
Past due:			
1 to 60 days	1.19%	12,497,155	149,150
61 to 120 days	1.75%	8,408,143	147,514
121 to 240 days	2.80%	16,188,298	453,303
More than 241 days	72.84%	35,409,415	25,791,680
Total		<u>88,351,167</u>	<u>26,678,406</u>

During the financial year, the Group did not renegotiate the terms of any trade receivables.

Movements in the impairment allowance for trade receivables are as follows:

	Lifetime ECL* allowance RM	Credit impaired RM	Total allowance RM
<b>Group</b>			
Balance as at 1 January 2018 under MFRS 139	0	11,692,763	11,692,763
Restated through opening retained earnings	529,207	14,237,274	14,766,481
Restated as at 1 January 2018	<u>529,207</u>	<u>25,930,037</u>	<u>26,459,244</u>
Charge for the financial year (Note 26)	55,956	822,366	878,322
Reversal of impairment loss (Note 26)	(95,086)	(353,936)	(449,022)
Written off	0	(210,138)	(210,138)
Balance as at 31 December 2018	<u>490,077</u>	<u>26,188,329</u>	<u>26,678,406</u>
Balance as at 1 January 2017	0	11,013,284	11,013,284
Charge for the financial year (Note 26)	0	679,479	679,479
Balance as at 31 December 2017	<u>0</u>	<u>11,692,763</u>	<u>11,692,763</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 13. TRADE AND OTHER RECEIVABLES (Cont'd)

(h) Movements in the impairment allowance for other receivables are as follows:

	Lifetime ECL* allowance RM	Credit impaired RM	Total allowance RM
<b>Group</b>			
Balance as at 1 January 2018 under MFRS 139	0	1,497,536	1,497,536
Restated through opening retained earnings	0	0	0
Restated as at 1 January 2018	0	1,497,536	1,497,536
Charge for the financial year (Note 26)	0	356,222	356,222
Balance as at 31 December 2018	0	1,853,758	1,853,758
Balance as at 1 January 2017	0	1,114,394	1,114,394
Charge for the financial year (Note 26)	0	383,142	383,142
Balance as at 31 December 2017	0	1,497,536	1,497,536
<b>Company</b>			
Balance as at 1 January 2018 under MFRS 139	0	4,947,613	4,947,613
Restated through opening retained earnings	0	0	0
Restated as at 1 January 2018	0	4,947,613	4,947,613
Charge for the financial year (Note 26)	0	313,282	313,282
Balance as at 31 December 2018	0	5,260,895	5,260,895
Balance as at 1 January 2017	0	4,564,471	4,564,471
Charge for the financial year (Note 26)	0	383,142	383,142
Balance as at 31 December 2017	0	4,947,613	4,947,613

\* Expected credit loss

Credit impaired refers to individually determined debtors who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

(i) Information on financial risks of trade and other receivables is disclosed in Note 35 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 14. CONTRACT ASSETS

	Group 2018 RM
Aggregate costs incurred to-date	3,508,482
Add: Attributable profits	<u>1,754,241</u>
	5,262,723
Less: Progress billings	<u>(4,125,000)</u>
	<u>1,137,723</u>
Represented by:	
Construction contracts	<u>1,137,723</u>

### (a) Construction contracts

Construction contracts represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

There were no significant changes in the contract assets during the financial year.

### (b) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

	Group 2019 RM
Deferred income	<u>2,237,277</u>

## 15. INVENTORIES

	2018 RM	Group 2017 RM
<b>At cost</b>		
Raw materials	34,726,611	21,464,553
Work-in-progress	43,579,717	38,030,511
Manufactured inventories	<u>14,371,614</u>	<u>5,990,370</u>
	<u>92,677,942</u>	<u>65,485,434</u>
<b>At net realisable value</b>		
Raw materials	597,021	1,533,265
Work-in-progress	1,779,528	6,838,896
Manufactured inventories	<u>17,729</u>	<u>680,491</u>
	<u>2,394,278</u>	<u>9,052,652</u>
<b>Total</b>	<u>95,072,220</u>	<u>74,538,086</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 15. INVENTORIES (Cont'd)

- (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 trends 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 the financial year, the Group has written down inventories to net realisable value and written off inventories of RM461,274 and RM323,807 (2017: RM546,330 and RM Nil) respectively.

## 16. CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	<u>16,695,737</u>	<u>13,702,180</u>	<u>1,039,614</u>	<u>1,460,544</u>

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	7,106,349	11,842,139	1,039,614	1,460,544
United States Dollar	9,406,734	927,811	0	0
Singapore Dollar	129,219	905,557	0	0
Euro Dollar	43,420	19,898	0	0
Others	10,015	6,775	0	0
	<u>16,695,737</u>	<u>13,702,180</u>	<u>1,039,614</u>	<u>1,460,544</u>

- (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	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	16,695,737	13,702,180	1,039,614	1,460,544
Bank overdrafts included in borrowings (Note 20)	<u>(11,570,363)</u>	<u>(9,265,527)</u>	<u>0</u>	<u>0</u>
	<u>5,125,374</u>	<u>4,436,653</u>	<u>1,039,614</u>	<u>1,460,544</u>

- (c) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.
- (d) Information on financial risks of cash and bank balances is disclosed in Note 35 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 17. SHARE CAPITAL

	Group			
	2018		2017	
	Number of shares	RM	Number of shares	RM
<b>Issued and fully paid</b>				
Balance as at 1 January	188,288,100	99,800,734	171,171,000	85,585,500
Issuance of ordinary shares pursuant to private placement	0	0	17,117,100	12,666,654
Transfer from share premium account pursuant to the Companies Act 2016	0	0	0	1,548,580
Balance as at 31 December	<u>188,288,100</u>	<u>99,800,734</u>	<u>188,288,100</u>	<u>99,800,734</u>

	Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
<b>Issued and fully paid</b>				
Balance as at 1 January	188,288,100	99,310,842	171,171,000	85,585,500
Issuance of ordinary shares pursuant to private placement	0	0	17,117,100	12,666,654
Transfer from share premium account pursuant to the Companies Act 2016	0	0	0	1,058,688
Balance as at 31 December	<u>188,288,100</u>	<u>99,310,842</u>	<u>188,288,100</u>	<u>99,310,842</u>

- (a) 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.
- (b) In the previous 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.
- (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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 17. SHARE CAPITAL (Cont'd)

### Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 28 May 2018, renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January	(20,000)	(6,964)	(2,520,000)	(782,645)
Disposal of treasury shares	0	0	2,500,000	775,681
Purchase of treasury shares	(2,645,100)	(1,594,288)	0	0
Balance as at 31 December	<u>(2,665,100)</u>	<u>(1,601,252)</u>	<u>(20,000)</u>	<u>(6,964)</u>

- (i) When the Group repurchase 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) During the financial year, the Company repurchased a total of 2,645,100 of its issued ordinary shares from the open market at an average price of RM0.60 per share. The total consideration paid for the repurchase was RM1,594,288. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2018, of the total 188,288,100 (2017: 188,288,100) issued and fully paid ordinary shares, 2,665,100 (2017: 20,000) are held as treasury shares by the Company. As at 31 December 2018 the number of outstanding ordinary shares in issue after deducting the treasury shares is 185,623,000 (2017: 188,268,100) ordinary shares.

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

## 18. RESERVES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-distributable:</b>				
Exchange translation reserve	(1,716,484)	(1,426,393)	0	0
<b>Distributable:</b>				
Retained earnings	75,509,006	87,176,040	30,455,596	25,566,855
	<u>73,792,522</u>	<u>85,749,647</u>	<u>30,455,596</u>	<u>25,566,855</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 18. RESERVES (Cont'd)

Exchange translation reserve

The exchange 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.

## 19. DIVIDENDS [2017 ONLY]

	Group and Company	
	Dividend per share sen	Amount of dividend RM
Single tier interim dividend declared/paid	2.5	4,706,703

## 20. BORROWINGS

	Group	
	2018 RM	2017 RM
<b>Non-current</b>		
<i>Secured</i>		
Term loans	29,458,926	5,096,229
Hire purchase creditors (Note 21)	35,262	65,926
	<u>29,494,188</u>	<u>5,162,155</u>
<b>Current</b>		
<i>Secured</i>		
Term loans	5,638,760	5,154,262
Hire purchase creditors (Note 21)	30,664	35,876
Bank overdrafts (Note 16(b))	11,570,363	9,265,527
Bankers' acceptances	65,931,989	51,856,000
Revolving credits	15,250,000	10,250,000
Trust receipts	3,000,000	417,857
	<u>101,421,776</u>	<u>76,979,522</u>
<b>Total borrowings</b>		
Term loans	35,097,686	10,250,491
Hire purchase creditors (Note 21)	65,926	101,802
Bank overdrafts (Note 16(b))	11,570,363	9,265,527
Bankers' acceptances	65,931,989	51,856,000
Revolving credits	15,250,000	10,250,000
Trust receipts	3,000,000	417,857
	<u>130,915,964</u>	<u>82,141,677</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 20. BORROWINGS (Cont'd)

(a) All borrowings are denominated in Ringgit Malaysia.

(b) Interest rates:

Term loans

- floating rates

1.00% to 1.50% (2017: 1.50%) below prevailing base lending rates per annum and 1.50% (2017: 1.50%) above prevailing base lending rates per annum.

0.60% to 2.00% (2017: 0.60% to 2.00%) above cost of funds or prevailing base lending rates per annum

- fixed rates

Nil (2017: 6.75%) per annum

Hire purchase creditors

5.97% (2017: 4.72% to 5.97%) per annum

Bank overdrafts

0.55% to 1.75% (2017: 0.55% to 1.75%) above prevailing base lending rates per annum

Bankers' acceptances,  
revolving credits and  
trust receipts

0.75% to 1.90% (2017: 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	2018 RM	2017 RM
Freehold land and buildings	5	63,637,202	33,710,508
Investment properties	6	0	30,614,105

(ii) corporate guarantee of RM130,850,038 (2017: RM82,039,875) from the Company.

(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
<b>Group</b>						
<b>2018</b>						
<b>Secured</b>						
Term loans	2019 - 2026	35,097,686	5,638,761	6,126,434	14,048,776	9,283,715
Hire purchase creditors	2019 - 2021	65,926	30,664	35,262	0	0
Bank overdrafts	2019	11,570,363	11,570,363	0	0	0
Bankers' acceptances	2019	65,931,989	65,931,989	0	0	0
Revolving credits	2019	15,250,000	15,250,000	0	0	0
Trust receipts	2019	3,000,000	3,000,000	0	0	0
		<b>130,915,964</b>	<b>101,421,777</b>	<b>6,161,696</b>	<b>14,048,776</b>	<b>9,283,715</b>



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 20. BORROWINGS (Cont'd)

(d) Borrowings are repayable as follows (Cont'd):

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>Group</b>						
<b>2017</b>						
<b>Secured</b>						
Term loans	2018 - 2022	10,250,491	5,154,262	2,070,278	3,025,951	0
Hire purchase creditors	2018 - 2021	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
		<u>82,141,677</u>	<u>76,979,522</u>	<u>2,100,942</u>	<u>3,061,213</u>	<u>0</u>

(e) During the financial year, three of the subsidiaries have breached loan covenant as follows:

- (i) Eonmetall Technology Sdn. Bhd. breached the covenant of bank overdraft, bankers' acceptance and revolving credit as did not fulfill the requirement to maintain a leverage ratio of not more than 1.0 and debt service cover ratio of not less than 2.5. The balance of the said bank overdraft, bankers' acceptance and revolving credit of RM 2.4 million was presented as current liabilities as at 31 December 2018. The bank has the absolute discretion to revise or recall banking facilities in the event of breach of covenant.
- (ii) Eonmetall Industries Sdn. Bhd. and Eonmetall Systems Sdn. Bhd. breached the covenant of bank overdraft, bankers' acceptance and revolving credit as did not fulfill the requirement to maintain a Debt to EBITDA of not more than 4.0 and debt service cover ratio of not less than 2.0. The balance of the said bank overdraft, bankers' acceptance and revolving credit of RM 11.3 million was presented as current liabilities as at 31 December 2018. The bank has the absolute discretion to revise or recall banking facilities in the event of breach of covenant.

(f) Information on financial risks of borrowings is disclosed in Note 35 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 21. HIRE PURCHASE CREDITORS

	Group	
	2018 RM	2017 RM
Minimum hire purchase payments:		
- not later than one (1) year	33,612	40,714
- later than one (1) year but not later than five (5) years	36,408	70,020
Total minimum hire purchase payments	<u>70,020</u>	110,734
Less: Future interest charges	(4,094)	(8,932)
Present value of hire purchase	<u>65,926</u>	<u>101,802</u>
Repayable as follows:		
Current liabilities		
- not later than one (1) year (Note 20)	30,664	35,876
Non-current liabilities		
- later than one (1) year but not later than five (5) years (Note 20)	35,262	65,926
	<u>65,926</u>	<u>101,802</u>

- (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 35 to the financial statements.

## 22. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-current</b>				
<b>Other payables</b>				
Amounts owing to subsidiaries	0	0	12,604,054	43,450,918
<b>Current</b>				
<b>Trade payables</b>				
Amounts owing to related parties	0	2,909,114	0	0
Third parties	8,551,468	6,355,346	0	0
	<u>8,551,468</u>	9,264,460	0	0
<b>Other payables</b>				
Accrued expenses	2,674,763	2,557,773	294,300	295,100
Amount owing to a related party	0	64,274	0	0
Other payables	7,243,693	7,456,015	0	4,706,703
	<u>9,918,456</u>	10,078,062	<u>294,300</u>	5,001,803
	<u>18,469,924</u>	<u>19,342,522</u>	<u>12,898,354</u>	<u>48,452,721</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 22. TRADE AND OTHER PAYABLES (Cont'd)

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2017: 30 to 60 days).
- (c) The amount owing to a related party is non-trade in nature, unsecured, interest-free and repayable upon demand in cash and cash equivalents.
- (d) Non-current amounts owing to subsidiaries (non-trade) are unsecured, interest bearing ranging from 4.61% to 5.07% (2017: 4.56% to 4.64%) per annum and not payable within the next twelve (12) months.
- (e) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	10,969,542	15,787,575	12,898,354	48,452,721
United States Dollar	7,292,186	3,370,810	0	0
Euro Dollar	183,402	183,402	0	0
Singapore Dollar	22,584	735	0	0
Chinese Yuan	2,210	0	0	0
	<u>18,469,924</u>	<u>19,342,522</u>	<u>12,898,354</u>	<u>48,452,721</u>

- (f) Information on financial risks of trade and other payables is disclosed in Note 35 to the financial statements.

## 23. CONTINGENT LIABILITIES

	Company	
	2018 RM	2017 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries - unsecured	<u>130,850,038</u>	<u>82,039,875</u>

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 2018 to be insignificant.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 24. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Revenue from contracts with customers:</b>				
- Sales of goods	114,651,639	131,741,111	0	0
- Contract revenue	1,137,723	165,767	0	0
<b>Other revenue:</b>				
- Dividend income from subsidiaries	0	0	5,700,000	4,000,000
	<u>115,789,362</u>	<u>131,906,878</u>	<u>5,700,000</u>	<u>4,000,000</u>
<b>Timing of revenue recognition</b>				
- Transferred over time	1,137,723	165,767	0	0
- Transferred at a point in time	114,651,639	131,741,111	0	0
Revenue from external customers	<u>115,789,362</u>	<u>131,906,878</u>	<u>0</u>	<u>0</u>

### (a) Sale of goods

Revenue from sale of goods is recognised when the Company satisfies a performance obligation by transferring a promised good to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

### (b) Contract revenue

The Group recognised revenue from construction contracts over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date. Revenue is recognised over the period of the contract using the input method by reference to the cost incurred relative to the total expected cost for satisfaction of that performance obligation.

### (c) Dividend income

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

## 25. FINANCE COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Interest expenses on:</b>				
- amounts owing to subsidiaries	0	0	1,581,225	1,708,801
- bank overdrafts	732,965	722,420	0	0
- bankers' acceptances	2,582,643	1,907,174	0	0
- hire purchase	4,838	7,865	0	0
- revolving credits	600,654	535,110	0	0
- term loans	1,965,141	905,561	0	0
- others	19,493	27,105	0	0
	<u>5,905,734</u>	<u>4,105,235</u>	<u>1,581,225</u>	<u>1,708,801</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 26. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration:					
- statutory audits					
- current year		198,970	208,310	30,000	31,500
- overprovision in prior year		(41,010)	(1,500)	(1,500)	0
- other services		16,000	18,200	16,000	18,200
Depreciation of:					
- property, plant and equipment	5	5,722,458	5,500,282	0	0
- investment properties	6	436,533	434,995	0	0
Directors' emoluments					
- fees		270,000	270,000	270,000	270,000
- other emoluments		2,413,129	2,142,286	30,000	29,500
Impairment losses on:					
- trade receivables	13	878,322	679,479	0	0
- other receivables	13	356,222	383,142	313,282	383,142
- other investment		0	27,575	0	0
- goodwill	11	2,280	0	0	0
Realised foreign exchange loss		1,239,069	52,954	0	0
Unrealised foreign exchange loss		0	2,735,822	0	0
Rental of premises		319,002	117,790	0	0
Inventories written down	15	461,274	546,330	0	0
Inventories written off	15	323,807	0	0	0
Written off of property, plant and equipment	5	16,959	190,401	0	0
and crediting:					
Gain on disposal of property, plant and equipment					
		106	102,760	0	0
Insurance compensation		0	25,569	0	291
Unrealised foreign exchange gain		1,596,321	0	0	0
Interest income from:					
- bank		24,836	20,082	0	0
- amounts owing by subsidiaries		0	0	1,648,510	1,349,024
Rental of premise		300,000	786,121	0	0
Reversal of impairment loss on trade receivables	13	449,022	0	0	0

(a) Interest income is recognised on an accrual basis, using the effective interest method.

(b) Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 27. 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 of the Company.

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive directors and other key management personnel				
- fees	72,000	72,000	72,000	72,000
- remuneration	2,996,513	2,690,361	8,500	8,000
	<u>3,068,513</u>	<u>2,762,361</u>	<u>80,500</u>	<u>80,000</u>

## 28. EMPLOYEE BENEFITS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Wages, salaries, bonuses and incentive	15,183,716	12,918,664	0	0
Contributions to defined contribution plans	1,132,471	1,012,657	0	0
Social security contributions	103,615	77,704	0	0
Other employee benefits	557,805	502,621	300,000	299,500
	<u>16,977,607</u>	<u>14,511,646</u>	<u>300,000</u>	<u>299,500</u>

Included in the employee benefits of the Group and of the Company are Executive Directors' fee and remuneration amounting to RM2,412,629 and RM80,500 (2017: RM2,147,786 and RM80,000) respectively.

## 29. DIRECTORS' REMUNERATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Directors of the company</b>				
Executive:				
- fees	72,000	72,000	72,000	72,000
- other emoluments	2,340,629	2,075,786	8,500	8,000
	<u>2,412,629</u>	<u>2,147,786</u>	<u>80,500</u>	<u>80,000</u>
Non-executive:				
- fees	198,000	198,000	198,000	198,000
- other emoluments	72,500	66,500	21,500	21,500
	<u>270,500</u>	<u>264,500</u>	<u>219,500</u>	<u>219,500</u>
Total Directors' remuneration	<u>2,683,129</u>	<u>2,412,286</u>	<u>300,000</u>	<u>299,500</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 30. TAX EXPENSE/(INCOME)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense based on profit for the financial year	869,500	2,291,600	0	15,700
Overprovision in prior years	<u>(636,001)</u>	<u>(419,525)</u>	<u>(15,630)</u>	<u>(56,445)</u>
	<b>233,499</b>	<b>1,872,075</b>	<b>(15,630)</b>	<b>(40,745)</b>
Deferred tax (Note 12):				
Relating to origination and reversal of temporary differences	(117,300)	(167,300)	0	0
Underprovision in prior years	<u>(10,000)</u>	<u>(481,500)</u>	<u>0</u>	<u>0</u>
	<b>(127,300)</b>	<b>(648,800)</b>	<b>0</b>	<b>0</b>
Total tax expense/(income)	<u><b>106,199</b></u>	<u><b>1,223,275</b></u>	<u><b>(15,630)</b></u>	<u><b>(40,745)</b></u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profits for the fiscal year.

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	<u>3,194,747</u>	<u>19,917,529</u>	<u>4,873,111</u>	<u>2,489,306</u>
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	766,700	4,780,200	1,169,500	597,500
Tax effects in respect of:				
- Non-allowable expenses	2,179,440	1,735,500	198,500	378,200
- Non-taxable income	(715,300)	(992,700)	(1,368,000)	(960,000)
- Pioneer income	(1,798,800)	(1,910,400)	0	0
Utilisation of previously unrecognised deferred tax assets	0	(1,488,300)	0	0
Deferred tax assets not recognised during the financial year	320,160	0	0	0
Overprovision of tax expense in prior years	(636,001)	(419,525)	(15,630)	(56,445)
Underprovision of deferred tax in prior years	<u>(10,000)</u>	<u>(481,500)</u>	<u>0</u>	<u>0</u>
	<u><b>106,199</b></u>	<u><b>1,223,275</b></u>	<u><b>(15,630)</b></u>	<u><b>(40,745)</b></u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 30. 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
<b>2018</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translations	(346,792)	0	(346,792)
Share of other comprehensive loss of an associate and a joint venture	(4,488)	0	(4,488)
	<u>(351,280)</u>	<u>0</u>	<u>(351,280)</u>

**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>

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.
- For a total of 5 years from 16 March 2018 to 15 March 2023 to manufacture the biocoal and biochar production machinery and related components.

## 31. EARNINGS PER ORDINARY SHARE

(a) Basic

	2018 RM	Group 2017 RM
Profit for the financial year attributable to equity holders of the parent	<u>3,099,447</u>	<u>18,701,818</u>
Weighted average number of ordinary shares in issue	<u>186,322,595</u>	<u>170,472,546</u>
Basic earnings per ordinary share (sen)	<u>1.66</u>	<u>10.97</u>



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 31. EARNINGS PER ORDINARY SHARE (Cont'd)

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

## 32. 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Subsidiaries:				
Dividend income	0	0	5,700,000	4,000,000
Interest expense	0	0	1,581,225	1,708,801
Interest income	0	0	1,648,510	1,349,024
Related parties:				
Rental of premise receivable	300,000	300,000	0	0
Sales	8,879,281	21,908,434	0	0
Sales of motor vehicle	60,000	0	0	0
Purchases	2,418,381	3,119,425	0	0
Purchases of motor vehicle	0	66,038	0	0

Balances with related parties at the end of the financial year are disclosed in Note 13 and Note 22 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)

31 DECEMBER 2018

## 33. CAPITAL COMMITMENTS

	Group	
	2018 RM	2017 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	<u>63,320</u>	<u>63,320</u>

## 34. 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 2018 and 31 December 2017.

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 2018 and 31 December 2017 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Borrowings	130,915,964	82,141,677	0	0
Trade and other payables	18,469,924	19,342,522	12,898,354	48,452,721
Total liabilities	<u>149,385,888</u>	101,484,199	<u>12,898,354</u>	48,452,721
Less: Cash and bank balances	<u>(16,695,737)</u>	(13,702,180)	<u>(1,039,614)</u>	(1,460,544)
Net debt	<u>132,690,151</u>	<u>87,782,019</u>	<u>11,858,740</u>	<u>46,992,177</u>
Total capital	171,992,004	185,543,417	128,165,186	124,870,733
Net debt	132,690,151	87,782,019	11,858,740	46,992,177
Equity	<u>304,682,155</u>	<u>273,325,436</u>	<u>140,023,926</u>	<u>171,862,910</u>
Gearing ratio	44%	32%	8%	27%

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 2018.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 34. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Categories of financial instruments

	Amortised cost 2018 RM	Loans and receivables 2017 RM
--	---------------------------------	--

#### Group

##### Financial assets

Trade and other receivables (exclude prepayments)	67,988,869	64,731,145
Cash and bank balances	16,695,737	13,702,180
	<u>84,684,606</u>	<u>78,433,325</u>

	Amortised cost 2018 RM	Other financial liabilities 2017 RM
--	---------------------------------	--

##### Financial liabilities

Borrowings	130,915,964	82,141,677
Trade and other payables	18,469,924	19,342,522
	<u>149,385,888</u>	<u>101,484,199</u>

	Amortised cost 2018 RM	Loans and receivables 2017 RM
--	---------------------------------	--

#### Company

##### Financial assets

Trade and other receivables (exclude prepayments)	13,101,475	47,585,152
Cash and bank balances	1,039,614	1,460,544
	<u>14,141,089</u>	<u>49,045,696</u>

	Amortised cost 2018 RM	Other financial liabilities 2017 RM
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##### Financial liabilities

Trade and other payables	12,898,354	48,452,721
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### (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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 34. FINANCIAL INSTRUMENTS (Cont'd)

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

The fair values of financial assets and financial liabilities are determined as follows (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 2018

## 34. 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		
<b>2017</b>										
<b>Group</b>										
<b>Financial liabilities</b>										
<b>Other financial liabilities</b>										
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
<b>Company</b>										
<b>Financial assets</b>										
<b>Loans and receivables</b>										
Amounts owing by subsidiaries	0	0	0	0	0	0	41,663,466	41,663,466	41,663,466	43,584,152
<b>Financial liabilities</b>										
<b>Other financial liabilities</b>										
Amounts owing to subsidiaries	0	0	0	0	0	0	41,536,104	41,536,104	41,536,104	43,450,918

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2018 and 31 December 2017.

(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 2018

## 35. 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

Exposure to credit risk arises mainly from sales made on credit terms. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

#### Exposure to credit risk

At the end of each reporting period, the maximum exposure to credit risk of the Group and of the Company is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. Information regarding credit enhancement for trade and other receivables is disclosed in Note 13 to the financial statements.

#### 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:

	2018		2017	
	RM	% of total	RM	% of total
<b>Group</b>				
<b>By countries</b>				
Malaysia	51,954,126	84%	23,610,367	40%
Africa	5,929,337	10%	21,411,194	36%
Middle East	1,867,009	3%	3,311,086	6%
Singapore	553,272	1%	735,385	1%
Myanmar	335,391	1%	737,856	1%
Indonesia	201,937	*	227,194	*
Bangladesh	160,602	*	1,738	*
Sri Lanka	14,668	*	4,575	*
Philippines	8,893	*	3,238,000	6%
Vietnam	0	*	5,526,698	9%
Others	647,526	1%	743,314	1%
	<b>61,672,761</b>	<b>100%</b>	<b>59,547,407</b>	<b>100%</b>
<b>By industry sectors</b>				
Machinery and equipment	46,465,682	75%	45,299,892	76%
Steel product and trading activity	15,207,079	25%	14,247,515	24%
	<b>61,672,761</b>	<b>100%</b>	<b>59,547,407</b>	<b>100%</b>

\* Amount is less than 1%

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

### (a) Credit risk (Cont'd)

At the end of the reporting period, approximately:

- (i) 69% (2017: 60%) of the Group's trade receivables were due from three (3) (2017: four) major customers who are located in Malaysia and Africa.
- (ii) Approximately 16% (2017: 11%) of the Group's trade and other receivables were due from related parties whilst 99% (2017: 92%) of the Company's receivables were balances with its subsidiaries.

### (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
<b>As at 31 December 2018</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	18,469,924	0	0	18,469,924
Borrowings	103,187,117	24,593,222	9,875,783	137,656,122
Total undiscounted financial liabilities	<u>121,657,041</u>	<u>24,593,222</u>	<u>9,875,783</u>	<u>156,126,046</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	294,300	13,212,620	0	13,506,920
Financial guarantees	130,850,038	0	0	130,850,038
Total undiscounted financial liabilities	<u>131,144,338</u>	<u>13,212,620</u>	<u>0</u>	<u>144,356,958</u>



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

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

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 (Cont'd):

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>As at 31 December 2017</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	19,342,522	0	0	19,342,522
Borrowings	77,516,660	5,723,199	0	83,239,859
Total undiscounted financial liabilities	<u>96,859,182</u>	<u>5,723,199</u>	<u>0</u>	<u>102,582,381</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	5,001,803	45,454,005	0	50,455,808
Financial guarantees	82,039,875	0	0	82,039,875
Total undiscounted financial liabilities	<u>87,041,678</u>	<u>45,454,005</u>	<u>0</u>	<u>132,495,683</u>

### (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	
	2018 RM	2017 RM
<b>Profit after tax</b>		
USD/RM - strengthen by 5% (2017: 5%)	<b>846,660</b>	1,424,140
- weaken by 5% (2017: 5%)	<b>(846,660)</b>	(1,424,140)
EURO/RM - strengthen by 5% (2017: 5%)	<b>(4,762)</b>	(5,642)
- weaken by 5% (2017: 5%)	<b>4,762</b>	5,642
SGD/RM - strengthen by 5% (2017: 5%)	<b>24,225</b>	63,781
- weaken by 5% (2017: 5%)	<b>(24,225)</b>	(63,781)

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 2018

## 35. 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	
	2018 RM	2017 RM
<b>Profit after tax</b>		
- Increase by 0.1% (2017: 0.1%)	(99,446)	(60,830)
- Decrease by 0.1% (2017: 0.1%)	<u>99,446</u>	<u>60,830</u>

	Company	
	2018 RM	2017 RM
<b>Profit after tax</b>		
- Increase by 0.1% (2017: 0.1%)	377	101
- Decrease by 0.1% (2017: 0.1%)	<u>(377)</u>	<u>(101)</u>

The sensitivity is higher in 2018 than in 2017 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 2018

## 35. 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
<b>As at 31 December 2018</b>									
<b>Fixed rates</b>									
Hire purchase creditors	20	5.97	30,664	35,262	0	0	0	0	65,926
<b>Floating rates</b>									
Bank overdrafts	20	7.50 - 8.65	11,570,363	0	0	0	0	0	11,570,363
Term loans	20	5.26 - 8.40	5,638,761	6,126,434	5,477,348	4,285,714	4,285,714	9,283,715	35,097,686
Bankers' acceptances	20	3.66 - 5.58	65,931,989	0	0	0	0	0	65,931,989
Revolving credits	20	4.74 - 5.77	15,250,000	0	0	0	0	0	15,250,000
Trust receipts	20	5.44	3,000,000	0	0	0	0	0	3,000,000
<b>As at 31 December 2017</b>									
<b>Fixed rates</b>									
Hire purchase creditors	20	4.72 - 5.97	35,876	30,664	35,262	0	0	0	101,802
Term loans	20	6.75	2,000,000	0	0	0	0	0	2,000,000
<b>Floating rates</b>									
Bank overdrafts	20	7.50 - 8.65	9,265,527	0	0	0	0	0	9,265,527
Term loans	20	5.50 - 8.15	3,154,262	2,070,278	1,834,317	1,191,634	0	0	8,250,491
Bankers' acceptances	20	3.42 - 5.14	51,856,000	0	0	0	0	0	51,856,000
Revolving credits	20	4.74 - 5.86	10,250,000	0	0	0	0	0	10,250,000
Trust receipts	20	4.33	417,857	0	0	0	0	0	417,857

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 35. 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
<b>As at 31 December 2018</b>									
<b>Floating rates</b>									
Amounts owing by subsidiaries	13	4.61 - 5.07	0	13,100,475	0	0	0	0	13,100,475
Amounts owing to subsidiaries	22	4.61 - 5.07	0	12,604,054	0	0	0	0	12,604,054
<b>As at 31 December 2017</b>									
<b>Floating rates</b>									
Amounts owing by subsidiaries	13	4.56 - 4.64	0	43,584,152	0	0	0	0	43,584,152
Amounts owing to subsidiaries	22	4.56 - 4.64	0	43,450,918	0	0	0	0	43,450,918

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

## 36. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 11 March 2019, Constructor Asia Sdn. Bhd., a wholly owned subsidiary of the Company, has incorporated Constructor ANZ Limited ('CAL') in New Zealand by subscribing one (1) ordinary shares of NZD 1 each, representing 100% of the total issued share capital of CAL.

## 37. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

### 37.1 New MFRSs adopted during the financial year

The Group and the 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 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 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

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 9 described in the following sections.

#### (a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

#### (i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

### 37.1 New MFRSs adopted during the financial year (Cont'd)

#### (a) MFRS 9 *Financial Instruments* (Cont'd)

##### (i) Classification of financial assets and financial liabilities (Cont'd)

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

##### (ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

### 37.1 New MFRSs adopted during the financial year (Cont'd)

#### (a) MFRS 9 *Financial Instruments* (Cont'd)

##### (ii) Impairment of financial assets (Cont'd)

Impairment for receivables from related parties and other receivables are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

##### (iii) Hedge accounting

The Group did not adopt hedge accounting during the financial year.

##### (iv) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018:

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139	New under MFRS 9
<b>Group</b>				
<b>Financial assets</b>				
Other investment	AFS	FVTPL	0	0
Trade and other receivables (exclude prepayment)	L&R	AC	64,731,145	49,964,664
Cash and bank balances	L&R	AC	13,702,180	13,702,180
<b>Financial liabilities</b>				
Trade and other payables	OFL	AC	19,342,522	19,342,522
Borrowings	OFL	AC	82,141,677	82,141,677
<b>Company</b>				
<b>Financial assets</b>				
Trade and other receivables (exclude prepayment)	L&R	AC	47,585,152	47,585,152
Cash and bank balances	L&R	AC	1,460,544	1,460,544
<b>Financial liabilities</b>				
Trade and other payables	OFL	AC	48,452,721	48,452,721

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

### 37.1 New MFRSs adopted during the financial year (Cont'd)

#### (a) MFRS 9 *Financial Instruments* (Cont'd)

##### (iv) Classification and measurement (Cont'd)

	Existing under MFRS 139 Carrying amount as at 31 December 2017 RM	Reclassification RM	Remeasurement RM	New under MFRS 9 Carrying amount as at 1 January 2018 RM
<b>Group</b>				
Trade and other receivables (exclude prepayment):				
Opening balance	64,731,145	0	0	64,731,145
Increase in impairment loss	0	0	(14,766,481)	(14,766,481)
Total trade and other receivables (exclude prepayment)	64,731,145	0	(14,766,481)	49,964,664
Retained earnings:				
Opening balance	87,176,040	0	0	87,176,040
Increase in impairment loss for trade and other receivables	0	0	(14,766,481)	(14,766,481)
Total retained earnings	87,176,040	0	(14,766,481)	72,409,559



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

### 37.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

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
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</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 123 <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 <i>References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
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 Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments to the standards, since the effects would only be observable for the future financial years.

# 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 2018 RM'000
<b>Eonmetall Technology Sdn Bhd</b>						
Grant 64234, Lot 1258, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.	1 January 2011 /08 August 2000	Freehold	18 yrs	39,159	A factory building is erected on the adjoining parcels of the land	19,270
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.	1 January 2011 /08 August 2000	Freehold	18 yrs	11,198		
<b>Eonmetall Industries Sdn Bhd</b>						
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang.	1 January 2011 /18 July 2003	Freehold	11 yrs	62,887	Single storey detached factory and a three storey office	30,382
GM 652, Lot 20024 and GM 653, Lot 20025, Lot 384, Mukim 12, Seberang Perai Selatan, Penang.	-/30 October 2012	Freehold	7 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	12 yrs	116	Single storey terrace house /Residential premise for factory workers	71
Lot No. T-2318, Mukim 13 No. 37, Lorong Cempaka 28 14110 Simpang Ampat Seberang Perai Selatan, Penang.	-/1 April 2006	Freehold	12 yrs	116	Single storey terrace house /Residential premise for factory workers	71
<b>Eonsteel Sdn Bhd</b>						
Lot No. 387, Mukim 12, Seberang Perai Selatan, Penang.	1 January 2011 /19 May 2009	Freehold	8 yrs	69,767	Single storey detached factory	30,249
<b>Eonchem Biomass Sdn Bhd</b>						
Lot No. 391, Mukim 12, Seberang Perai Selatan, Penang.	-/19 November 2013	Freehold	6 yrs	39,607	Single storey detached factory and single storey warehouse	12,781

# ANALYSIS OF SHAREHOLDINGS

## Analysis of Shareholdings as at 1 April 2019

Total number of issued shares : 188,288,100 (inclusive of 2,869,100 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	1.96	1,970	0.00
100 - 1,000	372	16.18	147,520	0.08
1,001 - 10,000	1,102	47.93	6,213,359	3.30
10,001 - 100,000	672	29.23	21,266,773	11.29
100,001 - less than 5% of issued shares	106	4.61	57,363,750	30.47
9,414,405 - 5% and above of issued shares	2	0.09	103,294,728	54.86
<b>TOTAL</b>	<b>2,299</b>	<b>100.00</b>	<b>188,288,100</b>	<b>100.00</b>

## Substantial Shareholders

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

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Dato' Goh Cheng Huat	19,613,400	10.58	<sup>(i)</sup> 84,049,128	45.33
2	Datin Tan Pak Say	-	-	<sup>(ii)</sup> 103,662,528	55.91
3	Eonmetall Corporation Sdn. Bhd.	84,049,128	45.33	-	-

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

<sup>(ii)</sup> 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 interest of the Directors based on the Register of Directors' Shareholdings of the Company is 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	<sup>(i)</sup> 549,800	0.30
2	Yeoh Cheng Chye	50,000	0.03	-	-
3	Dato' Goh Cheng Huat	19,613,400	10.58	<sup>(ii)</sup> 84,049,128	45.33
4	Goh Kee Seng	-	-	-	-
5	Tan Sri Dato' (Dr) Soong Siew Hoong	510,000	0.28	<sup>(ii)</sup> 496,600	0.27
6	Tang Yin Kham	-	-	-	-
7	Dato' Wahab Bin Hamid	-	-	-	-

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

<sup>(ii)</sup> Deemed interested via pursuant to Section 8(4) of the Companies Act 2016.

By virtue of his interest 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 1 April 2019

Name	No. of Shares	% of Issued Share
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 AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR GOH CHENG HUAT (SMART)	19,245,600	10.22
5 CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	8,000,300	4.25
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	2,796,600	1.49
8 CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	2,010,000	1.07
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 GOH LI LI	1,443,500	0.77
12 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO FOOK HERNG (7000803)	1,250,000	0.66
13 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIONG HUI YEE (8068671)	1,230,000	0.65
14 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY AN NA (7001107)	1,152,100	0.61
15 TAI HO FAH	1,018,400	0.54
16 FOO CHEK HENG	1,000,000	0.53
17 FOONG NGET LEE	959,000	0.51
18 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR YOONG KAH YIN (PB)	940,000	0.50
19 HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB GROWTH AND INCOME FOCUS TRUST	900,000	0.48
20 MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEAP BAN AIK	844,300	0.45
21 HUANG CHONG YEN	800,000	0.42
22 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN YEW HING (7000829)	799,000	0.42
23 HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SIU CHUNG	688,200	0.37
24 KOK HAN NI	600,000	0.32
25 IDRIS BIN PILUS	597,000	0.32
26 TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD DESMAN ANNUAR BIN MD DESA	529,800	0.28
27 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SIONG TECK	520,000	0.28
28 SOONG @ SOONG SIEW HOONG	510,000	0.27
29 WIRASAWAH SDN BHD	496,600	0.26
30 YONG JIUNN XIU	480,000	0.25

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth 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 Tuesday, 28 May 2019 at 2.00 pm for the following purposes:

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 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 Yeoh Cheng Chye; and
  - (b) Tan Sri Dato' (Dr) Soong Siew Hoong

**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 2018.

**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 2019 until the conclusion of the next Annual General Meeting of the Company.

**Ordinary Resolution 4**
5. To re-appoint BDO PLT (converted from a conventional partnership, BDO, on 2 January 2019) 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 with or without modification:

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

"THAT, subject always to the Companies Act 2016 ("the Act"), the Articles of Association (Constitution) of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Sections 75 and 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 ten per centum (10%) of the total number of issued shares (excluding treasury 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."

**Ordinary Resolution 6**
7. **PROPOSED ADDITIONAL AND RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

"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 and Statement to Shareholders dated 29 April 2019, 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."

**Ordinary Resolution 7**

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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

"THAT subject always to the Act, rules, regulations and orders made pursuant to the Act, provisions of the 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 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 RM75,509,006 of the Company as at 31 December 2018;
- 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."

**Ordinary Resolution 8**

## 9. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

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

**Ordinary Resolution 9**

## 10. PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY ("PROPOSED ADOPTION OF NEW CONSTITUTION")

"THAT the Company's existing Memorandum and Articles of Association be deleted in its entirety with immediate effect and in place thereof, adopt the new Constitution of the Company as set out in Part C of the Circular and Statement to Shareholders dated 29 April 2019 AND THAT the Directors and Secretaries of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all things and take all such steps as may be considered necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution."

**Special Resolution 1**

11. 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, 29 April 2019

# 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 170-09-01, Livingston Tower, Jalan Argyll, 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 2019 (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 recognizes 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 issue shares and allot up to a maximum of ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company 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, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 28 May 2018 and which will lapse at the conclusion of the Sixteenth 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.

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



## Notes: (Cont'd)

### Explanatory Notes on Special Business: (Cont'd)

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 and Statement to Shareholders dated 29 April 2019. 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 ten per centum (10%) of the total number of issued 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 2018.
5. The proposed Special Resolution 1, if passed, will align the Company's Constitution with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing statutory and regulatory requirements as well as to enhance administrative efficiency and to provide greater clarity. The details of the Proposed Adoption of New Constitution are set out in the Part C of the Circular and Statement to Shareholders dated 29 April 2019, which dispatched together with this Annual Report.

### 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 Sixteenth Annual General Meeting of the Company.



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# FORM OF PROXY



**EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(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 (\* delete if not applicable)

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 Sixteenth Annual General Meeting ("AGM") of the Company, to be held at Ground Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Tuesday, 28 May 2019 at 2.00 pm, and at any adjournment thereof.

ORDINARY RESOLUTION ("OR")/ SPECIAL RESOLUTION ("SR")	OR1	OR2	OR3	OR4	OR5	OR6	OR7	OR8	OR9	SR1
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)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

\_\_\_\_\_  
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 170-09-01, Livingston Tower, Jalan Argyll, 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 2019 (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.

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Affix Stamp

The Company Secretaries  
**EONMETALL GROUP BERHAD** (631617-D)  
170-09-01, Livingston Tower  
Jalan Argyll, 10050 George Town, Penang

Then fold here

Fold this flap for sealing



[www.eonmetall.com](http://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,  
Kawasan Perusahaan Valdor,  
14200 Sungai Bakap, Penang, Malaysia.  
Tel +604 582 8651 Fax +604 582 8727  
Email [info@eonmetall.com](mailto:info@eonmetall.com)