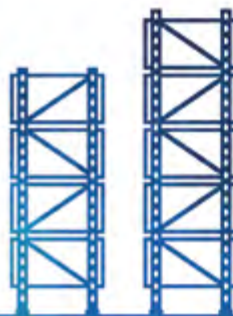


**EONMETALL**

(631617-D)

**BRILLIANT EVOLUTION**  
Annual Report 2016



[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

### **Plant 3**

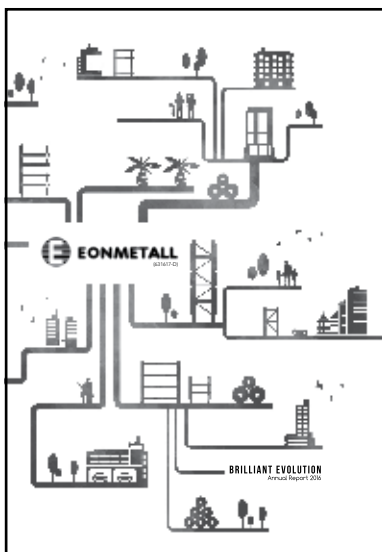
Lot 387, Mk. 12,  
Kawasan Perusahaan Valdor,  
14200 Sungai Bakap, Penang, Malaysia.  
Tel +604 510 2108

### **Plant 5**

Lot 391, Mukim 12  
Seberang Perai Selatan, Penang, Malaysia.

Email [info@eonmetall.com](mailto:info@eonmetall.com)





## Brilliant Evolution

For nearly 2 decades in the industry, Eonmetall Group Berhad has become a leading steel storage systems, metalworking and palm oil machineries manufacturer. Eonmetall Group Berhad's enterprising visionaries have taken paths to explore and build new business by leveraging its knowledge and innovation in metal works and information systems knowledge. The visual emphasises on the company's vision is to establish more businesses in different market, venturing from Asia to the world.

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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fourteenth Annual General Meeting ("14th AGM") of Shareholders of the Company will be held at Ground Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Thursday, 25 May 2017 at 2.00 p.m. for the following purposes:

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of Directors and Auditors thereon. **Please refer to Note 1**
2. To re-elect the following Directors retiring pursuant to Article 86 of the Company's Constitution and who, being eligible, offer themselves for re-election:
  - (i) Dato' Goh Cheng Huat **Ordinary Resolution 1**
  - (ii) Dato' Wahab Bin Hamid **Ordinary Resolution 2**
3. To approve the payment of Directors' Fees from the Group totaling RM270,000 for the financial year ended 31 December 2016. **Ordinary Resolution 3**
4. To re-appoint Messrs BDO as Auditors of the Company until the next Annual General Meeting ("AGM") of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

### As Special Business

5. To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions :
  - a. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT, 2016**

"THAT, subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 76 of the Act, to allot and issue shares in the Company at any time until the conclusion of the next AGM and to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of total number of issued shares/ total number of voting shares of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued."

**Ordinary Resolution 5**
  - b. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

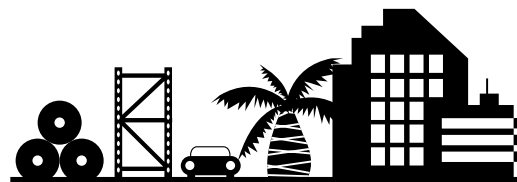
"THAT pursuant to Chapter 10.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), a general mandate of the shareholders be and is hereby granted for the Company and its subsidiaries to enter into recurrent related party transactions as set out in Section 2.4 under Part A of the Circular dated 28 April 2017, 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 AGM 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 AGM 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 6**
  - c. **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 :-

**Ordinary Resolution 7**

# Notice of Annual General Meeting (Cont'd)



- 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 RM71,944,000 of the Company as at 31 December 2016;
- 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 AGM 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 AGM 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."

**d. PROPOSED PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UNDER SECTION 230 OF THE COMPANIES ACT, 2016**

"THAT approval of benefits payable to the Directors in the Group for the period from 31 January 2017 through to the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in a general meeting, whichever is the earlier."

**Ordinary Resolution 8**

**6. CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

"THAT Madam Tang Yin Kham who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be retained and shall continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance 2012 ("MCCG 2012") until the conclusion of the next AGM."

**Ordinary Resolution 9**

**7. RE-APPOINTMENT OF DIRECTORS**

"THAT the following Directors be hereby re-appointed as Directors of the Company:

- i) Tan Sri Dato' Mohd Desa Bin Pachi
- ii) Tan Sri Dato' Soong Siew Hoong"

**Ordinary Resolution 10**  
**Ordinary Resolution 11**

- 8. 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, 28 April 2017



# Notice of Annual General Meeting (Cont'd)

## Notes:

### Appointment of Proxy

1. A proxy may but need not be a Member or a qualified legal practitioner or an approved company auditor or a person approved by the Registrar.
2. To be valid, this form, duly completed must be deposited at the Registered Office of the Company at Suite 16-1, (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 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/her 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. For purpose of determining who shall be entitled to attend 14th AGM meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 62 of the Articles of Association of the Company and Section 34(1) of SICDA to issue a General Meeting Record of Depositors ("ROD") as at 18 May 2017. Only a Depositor whose name appears on the ROD as at 18 May 2017 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his/her behalf.

### Explanatory Notes on Ordinary Business:

1. Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of shareholders of the Company and hence, Agenda 1 is not put forward for voting.

### Explanatory Notes on Special Business:

1. The proposed Ordinary Resolution 5, is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to issued and allot ordinary shares at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM 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 AGM held on 24 May 2016 and which will lapse at the conclusion of the 14th AGM.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

2. The proposed Ordinary Resolution 6, if passed, will approve the Proposed Shareholders' Mandate and allow the Company and its subsidiaries to enter into the existing recurrent related party transactions as set out in Section 2.4 under Part A of the Circular. This approval shall continue to be in force until the conclusion of the next AGM 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 AGM 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 7, if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.
4. Under the Ordinary Resolution 8, the benefits payable to the Directors has been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the benefits payable is in the best interest of the Company and in accordance with the remuneration framework of the Group. The benefits comprised of meeting allowance, travelling allowance and Board Committee allowances.

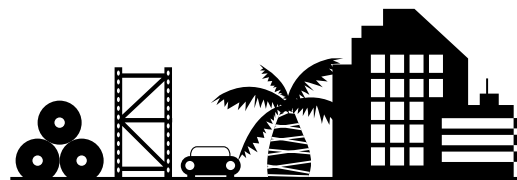
This approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to the Act; or revoked/varied by resolutions passed by the shareholders of the Company in general meeting; whichever is the earlier.

5. The proposed Ordinary Resolution 9, if passed, will retain Madam Tang Yin Kham as an Independent Non-Executive Director of the Company to fulfill the requirements of Paragraph 3.04 of Bursa Securities' Main Market Listing Requirements and in line with the recommendation No. 3.2 of the MCG 2012. The detail of the Board's justification and recommendation for the retention of the Independent Director is set out in the Statement on Corporate Governance in the 2016 Annual Report.

### Statement Accompanying Notice of Annual General Meeting

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

1. No individual is standing for election as a Director at the forthcoming 14th AGM of the Company.



## BOARD OF DIRECTORS

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

*Non-Independent Non-Executive Chairman*  
*Managing Director/Chief Executive Officer*  
*Executive Director*  
*Non-Independent Non-Executive Director*  
*Non-Independent Non-Executive Director*  
*Independent Non-Executive Director*  
*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

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

## HEAD OFFICE

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

## REGISTRARS

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

## AUDITORS

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

## PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)  
Citibank Berhad (297089-M)  
HSBC Bank Malaysia Berhad (127776-V)  
AmBank (M) Berhad (8515-D)

## STOCK EXCHANGE LISTING

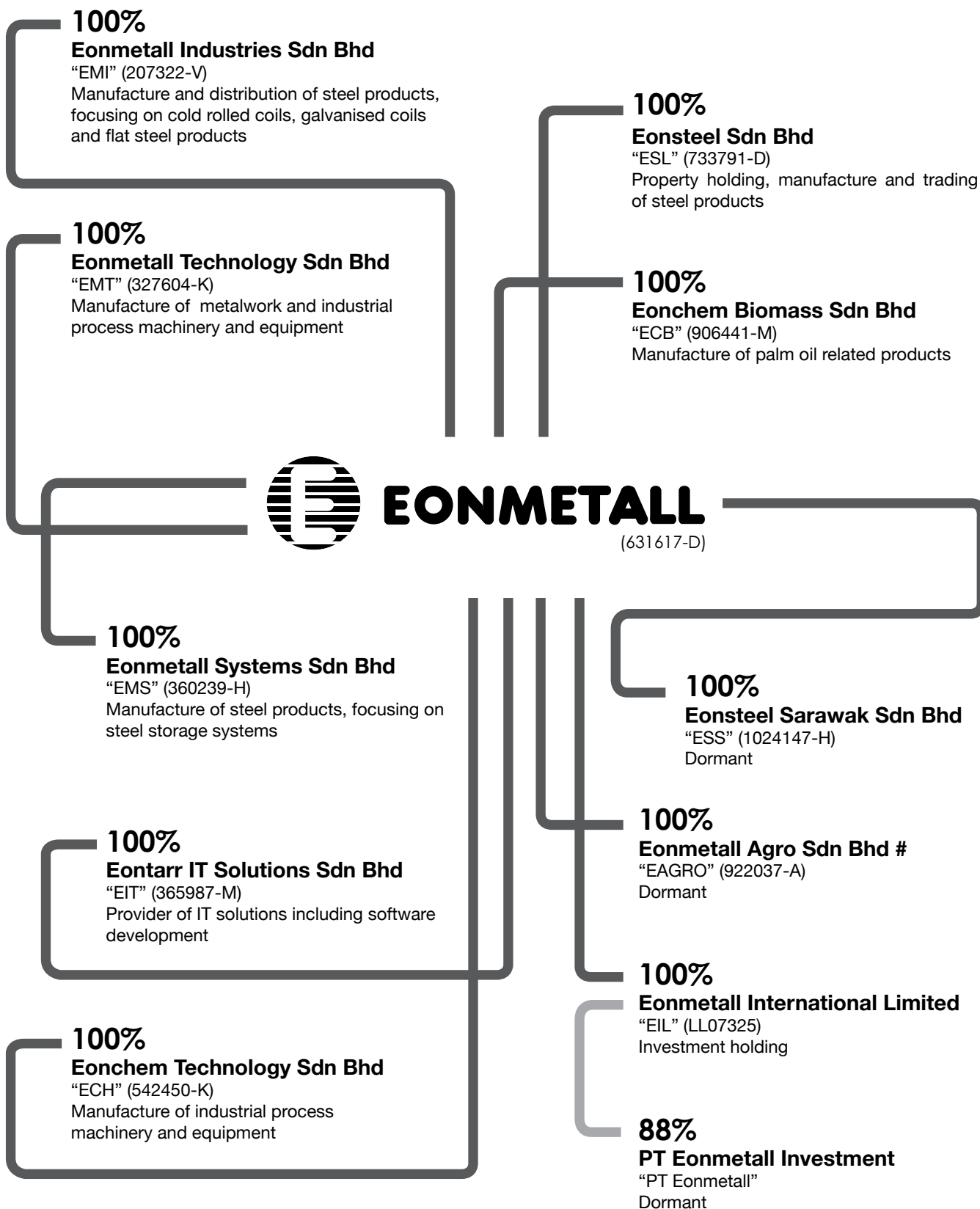
Bursa Malaysia Securities Berhad  
Main Market  
Stock Code : 7217  
Stock Name : EMETALL





## Group Structure & Principal Activities

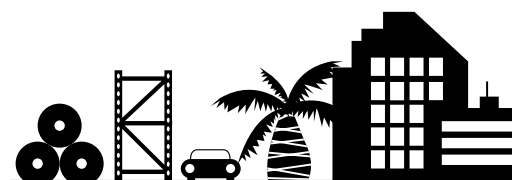
As at 31.12.2016



#EAGRO has submitted the application to strike off from the register of Suruhanjaya Syarikat Malaysia on 30 September 2015



# Group Financial Highlights

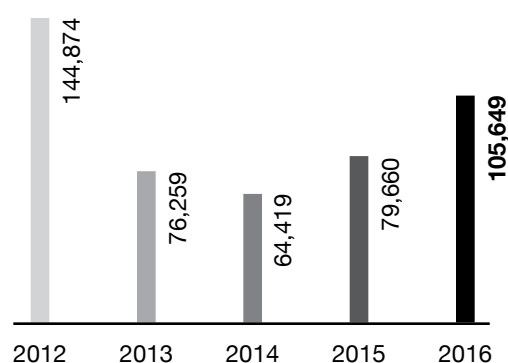


	2012	2013	2014	2015	2016
INCOME	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	144,874	76,259	64,419	79,660	105,649
Profit Before Tax	5,612	6,970	(2,303)	5,566	12,678
Profit attributable to Owners of the Company	4,978	6,249	(2,777)	6,173	12,462
<b>FINANCIAL POSITION</b>					
Total assets	244,009	213,370	208,359	227,487	237,450
Share Capital	85,586	85,586	85,586	85,586	85,586
Shareholders' Fund	143,582	146,522	143,515	148,732	156,567
<b>PER SHARE</b>					
Gross dividend (%)	3.5%	0.0%	0.0%	0.0%	5.0%
Net assets (RM)**	0.85	0.87	0.85	0.88	0.93
Basic Earnings (sen)***	2.94	3.71	(1.65)	3.66	7.39

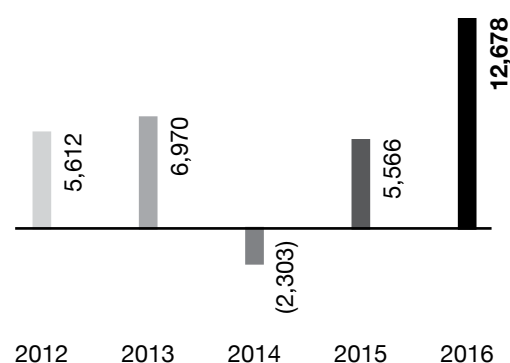
\*\* Based on number of shares in issue net of treasury shares

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

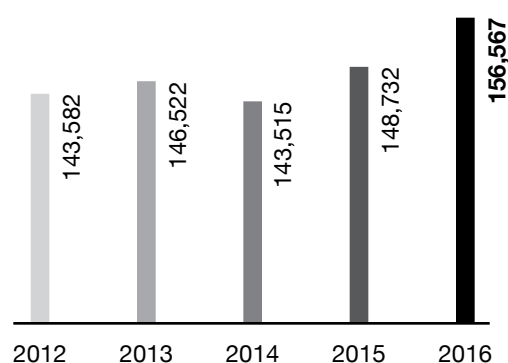
**Turnover** (RM'000)



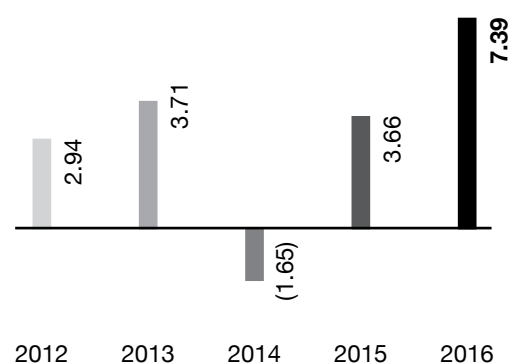
**Profit Before Tax** (RM'000)



**Shareholders' Fund** (RM'000)



**Basic Earnings Per Share** (Sen/Share)





## Profile of Directors

**Tan Sri Dato' Mohd Desa Bin Pachi**, PSM, DSPN, KMN, aged 83, Malaysian, is the Non-Independent Non-Executive Chairman of Eonmetall Group Berhad ("Eonmetall") and was appointed to the Board on 3 March 2005.

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 sits on the board of several private companies and the following public companies:-

Leader Steel Holdings Berhad (Chairman) and Handal Dinamis Holdings Berhad.

Tan Sri Dato' Mohd Desa Bin Pachi has attended all four (4) board meetings held during the financial year ended 31 December 2016.

## Yeoh Cheng Chye

Managing Director/Chief Executive Officer  
Malaysian, Aged 48  
Male

## Tan Sri Dato' Mohd Desa Bin Pachi

PSM, DSPN, KMN

Non-Independent Non-Executive Chairman  
Malaysian, Aged 83  
Male

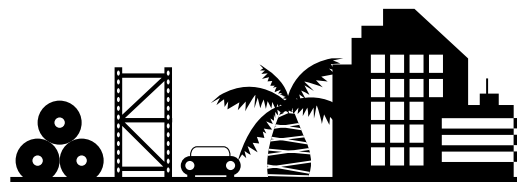
**Yeoh Cheng Chye**, aged 48, Malaysian, is the Managing Director/Chief Executive Officer of Eonmetall and was appointed to the Board on 3 March 2005 and re-designated as Managing Director and Chief Executive Officer on 1 January 2013.

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 Systems 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.

Yeoh Cheng Chye has attended all four (4) board meetings held during the financial year ended 31 December 2016.



**Dato' Goh Cheng Huat**, aged 56, Malaysian, is the Executive Director of Eonmetall and was appointed to the Board on 3 March 2005 and re-designated as Executive Director on 1 January 2013.

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

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

Currently, he sits on the board of several private companies and a public company, Leader Steel Holdings Berhad.

He is the brother of Goh Kee Seng.

Dato' Goh Cheng Huat has attended all four (4) board meetings held during the financial year ended 31 December 2016.

### **Tan Sri Dato' Soong Siew Hoong**

PSM, KMN, SMS, DPSM, JSM  
Non-Independent Non-Executive Director  
Malaysian, Aged 91  
Male

### **Dato' Goh Cheng Huat**

Executive Director  
Malaysian, Aged 56  
Male

**Tan Sri Dato' Soong Siew Hoong**, PSM, KMN, SMS, DPSM, JSM, aged 91, Malaysian, is the Non-Independent Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005.

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

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

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

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

Currently, he sits on the board of several private companies and a public company Leader Steel Holdings Berhad.

Tan Sri Dato' Soong Siew Hoong has attended all four (4) board meetings held during the financial year ended 31 December 2016.



## Profile of Directors (Cont'd)

**Goh Kee Seng**, aged 61, Malaysian, is a member of Audit Committee, Nominating Committee and Remuneration Committee. He is a Non-Independent Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005.

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

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

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

He is the brother of Dato' Goh Cheng Huat.

Goh Kee Seng has attended three (3) board meetings held during the financial year ended 31 December 2016.

### Goh Kee Seng

Non-Independent Non-Executive Director  
Malaysian, Aged 61  
Male

### Tang Yin Kham

Independent Non-Executive Director  
Malaysian, Aged 65  
Female

**Tang Yin Kham**, aged 65, Malaysian, is the Chairman of Audit Committee, a member of Nominating Committee and Remuneration Committee. She is an Independent Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005.

She is a partner of a Chartered Accountants Firm in Malaysia and has more than 36 years of exposure in public accounting sector. She is a Chartered Accountant of the Malaysian Institute of Accountants, a fellow member of the Association of Chartered Certified Accountants, United Kingdom, a fellow member of the Chartered Tax Institute of Malaysia and a member of the Financial Planning Association of Malaysia.

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

Tang Yin Kham has attended all four (4) board meetings held during the financial year ended 31 December 2016.

## Profile of Directors (Cont'd)

**Dato' Wahab Bin Hamid**, DPMS, DSDK, AMS, PPB, aged 64, Malaysian, is the Chairman of Nominating Committee, a member of Audit Committee and Remuneration Committee. He is an Independent Non-Executive Director of Eonmetall and was appointed to the Board on 1 June 2011.

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, Executive Deputy Chairman of Starshine Holdings Sdn. Bhd., and as Independent Director of TN Engineering Sdn. Bhd.

Dato' Wahab Bin Hamid has attended all four (4) board meetings held during the financial year ended 31 December 2016.

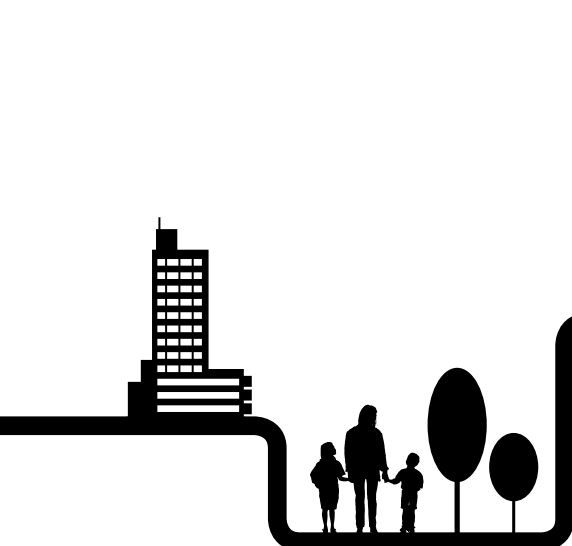
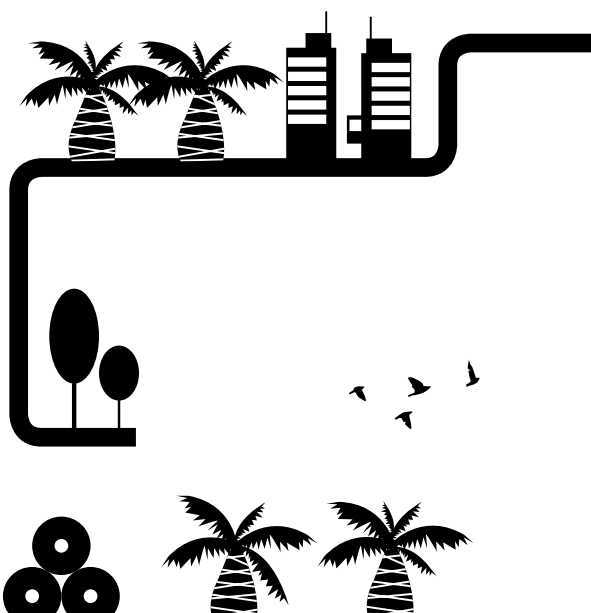
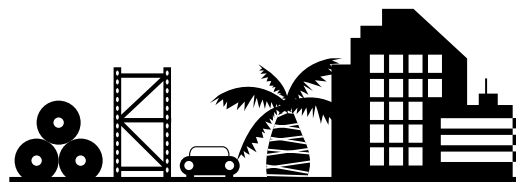
### Dato' Wahab Bin Hamid

DPMS, DSDK, AMS, PPB

Independent Non-Executive Director

Malaysian, Aged 64

Male





## Profile of Key Senior Management

Goh Hong Kent, aged 33, Malaysian, is the Chief Operating Officer and was appointed on 1 January 2013.

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

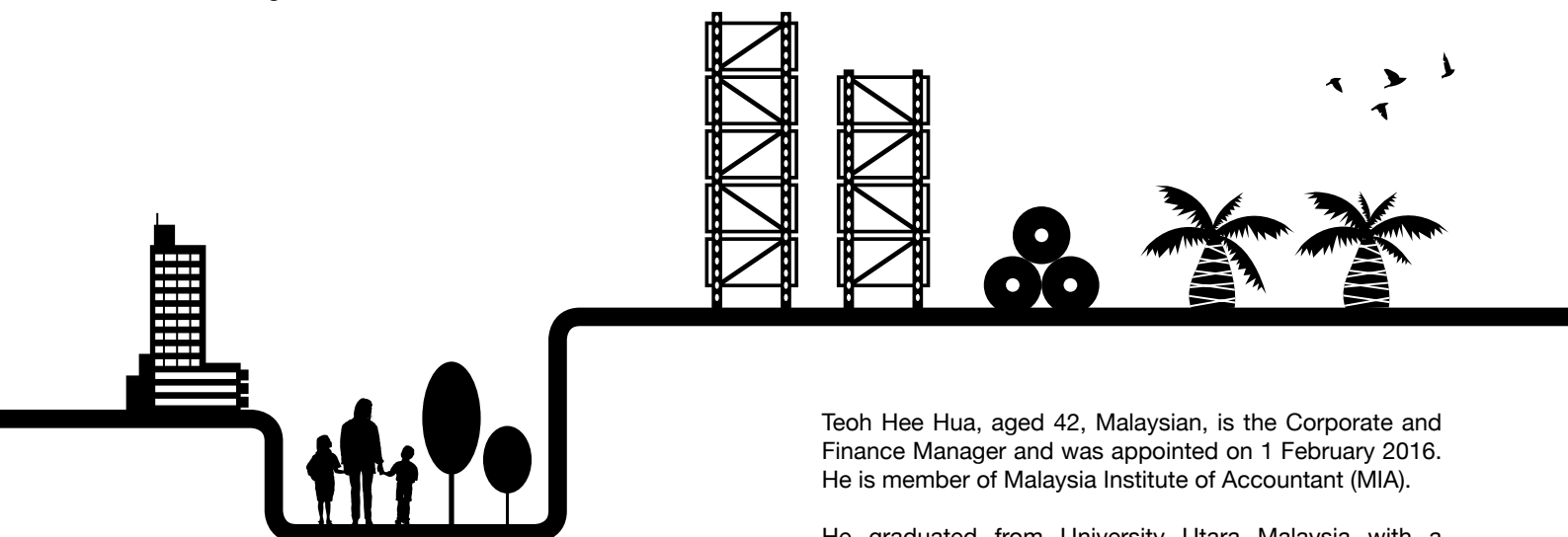
Later in 2005, he joined Eonmetall Technology Sdn Bhd as Assistant Operations Manager where he was mainly responsible for overseeing the Purchasing Department. Following his promotion to Operations Manager in 2007, he was responsible for heading the Purchasing and Human Resources departments.

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.

He is the son of Dato' Goh Cheng Huat and the nephew of Goh Kee Seng.

### Goh Hong Kent

Chief Operating Officer  
Malaysian, Aged 33  
Male



### Teoh Hee Hua

Corporate and Finance Manager  
Malaysian, Aged 42  
Male

Teoh Hee Hua, aged 42, Malaysian, is the Corporate and Finance Manager and was appointed on 1 February 2016. He is member of Malaysia Institute of Accountant (MIA).

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

He started his career in 1999 as an Audit Assistant with Neoh WM and Lam (Known as Aljerfri Dean) which involved in auditing of various industry such as developer and construction, manufacturing, trading, transportation and logistics. He left the firm as an Audit Senior in year 2003.

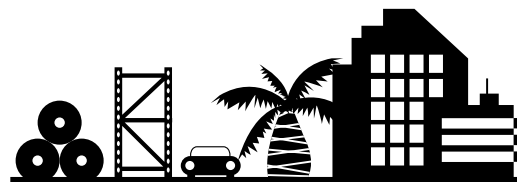
In year 2016, Mr Teoh joined the Group to leads the corporate and finance function and is responsible for finance, statutory reporting, corporate governance and management reporting.

He has extensive experience in accounting, tax, audit, manufacturing operation, internal audit and corporate finance from 18 years of working in both professional and commercial environment.

He has no family relationship with any Directors and / or major shareholders of Eonmetall Group Berhad.

**Note:** Save as disclosed, the above directors and key senior management have no conflict of interests with Eonmetall and have not convicted of any offence within the past 5 years other than traffic offences if any.

# Chairman's Statement



On behalf of the Board of Directors of Eonmetall Group Berhad, it is my pleasure to present our Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2016.

## Financial Performance

During the year under review, the Group recorded revenue of RM105.6 million, an increase of 33% as compared with RM79.7 million in the previous financial year. This is mainly attributed by the increase from both the machinery and equipment and steel product and trading activity segments.

The Group's profit before tax ("PBT") for the current financial year is RM12.7 million, an increase of 127% as compared to the PBT of RM5.6 million in previous year, mainly due to increase in revenue generated from machinery and equipment division, and steel products and trading activity segments. Gearing ratio was at 0.43 times while the Group's net asset per share increased from RM0.88 to RM0.93.

## Operational Review

Revenue generated from the steel products and trading activity segment increased by 5% to RM65.4 million for the financial year under review as compared to revenue of RM62.2 million reported in previous financial year. This segment generated a PBT of RM6.1 million, a decrease of 25% from PBT of RM8.1 million. The decrease mainly contributed by the higher production cost.

Revenue from the machinery and equipment division increased by 141% to RM39.5 million as compared to RM16.4 million recorded in previous year. An amount of RM3.1 million of machinery revenue sold between inter-company was eliminated. This segment generated a PBT of RM8.1 million, an increase of 640% from Loss Before Tax ("LBT") of RM1.5 million as compared to corresponding financial year which was in line with increase in revenue.

All business segments contributed healthy growth this year. The favorable steel policy and domestic market protection, and the higher year average of crude palm oil ("CPO") price has contributed significantly to the performance of the Group. The growth is further complement with the Group latest patented metalworking machinery which has gained high demand since its commercialisation in mid-2016.

## Industry Trend and Prospect

Year 2016 was a turnaround year for most of the domestic steel industry due to the favorable support, policy and circumvention actions taken by the Government to prevent low quality and cheap steel raw materials imported into the country. The Group has responded positively on the actions initiated, whilst managed to operate more cost effective besides capturing higher revenue growth.

The Group shall continue to embark aggressively to expand its business into other steel product applications such as solar and other special projects which contributed about 5% of the Group's revenue. With the on-going support for Green Technology project, the Group is confident able to achieve a double digit's growth in subsequent years.

On the palm oil machinery business, the Group shall strive to convert its business model into Built-Operate-Transfer ("BOT") model to transform itself as an operator of plant rather than solely depending on revenue on project sale. The BOT model shall provide more consistent annual income which and expected to contribute about 30% of the Group earnings moving forward.

## Dividend

The Board of Directors has approved and declared an interim single tier dividend of 5% per share for the year ended 31 December 2016.

The Book Closure and Payment dates for the aforesaid dividend were 1 November 2016 and 25 November 2016 respectively.

## Acknowledgement

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

**Tan Sri Dato' Mohd Desa Bin Pachi**  
Chairman





# Management Discussion & Analysis

## Business Overview

Incorporated in Malaysia, Eonmetall Group Berhad (“Eonmetall” or “the Group”) is a leading steel storage systems manufacturer. The Group is also a niche key player in the designing and fabrication of metalwork and palm oil related machineries. Eonmetall’s core business activities are categorised into two key segments, namely, steel products manufacturing (“Steel Product Division”) and machinery and equipment manufacturing (Machinery and Equipment Division”).

The Group understands the need for innovation to growth and has gone beyond some of its downstream steel industry peers. The Group has embarked out to successfully explore and build new businesses by leveraging on its technical competency in metal works and information systems knowledge. The vertical downstream diversification into value-added products such as racking system and machinery integrated with a higher level of automation as well as knowledge and technological transfer, and market intelligence services has been a resounding success. Today, the Group is also a leading design innovator and fabricator of patented solvent extraction plant for palm mesocarp fibre and palm kernel cake.

Embracing its philosophy to push beyond traditional manufacturing boundaries and leverage on multiple disciplines to deliver customer satisfaction, Eonmetall has established a reputation as an organisation that can provide total solutions in advance design, reliable engineering, world-class manufacturing and cost effective project investment.

Leveraging on its expertise and skills-set, the Group has successfully expanded its presence beyond Malaysia to countries in Asia, Asia Pacific, Africa, Europe and North America with market presence in more than 45 countries.

To date, Eonmetall has a team of highly-skilled and motivated professionals who are single-minded in enabling the Group to meet customers’ demand through quality and innovative products.

The Group’s immediate aim is to become a mid-cap listed issuer on Bursa Malaysia within next 2-3 years. This is to be achieved by expanding its reach in overseas market, establishing more vertical integration through joint ventures that can enhance the Group’s machinery and equipment capabilities, expanding downstream through the application of its steel products to various industries as well as becoming an operator in palm-oil related plants via Build-Operate-Transfer (BOT) and joint venture models.

## Review of Financial Results

For the financial year ended 31 December 2016 (“FYE2016”), Eonmetall reported a 32% jump in revenue to RM105.6 million compared to RM79.7 million recorded in FYE2015. The rise in revenue was attributed to the improved performance from both key business segments.

As a result, the Group profit before tax for FYE2016 was 127% higher at RM12.7 million compared to RM5.6 million a year ago. In turn, the Group’s profit after tax was RM12.5 million for the year under review compared to RM6.2 million last year.

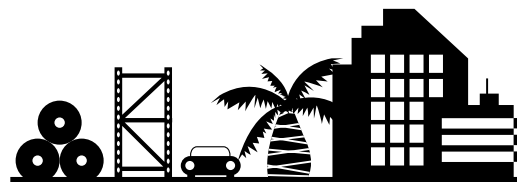
Eonmetall’s improved performance year-on-year was due to several external and internal factors that included strengthening of steel prices throughout 2016 and growing demand, higher CPO price compared to 2015 and machinery orders derived from the Group’s new and patented metalworking machinery that came on stream during the year.

In FYE2016, the Group’s Steel Product Division registered higher revenue of RM65.4 million compared to RM62.2 million a year ago. Nevertheless, the division’s profit was marginally lower at RM6.1 million compared to RM8.1 million last year due to higher production cost year-on-year. Eonmetall’s Machinery and Equipment Division, however, saw a substantial increase in revenue to RM39.5 million from RM16.4 million a year ago in line with strategic plan to grow income stream. As a result, the Division turned around to report a profit before tax of RM8.1 million from a loss of RM1.5 million in the previous financial year.

In reviewing financial ratios, return on equity of the Group has improved tremendously in tandem with increase rate of 7.96% up from 4.16% in FYE2015. On the balance sheet side, current ratio was in excess of 1.41 over the past two financial years.

The Group’s basic earnings per share as at FYE2016 was a healthy 7.39 sen (FYE2015: 3.66 sen) and its net assets per share also improved to RM0.93 from RM0.88 in FYE2015.

The Group had paid an interim single tier dividend of 5% per share for the financial year ended 31 December 2016 on 25 November 2016.



## Review of Operations

The Group has two (2) unique cost advantages underpinning its operations. Firstly, production capabilities to process steel coils raw material until the production of final steel downstream finished products. The second point is in the internal sourcing of metalwork machinery which reduced capital costs, tremendously resulting in enhanced competitiveness in the market whilst boosting its margins.

### Steel Product Division

The Steel Product Division continues to be engine of growth contributing to about 73% of Group top line for the past 5 years. As a midstream and downstream steel player that produces flat steel and downstream flat steel products, the Group exports about 32% of its products to the United Arab Emirates (UAE), Saudi Arabia, Singapore, Bangladesh and Sri Lanka. Some of the Group's key products include CRC (cold rolled coils), steel racking systems and expanded metals.

Subsequent to the Group's successful expansion to a new downstream flat steel manufacturing facility at the end of 2015, Eonmetall was able enhance its production capacity and efficiencies throughout the year under review. As its production capacity is strengthened, the Group is well positioned to expand further into new markets with high growth like Myanmar, Indonesia and Bangladesh.

### Machinery and Equipment Division

In FYE2016, the Group's machinery and equipment also contributed positively to the overall earnings due to recognition of Solvent Extraction Plant (SEP) as well as higher orders received for new metalwork machines.

The SEP is an invention aimed to increase oil extraction rate for the palm oil industry. Eonmetall's SEP technology is able to recover about 80% of the residual oil in the mesocarp fibre and has registered patents in Malaysia, Indonesia and India.

The technology has penetrated several locally listed key industry players and several private palm oil mills. To-date, 18 SEP plants constructed in Malaysia and Indonesia have commissioned operations. The Group anticipated further demands for the SEP mainly from Government Linked Companies (GLC) moving forward.

There exist tremendous opportunity for high growth taking into the consideration of over 1,500 palm oil mills operating in both Malaysia and Indonesia. As such, the presumption that the technology will gain traction is reasonable and the Group is positive on the exponential growth of this patented technology.

## Moving Forward

Earnings are expected to be sustainable with strong support from expansion of export business aided by increased production capacity, organic growth for metal works machines, anticipated delivery of SEP plant annually and demand for machinery and equipment.

The global macro-economic landscape remains uncertain given the lingering concerns over Brexit, China's economy, overall world economy malaise, unfavourable movement in commodity pricing and the future of the United States' trade policies. Nevertheless, the Malaysian economy is still resilient buoyed by strong domestic consumption and growth in exports. The Malaysian Institute of Economic Research (MIER) has forecast a gross domestic product (GDP) growth of 4.5% for Malaysia in 2017 against an estimated growth of 4.2% projected for 2016.

In tandem with this positive outlook, Malaysia's steel industry had fared better in 2016 and is expected to improve further in 2017 as a result of pro-active Government intervention and stronger demand from the industrial sectors.

Global steel prices has began to improve in 2016 following China's decision to control its output and capacity. Additionally, the Malaysian Government has also put in place strategic measures, ranging from 'Buy Malaysia First' policies to regulatory requirements to weed out low quality imports to help the industry overcome the difficulties faced in recent years. We expect the turnaround of the steel sector to augur well for the Group's Steel Product Division in the near future.

As for the Group's Machinery and Equipment Division, improving macro-economic conditions are expected to spur capital expenditure in the industrial and agricultural industries. This will in turn create demand for the Group's diverse range of metalwork machineries. As this Division had successfully returned to the black during the year under review, the Group expects it to remain profitable in the foreseeable future.



## Management Discussion & Analysis (Cont'd)

### Moving Forward (Cont'd)

In relation to the palm oil industry, CPO prices are expected to remain relatively firm throughout 2017 due to strong demand. As such, we expect the SEP to continue to contribute positively to the Group's overall performance in the coming financial years.

As a whole premised upon improving global economic conditions coupled with a positive outlook for the steel industry, the Board of Directors of Eonmetall is confident that the Group will continue to deliver another set of positive results for the financial year ending 31 December 2017.

The Group's loyal investors and shareholders can rest assured that the Board together with its management team and motivated employees will work dedicatedly and cohesively to ensure that Eonmetall will continue to deliver tangible growth in a robust and sustainable manner.

# Statement on Corporate Governance



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.

In ensuring the application of the principles of Corporate Governance in its business activities, the Board constantly works towards ensuring compliance and maintains all identifiable means to ensure that the Group’s corporate governance standards are, whenever possible, on par with the Malaysian Code on Corporate Governance 2012 (the “Code” or “MCCG 2012”) and this commitment is evidenced by the formulation of various policies and processes that are embedded in the operating procedures of the Company and the establishment of the relevant committees.

The Board is pleased to present this statement for the financial year ended 31 December 2016 and up to the issuance of this statement outlining the applications of the Principles and Recommendations as set out in the MCCG 2012.

## Principle 1: Establish Clear Roles and Responsibilities

### Clear Functions of the Board and Management

The Board has the overall responsibility to manage the business affairs of the Company and its subsidiaries by periodically reviewing 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.

The Board is led by a Non-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.

The Board delegates the responsibility of implementing Group strategies, business plans, policies and decisions to the management, which is led by the Managing Director & Chief Executive Officer (“MD&CEO”). There is a clear division of responsibilities for Chairman, MD&CEO, Board and management to ensure a balance of authority and power.

The Chairman 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.

The MD&CEO has overall responsibilities over the daily conduct of operating units, human resource management with respect to key positions in the Group’s hierarchy, financial management and business affairs as well as organisational effectiveness and implementation of Board policies and decisions.

The MD&CEO also ensures that the Group’s corporate identity, products and services are of high standard and reflective of market environment, business practices are in compliance with governmental regulations. During scheduled Board meetings, the MD&CEO briefed on the performance and activities of the Group and specific proposals for capital expenditure and acquisition and disposals, if any.

The Directors meet, review and approve all corporate announcements, including the announcements on quarterly financial results, before releasing them to Bursa Malaysia Securities Berhad (“Bursa Securities”).

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 Board has established three (3) Board Committees, namely, Audit, Nominating and Remuneration Committees (collectively referred to as the “Board Committees”). The Board Committees comprises wholly of Non-Executive Directors with majority independent.



# Statement on Corporate Governance (Cont'd)

## Principle 1: Establish Clear Roles and Responsibilities (Cont'd)

### Clear Functions of the Board and Management (Cont'd)

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

### 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 roles and in discharging their duties towards the Group as well as boardroom activities. The Board Charter was approved by the Board on 24 April 2014 and published on the corporate website at [www.eonmetall.com](http://www.eonmetall.com).

### Clear Roles and Responsibilities

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 day-to-day operations of the Group to the MD&CEO and Executive Director who are experienced in the businesses and operations of the Group.

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

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

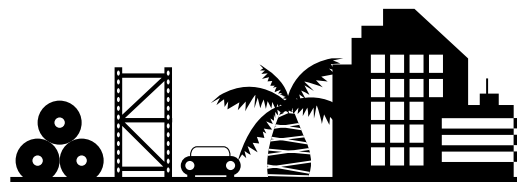
The Independent Non-Executive Directors are active in their roles by providing independent judgement, unbiased and independent views, when required and contributing actively to the deliberations on policies and issues. They also act in a manner to protect the interest of the minority shareholders in respect of policies and decisions deliberated by the Board.

The Independent Non-Executive Directors do not participate in the daily management of the Group and are not engaged in any business or other relationship with the Group. Their presence ensures that issues of strategies, performance and resources proposed by the Management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business. In carrying out their roles, they thereby fulfil a crucial role in corporate accountability as they provide independent and objective views, opinions and judgements on issues being deliberated.

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.

### Formalise Ethical Standards Through a Code of Ethics and Conduct

The Board noted the importance of a code of ethics and conduct that emphasise the Group's commitment to ethical practices and compliance with the applicable laws and regulations which also governs the standards of ethics and good conduct expected from the Directors and employees of the Group.



## Principle 1: Establish Clear Roles and Responsibilities (Cont'd)

### Formalise Ethical Standards through a Code of Ethics and Conduct (Cont'd)

Currently, 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 formalised a 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. Essentially, the Board wants to promote a corporate culture which engenders ethical conduct to permeate the Group. The code covers a wide range of business practices and procedures and sets out the basic principles to guide the Group's Directors, management and employees in performing duties so as to improve work quality, productivity and self-discipline in order to provide effective, good and quality service. The Code of Ethics and Code of Conduct is disclosed on the corporate website.

### Strategies Promoting Sustainability

The Group recognises the importance of sustainability and its increasing impact to the business. The Group is committed to understanding and implementing sustainable practices that are also beneficial to the businesses. Essentially, the Group wants to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and its economic successes.

The Board has formalised a Sustainability Policy which aims to integrate the principles of sustainability into the Company's strategies, policies and procedures and ensure that the Board and senior management are involved in implementation of this policy, review the sustainability performance and create a culture of sustainability within the Group, with an emphasis on integrating the environmental, social and governance considerations into decision making and the delivery of outcomes.

The Board is briefed regularly on the Group's strategic direction and operational progress to-date, taking into account changes in the business environment and risk factors such as level of competition.

### Whistleblowing Policy

The Board has adopted a Whistle Blower Policy on 24 May 2016. The Company has always advocated for openness and transparency in its commitment to the highest standard of integrity and accountability. A copy of the Whistle Blower Policy is published on the corporate website.

### Access to Information and Advice

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

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

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

### Qualified and Competent Company Secretaries

The Board believes that the current 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 qualified and experienced, advise 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 attend and ensure that all Board and its Committees meetings are properly convened and that the decisions made and/or resolutions passed thereof are recorded in minutes of meetings and kept in the statutory registers at the registered office of the Company.



# Statement on Corporate Governance (Cont'd)

## Principle 1: Establish Clear Roles and Responsibilities (Cont'd)

### Qualified and Competent Company Secretaries (Cont'd)

Other roles of the Company Secretaries included coordinating 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.

## Principle 2: Strengthen Composition

### 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 Nominating Committee consists of three (3) members, the majority of whom are Independent Non-Executive Directors and its Chairman is an Independent Non-Executive Director appointed by the Board.

The Nominating Committee currently comprised of the following:

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

In the event that a member of the Nominating Committee retires, resigns or ceased to be a member, for any other reason, resulting in non-compliance of the terms prescribed, the Board shall, within three (3) months of that event, appoint such number of new members as may be necessary to fulfil the requirements.

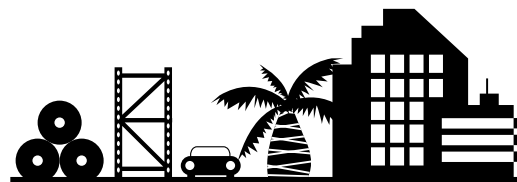
The Nominating Committee is authorised by the Board to seek appropriate professional advice from outside the Group as and when it considers necessary in the discharge its duties. The cost incurred in obtaining services of the professional advisor will be borne by the Company.

The Nominating Committee shall meet whenever a need arises for the Committee to perform its functions, and at least once every year to carry out an annual review of the Board, Board Committees and the contribution of individual Directors. The quorum necessary for a meeting of the Nominating Committee shall be two (2) members.

The functions and responsibilities of the Nominating Committee are as follows:

- To recommend to the Board with regard to any appointment of Directors considering their skills, knowledge, education, qualities, expertise and experience, professionalism, integrity, time commitment, contribution, boardroom diversity including gender diversity and other factors that will best qualify a nominee to serve on the Board or Board Committees; and for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities/ functions as expected;
- To consider, in making its recommendations, candidates for Directorships proposed by the Group MD&CEO and within the bounds of practicability, by any other Director or shareholder;
- To assist the Board to review regularly the Board structure, size and composition and the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board;
- To assess the effectiveness of the Board, any other committees of the Board and the contributions of each individual Director, including the independence of Independent Non-Executive Directors, as well as the Group Chief Financial Officer (where this position is not Board member), based on the process and procedures laid out by the Board; and to provide the necessary feedback to Directors in respect of their performance;
- To ensure proper documentation of all assessments and evaluations so carried out;
- To propose to the Board the responsibilities of Non-Executive Directors, including membership and Chairmanship of Board Committees;
- To recommend to the Board for continuation or discontinuation in service of Directors as an Executive Director or Non-Executive Director;
- To recommend to the Board, Directors who are retiring by rotation to be put forward for re-election;
- To evaluate training needs for directors annually;
- To arrange induction programmes for newly appointed Directors to familiarise themselves with the operations of the Eonmetall Group Berhad through briefings by the relevant management teams;





## Principle 2: Strengthen Composition (Cont'd)

### Nominating Committee (Cont'd)

- (k) To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfil the Board's responsibilities; and
- (l) To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

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

- (a) Reviewed the current Board structure, size and composition with an aim to achieving a balance of views on the Board.
- (b) Reviewed and assessed effectiveness of the Board as a whole, the various Board Committees as well as the contribution of each individual Director.
- (c) Reviewed the level of independence of Independent Non-Executive Directors.
- (d) Discussed the character, experience, integrity and competence of the Directors, Chief Executive or Chief Financial Officer and to ensure they have the time to discharge their respective roles.
- (e) Discussed the annual retirement by rotation and recommended the re-election of Directors at the forthcoming Annual General Meeting.
- (f) Reviewed and recommended for re-appointment, the Independent Non-Executive Directors who have served the Company for a cumulative term of more nine years or more, at the Company's Annual General Meeting.

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

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

The Nominating Committee had also discussed and deliberated on the qualifications and contributions of the Board and Nominating Committee with the respective members of the Nominating Committee abstaining from the process.

The Articles of Association of the Company provides that an election of Directors shall take place each year and, at the Annual General Meeting, one-third of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election. All the Directors shall retire from office once at least in three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their appointment or reappointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.

The Director who is subject to re-election and/or re-appointment at next Annual General Meeting is assessed by the Nominating Committee before recommendation is made to the Board and shareholders for re-election and/or re-appointment. Appropriate assessment and recommendation by the Nominating Committee is based on the annual assessment conducted.

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

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

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



# Statement on Corporate Governance (Cont'd)

## Principle 2: Strengthen Composition (Cont'd)

### Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors (Cont'd)

The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity, performance and experience to bring value and expertise to the Board. The Nomination Committee will, however, continue to take steps to ensure suitable women candidates are sought as part of its recruitment exercise.

### Remuneration Policies

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 consists of three (3) Non-Executive Directors, the majority of whom are independent. 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.

The determination of remuneration for Non-Executive Directors including that of Non-Executive Chairman of the Board shall be a matter for the Board as a whole. During the financial year, the Remuneration Committee met once, attended by all the members. 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.

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 remuneration of Non-Executive Directors is linked to their expertise, experience and level of responsibilities undertaken by them. Non-Executive Directors are paid fixed annual fees as members of the Board and Board Committees. The Directors' fees payable to Directors are approved by shareholders at each Annual General Meeting. All Directors are also paid meeting allowance for their attendance at each meeting. In addition, advisory fees are paid to the Non-Executive Directors of the Company.

The aggregate remuneration, with categorisation into appropriate components and distinguishing between Executive and Non-Executive Directors, paid or payable to all Directors of the Company from the Company and the Group for the financial year ended 31 December 2016 are as follows:

	<b>Fees (RM)</b>	<b>Other Emoluments <sup>1</sup> (RM)</b>	<b>Salaries <sup>2</sup> (RM)</b>	<b>Total (RM)</b>
<b>From the Company</b>				
Executive Directors	72,000	8,000	0	80,000
Non-Executive Directors	198,000	20,500	0	218,500
Total	270,000	28,500	0	298,500
	<b>Fees (RM)</b>	<b>Other Emoluments <sup>1</sup> (RM)</b>	<b>Salaries <sup>2</sup> (RM)</b>	<b>Total (RM)</b>
<b>From the Group</b>				
Executive Directors	72,000	711,713	1,551,457	2,335,170
Non-Executive Directors	198,000	68,500	0	266,500
Total	270,000	780,213	1,551,457	2,601,670

Notes:

- 1 Other emoluments include allowances, EPF, SOCSO and advisory fee.
- 2 Salaries including bonus.



## Principle 2: Strengthen Composition (Cont'd)

### Remuneration Policies (Cont'd)

The number of Directors whose total remuneration paid/payable falls within the following bands of RM50,000 is summarised as follows. The Board opted not to disclose each Director's remuneration individually as it is of the opinion that detailed disclosure of individual Directors' remuneration will not add significantly to the understanding and evaluation of the Group's governance:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM 50,000	-	2
RM 50,000 to RM100,000	-	3
RM800,001 to RM850,000	1	-
RM1,000,000 to RM1,050,000	1	-
Total	2	5

The Board and Remuneration Committee strive to ensure a fair structure of compensation for an organisation of this size and market sector and business complexity. It is also aimed at attracting and retaining Directors who have the right calibre, skills and experience to contribute meaningfully towards the success of the business.

## Principle 3: Reinforce Independence

### Annual Assessment of Independent Directors

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

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

### Tenure of Independent Directors

The Board is also mindful of the recommendation of the MCCG 2012 that tenure of an Independent Director should not exceed a cumulative term of nine years. The nine years can either be a consecutive service of nine years or a cumulative service of nine years with intervals. Upon completion of the nine 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 shareholders may, in exceptional cases where the Board is of the opinion that that the Independent Director can continue beyond the 9-year tenure and subject to the assessment of the Nominating Committee, decide that an Independent Director can remain as an Independent Director after serving a cumulative term of nine years.

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 as Independent Non-Executive Director subject to shareholders' approval at the forthcoming Annual General Meeting.

Key justifications for their 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;



## Statement on Corporate Governance (Cont'd)

### Principle 3: Reinforce Independence (Cont'd)

#### Tenure of Independent Directors (Cont'd)

- (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.

#### Shareholders' Approval for Retaining Independent Non-Executive Directors

In the event the Board intends to retain the Director as Independent Director after the latter has served a cumulative term of 9 years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Board shall vigorously assess the candidate's suitability to continue as an Independent Non-Executive Director.

The Nominating Committee will review and recommend to the Board, as part of the Board Charter, the term of tenure of Independent Non-Executive Directors of the Company.

At the AGM held on 24 May 2016, the shareholders had approved the retention of Madam Tang Yin Kham as Independent Non-Executive Director of the Company until the forthcoming Annual General Meeting.

#### Separation of Positions of Chairman and Chief Executive Officer

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

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

#### Composition of the Board

The Board comprised of seven (7) members, two (2) Executive Directors, three (3) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors, as at the date of this Annual Report as follows:

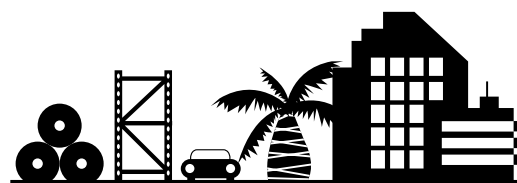
<b>Managing Director &amp; Chief Executive Officer</b>	Yeoh Cheng Chye
<b>Executive Director</b>	Dato' Goh Cheng Huat
<b>Non-Independent Non-Executive Directors</b>	Tan Sri Dato' Mohd Desa Bin Pachi Tan Sri Dato' Soong Siew Hoong Goh Kee Seng
<b>Independent Non-Executive Director</b>	Dato' Wahab Bin 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.

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

The Chairman of the Company is not an Independent Non-Executive Director. Nonetheless, the current composition of the Board comprises of a majority of Non-Executive Directors. Further, the Board believes that the 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. Hence, the Board is of the view that there is no necessity for the appointment of an Independent Non-Executive Director as Chairman at this juncture.



## Principle 4: Foster Commitment

### Time Commitment

The Board is scheduled to meet at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings with sufficient notice.

During the financial year ended 31 December 2016, the Board held four (4) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions and the direction of the Group. The major deliberation, in terms of issues discussed and the conclusion arrived by the Board during the meetings, are recorded by the Company Secretary with the minutes signed by the Chairman of the meetings.

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

Directors	Board	Audit Committee	Nominating Committee	Remuneration Committee
Tan Sri Dato' Mohd Desa Bin Pachi	4/4	–	–	–
Yeoh Cheng Chye	4/4	–	–	–
Dato' Goh Cheng Huat	4/4	–	–	–
Tan Sri Dato' Soong Siew Hoong	4/4	–	–	–
Dato' Wahab Bin Hamid	4/4	4/4	1/1	1/1
Goh Kee Seng	3/4	3/4	1/1	1/1
Tang Yin Kham	4/4	4/4	1/1	1/1

All Board members met the minimum percentage required for Board meeting attendance during the year under review as prescribed under MMLR of Bursa Securities.

In compliance with the MMLR of Bursa Securities, each member of the Board does not hold more than five (5) directorships in public listed companies to enable the Directors to discharge their duties effectively by ensuring that their commitment, resources and time are more focused. The Board members must first notify the Board or the Chairman before accepting any new Directorship in other public listed companies so as to ensure that time commitment and responsibilities to the Company will not be affected.

### Training

The Board is cognisant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise and professionalism in discharging their duties. As at the date of this statement, the Directors had attended and successfully completed the MAP (Mandatory Accreditation Programme).

The Directors 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 programme 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 Nomination 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.



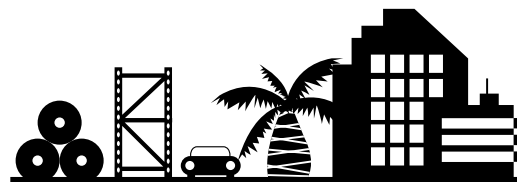
## Statement on Corporate Governance (Cont'd)

### Principle 4: Foster Commitment (Cont'd)

#### Training (Cont'd)

The training, conferences or seminars attended and or conducted by Directors during the financial year encompassed various topics as outlined below:

Topic area	Attended by	Training programme
Financial & Risk Management	Tang Yin Kham	1. The Effects of MPERS on Audit Evidence and Consideration
Management & Leadership	Tan Sri Dato' Mohd Desa Bin Pachi	1. How Effective Boards Engage on Succession Planning for the Chief Executive Officer and Top Management
Public Policy & Investment	Tan Sri Dato' Mohd Desa Bin Pachi	1. International Forum on the World's economic outlook – Challenges and Opportunities for Malaysian Companies 2. The Directors of Global Competition Malaysia Seminar
Public Policy & Investment	Yeoh Cheng Chye	1. Corporate Governance Statement Reporting Workshop 2. 12th Conference on Status & Outlook of the Malaysia Iron & Steel Industry
Public Policy & Investment	Dato' Wahab Bin Hamid	1. Briefing on The Trans Pacific Partnership Agreement 2. World Halal Conference 3. Steel Conference 4. Sustainable Growth 5. Press Conference by MITI on Performance of Manufacturing Section for the year 2015
Public Policy & Investment	Tan Sri Dato' Soong Siew Hoong	1. 12th Conference on Status & Outlook of the Malaysia Iron & Steel Industry
Taxation	Tan Sri Dato' Mohd Desa Bin Pachi	1. The Highlights of government Budget for 2017
Taxation	Yeoh Cheng Chye	1. Budget 2017 Tax Seminar
Taxation	Tang Yin Kham	1. Tax Implication and Practical Application of Intercompany Loan Transactions 2. Seminar Percukaian Kebangsaan 2016



### Principle 5: Uphold Integrity in Financial Reporting

#### Compliance with Applicable Financial Reporting Standards

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through the annual financial statements, quarterly announcement of results and all other disclosure to Bursa Securities as well as the Chairman's Statement in the Annual Report.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting. The role of the Audit Committee is to support the Board of Directors in overseeing the processes for production of the financial data, reviewing and monitoring the integrity of the financial reports and the internal controls of the Group.

The Board is responsible for ensuring that the financial statements of the Group 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 the results of their operations and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia have been applied. In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, and that the financial statements comply with the requirements of the Companies Act, 1965.

#### Assessment of Suitability and Independence of External Auditors by the Audit Committee

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee Report in this Annual Report.

The Group maintains a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the relevant accounting standards.

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 external auditors have provided a written confirmation that they are, and have been, independent throughout the conduct of audit engagement in accordance with terms of relevant professional and regulatory requirements.

The Board place great emphasis on the objectivity and independence of the auditors, namely Messrs. BDO, in providing relevant and transparent reports to the shareholders. To ensure full disclosure of matters, the auditors are regularly invited to attend the Audit Committee meetings (as well as the Annual General Meetings). In 2016, the auditors had met twice with the Audit Committee without the presence of the executive Board members and senior management.

Going forward, the Audit Committee will establish procedures to assess the suitability and independence of the external auditors as well as policy governing the circumstance under which contracts for provision of non-audit services could be entered into by the external auditors.





## Statement on Corporate Governance (Cont'd)

### Principle 6: Recognise and Manage Risks

#### Sound Framework to Manage Risks

The Board undertakes overall responsibility for risk oversight and risk management. In addition, the Board has established and adopted the risk management policy to administer the Group's approach to risk management.

The Board performs annual review on financial, operational and compliance controls in all material aspects and has received reasonable assurance from various Internal Audit Reports and Management on internal control system.

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

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

### Principle 7: Ensure Timely and High Quality Disclosure

#### Corporate Disclosure Policy

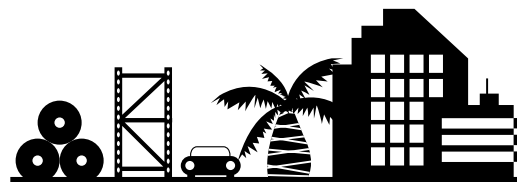
The Board acknowledges the importance of ensuring prompt dissemination of information to shareholders and regulatory bodies with the intention of giving as clear and complete information of the Group's position and financial performance as possible within the bounds of practicality and legal and regulatory framework governing release of material and price sensitive information. The Board will take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information to avoid an individual or selective disclosure.

In line with increased investor awareness for greater accountability and transparency, the Board has formalised a Corporate Disclosure Policy and procedure which is in line with requirements of MMLR of Bursa Securities to enable comprehensive, timely and accurate disclosures on the Group to the regulators, shareholders and other stakeholders.

#### Leverage on Information Technology for Effective Dissemination of Information

Eonmetall disseminates information in relation to its financial performance, operations and corporate developments through the annual reports, quarterly reports, circulars and various announcements. The Company's 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 persons, Mr Yeoh Cheng Chye, MD&CEO or Dato' Goh Cheng Huat, Executive Director of the Group.



## Principle 8: Strengthen Relationship between Company and Shareholders

### Shareholders' Participation at General Meetings

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 notice of Annual General Meeting is sent at least twenty-one (21) days before meeting date. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

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

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

### Effective Communication and Proactive Engagement

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.

### Compliance with the Best Practices of the Code

The Group has complied substantially with the Principles and Recommendations of the Code, insofar as applicable and described herein, during the financial year ended 31 December 2016 and up to-date.

This statement is issued in accordance with a resolution of the Directors dated 17 April 2017.



# Statement on Corporate Social Responsibility

The Board of Directors of Eonmetall Group Berhad have long recognised and acknowledged the importance of a corporate culture that emphasises on good corporate social responsibility (“CSR”) and good corporate citizenship. The Group not only increases the stakeholder value through its core business but also bearing in mind of its responsibilities for the betterment of the community and the environment.

The CSR contributions of the Group are as follows:-

## ENVIRONMENT

The Group undertook initiative to make available separate bins to collect “production waste” and arrange for proper disposition by a licensed waste disposal company on a periodic basis. Additionally, production metal scraps generated are sold to scrap collectors for recycling process. Employees are encouraged to reduce the use of paper, recycle any recyclable items and reduce wastages. Efforts have also been made to conserve energy by ensuring that all lights and air-conditioning are operating only when there is a need.

## COMMUNITY

The Group plays its role as a socially responsible corporate citizen in the community whenever the need arises. The Group shall continue to uphold and support by providing support or participate to governmental agency annual events, for development and promotion of sports and recreation.

## WORKPLACE

The Group recognises that its employees are important assets. It takes good care of the welfare of its employees and employs them under fair and equitable terms besides offering equal opportunity for career advancement based on performance and academic qualification. The Group constantly upgrades the employees’ skill, knowledge and experiences which would enhance the individual employee’s competency. Skilled employees and managerial staff attend technical and managerial upgrading programmes organised by the Group to strengthen their core skills and competencies with the view of enhancing career development, work quality and job performance. In promoting work life balance among staffs, the Group also provides sponsorship for sports and recreation programmes such as badminton activities. Monthly contributions are made to Human Resource Development Fund to support the Government effort to encourage corporate bodies to invest in training and skills upgrading for employees.

The Group has a fundamental responsibility and commitment to ensure that all employees work in a safe and healthy environment. A safety, Health and Environment Committee has been set-up to lead the activities in accordance with the Occupational Safety and Health Administration (OSHA). Representatives from all levels also attend specific OSHA courses conducted by external trainers to enhance their understanding and responsibility on employees’ health and safety. These programmes focus on identifying common hazards and unsafe work practices and implementing corrective actions to improve the work environment. In compliance with the OSHA requirements, First Aid, fire drill and CPR training sessions are also organised to help staff and workers understand their roles as Emergency First Responders.

The Group also provides Hospitalisation and Surgical insurance coverage and Group Personal Accident insurance on top of the statutory SOCSO contribution for workers to mitigate medical and accidental contingencies of the workers.

# Statement on Risk Management and Internal Control



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) requires public listed companies to maintain a sound system of risk management and internal control to safeguard shareholders’ investments and company’s assets. Under the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Main Market Listing Requirements”), under paragraph 15.26(b), Directors of public listed companies are required to produce a statement on the state of the company’s internal control in their Annual Report.

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

## BOARD RESPONSIBILITY

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

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

## MANAGEMENT’S ROLE

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

## CONTROL STRUCTURE AND ENVIRONMENT

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

- The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Chief Executive Officer leads the presentation of board papers and provides explanation of pertinent issues. In addition, the Board is kept updated on the Group’s activities and its operations on a regular basis;
- An organization 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;
- Regular and relevant information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making; and
- Regular visits to operating units by senior management.



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

## RISK MANAGEMENT

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

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

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

### a. Board of Directors

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

### b. Audit Committee

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

### c. Management Committee

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

During the year, the Group has identified 8 risks which are critical to the success of the business. The likelihood and impact of the risks have been assessed and appropriate mitigation actions have been identified for the risks.

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

## INTERNAL AUDIT FUNCTION

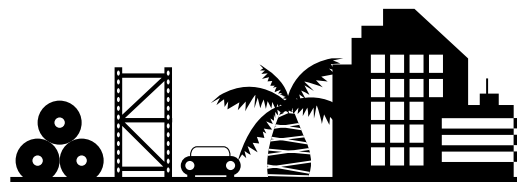
The Board acknowledges the importance of the internal audit function and has engaged the services of an independent professional consulting firm, Messrs JWC Consulting Sdn. Bhd., to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's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

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

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

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

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



## INTERNAL AUDIT FUNCTION (Cont'd)

Based on the internal auditors' reports for the financial year ended 31 December 2016, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

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

The external auditors have reviewed this Statement in accordance to Paragraph 15.23 of the Main Market Listing Requirements. 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 on Risk Management and Internal Control intended to be included in the 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 17 April 2017.



# Audit Committee Report

## Membership

The Audit Committee (the “Committee”) comprises the following members:

Tang Yin Kham	- <i>Chairman, Independent Non-Executive Director</i>
Dato’ Wahab Bin Hamid	- <i>Member, Independent Non-Executive Director</i>
Goh Kee Seng	- <i>Member, Non-Independent Non-Executive Director</i>

## Objectives

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

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

## Composition

The Board shall elect and appoint Committee members from amongst their numbers, comprising no less than three (3) Directors, all must be Non-Executive Directors, with a majority of them being Independent Directors.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

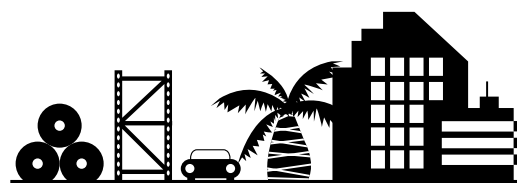
- (i) a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:-
  - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - (b) he must be a member of one of the association of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfils such other requirements as prescribed or approved by the Bursa Securities.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Director. No alternate Director of the Board shall be appointed as a member of the Committee.

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





## Meetings

During the financial year ended 31 December 2016, the Committee held a total of four (4) meetings. The attendance of the Committee members is as follows:

Name of Committee Member	No. of Committee Meetings
	Attended
Tang Yin Kham	4
Dato' Wahab Bin Hamid	4
Goh Kee Seng	3

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

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

## Duties and Responsibilities

The duties and responsibilities of the Committee shall be:

- i. To review the Company's and the Group's quarterly results and annual financial statement before submission to the Board, focusing on:
  - Any changes in or implementation of the accounting policies and practices;
  - Major judgment areas;
  - Significant adjustments proposed by the external auditors;
  - Going concern assumption;
  - Compliance with accounting standards;
  - Compliance with stock exchange and legal requirement; and
  - Significant and unusual events.
- ii. To review with the external auditors their audit plan, scope and nature of the audit for the Company and the Group. Their evaluation of the system of internal control, their audit report, their management letter and management's response and the assistance given by the Company's employees to the external auditors;
- iii. To assess the adequacy and effectiveness of the system of the internal control and accounting control procedures of the Company and the Group;
- iv. To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- v. To perform the following, in relation to the internal audit function:
  - Review the adequacy of the scope, functions, competency and resources of internal audit function, and that it has the necessary authority to carry out its works;
  - Review the internal audit programme and results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of internal audit function.
  - Review the internal audit plan, consider the major findings of the internal audits, internal or fraud investigations and actions and steps taken by management in response to audit findings;
  - Review any appraisal or assessment of the performance of members of the internal audit function;
  - Approve any appointment or termination of senior staff members of the internal audit function;
  - Adequacy of risk management systems to safeguard the company's assets; and
  - Take cognisance of resignations/transfer of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.



## Audit Committee Report (Cont'd)

### Duties and Responsibilities (Cont'd)

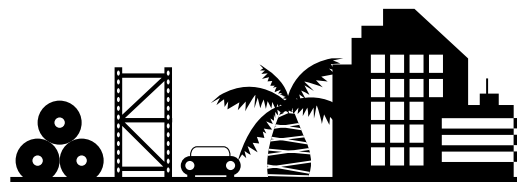
The duties and responsibilities of the Committee shall be: (Cont'd)

- vi. To review any related parties transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions or management integrity;
- vii. To consider the appointment of the external auditors and to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment, to consider the nomination of a person or persons as external auditors and the audit fees, the terms of reference of their appointment, and any questions if resignation or dismissal;
- viii. To review the assistance given by the employees of the Company or Group to the external auditors;
- ix. To verify the allocation of option granted pursuant to Employee Share Option Scheme ("Scheme") and to ensure that the allocation is in compliance with the By-Laws of the Scheme;
- x. To act upon the Board of Director's request to investigate and to report to the Board any issues or concerns, activities, significant results and findings;
- xi. To promptly report such matter to the Bursa Securities if the Committee is of the view that the matter reported by it to the Board of Directors. The contracts that cannot be entered into should include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation; and
- xii. To undertake any such responsibilities as may be agreed by the Committee and the Board.

### Summary of Activities During The Financial Year

The Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Committee for the financial year ended 31 December 2016 were as follows:

- Reviewed prior to the commencement of audit, the external auditors' scope of engagement, their audit plan and approach together with their request for increase audit fees;
- Reviewed with the external auditors, the results of the annual audit, audit report, including the management's response;
- Reviewed the unaudited quarterly financial statements of the Group prior to recommending them to the Board for approval and for announcement to Bursa Securities and submission to Securities Commission;
- Reviewed the internal audit report prepared by an independent professional 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;
- Reviewed and recommended to the Board, the draft Audit Committee Report, Statement on Risk Management and Internal Control and Statement on Corporate Governance for inclusion in the Annual Report;
- Reviewed any major proposed transaction that would affect the risk management framework;
- Reviewed and monitored recurrent related party transactions of a revenue or trading nature and other related party transaction entered into by the Group.



## Internal audit function

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

The Group has appointed an independent professional consulting firm to provide outsourced internal audit function to carry out internal audit of the Group. This is to assist the Committee in discharging its duties and responsibilities. The cost incurred for the internal audit function of the Group in respect of the financial year under review is RM17,280.

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 Committee with independent and objective reports on the state of internal controls of the key business units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

During the financial year ended 31 December 2016, the internal audit function carried out 4 cycles of internal audits to test the adequacy and effectiveness of the internal control system of the Group on the following areas:

- (a) Human resource management
- (b) Maintenance of machinery
- (c) Cash management
- (d) Property, plant and equipment management

Weaknesses were identified and recommendations were made to the management and the Audit Committee had reviewed and discussed the findings and recommendations as reported by the internal auditors.

The Audit Committee had also reviewed the adequacy of actions taken by the management based on the Internal Audit reports, as well as reviewed the Internal Audit reports pertaining to the follow-up reviews following each audit.

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

This statement is issued in accordance with a resolution of Directors dated 17 April 2017.



## Additional Compliance Information

### 1. Non-audit Fees

Non-audit fees amounting to RM25,500 for the Group and RM25,500 for the Company were paid to the external auditors for the financial year ended 31 December 2016.

### 2. Material Contracts

There were no material contracts with the Company and its subsidiaries involving Directors' and major shareholders' interest during the financial year ended 31 December 2016.

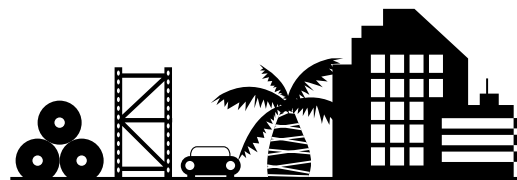
### 3. Status of Utilisation of Proceeds Raised from Any Proposal

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2016.

### 4. Recurrent Related Party Transactions of a Revenue or Trading Nature for the year ended 31 December 2016

The aggregate value of recurrent related party transactions made during the financial year ended 31 December 2016 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 24 May 2016 was RM26,976,904.

# 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 2016.

## 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/(Loss) for the financial year	<u>12,462,880</u>	<u>(1,207,923)</u>
Attributable to:		
Owners of the parent	12,461,780	(1,207,923)
Non-controlling interests	<u>1,100</u>	<u>0</u>
	<u>12,462,880</u>	<u>(1,207,923)</u>

## DIVIDEND

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

In respect of financial year ended 31 December 2016:

First interim single-tier dividend of 5% per ordinary share of RM0.50 each,  
paid on 25 November 2016

4,216,300

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 other than those disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or 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

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

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

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares in the Company during the financial year ended 31 December 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

Name of Directors	← Number of ordinary shares of RM0.50 each →			
	Balance as at 1.1.2016	Bought	Sold	Balance as at 31.12.2016
<b>Shares in the Company</b>				
Direct interests:				
Tan Sri Dato' Mohd Desa Bin Pachi	630,000	0	(600,000)	30,000
Yeoh Cheng Chye	1,553,636	155,000	(1,658,636)	50,000
Dato' Goh Cheng Huat	30,420,000	539,900	(2,560,000)	28,399,900
Tan Sri Dato' Soong Siew Hoong	510,000	0	0	510,000
Goh Kee Seng	2,721,336	210,000	(2,931,336)	0
Indirect interests:				
Tan Sri Dato' Mohd Desa Bin Pachi*	1,020,000	0	(470,200)	549,800
Dato' Goh Cheng Huat	84,049,128	0	0	84,049,128
Tan Sri Dato' Soong Siew Hoong	496,600	0	0	496,600

\* These are shares held in the name of his child and are regarded as interest of the Director in accordance with Section 134(12)(c) of the Companies Act, 1965.

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.

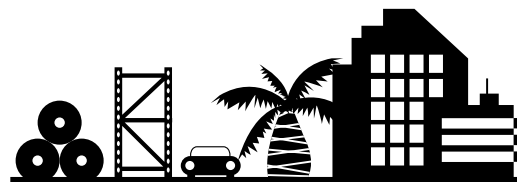
None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares and options over ordinary shares in the Company or ordinary shares, options over ordinary shares and debentures of its related corporations during the financial year.

## 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 emoluments 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 27 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.



### TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 24 May 2016, renewed the approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased 2,000 of its issued ordinary shares from the open market at an average price of RM0.61 per share. The total consideration paid for the repurchased shares was RM1,215. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia.

As at 31 December 2016, the Company held as treasury shares a total of 2,520,000 of its 171,171,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM782,645 and further relevant details are disclosed in Note 12 to the financial statements.

### OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

#### (I) AS AT END OF THE FINANCIAL YEAR

- (a) Before the statement of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that 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 amount 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 or of the Company to meet their obligations as and when they fall due.

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

### (III) AS AT THE DATE OF THIS REPORT

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

### AUDITORS

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

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

**Dato' Goh Cheng Huat**

Director

Penang

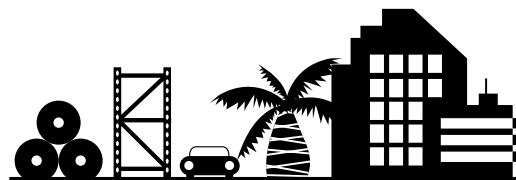
17 April 2017

**Yeoh Cheng Chye**

Director



## Statement by Directors



In the opinion of the Directors, the financial statements set out on pages 48 to 104 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 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 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 33 to the financial statements on page 105 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

**Dato' Goh Cheng Huat**

Director

Penang

17 April 2017

**Yeoh Cheng Chye**

Director

## 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 48 to 105 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 17 April 2017

**Yeoh Cheng Chye**

Before me,

Commissioner for Oaths



# Independent Auditors' Report to the Members of Eonmetall Group Berhad

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Eonmetall Group Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 104.

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 2016, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act, 1965 in Malaysia.

### Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Recoverability of trade receivables

As at 31 December 2016, trade receivables that were past due and not impaired amounted to RM26,145,537. The details of trade receivables and its credit risk have been disclosed in Note 9 and Note 30 to the financial statements respectively.

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

The determination of whether trade receivables are recoverable involves significant management judgement.

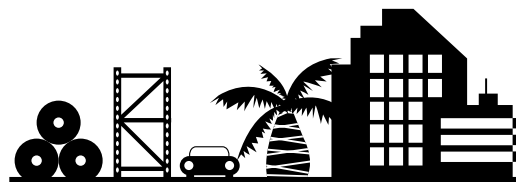
#### *Audit response*

Our audit procedures included the following:

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

# 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, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



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

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

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (Cont'd):

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

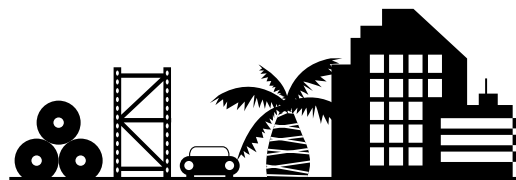
## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' report of the subsidiary of which we have not acted as auditors, which are indicated in Note 7 to the financial statements, being accounts that have been included in the consolidated accounts.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# Independent Auditors' Report

## to the Members of Eonmetall Group Berhad (Cont'd)



### Other Reporting Responsibilities

The supplementary information set out in Note 33 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **BDO**

AF : 0206

Chartered Accountants

Penang

17 April 2017

#### **Ng Soe Kei**

2982/08/17 (J)

Chartered Accountant



# Consolidated Statement of Financial Position

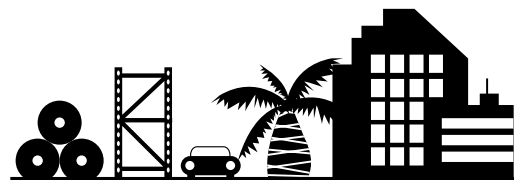
As at 31 December 2016

			Group
	Note	2016 RM	2015 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	95,593,439	102,179,141
Investment properties	6	30,981,324	30,868,650
Deferred tax assets	8	1,624,500	1,624,500
Trade and other receivables	9	0	366,994
		<u>128,199,263</u>	<u>135,039,285</u>
<b>Current assets</b>			
Inventories	10	61,475,844	51,406,678
Trade and other receivables	9	44,943,412	38,573,232
Current tax assets		210,092	349,796
Cash and bank balances	11	2,620,908	2,117,808
		<u>109,250,256</u>	<u>92,447,514</u>
<b>TOTAL ASSETS</b>		<u>237,449,519</u>	<u>227,486,799</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	12	85,585,500	85,585,500
Treasury shares, at cost	12	(782,645)	(781,430)
Reserves	13	71,764,410	63,928,187
		<u>156,567,265</u>	<u>148,732,257</u>
<b>Non-controlling interests</b>		<u>270,544</u>	<u>317,827</u>
<b>TOTAL EQUITY</b>		<u>156,837,809</u>	<u>149,050,084</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	10,294,931	10,660,553
Deferred tax liabilities	8	1,407,400	2,446,440
		<u>11,702,331</u>	<u>13,106,993</u>
<b>Current liabilities</b>			
Trade and other payables	17	11,660,867	18,829,987
Borrowings	15	56,504,952	46,354,870
Current tax liabilities		743,560	144,865
		<u>68,909,379</u>	<u>65,329,722</u>
<b>TOTAL LIABILITIES</b>		<u>80,611,710</u>	<u>78,436,715</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>237,449,519</u>	<u>227,486,799</u>

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

# Statement of Financial Position

As at 31 December 2016



		Company	
		2016	2015
	Note	RM	RM
ASSETS			
Non-current assets			
Investments in subsidiaries	7	124,273,204	124,273,204
Other receivables	9	23,565,331	12,810,184
		147,838,535	137,083,388
Current assets			
Other receivables	9	384,142	384,142
Cash and bank balances	11	5,183	17,949
		389,325	402,091
TOTAL ASSETS		148,227,860	137,485,479
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	12	85,585,500	85,585,500
Treasury shares, at cost	12	(782,645)	(781,430)
Reserves	13	27,565,376	32,989,599
TOTAL EQUITY		112,368,231	117,793,669
LIABILITIES			
Non-current liabilities			
Other payables	17	35,540,229	19,359,675
Current liabilities			
Other payables	17	281,900	289,100
Current tax liabilities		37,500	43,035
		319,400	332,135
TOTAL LIABILITIES		35,859,629	19,691,810
TOTAL EQUITY AND LIABILITIES		148,227,860	137,485,479

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 2016

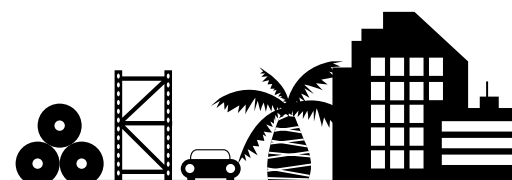
	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	19	<b>105,649,414</b>	79,660,153	<b>0</b>	12,000,000
Cost of sales		<b>(78,509,086)</b>	(61,579,592)	<b>0</b>	0
Gross profit		<b>27,140,328</b>	18,080,561	<b>0</b>	12,000,000
Other income		<b>4,197,866</b>	3,494,262	<b>765,544</b>	1,059,627
Distribution expenses		<b>(3,674,871)</b>	(3,964,693)	<b>0</b>	0
Administrative expenses		<b>(9,724,716)</b>	(8,329,638)	<b>(579,704)</b>	(503,043)
Other expenses		<b>(2,053,614)</b>	(371,057)	<b>(383,142)</b>	(2,941,445)
Finance costs	20	<b>(3,206,531)</b>	(3,343,055)	<b>(953,623)</b>	(773,463)
Profit/(Loss) before tax	21	<b>12,678,462</b>	5,566,380	<b>(1,150,925)</b>	8,841,676
Tax (expense)/income	24	<b>(215,582)</b>	610,208	<b>(56,998)</b>	(43,035)
Profit/(Loss) for the financial year		<b>12,462,880</b>	6,176,588	<b>(1,207,923)</b>	8,798,641
Profit/(Loss) attributable to:		<b>12,461,780</b>	6,173,208	<b>(1,207,923)</b>	8,798,641
Owners of the parent		<b>1,100</b>	3,380	<b>0</b>	0
Non-controlling interest		<b>12,462,880</b>	6,176,588	<b>(1,207,923)</b>	8,798,641
Earnings per ordinary share attributable to equity holders of the Company (sen of share):					
- Basic	25(a)	<b>7.39</b>	3.66		
- Diluted	25(b)	<b>7.39</b>	3.66		

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 2016



	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) for the financial year	12,462,880	6,176,588	(1,207,923)	8,798,641
<b>Items that may be reclassified to profit or loss in subsequent periods:</b>				
Foreign currency translations	<u>(457,640)</u>	<u>(961,538)</u>	<u>0</u>	<u>0</u>
Total comprehensive income/(loss)	<u>12,005,240</u>	<u>5,215,050</u>	<u>(1,207,923)</u>	<u>8,798,641</u>
Total comprehensive income/(loss) attributable to:				
Owners of the parent	12,052,523	5,217,497	(1,207,923)	8,798,641
Non-controlling interests	<u>(47,283)</u>	<u>(2,447)</u>	<u>0</u>	<u>0</u>
	<u>12,005,240</u>	<u>5,215,050</u>	<u>(1,207,923)</u>	<u>8,798,641</u>

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



# Consolidated Statement of Changes in Equity

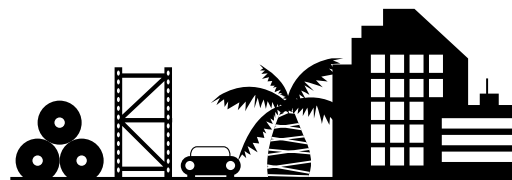
For the Financial Year Ended 31 December 2016

Group	Note	Non-distributable				Distributable				Total attributable to owners of the parent	Non- controlling interests	Total equity
		Share capital	Treasury shares	Share premium	Share option reserve	Translation reserve	Retained earnings	RM	RM	RM	RM	RM
Balance as at 1 January 2015		85,585,500	(780,850)	1,548,580	655,046	(363,308)	56,870,372	143,515,340	320,274	143,835,614		
Profit for the financial year		0	0	0	0	0	6,173,208	6,173,208	3,380	6,176,588		
Foreign currency translations		0	0	0	0	(955,711)	0	(955,711)	(5,827)	(961,538)		
Total comprehensive income/(loss)		0	0	0	0	(955,711)	6,173,208	5,217,497	(2,447)	5,215,050		
<b>Transactions with owners</b>												
Option expired		0	0	0	(655,046)	0	655,046	0	0	0		
Purchase of treasury shares	12	0	(580)	0	0	0	0	(580)	0	(580)		
Total transactions with owners		0	(580)	0	(655,046)	0	655,046	(580)	0	(580)		
Balance as at 31 December 2015		85,585,500	(781,430)	1,548,580	0	(1,319,019)	63,698,626	148,732,257	317,827	149,050,084		

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

# Consolidated Statement of Changes in Equity (Cont'd)

For the Financial Year Ended 31 December 2016



Group	Note	Non-distributable				Distributable			Total equity RM
		Share capital RM	Treasury shares RM	Share premium RM	Translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	
Balance as at 1 January 2016		85,585,500	(781,430)	1,548,580	(1,319,019)	63,698,626	148,732,257	317,827	149,050,084
Profit for the financial year		0	0	0	0	12,461,780	12,461,780	1,100	12,462,880
Foreign currency translations		0	0	0	(409,257)	0	(409,257)	(48,383)	(457,640)
Total comprehensive income/(loss)		0	0	0	(409,257)	12,461,780	12,052,523	(47,283)	12,005,240
<b>Transactions with owners</b>									
Dividend paid	14	0	0	0	0	(4,216,300)	(4,216,300)	0	(4,216,300)
Purchase of treasury shares	12	0	(1,215)	0	0	0	(1,215)	0	(1,215)
Total transactions with owners		0	(1,215)	0	0	(4,216,300)	(4,217,515)	0	(4,217,515)
Balance as at 31 December 2016		85,585,500	(782,645)	1,548,580	(1,728,276)	71,944,106	156,567,265	270,544	156,837,809



# Statement of Changes in Equity

For the Financial Year Ended 31 December 2016

Company	Note	Non-distributable			Distributable		Total Equity
		Share capital	Treasury shares	Share premium	Share option reserve	Retained earnings	
		RM	RM	RM	RM	RM	RM
Balance as at 1 January 2015		85,585,500	(780,850)	1,058,688	1,508,934	21,623,336	108,995,608
Profit for the financial year		0	0	0	0	8,798,641	8,798,641
Other comprehensive income, net of tax		0	0	0	0	0	0
Total comprehensive income		0	0	0	0	8,798,641	8,798,641
<b>Transactions with owners</b>							
Option expired		0	0	0	(1,508,934)	1,508,934	0
Purchase of treasury shares	12	0	(580)	0	0	0	(580)
Total transactions with owners		0	(580)	0	(1,508,934)	1,508,934	(580)
Balance as at 31 December 2015		85,585,500	(781,430)	1,058,688	0	31,930,911	117,793,669
Balance as at 1 January 2016		85,585,500	(781,430)	1,058,688	0	31,930,911	117,793,669
Loss for the financial year		0	0	0	0	(1,207,923)	(1,207,923)
Other comprehensive loss, net of tax		0	0	0	0	0	0
Total comprehensive loss		0	0	0	0	(1,207,923)	(1,207,923)
<b>Transactions with owners</b>							
Dividend paid	14	0	0	0	0	(4,216,300)	(4,216,300)
Purchase of treasury shares	12	0	(1,215)	0	0	0	(1,215)
Total transactions with owners		0	(1,215)	0	0	(4,216,300)	(4,217,515)
Balance as at 31 December 2016		85,585,500	(782,645)	1,058,688	0	26,506,688	112,368,231

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

# Statements of Cash Flows

For the Financial Year Ended 31 December 2016



		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		12,678,462	5,566,380	(1,150,925)	8,841,676
Adjustments for:					
Bad debts written off		180,000	0	0	0
Depreciation of property, plant and equipment	5	4,975,795	3,540,334	0	0
Depreciation of investment properties	6	428,326	422,474	0	0
Gain on disposal of property, plant and equipment		(284,117)	(8,306)	0	0
Dividend income		0	0	0	(12,000,000)
Impairment losses on:					
- investment in subsidiaries	7	0	0	0	2,566,442
- trade receivables	9(h)	1,076,344	9,917	0	0
- other receivables	9(h)	366,994	371,057	366,994	371,057
Interest income		(15,957)	(9,355)	(747,081)	(972,836)
Interest expense	20	3,206,531	3,343,055	953,623	773,463
Inventories written down	10(c)	257,433	777,272	0	0
Gain on fair value adjustment on other receivable		(16,148)	(86,623)	(16,148)	(86,623)
Loss on strike off of a subsidiary		0	0	0	3,946
Reversal of impairment loss on trade receivables	9(h)	(480,000)	0	0	0
Unrealised foreign exchange gain		(1,420,841)	(1,477,258)	0	0
Operating profit/(loss) before changes in working capital		20,952,822	12,448,947	(593,537)	(502,875)
Increase in inventories		(4,299,874)	(7,998,905)	0	0
Increase in trade and other receivables		(6,146,679)	(12,000,058)	0	0
(Decrease)/Increase in trade and other payables		(6,731,976)	11,936,163	(7,200)	(44,400)
Cash generated from/(used in) operations		3,774,293	4,386,147	(600,737)	(547,275)
Tax paid		(637,194)	(462,524)	(62,533)	0
Tax refunded		120,971	0	0	0
Net cash from/(used in) operating activities		3,258,070	3,923,623	(663,270)	(547,275)

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



# Statements of Cash Flows (Cont'd)

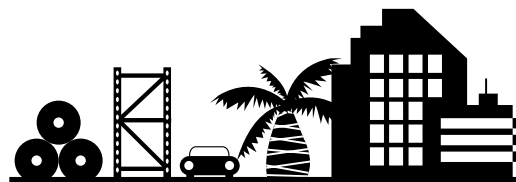
For the Financial Year Ended 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Dividend received from a subsidiary		0	0	0	12,000,000
Purchase of property, plant and equipment	5(e)	(4,281,629)	(5,211,174)	0	0
Addition of investment properties	6	(541,000)	(82,127)	0	0
(Increase)/Decrease in amount owing by subsidiaries		0	0	(11,105,993)	30,835,616
Increase/(Decrease) in amount owing to subsidiaries		0	0	16,180,554	(41,981,443)
Proceeds from disposal of property, plant and equipment		293,928	2,742,312	0	0
Interest received		15,957	9,355	747,081	972,836
Acquisition of additional shares in an existing subsidiary		0	0	0	(500,000)
Net cash (used in)/from investing activities		<u>(4,512,744)</u>	<u>(2,541,634)</u>	<u>5,821,642</u>	<u>1,327,009</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Drawdown from short term borrowings		75,973,000	9,853,000	0	0
Proceeds from term loan		6,500,000	0	0	0
Repayment of:					
- short term borrowings		(73,045,000)	0	0	0
- term loans		(5,444,600)	(5,214,968)	0	0
- hire purchase creditors		(160,724)	(447,215)	0	0
Purchase of treasury shares	12	(1,215)	(580)	(1,215)	(580)
Interests paid		(3,206,531)	(3,343,055)	(953,623)	(773,463)
Dividend paid	14	(4,216,300)	0	(4,216,300)	0
Net cash (used in)/from financing activities		<u>(3,601,370)</u>	<u>847,182</u>	<u>(5,171,138)</u>	<u>(774,043)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(4,856,044)</u>	<u>2,229,171</u>	<u>(12,766)</u>	<u>5,691</u>
Effect of exchange rate changes on cash and cash equivalents		(457,640)	(961,538)	0	0
Cash and cash equivalents at beginning of financial year		<u>(3,060,321)</u>	<u>(4,327,954)</u>	<u>17,949</u>	<u>12,258</u>
Cash and cash equivalents at end of financial year	11(b)	<u>(8,374,005)</u>	<u>(3,060,321)</u>	<u>5,183</u>	<u>17,949</u>

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

# Notes to the Financial Statements

31 December 2016



## 1. CORPORATE INFORMATION

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

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

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

The consolidated financial statements for the financial year ended 31 December 2016 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 17 April 2017.

## 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, 1965 in Malaysia.

However, Note 33 to the financial statements has been prepared in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

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

## 4. OPERATING SEGMENTS

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

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

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

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



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 4. OPERATING SEGMENTS (Cont'd)

Performance is measured based on segment operating profit as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment.

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

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

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

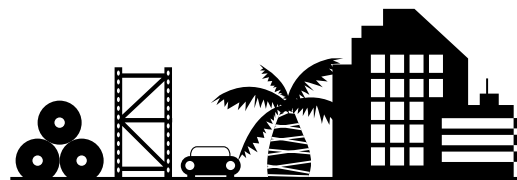
Segment liabilities exclude tax liabilities.

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



# Notes to the Financial Statements (Cont'd)

31 December 2016



## 4. OPERATING SEGMENTS (Cont'd)

2015	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
Revenue				
Total revenue	22,502,156	85,692,227	33,781,252	141,975,635
Inter-segment revenue	(6,073,225)	(23,511,810)	(32,730,447)	(62,315,482)
Revenue from external customers	16,428,931	62,180,417	1,050,805	79,660,153
Interest income	1,266	8,089	0	9,355
Finance costs	(1,483,057)	(1,323,575)	(536,423)	(3,343,055)
Net finance expense	(1,481,791)	(1,315,486)	(536,423)	(3,333,700)
Depreciation	940,691	2,320,372	701,745	3,962,808
<b>Segment profit/(loss) before income tax</b>	<b>1,145,741</b>	<b>6,019,323</b>	<b>(1,101,779)</b>	<b>6,063,285</b>
Tax (expenses)/income	(85,300)	846,979	(151,471)	610,208
Other non-cash items				
- Impairment losses on trade and other receivables	(9,917)	0	(371,057)	(380,974)
- Inventories written down	(777,272)	0	0	(777,272)
Additions to non-current assets other than financial instruments and deferred tax assets	34,216	3,647,150	1,611,935	5,293,301
<b>Segment assets</b>	<b>78,178,730</b>	<b>117,134,024</b>	<b>30,199,749</b>	<b>225,512,503</b>
<b>Segment liabilities</b>	<b>18,002,856</b>	<b>25,995,778</b>	<b>31,846,776</b>	<b>75,845,410</b>

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

	2016 RM	2015 RM
<b>Revenue</b>		
Total revenue for reportable segments	<b>168,513,674</b>	141,975,635
Elimination of inter-segmental revenues	<b>(62,864,260)</b>	(62,315,482)
Revenue per consolidated statement of profit or loss and other comprehensive income	<b>105,649,414</b>	79,660,153



# Notes to the Financial Statements (Cont'd)

31 December 2016

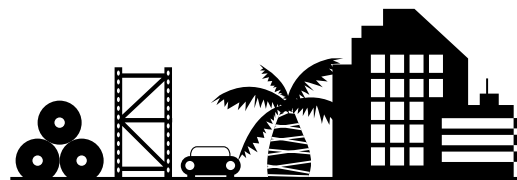
## 4. OPERATING SEGMENTS (Cont'd)

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

	2016 RM	2015 RM
<b>Depreciation</b>		
Depreciation of property, plant and equipment	4,975,795	3,540,334
Depreciation of investment properties	428,326	422,474
Depreciation as per consolidated statement of profit or loss and other comprehensive income	5,404,121	3,962,808
<b>Profit for the financial year</b>		
Total profit for reportable segments	8,234,932	6,063,285
Adjustment for inter-segmental profits	4,443,530	(496,905)
Profit before tax	12,678,462	5,566,380
Tax income/(expenses)	(215,582)	610,208
Profit for the financial year	12,462,880	6,176,588
<b>Assets</b>		
Total assets for reportable segments	235,614,927	225,512,503
Current tax assets	210,092	349,796
Deferred tax assets	1,624,500	1,624,500
Assets of the Group per consolidated statement of financial position	237,449,519	227,486,799
<b>Liabilities</b>		
Total liabilities for reportable segments	78,460,750	75,845,410
Current tax liabilities	743,560	144,865
Deferred tax liabilities	1,407,400	2,446,440
Liabilities of the Group per consolidated statement of financial position	80,611,710	78,436,715

# Notes to the Financial Statements (Cont'd)

31 December 2016



## 4. OPERATING SEGMENTS (Cont'd)

### Geographical information

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

	Revenue		Non-current assets	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	59,824,390	56,745,341	126,574,763	133,414,785
Bangladesh	2,897,258	0	0	0
Indonesia	1,344,562	946,736	0	0
Philippines	5,811,724	739,474	0	0
Singapore	3,428,375	4,515,043	0	0
Sri Lanka	4,329,144	1,516,467	0	0
Middle-east countries	19,933,500	10,813,546	0	0
Vietnam	3,440,000	0	0	0
Others	4,640,461	4,383,546	0	0
Consolidated	<u>105,649,414</u>	<u>79,660,153</u>	<u>126,574,763</u>	<u>133,414,785</u>

### Major customer

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

	Revenue		Segment
	2016 RM	2015 RM	
Customer A	<u>16,959,491</u>	<u>9,191,543</u>	Steel product and trading activity



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 5. PROPERTY, PLANT AND EQUIPMENT

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

# Notes to the Financial Statements (Cont'd)

31 December 2016



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

Group	Balance as at 1.1.2015 RM	Additions RM	Disposals RM	Reclassification RM	Depreciation charge for the financial year RM	Balance as at 31.12.2015 RM
<b>Carrying amount</b>						
Freehold land	25,582,497	0	0	0	0	25,582,497
Buildings	41,059,894	257,820	0	0	(976,264)	40,341,450
Plant and machinery, moulds, tools and equipment	20,743,291	4,104,095	(2,344,513)	6,989,064	(2,020,960)	27,470,977
Furniture, fittings, office equipment and computer software	515,635	821,316	(2,569)	0	(272,230)	1,062,152
Motor vehicles	922,046	1,973	(386,924)	0	(189,243)	347,852
Electrical installation and renovation	196,737	0	0	0	(81,637)	115,100
Capital work-in-progress	14,222,207	25,970	0	(6,989,064)	0	7,259,113
	<u>103,242,307</u>	<u>5,211,174</u>	<u>(2,734,006)</u>	<u>0</u>	<u>(3,540,334)</u>	<u>102,179,141</u>



# Notes to the Financial Statements (Cont'd)

31 December 2016

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

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

	2015		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
<b>Group</b>			
Freehold land	25,582,497	0	25,582,497
Buildings	45,527,586	5,186,136	40,341,450
Plant and machinery, moulds, tools and equipment	57,301,178	29,830,201	27,470,977
Furniture, fittings, office equipment and computer software	3,655,577	2,593,425	1,062,152
Motor vehicles	3,561,195	3,213,343	347,852
Electrical installation and renovation	1,148,524	1,033,424	115,100
Capital work-in-progress	7,259,113	0	7,259,113
	<u>144,035,670</u>	<u>41,856,529</u>	<u>102,179,141</u>

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

# Notes to the Financial Statements (Cont'd)

31 December 2016



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

(d) The net carrying amount of property, plant and equipment held under hire purchase is as follows:

	Group	
	2016	2015
	RM	RM
Motor vehicles	<u>126,848</u>	<u>172,148</u>

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

	Group	
	2016	2015
	RM	RM
Purchase of property, plant and equipment	4,426,629	5,211,174
Additions via hire purchase	<u>(145,000)</u>	<u>0</u>
Cash outflow for acquisition of property, plant and equipment	<u>4,281,629</u>	<u>5,211,174</u>

(f) As at 31 December 2016, property, plant and equipment of the Group with a carrying amount of RM33,967,370 (2015: RM21,651,925) have been charged to banks for credit facilities granted to the Group as disclosed in Note 15(c) to the financial statements.

## 6. INVESTMENT PROPERTIES

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

#### Carrying amount

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

	Balance as at 1.1.2015 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2015 RM
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### Group

#### Carrying amount

Freehold land	11,265,000	0	0	11,265,000
Building	<u>19,943,997</u>	<u>82,127</u>	<u>(422,474)</u>	<u>19,603,650</u>
	<u>31,208,997</u>	<u>82,127</u>	<u>(422,474)</u>	<u>30,868,650</u>

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.



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 6. INVESTMENT PROPERTIES (Cont'd)

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

The fair value of the investment property at the end of the reporting period is RM37,100,000 (2015: RM37,100,000).

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

Investment properties are charged to a financial institution for banking facilities granted to the Group as disclosed in Note 15(c) to the financial statements.

Direct operating expenses arising from investment properties generating rental income of RM952,200 (2015: RM952,200) during the financial year are RM823,026 (2015: RM957,553).

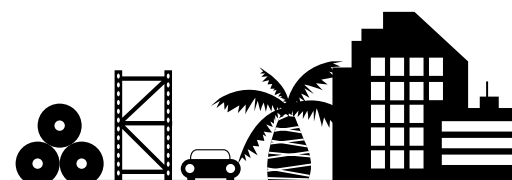
## 7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	2015
At cost :	RM	RM
Unquoted ordinary shares	59,768,948	59,768,948
Redeemable preference shares	68,000,000	68,000,000
Less : Accumulated impairment loss	(3,495,744)	(3,495,744)
	<u>124,273,204</u>	<u>124,273,204</u>

Details of the subsidiaries are as follows :

Name of company	Country of incorporation	Effective ownership interest		Principal activities
		2016	2015	
		%	%	
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
Eontarr IT Solutions Sdn. Bhd. #	Malaysia	100	100	Provider of IT solutions including software development
Eonchem Technology Sdn. Bhd. #	Malaysia	100	100	Manufacture of industrial process machinery and equipment
Eonsteel Sdn. Bhd. #	Malaysia	100	100	Property holding, manufacture and trading of steel products





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

Name of company	Country of incorporation	Effective ownership interest		Principal activities
		2016 %	2015 %	
Eonmetall International Limited #	Malaysia	100	100	Investment holding
Eonchem Biomass Sdn. Bhd. #	Malaysia	100	100	Manufacture of palm oil related products
Eonsteel Sarawak Sdn. Bhd. #	Malaysia	100	100	Dormant
<b>Subsidiary of Eonmetall International Limited</b>				
PT Eonmetall Investment ^	Indonesia	88	88	Dormant

# Subsidiaries audited by BDO Malaysia

^ Subsidiary audited by BDO Member Firms

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

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

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

- (b) In previous financial year,

- an impairment loss on investments in subsidiaries amounted to RM2,566,442 was recognised due to declining business operations.
- the Company further invested in the capital of its wholly-owned subsidiary, Eonsteel Sdn. Bhd., by way of subscribing for 500,000 ordinary shares of RM1 each at par value for cash.
- the Company's wholly-owned subsidiary, Eonmetall International Limited ('EIL') received the approval in principle from Badan Koordinasi Penanaman Modal of Indonesia, on the establishment of PT. Kelapa Agro Jaya of which EIL held 95% of ordinary shares. However, PT. Kelapa Agro Jaya was struck off in previous financial year.
- the Company further invested in the capital of its wholly-owned subsidiary, Eonchem Biomass Sdn. Bhd., by way of subscribing for 100,000 Redeemable Preference Shares ('RPS') of RM1 each at an issue price of RM100 per RPS at a premium of RM99 per RPS which was satisfied by way of capitalisation of the amount due from Eonchem Biomass Sdn. Bhd..
- the Company further invested in the capital of its wholly-owned subsidiary, Eonmetall Industries Sdn. Bhd., by way of subscribing for 400,000 redeemable preference shares of RM1 each at an issue price of RM100 per RPS at a premium of RM99 per RPS which was satisfied by way of capitalisation of the amount due from Eonmetall Industries Sdn. Bhd..



# Notes to the Financial Statements (Cont'd)

31 December 2016

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

(b) In previous financial year, (Cont'd)

- the Company further invested in the capital of its wholly-owned subsidiary, Eonsteel Sdn. Bhd., by way of subscribing for 180,000 redeemable preference shares of RM1 each at an issue price of RM100 per RPS at a premium of RM99 per RPS which was satisfied by way of capitalisation of the amount due from Eonsteel Sdn. Bhd..

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

	PT Eonmetall Investment	
	2016	2015
NCI percentage of ownership interest and voting interest	12%	12%
Carrying amount of NCI (RM)	<u>270,544</u>	<u>317,827</u>
Total comprehensive loss allocated to NCI (RM)	<u>47,283</u>	<u>3,380</u>

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

	PT Eonmetall Investment	
	2016	2015
	RM	RM
<b>Assets and liabilities</b>		
Current assets	2,710,649	3,114,655
Current liabilities	<u>(456,116)</u>	<u>(466,097)</u>
Net assets	<u>2,254,533</u>	<u>2,648,558</u>
<b>Results</b>		
Revenue	0	0
Profit for the financial year	9,163	28,167
Other comprehensive loss	<u>(403,188)</u>	<u>0</u>
Total comprehensive income	<u>(394,025)</u>	<u>28,167</u>
Cash flows (used in)/from operating activities	<u>(672)</u>	<u>845</u>
Net (decrease)/increase in cash and bank balances	<u>(672)</u>	<u>845</u>



## 8. DEFERRED TAX (ASSETS)/LIABILITIES

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

	Group	
	2016 RM	2015 RM
Balance as at 1 January	821,940	1,707,840
Recognised in profit or loss (Note 24)	(838,740)	(827,100)
Overprovision of deferred tax in prior years	(200,300)	(58,800)
Balance as at 31 December	<u>(217,100)</u>	<u>821,940</u>
Presented after appropriate offsetting:		
Deferred tax assets	(1,624,500)	(1,624,500)
Deferred tax liabilities	<u>1,407,400</u>	<u>2,446,440</u>
	<u>(217,100)</u>	<u>821,940</u>

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

	Assets		Liabilities		Net	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Property, plant and equipment	0	0	6,620,700	7,838,240	6,620,700	7,838,240
Unabsorbed losses	(699,800)	(653,500)	0	0	(699,800)	(653,500)
Unutilised reinvestment allowances	<u>(6,138,000)</u>	<u>(6,362,800)</u>	<u>0</u>	<u>0</u>	<u>(6,138,000)</u>	<u>(6,362,800)</u>
Tax (assets)/liabilities	<u>(6,837,800)</u>	<u>(7,016,300)</u>	<u>6,620,700</u>	<u>7,838,240</u>	<u>(217,100)</u>	<u>821,940</u>
Set off	<u>5,213,300</u>	<u>5,391,800</u>	<u>(5,213,300)</u>	<u>(5,391,800)</u>	<u>0</u>	<u>0</u>
Net tax (assets)/liabilities	<u>(1,624,500)</u>	<u>(1,624,500)</u>	<u>1,407,400</u>	<u>2,446,440</u>	<u>(217,100)</u>	<u>821,940</u>

### 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 2016	(6,362,800)	(653,500)	7,838,240	821,940
Recognised in profit or loss (Note 24)	224,800	(46,300)	(1,217,540)	(1,039,040)
Balance as at 31 December 2016	<u>(6,138,000)</u>	<u>(699,800)</u>	<u>6,620,700</u>	<u>(217,100)</u>
Balance as at 1 January 2015	(5,675,000)	(383,000)	7,765,840	1,707,840
Recognised in profit or loss (Note 24)	(687,800)	(270,500)	72,400	(885,900)
Balance as at 31 December 2015	<u>(6,362,800)</u>	<u>(653,500)</u>	<u>7,838,240</u>	<u>821,940</u>



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 8. DEFERRED TAX (ASSETS)/LIABILITIES (Cont'd)

- (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 are as follows:

	Group	
	2016	2015
	RM	RM
Taxable temporary differences	22,310,117	22,927,367
Unabsorbed tax losses	(2,677,700)	(2,962,100)
Unabsorbed capital allowances	(7,785,700)	(12,682,300)
Unutilised reinvestment allowance	(46,986,300)	(46,986,300)
	<u>(35,139,583)</u>	<u>(39,703,333)</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.

## 9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM

### Current

#### Trade receivables

Third parties	37,344,309	31,200,537	0	0
Amounts owing by related parties	9,235,647	4,791,897	0	0
Amounts due from contract customers (Note (e))				
- Third parties	3,180,325	4,958,423	0	0
	49,760,281	40,950,857	0	0
Less: Impairment loss				
- Third parties	(11,013,284)	(10,416,940)	0	0
	38,746,997	30,533,917	0	0

#### Other receivables

Other receivables	5,653,106	7,669,943	1,497,536	1,130,542
Deposits	771,764	416,737	1,000	1,000
	6,424,870	8,086,680	1,498,536	1,131,542
Less: Impairment loss				
- Other receivables	(1,114,394)	(747,400)	(1,114,394)	(747,400)
	5,310,476	7,339,280	384,142	384,142

# Notes to the Financial Statements (Cont'd)

31 December 2016



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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
<b>Loan and receivables</b>	<b>44,057,473</b>	37,873,197	<b>384,142</b>	384,142
Prepayments	<u>885,939</u>	<u>700,035</u>	<u>0</u>	<u>0</u>
<b>Current trade and other receivables</b>	<b>44,943,412</b>	38,573,232	<b>384,142</b>	384,142
<b>Non-current</b>				
<b>Other receivables</b>				
Amounts owing by subsidiaries	0	0	27,015,408	15,893,267
Other receivables	0	366,994	0	366,994
	0	366,994	27,015,408	16,260,261
Less: Impairment loss				
- Subsidiaries	0	0	(3,450,077)	(3,450,077)
<b>Loan and receivables</b>	<b>0</b>	366,994	<b>23,565,331</b>	12,810,184
<b>Total trade and other receivables</b>	<b><u>44,943,412</u></b>	<u>38,940,226</u>	<b><u>23,949,473</u></b>	<u>13,194,326</u>

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 60 days (2015: 30 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables third parties is an amount of RM9,513,405 (2015: RM3,864,150) which will be paid based on agreed terms of instalment.

- (b) Included in other receivables of the Group was an amount owing by a third party in relation to a partial disposal of a subsidiary company, PT Eonmetall Investment, in prior years amounting to RM312,900 (2015: RM218,400).

Included in other receivables of the Group were advances to a supplier amounting to RM1,248,450 (2015: RM3,717,841).

- (c) Non-current other receivable of the Company represents deferred consideration for the disposal of a subsidiary, EPC in prior year. The amount is unsecured and interest-free.
- (d) Non-current amounts owing by subsidiaries (non-trade) are unsecured, interest bearing ranging from 4.46% to 4.61% (2015: 4.49% to 4.68%) per annum and repayable upon demand in cash and cash equivalents.
- (e) Amounts due from contract customers

	Group	
	2016	2015
	RM	RM
Aggregate costs incurred to date	31,064,812	32,575,637
Add : Attributable profits	<u>19,558,235</u>	<u>19,402,231</u>
	50,623,047	51,977,868
Less : Progress billings	<u>(47,442,722)</u>	<u>(47,019,445)</u>
	<u>3,180,325</u>	<u>4,958,423</u>



# Notes to the Financial Statements (Cont'd)

31 December 2016

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

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	28,000,949	27,773,253	23,949,473	13,194,326
United State Dollar	16,714,302	10,271,231	0	0
Singapore Dollar	213,518	88,631	0	0
Euro Dollar	14,643	807,111	0	0
	<b>44,943,412</b>	<b>38,940,226</b>	<b>23,949,473</b>	<b>13,194,326</b>

(g) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	2016	2015
	RM	RM
Neither past due nor impaired	12,601,460	18,809,272
Past due, not impaired		
1 to 30 days	3,995,894	1,809,018
31 to 120 days	5,789,316	3,819,640
121 to 365 days	7,554,183	4,214,523
More than 365 days	8,806,144	1,881,464
	26,145,537	11,724,645
Past due and impaired	11,013,284	10,416,940
	<b>49,760,281</b>	<b>40,950,857</b>

### Trade receivables that are neither past due nor impaired

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

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

	Group	
	2016	2015
	RM	RM
Counterparties without external credit ratings		
- Group A	2,457,322	7,523,470
- Group B	10,144,138	11,285,802
Total unimpaired trade receivables	<b>12,601,460</b>	<b>18,809,272</b>

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

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



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

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

### Trade receivables that are past due but not impaired

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

### Trade receivables that are past due and impaired

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

	Individually impaired	
	2016 RM	2015 RM
<b>Group</b>		
Trade receivables, gross	20,466,150	10,416,940
Less: Impairment loss	(11,013,284)	(10,416,940)
	<u>9,452,866</u>	<u>0</u>

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Trade receivables</b>				
Balance as at 1 January	10,416,940	10,407,023	0	0
Charge for the financial year (Note 21)	1,076,344	9,917	0	0
Reversal of impairment loss (Note 21)	(480,000)	0	0	0
Balance as at 31 December	11,013,284	10,416,940	0	0
<b>Other receivables</b>				
Balance as at 1 January	747,400	376,343	4,197,477	3,826,420
Charge for the financial year (Note 21)	366,994	371,057	366,994	371,057
Balance as at 31 December	1,114,394	747,400	4,564,471	4,197,477
	<u>12,127,678</u>	<u>11,164,340</u>	<u>4,564,471</u>	<u>4,197,477</u>

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

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

- (i) Information on financial risks of trade and other receivables is disclosed in Note 30 to the financial statements.



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 10. INVENTORIES

	Group	
	2016	2015
	RM	RM
<b>At cost</b>		
Raw materials	16,144,890	15,531,611
Work-in-progress	29,516,071	19,635,051
Manufactured inventories	7,904,822	5,930,661
	<u>53,565,783</u>	<u>41,097,323</u>
<b>At net realisable value</b>		
Raw materials	1,368,709	2,043,949
Work-in-progress	5,815,358	7,193,324
Manufactured inventories	725,994	1,072,082
	<u>7,910,061</u>	<u>10,309,355</u>
<b>Total</b>	<u>61,475,844</u>	<u>51,406,678</u>

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

During current financial year, the Group has written down inventories by RM257,433 (2015: RM777,272) to net realisable value.

## 11. CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash and bank balances	<u>2,620,908</u>	<u>2,117,808</u>	<u>5,183</u>	<u>17,949</u>



# Notes to the Financial Statements (Cont'd)

31 December 2016



## 11. CASH AND BANK BALANCES (Cont'd)

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	1,721,244	1,678,870	5,183	17,949
United State Dollar	530,190	249,024	0	0
Singapore Dollar	346,550	171,890	0	0
Euro Dollar	19,529	18,024	0	0
Others	3,395	0	0	0
	<u>2,620,908</u>	<u>2,117,808</u>	<u>5,183</u>	<u>17,949</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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash and bank balances	2,620,908	2,117,808	5,183	17,949
Bank overdrafts included in borrowings (Note 15)	<u>(10,994,913)</u>	<u>(5,178,129)</u>	<u>0</u>	<u>0</u>
	<u>(8,374,005)</u>	<u>(3,060,321)</u>	<u>5,183</u>	<u>17,949</u>

(c) Information on financial risks of cash and bank balances is disclosed in Note 30 to the financial statements.

## 12. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of shares	RM	Number of shares	RM
Ordinary shares of RM0.50 each:				
Authorised	<u>200,000,000</u>	<u>100,000,000</u>	<u>200,000,000</u>	<u>100,000,000</u>
Issued and fully paid	<u>171,171,000</u>	<u>85,585,500</u>	<u>171,171,000</u>	<u>85,585,500</u>

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.



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 12. SHARE CAPITAL (Cont'd)

### Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 24 May 2016, renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2016		2015	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January	(2,518,000)	(781,430)	(2,516,000)	(780,850)
Purchase of treasury shares	(2,000)	(1,215)	(2,000)	(580)
Balance as at 31 December	<u>(2,520,000)</u>	<u>(782,645)</u>	<u>(2,518,000)</u>	<u>(781,430)</u>

During the financial year, the Company repurchased a total of 2,000 (2015: 2,000) of its issued ordinary shares from the open market at an average price of RM0.61 (2015: RM0.29) per share. The total consideration paid for the repurchase was RM1,215 (2015: RM580). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia.

As at 31 December 2016, 2,520,000 (2015: 2,518,000) out of the total 171,171,000 (2015: 171,171,000) issued and fully paid ordinary shares are held as treasury shares by the Company. The number of ordinary shares of RM0.50 each in issue and fully paid as at 31 December 2016 after excluding the treasury share is 168,651,000 (2015: 168,653,000).

None of the treasury shares held were resold or cancelled during the financial year. Treasury shares have no rights to voting, dividends or participation in other distribution.

## 13. RESERVES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Non-distributable:</b>				
Share premium	1,548,580	1,548,580	1,058,688	1,058,688
Translation reserve	(1,728,276)	(1,319,019)	0	0
	<u>(179,696)</u>	<u>229,561</u>	<u>1,058,688</u>	<u>1,058,688</u>
<b>Distributable:</b>				
Retained earnings	71,944,106	63,698,626	26,506,688	31,930,911
	<u>71,764,410</u>	<u>63,928,187</u>	<u>27,565,376</u>	<u>32,989,599</u>

### (a) Share premium

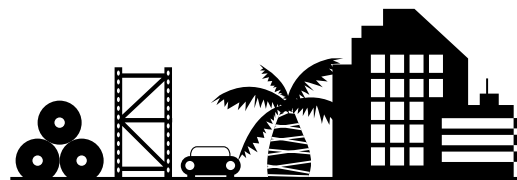
The share premium account for the Group and the Company arose from the public issue in year 2005 and the issuance of shares under Employee Shares Option Scheme.

### (b) Translation reserve

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

# Notes to the Financial Statements (Cont'd)

31 December 2016



## 14. DIVIDENDS

	2016 Dividend per share %	Amount of dividend RM
A single tier interim dividend paid in respect of financial year ended 31 December 2016	<u>5</u>	<u>4,216,300</u>

## 15. BORROWINGS

	Group 2016 RM	2015 RM
<b>Current</b>		
<i>Secured</i>		
Term loans	6,800,397	5,342,589
Hire purchase creditors (Note 16)	85,642	138,152
Bank overdrafts (Note 11 (b))	10,994,913	5,178,129
Bankers' acceptances	28,874,000	26,696,000
Revolving credit	9,750,000	9,000,000
	<u>56,504,952</u>	<u>46,354,870</u>
<b>Non-current</b>		
<i>Secured</i>		
Term loans	10,193,130	10,595,538
Hire purchase creditors (Note 16)	101,801	65,015
	<u>10,294,931</u>	<u>10,660,553</u>
<b>Total borrowings</b>		
Bank overdrafts (Note 11 (b))	10,994,913	5,178,129
Bankers' acceptances	28,874,000	26,696,000
Revolving credit	9,750,000	9,000,000
Term loans	16,993,527	15,938,127
Hire purchase creditors (Note 16)	187,443	203,167
	<u>66,799,883</u>	<u>57,015,423</u>



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 15. BORROWINGS (Cont'd)

(a) All borrowings are denominated in RM.

(b) Interest rates

### Term loans

- floating rates 0.50% to 1.50% (2015: 0.50% to 1.50%) below prevailing base lending rates per annum

0.60% to 2% (2015 : 0.60%) above cost of funds or prevailing base lending rates per annum

- fixed rates 6.75% (2015 : 6.75%) per annum

Hire purchase creditors 4.70% to 5.97% (2015: 4.34% to 7.60%) per annum

Bank overdrafts 0.55% to 1.75% (2015: 0.75% to 1.75%) above prevailing base lending rates per annum

Bankers' acceptances, and revolving credit 0.75% to 1.25% (2015: 0.75% to 1.60%) above cost of funds per annum

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

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

	Note	2016 RM	2015 RM
Freehold land and buildings	5(f)	<b>33,967,370</b>	21,651,925
Investment properties	6	<b><u>30,981,324</u></b>	<u>30,868,650</u>

(ii) corporate guarantee of RM66,028,088 (2015: RM52,044,891) from the Company.

# Notes to the Financial Statements (Cont'd)

31 December 2016



## 15. BORROWINGS (Cont'd)

(d) Borrowings are repayable as follows:

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>Group</b>						
<b>2016</b>						
<b>Secured</b>						
Term loans	2017 - 2021	16,993,527	6,800,397	5,155,871	5,037,259	0
Hire purchase creditors	2017 - 2021	187,443	85,642	35,876	65,925	0
Bank overdrafts	2017	10,994,913	10,994,913	0	0	0
Bankers' acceptances	2017	28,874,000	28,874,000	0	0	0
Revolving credit	2017	9,750,000	9,750,000	0	0	0
		<b>66,799,883</b>	<b>56,504,952</b>	<b>5,191,747</b>	<b>5,103,184</b>	<b>0</b>
<b>Group</b>						
<b>2015</b>						
<b>Secured</b>						
Term loans	2016 - 2020	15,938,127	5,342,589	5,490,860	5,104,678	0
Hire purchase creditors	2016 - 2018	203,167	138,152	57,989	7,026	0
Bank overdrafts	2016	5,178,129	5,178,129	0	0	0
Bankers' acceptances	2016	26,696,000	26,696,000	0	0	0
Revolving credit	2016	9,000,000	9,000,000	0	0	0
		<b>57,015,423</b>	<b>46,354,870</b>	<b>5,548,849</b>	<b>5,111,704</b>	<b>0</b>

(e) Information on financial risks of borrowings is disclosed in Note 30 to the financial statements.

## 16. HIRE PURCHASE CREDITORS

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Minimum hire purchase payments:		
- not later than one (1) year	93,041	144,942
- later than one (1) year but not later than five (5) years	110,733	66,531
Total minimum hire purchase payments	203,774	211,473
Less : Future interest charges	(16,331)	(8,306)
Present value of hire purchase	187,443	203,167



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 16. HIRE PURCHASE CREDITORS (Cont'd)

	Group	
	2016	2015
	RM	RM
Repayable as follows:		
Current liabilities		
- not later than one (1) year	85,642	138,152
Non-current liabilities		
- later than one (1) year but not later than five (5) years	101,801	65,015
	<b>187,443</b>	<b>203,167</b>

- (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 30 to the financial statements.

## 17. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM

### Current

#### Trade payables

Amounts owing to related parties	904,594	735,245	0	0
Third parties	6,197,420	6,225,454	0	0
	<b>7,102,014</b>	<b>6,960,699</b>	<b>0</b>	<b>0</b>

#### Other payables

Accrued expenses	1,853,896	1,711,908	281,900	289,100
Amount owing to related party	58,024	0	0	0
Other payables	2,646,933	10,157,380	0	0
	<b>4,558,853</b>	<b>11,869,288</b>	<b>281,900</b>	<b>289,100</b>

### Non-current

#### Other payables

Amounts owing to subsidiaries	0	0	35,540,229	19,359,675
	<b>11,660,867</b>	<b>18,829,987</b>	<b>35,822,129</b>	<b>19,648,775</b>

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2015: 30 to 60 days).
- (b) The amount owing to a related party is non-trade in nature, unsecured, interest-free and repayable upon demand in cash and cash equivalents.
- (c) Non-current amounts owing to subsidiaries (non-trade) are unsecured, interest bearing ranging from 4.46% to 4.61% (2015: 4.49% to 4.68%) per annum and repayable upon demand in cash and cash equivalents.



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

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	8,396,754	15,642,421	35,822,129	19,648,775
United State Dollar	3,077,690	2,786,521	0	0
Euro Dollar	183,402	0	0	0
Singapore Dollar	3,021	0	0	0
Chinese Yuan	0	401,045	0	0
	<u>11,660,867</u>	<u>18,829,987</u>	<u>35,822,129</u>	<u>19,648,775</u>

(e) Information on financial risks of trade and other payables is disclosed in Note 30 to the financial statements.

## 18. CONTINGENT LIABILITIES

	Company	
	2016	2015
	RM	RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries - unsecured	<u>66,028,088</u>	<u>52,044,891</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 2016 to be insignificant.

## 19. REVENUE

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Invoiced value of goods sold less discounts and returns	96,282,436	79,559,075	0	0
Contract revenue	9,366,978	101,078	0	0
Gross dividend from a subsidiary	0	0	0	12,000,000
	<u>105,649,414</u>	<u>79,660,153</u>	<u>0</u>	<u>12,000,000</u>

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



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 19. REVENUE (Cont'd)

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

(a) Sale of goods

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

(b) Construction contracts

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

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

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

(c) Dividend income

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

(d) Interest income

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

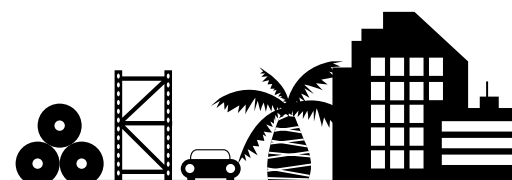
## 20. FINANCE COSTS

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Interest expenses on:				
- amounts owing to subsidiaries	0	0	953,623	773,463
- bank overdrafts	381,302	332,410	0	0
- bankers' acceptances	1,196,441	1,106,121	0	0
- hire purchase	15,029	19,023	0	0
- revolving credit	465,553	498,598	0	0
- term loans	922,248	1,210,682	0	0
- others	225,958	176,221	0	0
	<b>3,206,531</b>	<b>3,343,055</b>	<b>953,623</b>	<b>773,463</b>



# Notes to the Financial Statements (Cont'd)

31 December 2016



## 21. PROFIT/(LOSS) BEFORE TAX

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

Note	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration:				
- statutory audits	187,897	168,145	28,600	0
- other services	25,500	37,150	25,500	0
Bad debts written off	180,000	0	0	0
Depreciation of:				
- property, plant and equipment	5 4,975,795	3,540,334	0	0
- investment properties	6 428,326	422,474	0	0
Directors' emoluments				
- fees	270,000	270,000	270,000	270,000
- other emoluments	2,331,670	2,062,578	28,500	29,500
Impairment losses on:				
- trade receivables	9(h) 1,076,344	9,917	0	0
- other receivables	9(h) 366,994	371,057	366,994	371,057
- investments in subsidiaries	0	0	0	2,566,442
Loss on strike off of a subsidiary	0	0	0	3,946
Rental of premises	71,482	7,686	0	0
Research and development expenses	457,235	422,651	0	0
Inventories written down	10(c) 257,433	777,272	0	0

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

Note	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Gain on disposal of property, plant and equipment	284,117	8,306	0	0
Gain on fair value adjustment on other receivable	16,148	86,623	16,148	86,623
Insurance compensation	2,419	150,500	2,314	0
Realised foreign exchange gain	140,768	722,382	0	0
Unrealised foreign exchange gain	1,420,841	1,477,258	0	0
Interest income	15,957	9,355	0	0
Interest charged to subsidiaries	0	0	747,081	972,836
Rental of premise	1,118,304	938,304	0	0
Reversal of impairment loss on trade receivables	9(h) 480,000	0	0	0



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 22. KEY MANAGEMENT PERSONNEL REMUNERATIONS

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

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Executive directors and other key management personnel				
- fees	72,000	72,000	72,000	72,000
- remuneration	2,362,018	1,957,089	8,000	8,000
	<u>2,434,018</u>	<u>2,029,089</u>	<u>80,000</u>	<u>80,000</u>

## 23. EMPLOYEES BENEFITS

	Group	
	2016	2015
	RM	RM
Wages, salaries, bonuses and incentive	11,567,460	10,116,883
Contributions to defined contribution plan	900,835	791,556
Social security contributions	63,830	75,003
Other benefits	489,255	476,511
	<u>13,021,380</u>	<u>11,459,953</u>

Included in the staff costs above are an amount of RM457,235 (2015: RM422,651) charged out as research and development expenses.

## 24. TAX EXPENSE/(INCOME)

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Current tax expense based on profit/(loss) for the financial year	1,237,076	310,200	57,000	43,100
Under/(Over)provision in prior years	17,546	(34,508)	(2)	(65)
	<u>1,254,622</u>	<u>275,692</u>	<u>56,998</u>	<u>43,035</u>
Deferred tax (Note 8):				
Relating to origination and reversal of temporary differences	(838,740)	(827,100)	0	0
Overprovision in prior years	(200,300)	(58,800)	0	0
	<u>(1,039,040)</u>	<u>(885,900)</u>	<u>0</u>	<u>0</u>
Total tax expense/(income)	<u>215,582</u>	<u>(610,208)</u>	<u>56,998</u>	<u>43,035</u>

# Notes to the Financial Statements (Cont'd)

31 December 2016



## 24. TAX EXPENSE/(INCOME) (Cont'd)

The Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profits for the fiscal year.

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) before tax	<b>12,678,462</b>	5,566,380	<b>(1,150,925)</b>	8,841,676
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	<b>3,042,800</b>	1,391,600	<b>(276,200)</b>	2,210,400
Tax effect in respect of:				
Non-allowable expenses	<b>1,258,276</b>	1,541,550	<b>333,200</b>	854,300
Non-taxable income	<b>(2,798,240)</b>	(289,400)	<b>0</b>	(3,021,600)
Changes in tax rate	<b>(9,200)</b>	0	<b>0</b>	0
Utilisation of previously unrecognised deferred tax assets	<b>(1,095,300)</b>	(3,206,450)	<b>0</b>	0
Deferred tax assets not recognised	<b>0</b>	45,800	<b>0</b>	0
Under/(Over)provision of tax expense in prior years	<b>17,546</b>	(34,508)	<b>(2)</b>	(65)
Overprovision of deferred tax in prior years	<b>(200,300)</b>	(58,800)	<b>0</b>	0
	<b>215,582</b>	(610,208)	<b>56,998</b>	43,035

A wholly owned subsidiary of the Company, Eonmetall Technology Sdn. Bhd., has been granted the following pioneer status:

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

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

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



## 25. EARNINGS PER ORDINARY SHARE

(a) Basic

	2016 RM	Group 2015 RM
Profit attributable to equity holders of the parent	<u>12,461,780</u>	<u>6,173,208</u>
Weighted average number of ordinary shares in issue	<u>168,651,652</u>	<u>168,653,587</u>
Basic earnings per ordinary share (sen)	<u>7.39</u>	<u>3.66</u>

(b) Diluted

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

## 26. EMPLOYEE SHARE OPTION SCHEME ('ESOS')

The Company implemented an Employee Share Option Scheme ('ESOS') on 2 August 2005 for a period of 5 years from the date of implementation and was extended for another five (5) years from 1 August 2010 to 1 August 2015. The ESOS is governed by the by-laws which were approved by the shareholders on 30 May 2005. The ESOS expired on 1 August 2015.

The salient features of the ESOS are as follows :

- (a) The total number of options to be offered under the Scheme shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme, unless the issued and paid-up share capital of the Company is diminished as a result of a Share Buyback or an undertaking of any other corporate proposal, in which event, the options granted prior to the diminution of the issued and paid-up share capital shall remain valid and exercisable in accordance with the terms and conditions of the Scheme;
- (b) The Scheme has been extended for another five (5) years until 1 August 2015 as provided in the By-Law;
- (c) Eligible persons are employees of the Group which have been confirmed in the employment of the Group and falls within any other criteria that the ESOS Committee may from time to time determine at its discretion. If an employee is serving under an employment contract, the contract should be for a duration for at least two (2) years, provided always that if such an employee has previously been employed permanently for a continuous period of at least two (2) years, then there shall be no minimum contractual duration imposed. Eligible Directors need not be a Malaysian;
- (d) No employee or Director shall participate at any time in more than one (1) employee share option scheme by any company within the Group;
- (e) The number of options under the Scheme shall be allocated as follows :
  - (i) not more than fifty percent (50%) of the new shares available under the Scheme should be allocated, in aggregate, to Directors and senior management; and
  - (ii) not more than ten percent (10%) of the new shares available under the Scheme shall be allocated to any individual eligible person who, either singly or collectively through persons connected with the eligible person, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.



## 26. EMPLOYEE SHARE OPTION SCHEME ('ESOS') (Cont'd)

- (f) The option price shall be :
- (i) the price not less than the price set for the offer for sale and/or public issue of the Shares of the Company if the option is granted before the Company is listed on the Bursa Securities; or
  - (ii) the price at a discount of not more than ten percent (10%) from the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer, or such lower or higher limit as approved by the relevant authorities

The options granted do not confer any dividend or other distribution declared to the shareholders as at a date which precedes the date of exercise of the option and will be subject to all the provisions of the Articles of Association of the Company.

The details of the options over ordinary shares of the Company was as follows:

	Number of option over ordinary shares of RM0.50 each				
	Outstanding	Movement during		Outstanding	Exercisable
	as at 1.1.2015	Exercised	Expired	as at 31.12.2015	as at 31.12.2015
<b>2015</b>					
2005 options	<u>4,921,000</u>	<u>0</u>	<u>(4,921,000)</u>	<u>0</u>	<u>0</u>

## 27. 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 and associates.

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.
Eonlipids Nutrition Specialties Sdn. Bhd.	A company in which a Director of the Company has substantial interest.
Astral Dragon Sdn. Bhd.	A company in which a Director of the Company has substantial interest.



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 27. RELATED PARTY DISCLOSURES (Cont'd)

- (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:

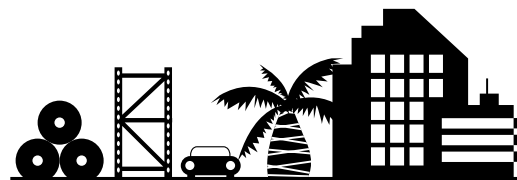
	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Subsidiaries:				
Dividend income	0	0	0	12,000,000
Interest expense	0	0	953,623	773,463
Interest income	0	0	747,081	972,836
Related parties:				
Rental of premise				
receivable	300,000	300,000	0	0
Sales	22,450,733	12,336,034	0	0
Purchases	<u>2,699,176</u>	<u>1,675,279</u>	<u>0</u>	<u>0</u>

Balances with related parties at the end of the financial year are disclosed in Note 9 and Note 17 to the financial statements.

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

## 28. CAPITAL COMMITMENT

	Group	
	2016	2015
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	<u>44,900</u>	<u>44,900</u>



## 29. 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 2016 and 31 December 2015.

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.

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Borrowings	66,799,883	57,015,423	0	0
Trade and other payables	11,660,867	18,829,987	35,822,129	19,648,775
Total liabilities	78,460,750	75,845,410	35,822,129	19,648,775
Less: Cash and bank balances	(2,620,908)	(2,117,808)	(5,183)	(17,949)
Net debt	75,839,842	73,727,602	35,816,946	19,630,826
Total capital	156,567,265	148,732,257	112,368,231	117,793,669
Net debt	75,839,842	73,727,602	35,816,946	19,630,826
Equity	232,407,107	222,459,859	148,185,177	137,424,495
Gearing ratio	33%	33%	24%	14%

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 2016.



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 29. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Categories of financial instruments

Group	Loans and receivables	
	2016	2015
	RM	RM
<b>Financial assets</b>		
Trade and other receivables	44,057,473	38,240,191
Cash and bank balances	2,620,908	2,117,808
	<u>46,678,381</u>	<u>40,357,999</u>

	Other financial liabilities	
	2016	2015
	RM	RM
<b>Financial liabilities</b>		
Borrowings	66,799,883	57,015,423
Trade and other payables	11,660,867	18,829,987
	<u>78,460,750</u>	<u>75,845,410</u>

Company	Loans and receivables	
	2016	2015
	RM	RM
<b>Financial assets</b>		
Trade and other receivables	23,949,473	13,194,326
Cash and bank balances	5,183	17,949
	<u>23,954,656</u>	<u>13,212,275</u>

	Other financial liabilities	
	2016	2015
	RM	RM
<b>Financial liabilities</b>		
Trade and other payables	35,822,129	19,648,775

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

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

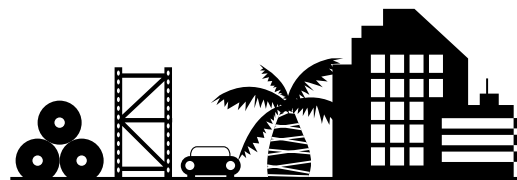
- (i) Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values.

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.

- (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.





## 29. FINANCIAL INSTRUMENTS (Cont'd)

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

#### (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 2016

## 29. FINANCIAL INSTRUMENTS (Cont'd)

### (d) Fair value hierarchy (Cont'd)

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

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

# Notes to the Financial Statements (Cont'd)

31 December 2016



## 29. 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	Carrying amount
	Level 1		Level 2		Level 1		Level 2			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2016										
Company										
Financial asset										
Loans and receivables										
Amounts owing by subsidiaries	0	0	0	0	0	0	0	22,554,873	22,554,873	23,565,331
Other receivables	0	383,142	0	383,142	0	0	0	0	383,142	383,142
Financial liability										
Other financial liabilities										
Amounts owing to subsidiaries	0	0	0	0	0	0	0	34,016,299	34,016,299	35,540,229



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 29. 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	Carrying amount
	Level 1		Level 2		Level 1		Level 2			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2015										
Group										
Financial asset										
Loans and receivables										
Other receivables	0	750,136	0	750,136	0	0	0	0	750,136	750,136
Financial liability										
Other financial liabilities										
Fixed rate borrowing and hire purchase creditors	0	0	0	0	0	8,198,100	0	8,198,100	8,198,100	8,203,167

# Notes to the Financial Statements (Cont'd)

31 December 2016



## 29. 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	Carrying amount
	Level 1		Level 2		Level 1		Level 2			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2015										
Company										
Financial asset										
Loans and receivables										
Amounts owing by subsidiaries	0	0	0	0	0	0	0	0	11,612,134	12,443,190
Other receivables	0	750,136	0	750,136	0	0	0	0	750,136	750,136
Financial liability										
Other financial liabilities										
Amounts owing to subsidiaries	0	0	0	0	0	0	0	0	18,510,806	19,359,675

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2016 and 31 December 2015.

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



## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### (a) Credit risk

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

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to two (2) months for major customers. The Group consistently monitors its outstanding receivables to minimise credit risk.

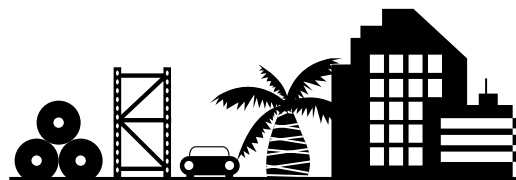
#### Exposure to credit risk

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

#### Credit risk concentration profile

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

	2016		2015	
	RM	% of total	RM	% of total
<b>By countries</b>				
Malaysia	24,774,136	64%	20,265,965	67%
Middle East	11,027,887	29%	7,465,604	24%
Africa	64,860	0%	852,329	3%
Indonesia	15,768	0%	150,844	1%
Bangladesh	866,220	2%	0	0%
Myanmar	460,653	1%	0	0%
Singapore	35,778	0%	88,218	0%
Sri Lanka	222,254	1%	149,450	0%
Others	1,279,441	3%	1,561,507	5%
	<b>38,746,997</b>	<b>100%</b>	<b>30,533,917</b>	<b>100%</b>
<b>By industry sectors</b>				
Machinery and equipment	24,352,375	63%	12,499,375	41%
Steel product and trading activity	14,394,622	37%	18,034,542	59%
	<b>38,746,997</b>	<b>100%</b>	<b>30,533,917</b>	<b>100%</b>



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

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

#### Credit risk concentration profile (Cont'd)

At the end of the reporting period, approximately:

- (i) 46% (2015: 56%) of the Group's trade receivables were due from seven (7) (2015: five) major customers who are located in Malaysia, Middle East and Myanmar.
- (ii) Approximately 21% (2015: 12%) of the Group's trade and other receivables were due from related parties whilst 98% (2015: 94%) of the Company's receivables were balances with its subsidiaries.

#### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 9 to the financial statements.

#### Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 9 to the financial statements.

#### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 9 to the financial statements.

### (b) Liquidity and cash flow risk

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

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



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 30. 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.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
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#### As at 31 December 2016

##### Group

##### Financial liabilities

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

##### Company

##### Financial liability

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

#### As at 31 December 2015

##### Group

##### Financial liabilities

Trade and other payables	18,829,987	0	0	18,829,987
Loan and borrowings	47,242,598	11,443,770	0	58,686,368
Total undiscounted financial liabilities	66,072,585	11,443,770	0	77,516,355

##### Company

##### Financial liability

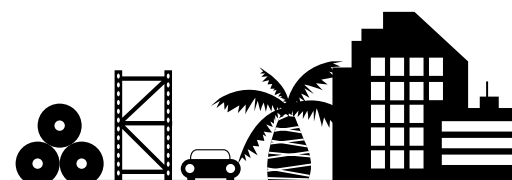
Trade and other payables	289,100	20,244,412	0	20,533,512
Total undiscounted financial liabilities	289,100	20,244,412	0	20,533,512

### (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 State Dollar ('USD'), Euro Dollar ('EURO'), Singapore Dollar ('SGD') and Chinese Yuan ('CNY').





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

### (c) Foreign currency risk (Cont'd)

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

		2016 RM	Group 2015 RM
<b>Profit after tax</b>			
USD/RM	- strengthen by 5% (2015: 10%)	538,338	580,030
	- weaken by 5% (2015: 10%)	(538,338)	(580,030)
EURO/RM	- strengthen by 5% (2015: 10%)	(5,671)	61,885
	- weaken by 5% (2015: 10%)	5,671	(61,885)
SGD/RM	- strengthen by 5% (2015: 10%)	21,168	19,539
	- weaken by 5% (2015: 10%)	(21,168)	(19,539)
CNY/RM	- strengthen by 5% (2015: 10%)	0	(30,078)
	- weaken by 5% (2015: 10%)	0	30,078

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

	2016 RM	Group 2015 RM
<b>Profit after tax</b>		
- Increase by 0.1% (2015: 0.1%)	(46,209)	(42,762)
- Decrease by 0.1% (2015: 0.1%)	46,209	42,762

	2016 RM	Company 2015 RM
<b>Profit after tax</b>		
- Increase by 0.1% (2015: 0.1%)	(26,655)	(14,411)
- Decrease by 0.1% (2015: 0.1%)	26,655	14,411

The sensitivity is higher in 2016 than in 2015 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 2016

## 30. 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		2 - 3 years		3 - 4 years		4 - 5 years		More than 5 years		Total
			RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
As at 31 December 2016													
Fixed rates													
Hire purchase creditors	15	4.70 - 5.97	85,642	35,876	65,925	0	0	0	0	0	0	0	187,443
Term loans	15	6.75	3,000,000	2,000,000	0	0	0	0	0	0	0	0	5,000,000
Floating rates													
Bank overdrafts	15	7.20 - 8.40	10,994,913	0	0	0	0	0	0	0	0	0	10,994,913
Term loans	15	5.25 - 7.25	3,800,397	3,155,871	2,090,490	1,755,135	1,191,634	0	0	0	0	0	11,993,527
Bankers' acceptances	15	3.22 - 6.68	28,874,000	0	0	0	0	0	0	0	0	0	28,874,000
Revolving credit	15	5.00 - 5.40	9,750,000	0	0	0	0	0	0	0	0	0	9,750,000



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

### (d) Interest rate risk (Cont'd)

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

Group	Note	Weighted average effective interest rate %	Within 1 year		1 - 2 years		2 - 3 years		3 - 4 years		4 - 5 years		More than 5 years		Total RM
			RM		RM		RM		RM		RM		RM		
As at 31 December 2015															
Fixed rates															
	15	4.34 - 7.60	138,152		57,989		7,026		0		0		0		203,167
	15	6.75	3,000,000		3,000,000		2,000,000		0		0		0		8,000,000
Floating rates															
	15	7.60 - 8.60	5,178,129		0		0		0		0		0		5,178,129
	15	5.35 - 7.45	2,342,589		2,490,860		1,860,272		787,972		456,434		0		7,938,127
	15	4.09 - 7.13	26,696,000		0		0		0		0		0		26,696,000
	15	4.30 - 4.61	9,000,000		0		0		0		0		0		9,000,000



# Notes to the Financial Statements (Cont'd)

31 December 2016

## 30. 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 Company that are exposed to interest rate risk (Cont'd):

Company	Note	Weighted average effective interest rate %	Within 1 year		1 - 2 years		2 - 3 years		3 - 4 years		4 - 5 years		More than 5 years		Total RM
			RM		RM		RM		RM		RM		RM		
As at 31 December 2016															
Floating rates															
Amounts owing by subsidiaries	9	4.46 - 4.61	0		23,565,331		0		0		0		0		23,565,331
Amounts owing to subsidiaries	17	4.46 - 4.61	0		35,540,229		0		0		0		0		35,540,229
As at 31 December 2015															
Floating rates															
Amounts owing by subsidiaries	9	4.49 - 4.68	0		12,443,190		0		0		0		0		12,443,190
Amounts owing to subsidiaries	17	4.49 - 4.68	0		19,359,675		0		0		0		0		19,359,675



## 31. COMPANIES ACT, 2016

The Companies Act, 2016 (New Act) was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Group and of the Company, are the removal of the authorised share capital, introduction of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act does not have any financial impact on the Group and the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

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

### (a) New MFRSs adopted during the financial year

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Group and the Company adopted the following Standards that are mandatory for annual financial periods beginning on or after 1 January 2016.

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016

There is no material impact upon the adoption of these Standard and Amendments during the financial year, other than the adoption of Amendments MFRS 101 *Disclosure Initiative*, which resulted in the following:

- (i) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows, in the order in which each statement and each line item is presented.
- (ii) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.



# Notes to the Financial Statements (Cont'd)

31 December 2016

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

### (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group and of the Company are disclosed below. The Group and the Company intend to adopt these Standards, if applicable, when they become effective.

Title	Effective Date
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	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
Amendments to MFRS 140 <i>Transfer of Investment Property</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Translation and Advance Consideration</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

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



## 33. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of each reporting period may be analysed as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Total retained earnings of the Company and its subsidiaries:				
- Realised	<b>110,452,794</b>	96,984,259	<b>26,506,688</b>	31,930,911
- Unrealised	<b>1,637,941</b>	304,526	<b>0</b>	0
	<b>112,090,735</b>	97,288,785	<b>26,506,688</b>	31,930,911
Less: Consolidation adjustments	<b>(40,146,629)</b>	(33,590,159)	<b>0</b>	0
Total retained earnings	<b>71,944,106</b>	63,698,626	<b>26,506,688</b>	31,930,911

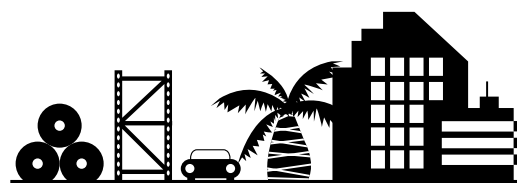


## List of Properties Owned by the Group

Location	Date of Revaluation / Acquisition	Tenure	Approximate Age of Building	Area (Square metres)	Description of property / Existing Use	Net book Value at 31 December 2016 RM'000
Eonmetall Technology Sdn Bhd						
Grant 64234, Lot 1258, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	1 January 2011 / 08 August 2000	Freehold	16 yrs	39,159	A factory building is erected on the adjoining parcels of the land	19,986
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	1 January 2011 / 08 August 2000	Freehold	16 yrs	11,198		
Eonmetall Industries Sdn Bhd						
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang.	1 January 2011 / 18 July 2003	Freehold	9 yrs	62,887	Single storey detached factory and a three storey office	31,526
GM 652, Lot 20024 and GM 653, Lot 20025 Mukim 12, Seberang Perai Selatan, Penang.	30 October 2012	Freehold	5 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	10 yrs	116	Single storey terrace house / Residential premise for factory workers	75
Lot No. T-2318, Mukim 13 No. 37, Lorong Cempaka 28 14110 Simpang Ampat Seberang Perai Selatan, Penang.	- / 1 April 2006	Freehold	10 yrs	116	Single storey terrace house / Residential premise for factory workers	75
Eonsteel Sdn Bhd						
Lot No. 387, MK12, Seberang Perai Selatan, Penang.	1 January 2011 / 19 May 2009	Freehold	6 yrs	69,767	Single storey detached factory	31,085
Eonchem Biomass Sdn Bhd						
Lot No. 391, MK12, Seberang Perai Selatan, Penang.	- / 19 November 2013	Freehold	4 yrs	39,607	Single storey detached factory and single storey warehouse	12,641



# Analysis of Shareholdings



## Analysis of Shareholdings

Authorised share capital	: RM100,000,000.00
Issued and fully paid-up share capital	: RM85,585,500.00 (inclusive 2,520,000 treasury shares)
Class of share	: Ordinary shares
Voting rights	: On a poll one vote for every ordinary share held

## Distribution Schedule

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	41	1.76	1,819	0.00
100 – 1,000	353	15.15	129,303	0.07
1,001 – 10,000	1110	47.64	6,297,927	3.68
10,001 – 100,000	726	31.16	23,311,323	13.62
100,001 – 8,558,550	98	4.20	28,981,600	16.93
8,558,550 – 171,171,000	2	0.09	112,449,028	65.70
<b>TOTAL</b>	<b>2,330</b>	<b>100.00</b>	<b>171,171,000</b>	<b>100.00</b>

## Substantial Shareholders

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Dato' Goh Cheng Huat	28,399,900	16.84	▲ 84,049,128	49.84
2	Datin Tan Pak Say	–	–	● 112,449,028	66.88
3	Eonmetall Corporation Sdn. Bhd.	84,049,128	49.84	–	–

- ▲ Deemed interested via Eonmetall Corporation Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.
- Deemed interested by virtue of her spouse's shareholding in Eonmetall Corporation Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 and her spouse's direct shareholding in Eonmetall Group Berhad.

## Directors' Shareholdings

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Tan Sri Dato' Mohd Desa Bin Pachi	30,000	0.02	■ 549,800	0.33
2	Yeoh Cheng Chye	50,000	0.03	–	–
3	Dato' Goh Cheng Huat	28,399,900	16.84	▲ 84,049,128	49.82
4	Goh Kee Seng	–	–	–	–
5	Tan Sri Dato' Soong Siew Hoong	510,000	0.30	▣ 496,600	0.29
6	Tang Yin Kham	–	–	–	–
7	Dato' Wahab Bin Hamid	–	–	–	–

- These shares are held in the name of child and is treated as interest of the Director in accordance with Section 59(1)(c) of the Companies Act, 2016.
- ▲ Deemed interested via Eonmetall Corporation Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.
- ▣ Deemed interested via Wirasawah Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

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



## Analysis of Shareholdings

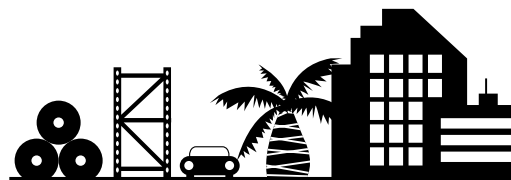
### Thirty Largest Shareholders

	Name	No. of Shares	% of Issued Share Capital
1	EONMETALL CORPORATION SDN BHD	42,049,128	24.566
2	GOH CHENG HUAT	25,432,900	14.858
3	EONMETALL CORPORATION SDN BHD	21,000,000	12.268
4	EONMETALL CORPORATION SDN BHD	21,000,000	12.268
5	GOH CHENG HUAT	2,967,000	1.733
6	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD ( A/C CLIENTS )	1,840,000	1.075
7	CHIN KOK TIAN	1,274,300	0.744
8	TEO KWEE HOCK	1,024,700	0.599
9	TAI HO FAH	1,018,400	0.595
10	FOO CHEK HENG	1,000,000	0.584
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIONG HUI YEE (8068671)	799,000	0.467
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO FOOK HERNG (7000803)	720,000	0.421
13	KOK HAN NI	600,000	0.351
14	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD DESMAN ANNUAR BIN MD DESA	529,800	0.310
15	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEN KHAI VOON	510,600	0.298
16	SOONG @ SOONG SIEW HOONG	510,000	0.298
17	IDRIS BIN PILUS	500,000	0.292
18	WIRASAWAH SDN BHD	496,600	0.290
19	CHOW KIAN MENG	425,000	0.248
20	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW POV LAN	410,000	0.240
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEAP BAN AIK	406,900	0.238
22	LIEW LANG KING	390,000	0.228
23	LAU JIT WENG	350,000	0.204
24	TAN LIEW CHEUN	350,000	0.204
25	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD-AMANAH SAHAM KEDAH	323,000	0.189
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PETER KOK LOKE SAN (E-BPJ)	310,000	0.181
27	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD KEDAH ISLAMIC ASSET MANAGEMENT BERHAD FOR YAYASAN ISLAM NEGERI KEDAH (YINK)	300,000	0.175
28	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TANG JEE ENG	300,000	0.175
29	TAN AH TAI @ TAN KA CHENG	291,900	0.171
30	ENG FOONG HAR	270,000	0.158



# Proxy Form

EONMETALL GROUP BERHAD (631617D)



I/We, .....  
(Full name in block letters)

of .....  
(Address)

being a Member of Eonmetall Group Berhad, hereby appoint .....  
(Full name in block letters)

of .....  
(Address)

or failing him, .....  
(Full name in block letters)

of .....  
(Address)

as my/our proxy, to vote for me/us and on my/our behalf at the Fourteenth (14<sup>th</sup>) Annual General Meeting of the Company to be held at Ground Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Thursday, 25 May 2017 at 2:00 p.m. and at any adjournment thereof.

	ORDINARY RESOLUTIONS										
	1	2	3	4	5	6	7	8	9	10	11
<b>FOR</b>											
<b>AGAINST</b>											

(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 will vote or abstain at his discretion)

\* Strike out whichever is not desired.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

For appointment of two (2) proxies, no. of shares and percentage of shareholdings to be represented by the each proxy:		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

.....  
Signature of Shareholder(s) / Common Seal

## Notes :

1. A proxy may but need not be a Member or a qualified legal practitioner or an approved company auditor or a person approved by the Registrar.
2. To be valid, this form, duly completed must be deposited at the Registered Office of the Company at Suite 16-1, (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 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. For purpose of determining who shall be entitled to attend 14th AGM meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 62 of the Articles of Association of the Company and Section 34(1) of SICDA to issue a General Meeting Record of Depositors ("ROD") as at 18 May 2017. Only a Depositor whose name appears on the ROD as at 18 May 2017 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his/her behalf.

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To:

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

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*Fold along this line*