





## SET YOUR GOAL MARK YOUR *SUCCESS*

Throwing the javelin further beyond imagination, Eonmetall aims to break boundaries to achieve loftier goals. As the Group advances confidently forward, Eonmetall's products and services are globally accepted with market penetration in Asia Pacific, Africa, Europe and North America. Eonmetall will continue to aim high, strengthen its foundation and prepare the next throw to achieve the extraordinary.



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

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

**Dato' Goh Cheng Huat**  
Executive Director

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

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

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

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

## COMPANY SECRETARIES

Tai Yit Chan  
(SSM PC No. 202008001023) (MAICSA 7009143)  
Ong Tze-En  
(SSM PC No. 202008003397) (MAICSA 7026537)

## AUDIT COMMITTEE

Tang Yin Kham (*Chairman*)  
Goh Kee Seng (*Member*)  
Dato' Wahab Bin Hamid (*Member*)

## NOMINATING COMMITTEE

Dato' Wahab Bin Hamid (*Chairman*)  
Tang Yin Kham (*Member*)  
Goh Kee Seng (*Member*)

## REMUNERATION COMMITTEE

Dato' Wahab Bin Hamid (*Chairman*)  
Tang Yin Kham (*Member*)  
Goh Kee Seng (*Member*)

## REGISTERED OFFICE

170-09-01, Livingston Tower  
Jalan Argyll  
10050 George Town, Pulau Pinang  
Telephone No: (04) 229 4390  
Facsimile No: (04) 226 5860

## HEAD OFFICE

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

## REGISTRAR

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

## AUDITORS

BDO PLT  
(LLP0018825-LCA & AF 0206)  
Chartered Accountants  
51-21-F, Menara BHL  
Jalan Sultan Ahmad Shah  
10050 George Town, Penang  
Telephone No: (04) 2220 688  
Facsimile No: (04) 2220 299

## PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad  
Al Rajhi Bank (M) Berhad  
AmBank (M) Berhad  
CIMB Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
United Overseas Bank (M) Berhad

## STOCK EXCHANGE LISTING

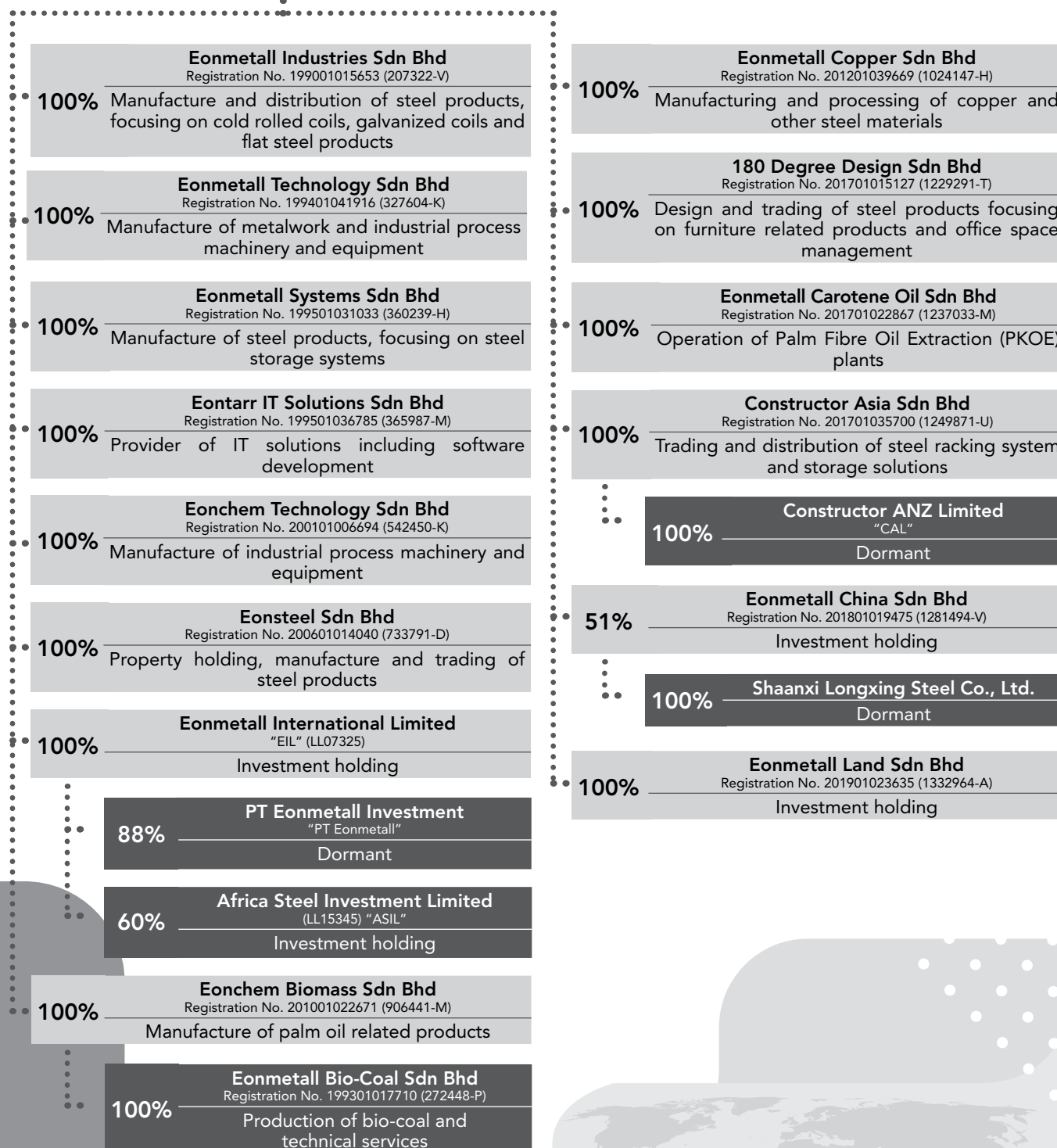
Bursa Malaysia Securities Berhad  
Main Market  
Stock Code: 7217  
Stock Name: EMETALL

# GROUP STRUCTURE & PRINCIPAL ACTIVITIES



## EONMETALL

Eonmetall Group Berhad  
Registration No. 200301029197 (631617-D)

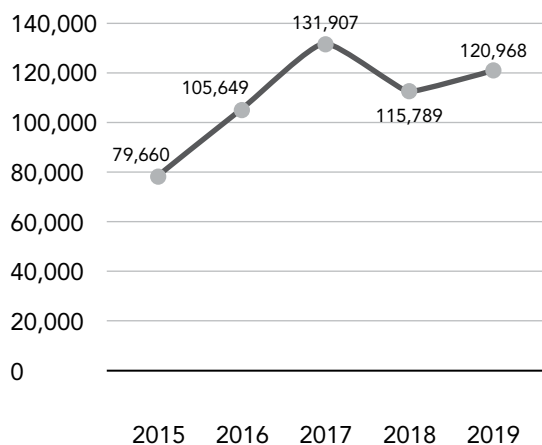


# GROUP OF FINANCIAL HIGHLIGHTS

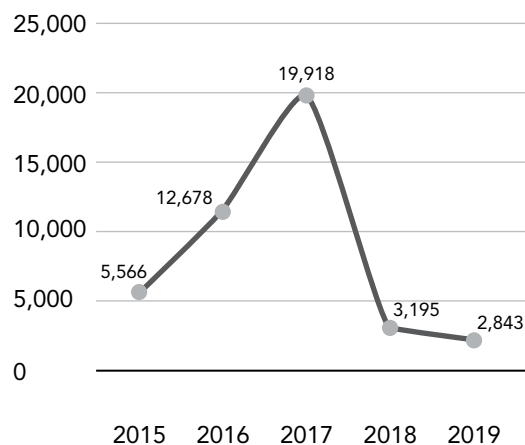
Financial year ended 31 December	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
<b>INCOME</b>					
Turnover	79,660	105,649	131,907	115,789	120,968
Profit Before Tax	5,566	12,678	19,918	3,195	2,843
Profit attributable to Owners of the Company	6,173	12,462	18,702	3,099	3,400
<b>FINANCIAL POSITION</b>					
Total assets	227,487	237,450	289,398	322,710	427,952
Share Capital	85,586	85,586	99,801	99,801	99,801
Shareholders' Fund	148,732	156,567	185,543	171,992	242,473
<b>PER SHARE</b>					
Gross dividend (%)	0.0	5.0	5.0	0.0	0.0
Net assets (RM)***	0.88	0.93	1.09	0.92	1.31
Basic Earnings (sen)***	3.66	7.39	10.97	1.66	1.83

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

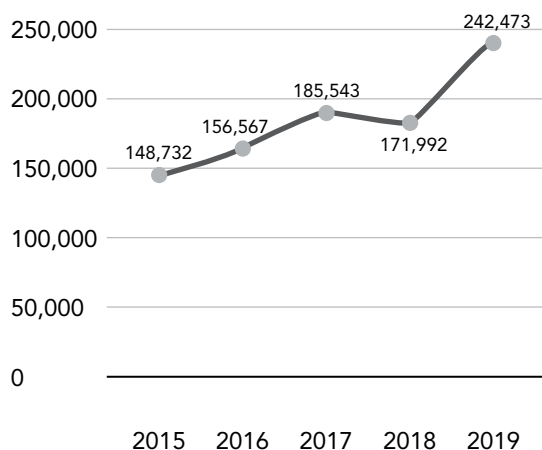
**Turnover (RM'000)**



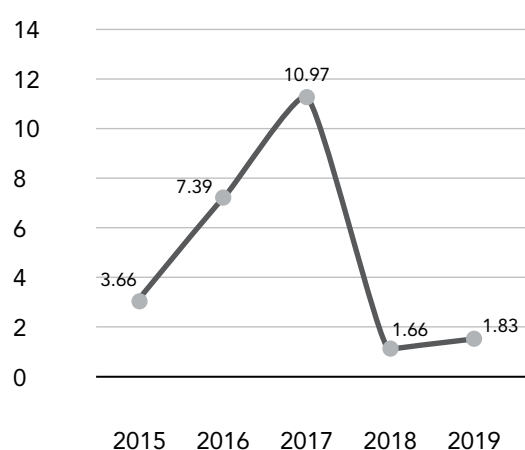
**Profit Before Tax (RM'000)**



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



**Basic Earnings Per Share (sen)**



# PROFILE OF DIRECTORS



## TAN SRI DATO' MOHD DESA BIN PACHI

PSM, DSPN, KMN | Independent Non-Executive Chairman | Aged 86, Male, Malaysian

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

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

From 1970 to 1976, he was in public practice as a Chartered Accountant and was a partner of Desa Megat & Co and KPMG Peat Marwick. Subsequently, he was appointed as the first Chief Executive Officer ("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/Managing Director of The New Straits Times Press (Malaysia) Berhad and Chairman of Sistem Televisyen Malaysia Berhad (TV3). He was Chairman of Bumiputra - Commerce Holdings Berhad (now known as CIMB Group Holdings Berhad) from 1984 to 2006.

Currently, he is the Independent Non-Executive Chairman of Leader Steel Holdings Berhad and a director of Handal Dinamis Holdings Berhad. He also sits on the Board of subsidiary of Eonmetall and several other private companies.

He has attended all four (4) board meetings held during the financial year ended 31 December 2019.

## YEOH CHENG CHYE

Managing Director/Chief Executive Officer | Aged 51, Male, Malaysian

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

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

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

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

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

He sits on the Board of subsidiaries of Eonmetall.

He has attended all four (4) board meetings held during the financial year ended 31 December 2019.

## PROFILE OF DIRECTORS (Cont'd)

### DATO' GOH CHENG HUAT

Executive Director | Aged 59, Male, Malaysian

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

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

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

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

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

He has attended all four (4) board meetings held during the financial year ended 31 December 2019.

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

PSM, KMN, SMS, DPSM, JSM | Independent Non-Executive Director | Aged 94, Male, Malaysian

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

His career started in 1973 when he ventured into manufacturing rubber-processing machinery by establishing Kwan Cheong Engineering Sdn. Bhd. The company ceased operation in 2002. He was conferred Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang DiPertuan Agong on 6 June 1998 and the Darjah Kebesaran Datuk Mahkota Selangor (DPMS) which carries the title of Dato' in year 1990. He was awarded Honorary Doctor of Business by Wawasan Open University on 24 November 2018.

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

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

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

Currently, he is an Independent Non-Executive Director of Leader Steel Holdings Berhad.

He also sits on the board of several private companies.

He has attended all four (4) board meetings held during the financial year ended 31 December 2019.



### DATO' WAHAB BIN HAMID

DPMS, DSDK, AMS, PPB | Independent Non-Executive Director | Aged 67, Male, Malaysian

**Dato' Wahad Bin Hamid** was appointed to the Board on 1 June 2011.

He is the Chairman of Nominating Committee and Remuneration Committee. He is also a member of Audit Committee.

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

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

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

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

He has attended all four (4) board meetings held during the financial year ended 31 December 2019.

### TANG YIN KHAM

Independent Non-Executive Director | Aged 68, Female, Malaysian

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

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

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

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

She has attended all four (4) board meetings held during the financial year ended 31 December 2019.



## PROFILE OF DIRECTORS (Cont'd)

### GOH KEE SENG

Non-Independent Non-Executive Director | Aged 64, Male, Malaysian

**Goh Kee Seng** was appointed to the Board on 3 March 2005.

He is a member of Audit Committee, Nominating Committee and Remuneration Committee.

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

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

He also sits on the board of several private companies.

He has attended all four (4) board meetings held during the financial year ended 31 December 2019.

#### Notes:

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

# PROFILE OF KEY MANAGEMENT



**YEOH CHENG CHYE**, Managing Director/Chief Executive Officer  
**DATO' GOH CHENG HUAT**, Executive Director

For the profile of the above Directors, please refer to pages 5 and 6 of this Annual Report. The above Directors are referred to as the Executive Team.

## GOH HONG KENT

Chief Operating Officer | Aged 36, Male, Malaysian

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

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

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

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

### Notes:

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

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("the Board") of Eonmetall Group Berhad ("Eonmetall" or "the Company"), I am pleased to present the Annual Report and Audited Financial Statements of Eonmetall and its subsidiaries ("the Group") for the financial year ended 31 December 2019 ("FY2019").

During the financial year under review, the Malaysian economy was beset by challenges on both the international and domestic fronts on the back of significant global and domestic economic headwinds, caused by the escalation of the US-China trade tensions, renewed volatility in commodity prices particularly for crude palm oil and global financial markets. Nonetheless, the Group has prevailed to deliver another set of positive results.

## Financial Performance

Revenue grew to RM121.0 million, a 4.5% upside from RM115.8 million reported for FY2018 with growth driven largely by strong contribution from steel product and trading activity segment. However, profit before tax ("PBT") was lower at RM2.8 million compared to RM3.2 million reported last year with the drop impacted largely by higher finance cost incurred as well as higher depreciation charges arising from revaluation exercise carried out for all landed properties within the Group during the year under review. The Group continues to maintain a set of healthy and financially sound statement of financial position with net asset per share of RM1.31, up significantly from RM0.92 last year on the back of a stronger equity base bolstered by revaluation reserve and a lower gearing ratio at 0.39 times.

## Operational Review

In a reversal, revenue contribution from the steel products and trading activity segment grew significantly by about 28% to RM85.6 million bolstered by higher demand for steel racking. Notwithstanding the high revenue, PBT dropped to RM0.7 million owing mainly to pre-agreed branding fee payment. The steel racking division contributes 71% to Group revenue, up from 58% in FY2018 with the growth supported in part by our exclusive licensing rights to manufacture and to distribute steel racking solutions, under our Constructor brand partnership, in selected countries in ASEAN and Asia Pacific regions. We are confident that our collaboration and the Constructor racking systems will continue to contribute significantly to our business moving forward.

The machinery and equipment division reported a lower revenue of RM34.8 million compared to RM48.0 million reported for FY2018 on the back of sale of metalworking machinery and related products. As a result, PBT shrank to RM3.2 million from RM6.7 million reported for FY2018. The division was also focussed on the commissioning of the six (6) Palm Fibre Oil Extraction (PFOE) plants, delivered during the last financial year 2019 to a subsidiary of FGV Holdings Berhad, for operations for a concession period of ten (10) years.

## Industry Trend and Prospect

Malaysia and Indonesia continue to lead global palm oil output and export despite a battering in the prices of crude palm oil on the world commodity market during the year under review with slight uplift towards year end. The recovery in prices had been affected by a slump in global demand and palm oil prices for the edible oil as efforts to slow the spread of the Covid-19 pandemic. As such, demand for PFOE plants, save for the ones under contractual obligations, might slow down in response to curtailment of capital investment. Governmental intervention in dropping export duty on crude palm oil to 0% for June from 4.5% in May should help jumpstart growth.

Separately, retail e-commerce sales worldwide have been booming; hitting USD3.53 trillion last year with projected growth to USD6.54 trillion in 2022. Online shopping is one of the most popular online activities worldwide more so during the containment period as people opted for deliveries. Timely handling of materials is important to ensure that right materials in right quantities are delivered to the right locations at the right time. Arising from both is the urgent need for warehouse and attending material handling equipment to support operational efficiency and worker safety leading to improved customer satisfaction and profitability. The global market for material handling business is expected to boom and grow to USD190.3 within the next 5 years and this would augur well for the Group.

On a global perspective, growth is expected to level off given the still ongoing trade tensions and socio-economic-political upheavals caused by the Covid-19 pandemic. Locally, we do not expect the pandemic to have negative implications on our sub-sector notwithstanding the issuance of movement control order by the Federal Government on 18 March 2020 with further extension to 9 June 2020. We have continued our operations to support the demand for both export and domestic of steel racking products.

# CHAIRMAN'S STATEMENT (Cont'd)



## Dividend

The Board of Directors has not recommended any dividend payment for FY2019.

## Appreciation

The Board and I are proud of team Eonmetall and their show of teamwork, relentless efforts, and leadership in their journey to deliver positive results for the Group and greater value for our shareholders. On that note, on behalf of the board, I would like to thank team Eonmetall for their resilience and dedication. My warmest regards are also extended to our shareholders, esteemed customers and suppliers, financial institutions and other stakeholders for their continued support and confidence in the Group.

The years ahead will be just as challenging and I believe that team Eonmetall, with the guidance of the Board and key senior management, will prevail in strengthening the sustainability of the Group going forward. May the Group continue to work together and strive forward to reach for more opportunities and achieve business growth and success for the betterment of the Group in the coming years.

**Tan Sri Dato' Mohd Desa Bin Pachi**  
Independent Non-Executive Chairman  
18 June 2020

# MANAGEMENT DISCUSSION & ANALYSIS

## Business & Economic Insight

The year 2019 has been very eventful with continued challenges from US-China trade tension to geopolitical tension in the Middle East. These developments have impacted the price of commodities including steel which is the primary raw material of the Group's products. Pricing volatility and continued uncertainties in the global economy have been very challenging for the Group as pricing movement could result in unpredictable profit margin.

## Review of Operations

Eonmetall Group Berhad ("Eonmetall") and its subsidiaries ("the Group") are well known as a leading steel racking systems manufacturer and a niche player in the designing and fabrication of metal works and palm oil related machines. Its key operations are categorised into steel products & trading ("Steel Products Division") and machinery & equipment manufacturing ("M&E Division").

The Group remained on course to achieve long term growth and profitability as the Group has been able to draw upon its steel industry background and multi-disciplinary strengths from human resource to well-equipped facilities, technical competency and continued focus on information system advancement, to compete efficiently and grow its presence in downstream steel industry activities. These have been the bedrock that build the Group's resilience in managing the tough external headwinds of its operating landscape.

The Steel Products Division, through a strategic partnership with Gonvarri Material Handling AS since 2018, offers a wide spectrum of racking systems under both the "Eonmetall" and "Constructor" brands with their coexistence essential to provide wider product lines to the potential markets. On the other hand, Eonmetall's range of machinery equipment under its M&E Division include patented solvent extraction plants both for Palm Fibre Oil Extraction ("PFOE") and Palm Kernel Oil Extraction ("PKOE") plants. These plants, coupled with the Group's extensive presence in Malaysia and Indonesia markets underscored the Group's products and services to support the downstream palm oil refinery business.

## The Year in Review

Notwithstanding the challenging backdrop arising from oversupply of steel products particularly from mainland China, changes to global trade policies, cost issues and pricing pressure, the Group has been focussed on driving volume sales.

Eonmetall reported revenue of RM121.0 million in respect of financial year ended 31 December 2019 ("FY2019"), a 4.5% upside compared to RM115.8 million in the preceding year driven by strong contribution from Steel Products segment.

As at FY2019, the Group's profit at RM3.4 million, significant raised compared to RM3.1 million at the end of FY2018.

As at FY2019, the Group's total assets grew to RM427.9 million, a 33% upside from RM322.7 million last year following revaluation to reflect the fair value of the Group's properties in the financial statements for FY2019. This revaluation exercise is in compliance with MFRS 116 Property, Plant and Equipment, MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors, MFRS 13 Fair Value Measurement and MFRS 112 Income Tax. At the same time, the Group's total liabilities also increased to RM184.9 million from RM150.1 million as at FY2018 primarily due to drawn down of additional long term loans and borrowings to support increase in capital investments.

On 10 July 2019, the Group had, through an associated company, Sinaran Seribumi Sdn. Bhd. ("Sinaran") acquired a parcel of freehold land in Selangor Darul Ehsan ("Land") for RM37,026,000.00 ("Proposed Acquisition"). The Proposed Acquisition is part of the Group's long term strategic plan to have a focal point for relocation of certain business activities and future business expansion to the central and southern regions of Peninsular Malaysia. In this manner, the Group is able to minimise operational costs in connection with the nature of the Group's export business as well as to improve overall effective cost management. In order to part finance the Proposed Acquisition, the Group has provided financial assistance of up to RM40 million to Sinaran for which shareholders' approval had been obtained at an extraordinary general meeting of Eonmetall held on 24 February 2020.

Given the twin need to conserve cash and fund business expansion, the Board did not recommend any dividend for FY2019.



## Anticipated Risks

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

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

## Moving Forward

During the year and up-to-date, the Group announced the set-up of one (1) subsidiary which are to spearhead the Board's plan to expand beyond its existing business.

The recovery in crude palm oil prices had been affected by a slump in global demand for edible oil arising from efforts to slow the spread of the Covid-19 pandemic. As such, demand for PFOE and PKOE plants, save for the ones under contractual obligations, might slow down in response to possible curtailment of capital investment by customers.

The silver lining thus far is the boom in retail e-commerce sales worldwide to USD3.53 trillion last year with projected growth to USD6.54 trillion in 2022. Online shopping has emerged as the number one activity worldwide more so during the Covid-19 containment period. Timely handling of materials is important to ensure availability of products for delivery and also that right materials in right quantities are delivered to the right locations at the right time. These have given rise to the urgent need for warehouse and attending material handling equipment to support operational efficiency and worker safety leading to improved customer satisfaction and profitability. The global market for material handling business is expected to boom and grow to USD190.3 within the next 5 years and this would augur well for the Group.

On a macro-level, the imposition of Movement Control Order ("MCO") by the Federal Government from 18 March until 3 May and subsequently Conditional MCO ("CMCO") in place from 4 May to 9 June 2020 (unless extended by the Government) nationwide to curb the spread of the Covid-19 pandemic in Malaysia pursuant to the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1987 had affected overall economic activities resulting in deteriorating growth which posed an inherent risk to businesses including manufacturing activities. As such, the business environment is expected to remain challenging for the foreseeable future.

The Group's operations has not been significantly even though offices and plants were closed initially in compliance with the MCO. Following approval from the MITI (Ministry of Internal Trade & Industry), we had been able to operate to support the export and domestic demand for steel racking products. Ongoing digitisation process had helped to minimise disruptions to internal operations. Of late, the Group has resumed its operations fully after complying with the relevant standard operating procedures and guidelines of working in the new norm.

In the following months, the management is assessing the full impact of the Covid-19 pandemic to understand its broader ramifications after the uplift of the CMCO anticipated in the second half of FY2020. The management will monitor market, industry and economic developments closely and ensure that prompt actions are taken in response and or to mitigate the impact of these changes and. It is like that the Group will have to re-strategise our strategies for a new normal for our business activities.

Notwithstanding the economic outlook and given the unexpected outbreak of the coronavirus (Covid-19) pandemic, we remain cautiously confident that the Group is well positioned to take advantage of new opportunities that come with top line and earnings growth to be sustainable by increased production capacity and growth for steel racking business brought on by the demand for steel racking.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

Principle A: Board leadership and effectiveness;

Principle B: Effective audit and risk management; and

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

The detailed application for each Practice as set out in the MCCG is disclosed in the Corporate Governance Report ("CG Report") which is available on the Company's website: [www.eonmetall.com](http://www.eonmetall.com) as well as via an announcement on the website. This CG Statement is to be read together with CG Report, based on a prescribed format as outlined under paragraph 15.25(2) of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Summary of the corporate governance practices of Eonmetall during the financial year under review are described as follows:

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### Part I Board Responsibilities

#### 1 Board's Leadership on Objectives and Goals

##### 1.1 Strategic Aims, Values and Standards

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

As part of the Board's effort to ensure that its duties and responsibilities are effectively discharged, the Board delegates certain functions to Board Committees, the Managing Director & Chief Executive Officer ("MD&CEO") and the Management. The Board has established the following Board Committees to perform certain of its functions and to provide recommendations and advice:

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

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

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



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

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

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

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

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

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

##### 1.2 Chairman of the Board

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

He provides leadership and governance of the Board in order to create a conducive situation 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 any discussion and appropriate discussions are taken place with relevant participation among Board 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, maintaining regular dialogues with MD&CEO over operational matters and seek opinion of fellow Board members over any matters that give cause for major concerns.

##### 1.3 Separation of Positions of Chairman and MD&CEO

The Board has always made the distinction that the position of the Chairman and the MD&CEO do not reside with the same person.

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

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

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

The MD&CEO also ensures that the Group's corporate identity, products and services are of high standard and reflective of market expectations, business practices and are in compliance with governmental regulations. During each of its scheduled meetings, the MD&CEO will brief on the performance and activities of the Group and specific proposals for capital expenditure and acquisitions and disposals, if any.



# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (Cont'd)

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

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

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

###### 1.4 Qualified and Competent Company Secretaries

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

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

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

###### 1.5 Access to Information and Advice

The Board recognises that the decision-making process is highly dependent on the quality of information available. All the Directors have access to all information within the Group and may seek the advice of Management on matters under discussion or request further information on the Group's business activities. The Chairman, with the assistance of the Company Secretaries, ensures that all Directors have full and timely access to information with Board papers distributed in advance for Board meetings.

The Board, whether as full Board or in their personal capacity, may upon approval from the Board, seek independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties and to enable them to discharge their duties, at the Group's expense.

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

##### 2. Demarcation of responsibilities

###### 2.1 Board Charter

The Board Charter clearly delineate the roles, duties and responsibilities of the Chairman, MD&CEO, Board, Board Committees and Management in order to provide a structured guidance. The Board Charter also includes the requirements of Directors in carrying out their leadership and supervisory role; and in discharging their duties towards the Group as well as boardroom activities.

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



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

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

#### 3. Good business conduct and corporate culture

##### 3.1 Code of Conduct and Ethics

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

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

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

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

##### 3.2 Whistleblowing Policy

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

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

The Whistle Blower Policy is available on the Company's website at [www.eonmetall.com](http://www.eonmetall.com).

### Part II Board Composition

#### 4. Board objectivity

##### 4.1 Board Composition

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

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

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

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

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (Cont'd)

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

#### Part II Board Composition (Cont'd)

#### 4. Board objectivity (Cont'd)

##### 4.1 Board Composition (Cont'd)

The present composition of the Board is in compliance with Paragraph 15.02 of MMLR of Bursa Securities, which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are Independent Non-Executive Directors.

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

##### 4.2 Tenure of Independent Directors

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

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

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

Following the assessment and deliberation by the Nominating Committee and the Board, as a whole, the Board has decided to recommend Madam Tang Yin Kham to continue to act as Independent Non-Executive Director although her tenure has exceed nine (9) years. In addition, the Group also wish to remain Dato' Wahab Bin Hamid as Independent Non-Executive Director as his tenure will exceed nine (9) years by 1 June 2020. Both are subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. Key justifications for their recommendation for continuation as Independent Non-Executive Directors are as follows:

- (a) they have proven business insight, academic qualifications, professional and entrepreneurial experience them to share their valuable experience, expertise and skills with the Board;
- (b) they have actively participated in Board deliberation, providing objectivity in decision-making and possesses sufficient self-esteem and confidence to stand up with an independent voice to the Board.
- (c) they have exercise due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the best interest of the Company and shareholders;
- (d) they have not developed, established or maintained any significant relationship which could impair their independence as Independent Directors, with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out their duties as Independent Non-Executive Directors or member of the Board's Committees;
- (e) they have contributed sufficient time and efforts in attending the Board meetings.

##### 4.3 Policy on Tenure of Independent Directors

The Board did not adopt any policy which limits the tenure of its Independent Director to nine (9) years. Should the Board intend to retain any of its Independent Directors beyond nine (9) years, it would provide justification and seek annual shareholders' approval at the Company's general meeting.

In the event that the Board continues to retain Independent Director after 12-year tenure, the Board should provide justification and seek annual shareholders' approval.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



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

### Part II Board Composition (Cont'd)

#### 4. Board objectivity (Cont'd)

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

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

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

##### 4.5 Gender Diversity

Whilst acknowledging the recommendation of the MCCG on gender diversity, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group.

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

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

There was no new appointment to the Board during the financial year ended 31 December 2019 ("FY2019").

##### 4.7 Nominating Committee

The Board, through the Nominating Committee, ensures that it recruits to the Board only individuals of highly calibre, knowledge and experience, integrity and reputation, competence and capability to fulfil the duties of a Director appropriately.

The Terms of Reference of the Nominating Committee is available for viewing at the Company's website at [www.eonmetall.com](http://www.eonmetall.com).

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

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

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

- Reviewed the term of office and performance of the Audit Committee.
- Reviewed the current Board structure, size and composition with an aim to achieving a balance of views on the Board.
- Reviewed and assessed the contribution of each Director and the effectiveness of the Board and Board Committees.
- Discussed the character, experience, integrity and competence of the Directors, Chief Executive or Chief Financial Officer and to ensure they have the time to discharge their respective roles.
- Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board.
- Reviewed the level of independence of Independent Non-Executive Directors.
- Reviewed and recommended re-election of Directors, who retire by rotation under the Articles of Association (Constitution) of the Company, at the forthcoming Annual General Meeting.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### Part II Board Composition (Cont'd)

#### 4. Board objectivity (Cont'd)

##### 4.7 Nominating Committee (Cont'd)

- (h) Reviewed and recommended for re-appointment, the Independent Non-Executive Director who has served the Company for a cumulative term of more than twelve (12) years, at the forthcoming Annual General Meeting.
- (i) Reviewed and approved the Terms of Reference of the Nominating Committee.

#### 5. Board Assessments

##### 5.1 Overall effectiveness of the Board and individual Directors

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

The Nominating Committee reviews annually the required mix of skills, experience and other qualities, including core competencies of the members in discharging their duties. The skills and experience of each Director is analysed, inter-alia, in the areas of business operations technical and governmental affairs and legislation. Furthermore, the Nominating Committee reviews size and composition of the Board with consideration on the impact on the effective functioning of the Board.

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

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

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

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

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

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

The Board is scheduled to meet at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings with sufficient notice. During the FY2019, 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.

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (Cont'd)



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

#### Part II Board Composition (Cont'd)

##### 5. Board Assessments (Cont'd)

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

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

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

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

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

In addition, all of the Directors do not hold more than 5 directorships in other public listed companies as required under paragraph 15.06 of the MMLR of Bursa Securities to enable the Directors to discharge their duties effectively by ensuring that their commitment, resources and time are more focused. The Board members must notify the Board or the Chairman before accepting any new Directorship in other public listed companies.

#### Training

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

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

The Board had, through the Nominating Committee, undertaken an assessment of the training needs of the Directors and concluded that the Directors are to determine their training needs as they are in the better position to assess their areas of concern. Nonetheless, the Nominating Committee had recommended for training to improve financial literacy and keep with changes to financial reporting environment as well as understanding the impact of the changes arising from implementation of Companies Act 2016 and other related laws. Internal briefings are provided from time to time to update on any amendment(s) or implementation of existing or new laws.

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (Cont'd)

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

#### Part II Board Composition (Cont'd)

##### 5. Board Assessments (Cont'd)

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

##### Training (Cont'd)

The training, conferences or seminars attended and or conducted by Directors for the FY2019 encompassed various topics as outlined below:

Directors	Training, Conferences or Seminars
Tan Sri Dato' Mohd Desa Bin Pachi	<ul style="list-style-type: none"> <li>• MIA Conference 2019</li> <li>• Budget 2020 Highlights</li> <li>• Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018</li> </ul>
Yeoh Cheng Chye	<ul style="list-style-type: none"> <li>• Breakfast Talk on Sustainability &amp; Business</li> <li>• UOB Malaysia Global Market - Global Market Outlook</li> <li>• CIMB Group - CIMB Economic &amp; Market Update</li> <li>• Shanxi Conference</li> <li>• Seminar Percukaian Kebangsaan 2019</li> <li>• MISIF 2019 Trade Forum on the Malaysia Iron &amp; Steel Industry - Malaysian Steel Industry at the Crossroad of Charge</li> <li>• Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018</li> </ul>
Dato' Goh Cheng Huat	<ul style="list-style-type: none"> <li>• Nanning China - ASEAN Commercial Counselors, Bankers &amp; Entrepreneurs Seminar</li> <li>• Malaysia-China Enterprises Business Matching Conference 2019</li> <li>• Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018</li> </ul>
Tan Sri Dato' (Dr) Soong Siew Hoong	<ul style="list-style-type: none"> <li>• Ageing, Learning &amp; Technology: Enriching Lives, Connecting Communities</li> <li>• Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018</li> </ul>
Dato' Wahab Bin Hamid	<ul style="list-style-type: none"> <li>• Opportunities and Risks of Digitalization in Fourth Industrial Revolution</li> <li>• Strategic Planning and Financial Control Management for Cooperative</li> <li>• Listing on Bursa: Unlock Your Business Potential Through Listing</li> <li>• SME CEO Forum: Industrial Revolution 4.0</li> <li>• Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018</li> </ul>
Tang Yin Kham	<ul style="list-style-type: none"> <li>• Managing Tax Audits and Investigations</li> <li>• The Art of Taxation and Staying Relevant In Changing Times</li> <li>• Seminar Percukaian Kebangsaan 2019</li> <li>• The Fundamental skills in Presenting Financial Statement and Disclosure of Information in Accordance with MPERS</li> <li>• Accounting for Financial Instruments in Accordance with MPERS</li> <li>• Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018</li> </ul>
Goh Kee Seng	<ul style="list-style-type: none"> <li>• Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018</li> </ul>

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

#### Part III Remuneration

##### 6. Level and composition of Remuneration

##### 6.1 Remuneration policy

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

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (Cont'd)



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

#### Part III Remuneration

#### 6. Level and composition of Remuneration

##### 6.1 Remuneration policy

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

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

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

During the FY2019, the Remuneration Committee met once, attended by all the members, to consider the remuneration package for the executive Board members as well as Directors' fees for the Non-Executive Directors. All deliberations of the Remuneration Committee are properly documented in the minutes of Committee meetings and recommendations are reported by the Remuneration Committee Chairman at Board meetings.

##### 6.2 Remuneration Committee

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

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

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

The Terms of Reference of the Remuneration Committee is available for viewing at the Company's website at [www.eonmetall.com](http://www.eonmetall.com).

#### 7. Remuneration of Directors and Senior Management

##### 7.1 Details of Directors' Remuneration

The remuneration payable in respect of Directors' fees for FY2019 are categorised as follows:

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

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

The remuneration received/receivable by the Directors of the Company for FY2019 is as disclosed in the CG Report.



# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (Cont'd)

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

#### Part III Remuneration (Cont'd)

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

##### 7.2 Details of top 5 Senior Management's Remuneration

The remuneration of top Senior Management can be made up of basic salary, bonus, benefits-in-kind and other emoluments. Details of the remuneration of the top Senior Management in each successive band of RM50,000 for the financial year ended 31 December 2019, are as follows:

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

The MCCG has stipulated that the Company should disclose on a named basis the top five (5) senior management's detailed, the Board acknowledged the need for transparency in the disclosure. Nonetheless, it is of the view that such disclosure could be detrimental to its business interests given the highly competitive human resource environment in which the Group operates where intense headhunting for personnel with the right expertise, knowledge and relevant working experience is the norm. As such, disclosure of specific remuneration information could rise to recruitment and talent retention issues going forward.

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

#### Part I Audit Committee

#### 8. Effective and Independent Audit Committee

##### 8.1 Chairman of the Audit Committee

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

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

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

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



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

### Part I Audit Committee (Cont'd)

#### 8. Effective and Independent Audit Committee (Cont'd)

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

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

The Audit Committee's Terms of Reference published on the Company's website at [www.eonmetall.com](http://www.eonmetall.com).

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

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

The Audit Committee has considered the non-audit services provided by the external auditors during FY2019 and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The amount of fees paid for these services was not significant when compared to the total audit fees paid to the external auditors. The external auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence rules of the Malaysian Institute of Accountants.

The Board place great emphasis on the objectivity and independence of the auditors, namely BDO PLT 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). During FY2019, the external auditors had met twice with the Audit Committee without the presence of the executive Board members and senior management.

##### 8.4 Composition of the Audit Committee

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

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

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

The Audit Committee currently comprised of members with professional experience in financial, business and economic environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the Audit Committee the ability to effectively discharge their roles and responsibilities.

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (Cont'd)

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

#### Part II Risk Management and Internal Control

#### 9. Effective risk management and internal control framework

##### 9.1 Establish an effective risk management and internal control

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

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

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

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

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

##### 9.3 Establishment of a Risk Management Committee

There is a Risk Management Committee in place which undertakes regular risk reviews on the Group's businesses and operations. An analysis of the risks identified together with proposed mitigating actions are tabled to the Audit Committee. The Audit Committee will report to the Board on exception basis if there was any change in the risks identified.

#### 10. Effective governance, risk management and internal control

##### 10.1 Effectiveness of the internal audit function

##### 10.2 Disclosure on the internal audit function

The internal audit function of the Group is carried out by an outsourced and competent consulting firm, JWC Consulting Sdn. Bhd. ("JWC"), that assists the Audit Committee and the Board in managing the risks and establishment of the internal control system and processes within the Group by providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's risk management and internal control system and processes. The internal auditors reports directly to the Audit Committee.

The Audit Committee reviews and approves the Internal Audit Plan annually and ensures that the internal auditors are accorded with appropriate standing and authority to facilitate the discharge of its duties. Audits of the practices, procedures, expenditure and internal controls of identified business and support units and subsidiaries are undertaken on a regular basis.

The Board also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (Cont'd)



### PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### Part I Communication with Stakeholders

##### 11. Continuous communication between Company and stakeholders

##### 11.1 Effectiveness and transparent and regular communication with stakeholders

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

The Company's general meetings remain the principal forum for dialogue and communication with shareholders and investors. Shareholders are encouraged to attend the general meetings and given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns.

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

However, in any circumstances, while the Group endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to all shareholders and stakeholders.

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

The Group disseminates information in relation to its financial performance, operations and corporate developments through the annual reports, quarterly reports, circulars and various announcements. The 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. All materials announcement are reviewed and endorsed by the Audit Committee (as applicable) and the Board prior to release to the public through Bursa Securities. Shareholders and the public in general may also obtain announcements and financial results of the Company from Bursa Securities' website.

The MD & CEO and Chief Operating Officer of the Group are designated spokespersons for all matters related to the Group.

##### 11.2 Integrated Reporting

Integrated reporting is not applicable to the Group presently as the Group does not fall within the definition of "Large Companies".

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (Cont'd)

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

#### Part II Conduct of General Meetings

#### 12. Encourage Shareholder Participation at General Meeting

##### 12.1 Notice for Annual General Meeting

The Board encourages shareholders' participation and as such, the Annual General Meeting is an important event as the Board is given the opportunity to have a dialogue with the shareholders following presentation of annual audited financial results and to address any questions that may arise. The Directors, Company Secretary and the Group's external auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholders. The notice of Sixteenth (16th) Annual General Meeting was sent to the shareholders at least twenty-eight (28) days prior to the meeting date and published in a major local newspaper. Items of special business included in the notice of 16th Annual General Meeting accompanied by an explanation of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

All Directors attended the Annual General Meeting 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. All the resolutions set out in the notice for the 16th Annual General Meeting were put to vote by poll with the outcome announced to Bursa Securities on the same day.

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

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

All the Directors had attended the Sixteenth Annual General Meeting held on 28 May 2019.

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

Based on an analysis of the shareholders, the Company does not have a large number of shareholders. Further, all general meetings are held at the Company's premises, which is easily accessible to all shareholders. As such, the concern over voting in absentia and/or remote shareholders' participation at Annual General Meeting are not applicable.

As of now, the Company encourages participation of shareholders through the issuance of proxies when there is indication that shareholders are unable to attend and vote in person at general meetings.

#### Statement on Compliance

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

The Corporate Governance Overview Statement is issued in accordance with a resolution of the Board of Directors dated 18 June 2020.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

## FOR PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS



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

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2019, the appropriate accounting policies were used and applied consistently, adopted to include new and revised Malaysian Financial Reporting Standards where applicable. The Board is also at the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

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

# SUSTAINABILITY STATEMENT

## INTRODUCTION

The Board of Directors ("Board") of Eonmetall Group Berhad ("the Company") recognised that continued development of sustainable business strategies and practices throughout the Group (Eonmetall Group Berhad and its subsidiaries, collectively) are necessary to ensure that our long term goals and business continuity are achievable. Ultimately, the Board want our sustainability practices to generate long term benefits to our stakeholders in terms of business continuity and value creation.

Our sustainability statement in respect of the financial year ended 31 December 2019 illustrates the Group's progress over its sustainability challenges and opportunities from Economic, Environmental and Social ("EES") dimensions associated with our business activities. This statement also marks our commitment towards discharging our social responsibility concurrent with our holistic approach to our business management, taking into consideration EES risks and opportunities alongside financial implications, as a measure to generate long term benefits and business continuity. We take steps to look into progressive improvement of our sustainability foot prints by integrating, wherever possible, sustainable practices into our business activities.

This statement is prepared in accordance with Bursa Malaysia Sustainability Reporting Guide and the principles of the Malaysia Code of Corporate Governance introduced on 26 April 2017.

## BACKGROUND

The Group is a leading steel racking systems manufacturer and a niche player in the designing and fabrication of metal works and palm oil related machines. Our core operations are categorised into steel products & trading and machinery & equipment manufacturing. In the former, we manufacture and supply steel storage systems. The latter division focussed on the manufacturing and sale of metalwork machinery and other industrial process machinery including solvent extraction plant.

## OUR COMMITMENT TO SUSTAINABILITY

The Board is committed to upholding and implementing sound standards of corporate governance within the Group. Adherence to recommended practices in governance as enshrined in the Board Charter and various other board policy documentation has enabled the Board and the Group to safeguard our reputation and boost shareholders' value as the transformation progresses. Essentially, the Board drives and fosters a corporate culture with sound standards of governance, integrity, transparency and accountability.

We have always conduct our business activities in an ethically responsible manner and in compliance with prevailing laws and regulations. In doing so, our actions reflect transparency and accountability whilst strengthening the trust of our stakeholders.

The Group's sustainability governance structure (as illustrated below) is responsible for identifying material sustainability matters ("MSM") and formulating the related sustainability initiatives. Our Managing Director & CEO provides strong stewardship towards the implementation of the sustainability initiatives within the Group.





## SUSTAINABILITY APPROACH AND PRINCIPLES

As of now, the Group has undertaken several initiatives as an integral part of its business operations and practices to sustain its financial well-being while contributing to the welfare of our employees, stakeholders, the general public and the communities where we operate in.

MSM are the risks and opportunities arising from EES impacts on an organisation's operations and activities and sustainability matters are considered material if they (a) reflect our Group's significant EES impacts; or (b) substantively influence the assessments and decisions of our stakeholders. Our sustainability approach through the EES dimensions with MSM as identified through engagements with our stakeholders is best illustrated below:

Economic	Environment	Social
<ul style="list-style-type: none"> <li>• Business prospects</li> <li>• Cost rationalisation</li> <li>• Improving profit margins</li> <li>• Return on investment</li> <li>• Product quality and reliability</li> <li>• Competitive pricing</li> <li>• Procurement policy and prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>• Energy conservation impact of operations</li> <li>• Sourcing of materials from verified suppliers</li> <li>• Waste management</li> <li>• Compliance with existing laws (Standards and certification)</li> </ul>	<ul style="list-style-type: none"> <li>• Core values and vision</li> <li>• Social responsibility</li> <li>• Health and safe working space</li> <li>• Career path and opportunities</li> <li>• Training</li> <li>• Work-life balance</li> <li>• Clear lines of reporting and communication channel</li> <li>• Competitive salary and benefits</li> <li>• Employee engagement</li> <li>• Work ethics</li> </ul>

The identified sustainability matters and efforts taken to address them are as follows:

Dimension	Sustainability matters	Highlights and action plan in place
<b>Economic</b>	Business prospects	<ul style="list-style-type: none"> <li>• We monitor closely our economic performance and business sustainability strategy.</li> <li>• We monitor closely and manage our resources effectively to ensure that we are adequately funded with sufficient cash reserve for business growth and acquisitions.</li> <li>• We source for cost effective materials and solutions. Our close business partnership with our supply chain has enabled all parties to have clear and definitive understanding of roles and responsibilities vis a vis needs, rules and regulations of the Group.</li> </ul>
	Cost rationalisation	<ul style="list-style-type: none"> <li>• Our reputation is built upon the quality products we deliver to our customers. Our products meet regulatory, safety and quality standards and our ability to penetrate the export markets of Asean, Asia, Asia Pacific, Middle East and North Africa, and the USA testify to our product quality. Our product quality is further affirmed by us being awarded exclusive manufacturing and distribution of European standard racking systems. The quality management we have in place is designed to monitor and control the processes from planning and development to production and after-sales service in order to fulfil our customers' high demand for quality.</li> <li>• We recognise and live up to the slogan of "Customer Satisfaction First". In line with this slogan, our service staff are well trained to prioritise customer satisfaction and to achieve this attribute, our service staff are required to attend training in product knowledge and soft skills development in line with the Quality Policy commitment within ISO9001:2015.</li> </ul>
	Improving profit margins	<ul style="list-style-type: none"> <li>• We participate regularly at trade exhibitions and conduct customer visits as part of market expansion initiatives. During the year under review, the Group participated in 7 local and overseas exhibitions to promote our products to new markets. We have also visited customers to engage with them and to obtain feedback which will form part of our data base to formulate our business strategy to expand our market share.</li> </ul>



# SUSTAINABILITY STATEMENT (Cont'd)

## SUSTAINABILITY APPROACH AND PRINCIPLES (Cont'd)

The identified sustainability matters and efforts taken to address them are as follows: (Cont'd)

Dimension	Sustainability matters	Highlights and action plan in place
<b>Economic</b>	Competitive pricing	<ul style="list-style-type: none"> <li>Our products are globally accepted and we are able to give our customers total solutions in advance design, reliable engineering, world class manufacturing and cost effective project management. In addition, we have gained recognition as the leading design innovator and fabricator of the patented solvent extraction plant for palm mesocarp fibre and palm kernel cake.</li> <li>Our operations are supported by SAP B1 ERP system which captures all our sales and service staff are given access to the system which provides on-time details on stocks and production status. This enables our staffs to engage meaningfully with our customers and therefore cuts down on unnecessary delay in obtaining/extracting data. The investment in a reputable IT system sustains our business practices for the long term benefits to be derived therefrom. Our IT system has all the necessary security features in place to secure our data base and to protect against malware attacks.</li> <li>We engage in responsible procurement practices whereby proper procedures are laid down to ensure that any procurement made is properly evaluated and approved by the relevant authority after considering the production needs and existing stock balance position. We only source our raw materials from approved vendors which meet certain acceptable business practices and deliver high quality materials based on our specifications which are in compliance with international and Malaysian standards especially for imported steel materials. Our officers are expected to conduct themselves ethically. We will not tolerate any corrupt practices in all business dealings and any breach of this policy will be dealt with severely.</li> <li>Engagement of local vendors is key part of our contribution to domestic economy. We continue to prioritise local suppliers and contractors to help develop and grow our sustainable practices along the supply chain whilst stimulating the local economy.</li> <li>In certain instances, we also develop partnership based approach with selected vendors to ensure effective cost management and delivery of our raw material purchases.</li> </ul>
	Return on investment	
	Product quality and reliability	
	Procurement policy and prompt payment	



## SUSTAINABILITY APPROACH AND PRINCIPLES (Cont'd)

The identified sustainability matters and efforts taken to address them are as follows: (Cont'd)

Dimension	Sustainability matters	Highlights and action plan in place
<b>Environment</b>	Energy conservation and impact of operations	<ul style="list-style-type: none"> <li>We practice factory waste management to enable effective utilisation of steel material with minimal waste and proper segregation of waste material to minimise impact to environment.</li> </ul> <p>All waste are segregated so that these can be identified for recycling for reuse or transported to designated disposal sites during off peak hours to avoid disruption of the public's daily commute.</p> <p>We store our production waste in a proper storage area and the waste is regularly disposed of as scraps.</p>
	Compliance with existing laws (Standards and certification)	<ul style="list-style-type: none"> <li>We practise regular maintenance of our gas storage area with the objective of preventing gas leakages into the environment. Thanks to our sustainability practices up-to-date, there have been no untoward incidents which have a negative impact to our environment.</li> <li>We are transiting to galvanised steel products (as opposed to powder coated steel products which involved sludge waste disposal and hazardous chemicals) for our racking components making them more suitable for clientele in clean room or food environment.</li> </ul>
	Waste management	<ul style="list-style-type: none"> <li>We install energy efficient LED (light-emitting diodes) lights which have longer life span as well being more energy efficient. This has improved our working environment besides saving on electricity bills.</li> </ul> <p>We use efficient inverter air conditioning units and LED lights to reduce energy usage in our office premises.</p> <p>The 3R concept (Reduce, Reuse &amp; Recycle) concept is practised and we encourage everyone to practice energy saving acts such as reducing the number of air conditioners operating at any given time and minimise electricity wastage by turning off lights and electrical products when not in use.</p>
	Sourcing of materials from verified suppliers	<ul style="list-style-type: none"> <li>We monitor and control initiatives implemented by our Quality Assurance team to enhance overall quality, delivery and defect rectification (if any) for timely delivery to our clients.</li> <li>We were granted ISO 9001:2015 – Quality Management Systems certification which sums up the high standard of management practices in our organisation. This certification ensures that our customers will consistently receive high quality products and services. In turns, this brings many benefits, including satisfied customers as well as happy, management and employees.</li> </ul>

# SUSTAINABILITY STATEMENT (Cont'd)

## SUSTAINABILITY APPROACH AND PRINCIPLES (Cont'd)

The identified sustainability matters and efforts taken to address them are as follows: (Cont'd)

Dimension	Sustainability matters	Highlights and action plan in place
<b>Social</b>	Core values and vision	<ul style="list-style-type: none"> <li>Sustaining strong governance processes</li> </ul> <p>The Human Resource team ensures that the corporate vision, mission and core values, Code of Ethics and Conduct ("Code") and Whistleblowing Policy are implemented and understood by all employees and Directors. The Code sets out the principles and standards governing the way we conduct business to ensure that these are in compliance with applicable laws, rules and regulations and in accordance with high ethical principles and standards.</p>
	Career path and opportunities	<ul style="list-style-type: none"> <li>We have implemented a standard recruitment procedure which will ensure the proper identification and recruitment of new talent to join our organisation to contribute to the growth of our business. We nurture a dynamic work environment that celebrates diversity and equality. Our talent recruitment is merit based which ensures diversity of qualifications and experiences, age, gender and ethnicity.</li> </ul>
	Competitive salary and benefits	<ul style="list-style-type: none"> <li>In order to retain our talents, we provide opportunities for high-potential employees to develop and progress to senior positions in the Group. Priority is given to existing employees for promotions rather than recruiting fresh candidates from outside.</li> </ul>
	Employee engagement	<ul style="list-style-type: none"> <li>We have also put in place a competitive remuneration package as part of our talent retention program. This strategy will provide us with a stable and productive workforce which will contribute to our sustainability efforts.</li> <li>In engaging our employees, we employ a "two-way" approach where we give opportunity for the employees to make known their grievances and also to give suggestions to improve or resolve their concerns and unhappiness and fellow concern. We have placed a "suggestion box" to facilitate this practice.</li> </ul>
	Clear lines of reporting and communication channel	<p>We embrace diversity by celebrating various major festivals with our employees to promote understanding of each other's culture and thereby creating harmony, peace and joy in our organisation.</p>



## SUSTAINABILITY APPROACH AND PRINCIPLES (Cont'd)

The identified sustainability matters and efforts taken to address them are as follows: (Cont'd)

Dimension	Sustainability matters	Highlights and action plan in place
<b>Social</b>	Health and safe working space	<ul style="list-style-type: none"> <li>Our policy is to create a safe and healthy workplace for our employees where they can have a peace of mind whenever they are working in our factory premises. We have complied, to the best of our ability, the existing laws and regulations relevant to our operations such as Occupational Safety and Health Act, 1994, Environmental Quality Act, 1974, Factories and Machinery Act, 1967 and Fire Services Act, 1988.</li> </ul> <p>Some of the more important measures which we have implemented to complement the compliance of the aforementioned laws and regulations included:</p> <ul style="list-style-type: none"> <li>An active Safety Committee to oversee and monitor ongoing safety and health initiatives which have been implemented.</li> </ul>
	Training	<ul style="list-style-type: none"> <li>Implement a standard security procedure to protect our factory from unauthorised access, sabotage and espionage.</li> <li>Regular maintenance of fire extinguishers and proper layout location and signage plan for the fire extinguishers for easy identification in the event of emergency.</li> <li>We believe in empowering our employees by having in place a standard operating procedure on training and personnel development. Investing in appropriate training to our employees will result in better customer service, productivity improvements, better efficiency and better workplace safety practices.</li> <li>During the year, we carried out 29 training sessions covering financial management to occupational health &amp; safety and quality management for our employees. Ultimately, we hope to achieve better business performance and profitability and improve staff morale.</li> </ul>
	Work life balance	<ul style="list-style-type: none"> <li>To promote a healthy working life, we believe in providing a balanced work-life environment to all our employees to enable them to have more time for their family and/or to pursue and advance their areas of interest. In this respect, we do not encourage overtime work unless it is absolutely necessary such as to meet customer's order or regulatory deadlines, promote a healthy lifestyle, also organise weekly badminton session as part of healthy lifestyle promotion.</li> </ul>

# SUSTAINABILITY STATEMENT (Cont'd)

## SUSTAINABILITY APPROACH AND PRINCIPLES (Cont'd)

The identified sustainability matters and efforts taken to address them are as follows: (Cont'd)

Dimension	Sustainability matters	Highlights and action plan in place
<b>Social</b>	Social responsibility	<ul style="list-style-type: none"> <li>Contribution to society. We have contributed financial aid to a local government aided school for its expansion programme as we believe every child is entitled to get a proper and strong education foundation to prepare the child for a better future.</li> <li>We are committed to conduct our affairs in an ethical, responsible and transparent manner. In this respect we have a Whistleblower Policy in place whereby our employees are encouraged to report any malpractices or wrongdoings to the Chairman of the Audit Committee for any unethical or illegal conduct in financial reporting and to the Managing Director &amp; Chief Executive Officer for any employment related concerns. The identity of a whistleblower is protected under this policy. The whistleblower policy is uploaded to our website at <a href="http://www.eonmetall.com">www.eonmetall.com</a>.</li> </ul>
	Work ethics	<ul style="list-style-type: none"> <li>Our work ethics require all our employees to discharge their duties and responsibilities in accordance to their job functions professionally, honestly, productively and efficiently. Likewise for those conducting business on behalf of the Group are required to observe generally accepted business ethics such as engaging in fair negotiations with our customers and vendors and adopting a "win-win" strategy when closing business deals.</li> <li>Premised on the aforementioned, we will not tolerate bribery and corruption practices among our employees irrespective of ranks and status. As bribery and corruption practices fall under criminal, anyone caught will be dealt with severely like reporting to the police and brought to court.</li> </ul>

The Board, in partnership with management, will continue to strengthen our sustainability development efforts by revisiting and reassessing the identified MSM for recalibration if necessary, and to identify new MSM for action.

The Board recognises that embedding sustainability into the Group's business is a continuous and evolving practices in which the Board will strive to enhance in order to achieve its long term sustainable financial growth whilst balancing with our commitments to customers, the welfare of our community and requirements of other stakeholders.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



## INTRODUCTION

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

The Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2019 ("FY2019"). The Statement on Risk Management and Internal Control is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

## BOARD RESPONSIBILITY

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

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

## MANAGEMENT'S ROLE

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. The Board has received assurance from the Chief Executive Officer and Chief Operating Officer that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement.

## CONTROL STRUCTURE AND ENVIRONMENT

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

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

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

## RISK MANAGEMENT

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

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

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

**a. Board of Directors**

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

**b. Audit Committee**

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

**c. Management Committee**

- Oversees the effective implementation of risk policies and guidelines, ERM and cultivation of risk management culture within the organization; and
- 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 FY2019, the Group had continually monitor and follow up on risk management activities, a total of 12 risks were identified, which are rated, high, significant and moderate to the success of the business. The likelihood and impact of the risks have been assessed and appropriate mitigation actions have been identified and carried out for the risks.

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

## INTERNAL AUDIT FUNCTION

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

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

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

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

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



## INTERNAL AUDIT FUNCTION (Cont'd)

### Weakness in Internal Controls

Based on the internal auditors' reports for FY2019, there is a reasonable assurance that the Group's systems of internal control and risk management are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during FY2019, all of which had been, or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in this Annual Report.

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

### Review of this Statement by External Auditors

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

This Statement is issued in accordance with a resolution of the Directors dated 18 June 2020.



# AUDIT COMMITTEE REPORT

## Objectives

The primary function of the Audit Committee of Eonmetall Group Berhad ("Eonmetall" or "the Company") is to assist the Board of Directors in fulfilling the following oversight objectives of the Group activities:

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

The Terms of Reference ("TOR") of the Audit Committee is published on the Company's website at [www.eonmetall.com](http://www.eonmetall.com).

## Composition

The Audit Committee comprises three (3) members; all wholly of Non-Executive Directors, with a majority being Independent Non-Executive Director. The Audit Committee meets the requirements of paragraph 15.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Chairman of the Audit Committee, Madam Tang Yin Kham, is a Chartered Accountant of the Malaysian Institute of Accountants, a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a fellow member of the Chartered Tax Institute of Malaysia. No alternate Director of the Board shall be appointed as a member of the Audit Committee.

All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

## Meetings

The members of the Audit Committee and their attendance at the five (5) meetings held during financial year ended 31 December 2019 ("FY2019") is as tabulated:

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

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

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

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

The Audit Committee also makes arrangements to meet and discuss with the external and internal auditors on any matters relating to the Group and its audit activities. During the financial year under review, the Audit Committee met twice (2) with the external auditor separately without the Executive Board members and management to discuss the audit findings and any other observations that they may have during the audit process.



## Summary of Activities Undertaken during the Financial Year

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

### Financial Reporting

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

### External Audit

- (a) Discussed with external auditors on their audit plan for FY2019 outlining their scope of work, areas of audit emphasis, possible key audit matters, updates on financial reporting, audit timeline deliverables and proposed audit fees.
- (b) Met twice with the external auditors without the presence of Executive Director and Management to discuss issues of concern to the auditors arising from their interim and final audits and any other observations that they may have during the audit process.
- (c) Reviewed with the external auditors, the findings and results of the audit, significant audit/accounting issues, including the management's response and comments.
- (d) Reviewed and evaluated the performance and effectiveness of the external auditors. The Audit Committee was satisfied with the external auditors' performance and made its recommendations to the Board on their re-appointment as auditors at the forthcoming annual general meeting.

### Internal Audit and Risk Management

- (a) Reviewed the internal audit reports prepared by an independent professional accounting and consulting firm, which highlighted the audit issues, recommendations and Management's response, including the implementation status of Management agreed actions to address findings highlighted in previous cycles of internal audit.
- (b) Reviewed and approved the Internal Audit Plan to ensure the adequacy of the scope and comprehensive coverage of the activities of the Group.
- (c) Reviewed any major proposed transaction that would affect the risk management framework.
- (d) Considered the proposal received for the assessment of current state of the Risk Management Framework adopted by the Group, identify the principal risks and update the existing risk register of the Group.

### Governance

- (a) Met with the external auditors without presence of Executive Board members and Management staff to discuss on major issues of concern.
- (b) Reviewed, periodically, related party transactions and recurrent related party transactions ("RRPT") of a revenue or trading nature on scope, threshold, limit of shareholders' mandate and any conflict of interest situation that might arise from the aforesaid transactions as reported by Management and report to the Board accordingly.
- (c) Reviewed the circular to the shareholders on RRPT of a revenue or trading nature.
- (d) Reviewed non-audit fees paid/payable to the external auditors and its affiliated firms.
- (e) Reviewed and approved/recommended, as applicable, Audit Committee Report, Statement on Risk Management and Internal Control of the Company for Board's approval before inclusion in the Annual Report 2019.

### Internal audit function

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

The Group has appointed an independent professional consulting firm to carry out internal audit reviews on the Group. This is to assist the Audit Committee in discharging its duties and responsibilities. The cost incurred for the internal audit function of the Group in respect of YA2019 was RM20,600.

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

# AUDIT COMMITTEE REPORT (Cont'd)

## Internal audit function (Cont'd)

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

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

Further information on the internal audit function and its activities are set out in the Statement on Risk Management and Internal Control in the Annual Report 2019.

This statement is issued in accordance with a resolution of Board dated 18 June 2020.

# ADDITIONAL COMPLIANCE INFORMATION



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

## 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposals during the financial year ended 31 December 2019.

## 2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable to the external auditors or a firm or corporation affiliated with the external auditors by the Company and the Group for the financial year ended 31 December 2019 are as follows:

	Group (RM)	Company (RM)
Fees paid or payable to the external auditors:		
Audit fees	206,235	31,500
Non-audit fees		
- Non-audit fees paid or payable to the listed issuer's auditors, or a firm or corporation affiliated to the auditors' firm	16,000	16,000
Total	222,235	46,000

## 3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries, involving the interests of Directors or major shareholders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

## 4. CONTRACT RELATING TO LOANS

There were no contracts relating to loans entered into by the Company involving interests of Directors and major shareholders during the financial year ended 31 December 2019.

## ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

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

At the Annual General Meeting held on 28 May 2019, the Company obtained a shareholders' mandate to allow the Group enter into recurrent related party transactions (RRPT) of a revenue or trading nature.

The details of RRPT of a revenue or trading nature conducted during the financial year ended 31 December 2019 pursuant to the shareholders' mandate are disclosed as follow:

Provider of goods and services	Recipient of goods and services	Nature of Transaction	Actual value transacted (RM'000)	Related Parties
Eonmetall Industries Sdn. Bhd. ("EMI")	Genrizt Storage System ("Genrizt")	Sales of steel products	288	Dato' Goh Cheng Huat ("Dato' Goh") is a director of EMI. He is also a major shareholder of Eonmetall Corporation Sdn. Bhd. ("ECSB"). Datin Tan Pak Say ("Datin Tan") is a director of EMI. She is the spouse of Dato' Goh and the sister of Tan Phaik Hoon ("TPH"). She is also a major shareholder of ECSB by virtue of her indirect interest through ECSB and her spouse. Tan Kheng Hwa ("TKH") is the spouse of TPH. Genrizt is a partnership owned by TKH and TPH.
EMI & Eonmetall Technology Sdn. Bhd. ("EMT")	Eonlipids Sdn. Bhd. ("Eonlipids")	<sup>(2)</sup> Sales of steel products, sales and maintenance of machinery, and project works	0	Dato' Goh is a director of EMI, EMT, Eonlipids and ENS. Dato' Goh and Datin Tan are major shareholders of Eonlipids and ENS by virtue of their indirect interest through ECSB. Goh Kee Seng is a director of EMT, Eonlipids and ENS. He is a person connected to Dato' Goh and Datin Tan. He is also major shareholders of Eonlipids and ENS. Eonlipids and ENS are subsidiaries of ECSB.
	Eonlipids Nutrition Specialties Sdn. Bhd. ("ENS")		0	
EMI	<sup>(1)</sup> Leader Steel Sdn. Bhd. ("LSSB")	Sales and servicing of steel products	28	Tan Sri Dato' Mohd Desa Bin Pachi is a director of EMT and Leader Steel Holdings Berhad ("LSH"). Dato' Goh is a director of EMI, EMS, EMT, ESL, LSH, LSSB and LSSC. He is also a major shareholder of LSH by virtue of his interest and indirect interest through Bischart Sdn. Bhd. ("Bischart") and Datin Tan.
	<sup>(1)</sup> Leader Steel Service Centre Sdn. Bhd. ("LSSC")		0	
<sup>(1)</sup> LSSC	EMI	Purchase and servicing of steel products	1,923	Datin Tan is a director of EMI, EMS, EMT, LSH, LSSB and LSSC. She is also a major shareholder of LSH by virtue of her interest and indirect interest through Bischart and Dato' Goh. Tan Sri (Dr) Soong is a director and shareholder of Eonmetall and LSH. Goh Hong Kent is a director of EMI, EMS, EMT and LSSC. He is a person connected to Dato' Goh and Datin Tan. He also has interest in LSH. ECSB is a major shareholder of Eonmetall.
	Eonmetall Systems Sdn. Bhd. ("EMS")		5	
	Eonsteel Sdn. Bhd. ("ESL")		0	
<sup>(1)</sup> LSSB	EMI	Purchase and servicing of steel products	1	
	EMS		0	
	ESL		0	
EMT	<sup>(1)</sup> LSSB	Sales and maintenance of machinery	500	
<sup>(1)</sup> LSSB and <sup>(1)</sup> LSSC	EMT	Purchase and maintenance of machinery	3,439	

## ADDITIONAL COMPLIANCE INFORMATION (Cont'd)



### 5. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (Cont'd)

Provider of goods and services	Recipient of goods and services	Nature of Transaction	Actual value transacted (RM'000)	Related Parties
EMT	<sup>(1)</sup> LSSC	<sup>(2)</sup> Construction of office building & a single storey steel factory	0	
		Sales and maintenance of machinery	164	
EMI	<sup>(1)</sup> LSSC	<sup>(3)</sup> Letting of single storey factory	300	
EMS and ESL	<sup>(1)</sup> LSSB	Sales and servicing of steel products	0	
	<sup>(1)</sup> LSSC		0	

Notes:

<sup>1</sup> Subsidiaries of LSH

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

<sup>3</sup> Single storey factory building located at Lot 393, Mukim 12, Seberang Perai Selatan, Penang with an area measuring 3,873 square metres at a monthly rental RM25,000.

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities and the details of the subsidiaries are set out in Note 8 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>3,384,079</u>	<u>(4,959,004)</u>
Attributable to:		
Owners of the parent	3,400,289	(4,959,004)
Non-controlling interests	<u>(16,210)</u>	<u>0</u>
	<u>3,384,079</u>	<u>(4,959,004)</u>

## DIVIDEND

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

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

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in Note 20 to the financial statements.

## ISSUE OF SHARES AND DEBENTURES

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

## OPTIONS GRANTED OVER UNISSUED SHARES

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



## TREASURY SHARES

At the Annual General Meeting held on 28 May 2019, the shareholders of the Company by an ordinary resolution renewed the mandate given to the Company to repurchase its own shares based, amongst others, on the following terms:

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

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

During the financial year, the Company repurchased a total of 431,500 of its issued ordinary shares from the open market at an average price of RM0.37 per share. The total consideration paid for the repurchase was RM159,887. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2019, the Company held as treasury shares a total of 3,096,600 of its 188,288,100 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,761,139 and further relevant details are disclosed in Note 19 to the financial statements.

## DIRECTORS

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

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

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

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

Goh Hong Kent  
Datin Tan Pak Say  
Yan XingXu



# DIRECTORS' REPORT (Cont'd)

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	[----- Number of ordinary shares -----]			
	Balance as at 1.1.2019	Bought	Sold	Balance as at 31.12.2019
<b>Shares in the Company</b>				
Direct interests:				
Tan Sri Dato' Mohd Desa Bin Pachi	30,000	0	0	30,000
Yeoh Cheng Chye	50,000	0	0	50,000
Dato' Goh Cheng Huat	19,613,400	0	0	19,613,400
Tan Sri Dato' (Dr) Soong Siew Hoong	510,000	0	(510,000)	0
Indirect interests:				
Tan Sri Dato' Mohd Desa Bin Pachi*	549,800	0	0	549,800
Dato' Goh Cheng Huat#	84,049,128	0	0	84,049,128
Tan Sri Dato' (Dr) Soong Siew Hoong^	496,600	510,000	0	1,006,600

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

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

^ Deemed interested pursuant to Section 8(4) of the Companies Act 2016 and via his children pursuant to Section 59(11)(c) of the Companies Act 2016.

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

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration 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) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interest; and
- (ii) certain Directors who received remuneration from subsidiaries as Directors of the subsidiaries.

The details of the above transaction are disclosed in Note 30 and Note 33 to the financial statements.

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



## DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 30 to the financial statements.

## INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

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

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

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

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

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

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no known bad debts to be 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 other than those disclosed in Note 14(g) and Note 14(h) to the financial statements.

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

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

# DIRECTORS' REPORT (Cont'd)

## 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.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 37 to the financial statements.

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

Significant event subsequent to the end of the reporting period is disclosed in Note 38 to the financial statements.

### AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2019 are disclosed in Note 27 to the financial statements.

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

**Dato' Goh Cheng Huat**  
Director

**Yeoh Cheng Chye**  
Director

Penang  
18 June 2020

## STATEMENT BY DIRECTORS



In the opinion of the Directors, the financial statements set out on pages 56 to 133 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

**Dato' Goh Cheng Huat**  
Director

**Yeoh Cheng Chye**  
Director

Penang  
18 June 2020

## STATUTORY DECLARATION

I, Yeoh Cheng Chye, 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 56 to 133 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 18 June 2020

**Yeoh Cheng Chye**

Before me,

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EONMETALL GROUP BERHAD

(Registration No. 200301029197 (631617-D))  
(Incorporated in Malaysia)

## 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 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 133.

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 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

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

### Key Audit Matters

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

### Key Audit Matter of the Group

#### Impairment of trade receivables

As at 31 December 2019, the Group had trade receivables which amounted to RM54,463,625, which were net of impairment losses of RM19,322,739. The details of trade receivables and related credit risk have been disclosed in Note 14 and Note 36(a) to the financial statements respectively.

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

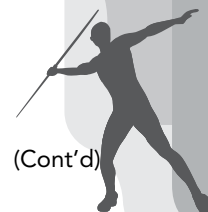
#### *Audit response*

Our audit procedures included the following:

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

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

(Registration No. 200301029197 (631617-D))  
(Incorporated in Malaysia)



## Key Audit Matters (Cont'd)

### Key Audit Matter of the Group (Cont'd)

#### Impairment of trade receivables (Cont'd)

##### *Audit response (Cont'd)*

Our audit procedures included the following: (Cont'd)

- (v) evaluated the basis by management for determining cash flows recoverable in worst-case scenarios.

### Key Audit Matters of the Company

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

As at 31 December 2019, investment in subsidiaries of the Company were RM126,883,207 as disclosed in Note 8 to the financial statements.

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

##### *Audit response*

Our audit procedures included the following:

- (i) compared cash flow projections against recent performance and assessed and challenged the key assumptions used in the projections by comparing to actual gross margins and growth rates and corroborate the findings from other areas of our audit;
- (ii) compared prior period projections to actual outcomes to assess reliability of management forecasting process;
- (iii) evaluated the reasonableness of projected growth rates by assessing evidence available to support these assumptions;
- (iv) evaluated the reasonableness of pre-tax discount rate used by management by comparing to weighted average cost of capital of the Company and relevant risk factors; and
- (v) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

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

As at 31 December 2019, amounts owing by subsidiaries of the Company were RM22,421,096 which were net of impairment losses of RM8,064,387 as disclosed in Note 14 to the financial statements.

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

##### *Audit response*

Our audit procedures included the following:

- (i) evaluated the reasonableness of assessments performed by management and assessed adequacy of expected credit losses based on expected cash flow recoverable from subsidiaries in worst-case scenarios;
- (ii) assessed and challenged reasonableness of discount rate used in calculating the present value of amount owing by subsidiaries over its expected repayment periods; and
- (iii) assessed actual loss events subsequent to the end of reporting period, if any, for its relationship with the indicators of significant increase in credit risk applied by management.

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

(Registration No. 200301029197 (631617-D))  
(Incorporated in Malaysia)

## Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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

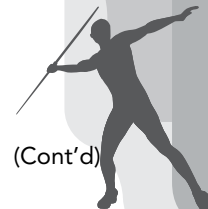
Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance,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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

(Registration No. 200301029197 (631617-D))  
(Incorporated in Malaysia)



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

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

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**BDO PLT**  
LLP0018825-LCA & AF 0206  
Chartered Accountants

**Koay Theam Hock**  
02141/04/2021 J  
Chartered Accountant

Penang  
18 June 2020



# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	231,532,406	137,929,405	0	0
Investment properties	6	0	0	0	0
Right-of-use assets	7	971,500	0	0	0
Investments in subsidiaries	8	0	0	126,883,207	126,883,206
Investments in associates	9	11,326	413,633	0	0
Investment in a joint venture	10	0	0	0	0
Other investment	11	0	0	0	0
Goodwill	12	0	0	0	0
Deferred tax assets	13	1,624,500	1,624,500	0	0
Trade and other receivables	14	8,080,500	7,636,998	22,421,096	13,100,475
		<u>242,220,232</u>	<u>147,604,536</u>	<u>149,304,303</u>	<u>139,983,681</u>
<b>Current assets</b>					
Trade and other receivables	14	72,490,324	61,756,649	1,000	1,000
Contract assets	15	1,137,723	1,137,723	0	0
Derivative asset	16	67,604	0	0	0
Inventories	17	94,321,519	95,072,220	0	0
Current tax assets		727,723	442,878	14,565	39,245
Cash and bank balances	18	16,987,285	16,695,737	341,584	1,039,614
		<u>185,732,178</u>	<u>175,105,207</u>	<u>357,149</u>	<u>1,079,859</u>
<b>TOTAL ASSETS</b>		<u>427,952,410</u>	<u>322,709,743</u>	<u>149,661,452</u>	<u>141,063,540</u>

# STATEMENTS OF FINANCIAL POSITION (Cont'd)

AS AT 31 DECEMBER 2019



		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	19	99,800,734	99,800,734	99,310,842	99,310,842
Treasury shares	19	(1,761,139)	(1,601,252)	(1,761,139)	(1,601,252)
Reserves	20	144,433,221	73,792,522	25,496,592	30,455,596
		242,472,816	171,992,004	123,046,295	128,165,186
Non-controlling interests	8	486,424	650,338	0	0
TOTAL EQUITY		242,959,240	172,642,342	123,046,295	128,165,186
LIABILITIES					
Non-current liabilities					
Borrowings	21	35,618,991	29,494,188	0	0
Lease liabilities	7	646,264	0	0	0
Trade and other payables	23	0	0	26,299,309	12,604,054
Deferred tax liabilities	13	10,148,924	631,300	0	0
		46,414,179	30,125,488	26,299,309	12,604,054
Current liabilities					
Trade and other payables	23	22,776,169	18,469,924	315,848	294,300
Borrowings	21	115,395,272	101,421,776	0	0
Lease liabilities	7	357,506	0	0	0
Current tax liabilities		50,044	50,213	0	0
		138,578,991	119,941,913	315,848	294,300
TOTAL LIABILITIES		184,993,170	150,067,401	26,615,157	12,898,354
TOTAL EQUITY AND LIABILITIES		427,952,410	322,709,743	149,661,452	141,063,540

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 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	25	<b>120,967,602</b>	115,789,362	<b>0</b>	5,700,000
Cost of sales		<b>(104,570,312)</b>	(90,441,674)	<b>0</b>	0
Gross profit		<b>16,397,290</b>	25,347,688	<b>0</b>	5,700,000
Other income		<b>9,854,407</b>	2,388,343	<b>1,097,544</b>	1,648,510
Distribution expenses		<b>(2,589,794)</b>	(3,400,077)	<b>0</b>	0
Administrative expenses		<b>(12,760,716)</b>	(12,742,087)	<b>(611,241)</b>	(580,892)
Other expenses		<b>(1,236,842)</b>	(2,491,997)	<b>(4,301,028)</b>	(313,282)
Finance costs	26	<b>(6,771,248)</b>	(5,905,734)	<b>(1,144,279)</b>	(1,581,225)
Share of loss of associates and a joint venture, net of tax		<b>(49,655)</b>	(1,389)	<b>0</b>	0
Profit/(Loss) before tax	27	<b>2,843,442</b>	3,194,747	<b>(4,959,004)</b>	4,873,111
Tax income/(expense)	31	<b>540,637</b>	(106,199)	<b>0</b>	15,630
Profit/(Loss) for the financial year		<b>3,384,079</b>	3,088,548	<b>(4,959,004)</b>	4,888,741
Profit/(Loss) attributable to:					
Owners of the parent		<b>3,400,289</b>	3,099,447	<b>(4,959,004)</b>	4,888,741
Non-controlling interests	8	<b>(16,210)</b>	(10,899)	<b>0</b>	0
		<b>3,384,079</b>	3,088,548	<b>(4,959,004)</b>	4,888,741
Earnings per ordinary share attributable to equity holders of the Company:					
- basic (sen)	32(a)	<b>1.83</b>	1.66		
- diluted (sen)	32(b)	<b>1.83</b>	1.66		

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019



	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Profit/(Loss) for the financial year</b>		<b>3,384,079</b>	3,088,548	<b>(4,959,004)</b>	4,888,741
<b>Other comprehensive income/(loss):</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translations		(236,222)	(346,792)	0	0
Share of other comprehensive loss of an associate and a joint venture, net of tax		0	(4,488)	0	0
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Gross revaluation increase of properties	5	77,279,711	0	0	0
Deferred tax relating to revalued properties	13	(9,950,783)	0	0	0
<b>Other comprehensive income/(loss) for the financial year, net of tax</b>		<b>67,092,706</b>	(351,280)	<b>0</b>	0
<b>Total comprehensive income/(loss) for the financial year</b>		<b>70,476,785</b>	2,737,268	<b>(4,959,004)</b>	4,888,741
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent		70,640,699	2,809,356	(4,959,004)	4,888,741
Non-controlling interests	8	(163,914)	(72,088)	0	0
		<b>70,476,785</b>	2,737,268	<b>(4,959,004)</b>	4,888,741

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	[----- Non-distributable -----] Distributable					Total equity RM
		Share capital RM	Treasury shares RM	Exchange translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	
Balance as at 1 January 2018		99,800,734	(6,964)	(1,426,393)	72,409,559	170,776,936	171,011,184
Profit for the financial year		0	0	0	3,099,447	3,099,447	3,088,548
Foreign currency translations		0	0	(285,603)	0	(285,603)	(346,792)
Share of comprehensive loss of an associate and joint venture		0	0	(4,488)	0	(4,488)	(4,488)
Total comprehensive (loss)/income		0	0	(290,091)	3,099,447	2,809,356	2,737,268
<b>Transactions with owners</b>							
Purchase of treasury shares	19	0	(1,594,288)	0	0	(1,594,288)	(1,594,288)
Acquisition of a subsidiary		0	0	0	0	0	488,178
Total transactions with owners		0	(1,594,288)	0	0	(1,594,288)	(1,106,110)
Balance as at 31 December 2018		99,800,734	(1,601,252)	(1,716,484)	75,509,006	171,992,004	172,642,342

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019



Group	Note	Non-distributable -----]				Distributable			Total equity RM
		Share capital RM	Treasury shares RM	Revaluation reserve RM	Exchange translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	
Balance as at 1 January 2019		99,800,734	(1,601,252)	0	(1,716,484)	75,509,006	171,992,004	650,338	172,642,342
Profit for the financial year		0	0	0	0	3,400,289	3,400,289	(16,210)	3,384,079
Foreign currency translations		0	0	0	(88,518)	0	(88,518)	(147,704)	(236,222)
Gross revaluation increase of properties	5	0	0	77,279,711	0	0	77,279,711	0	77,279,711
Deferred tax relating to revalued properties	13	0	0	(9,950,783)	0	0	(9,950,783)	0	(9,950,783)
Total comprehensive income/(loss)		0	0	67,328,928	(88,518)	3,400,289	70,640,699	(163,914)	70,476,785
Transactions with owners									
Purchase of treasury shares	19	0	(159,887)	0	0	0	(159,887)	0	(159,887)
Total transactions with owners		0	(159,887)	0	0	0	(159,887)	0	(159,887)
Realisation of revaluation reserve		0	0	(152,499)	0	152,499	0	0	0
Balance as at 31 December 2019		99,800,734	(1,761,139)	67,176,429	(1,805,002)	79,061,794	242,472,816	486,424	242,959,240

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Note	[----- Non-distributable -----]			Distributable	
		Share capital RM	Treasury shares RM	Retained earnings RM	Total equity RM	
Balance as at 1 January 2018		99,310,842	(6,964)	25,566,855	124,870,733	
Profit for the financial year		0	0	4,888,741	4,888,741	
Other comprehensive income, net of tax		0	0	0	0	
Total comprehensive income		0	0	4,888,741	4,888,741	
Transactions with owners						
Purchase of treasury shares	19	0	(1,594,288)	0	(1,594,288)	
Total transactions with owners		0	(1,594,288)	0	(1,594,288)	
Balance as at 31 December 2018		99,310,842	(1,601,252)	30,455,596	128,165,186	
Balance as at 1 January 2019		99,310,842	(1,601,252)	30,455,596	128,165,186	
Loss for the financial year		0	0	(4,959,004)	(4,959,004)	
Other comprehensive income, net of tax		0	0	0	0	
Total comprehensive loss		0	0	(4,959,004)	(4,959,004)	
Transactions with owners						
Purchase of treasury shares	19	0	(159,887)	0	(159,887)	
Total transactions with owners		0	(159,887)	0	(159,887)	
Balance as at 31 December 2019		99,310,842	(1,761,139)	25,496,592	123,046,295	

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019



		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		2,843,442	3,194,747	(4,959,004)	4,873,111
Adjustments for:					
Depreciation of property, plant and equipment	5	8,071,854	5,722,458	0	0
Depreciation of investment properties	6	0	436,533	0	0
Depreciation of right-of-use assets	7	290,246	0	0	0
Fair value adjustment on derivative financial instruments	16	(67,604)	0	0	0
Loss/(Gain) on disposal of property, plant and equipment	27	4,089	(106)	0	0
Loss on disposal of a subsidiary	8(d)	4,856	0	0	0
Dividend income	25	0	0	0	(5,700,000)
Impairment losses on:					
- trade receivables	27	688,031	878,322	0	0
- other receivables	14(h)	0	356,222	4,301,028	313,282
- goodwill	12	0	2,280	0	0
Written off of investment in an associate	9(e)	97,348	0	0	0
Interest income from:					
- banks	27	(18,070)	(24,836)	0	0
- amounts owing by subsidiaries	27	0	0	(1,097,544)	(1,648,510)
Interest expense	26	6,771,248	5,905,734	1,144,279	1,581,225
Inventories written down	17(c)	21,889	461,274	0	0
Inventories written off	17(c)	0	323,807	0	0
Property, plant and equipment written off	5	0	16,959	0	0
Reversal of impairment losses on					
trade receivables	27	(8,043,698)	(449,022)	0	0
Share of loss of associates and					
a joint venture		49,655	1,389	0	0
Unrealised foreign exchange gain	27	(177,730)	(1,596,321)	0	0
Operating profit/(loss) before changes in working capital		10,535,556	15,229,440	(611,241)	(580,892)



# STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)</b>					
Operating profit/(loss) before changes in working capital		<b>10,535,556</b>	15,229,440	<b>(611,241)</b>	(580,892)
Decrease/(Increase) in inventories		<b>728,812</b>	(21,319,215)	<b>0</b>	0
Increase in trade and other receivables		<b>(3,732,111)</b>	(17,710,409)	<b>0</b>	0
Increase in contract assets		<b>0</b>	(1,137,723)	<b>0</b>	0
Increase/(Decrease) in trade and other payables		<b>4,384,705</b>	3,833,483	<b>21,548</b>	(800)
Cash generated from/(used in) operations		<b>11,916,962</b>	(21,104,424)	<b>(589,693)</b>	(581,692)
Tax paid		<b>(1,232,753)</b>	(1,925,248)	<b>(16,200)</b>	(19,064)
Tax refunded		<b>1,055,217</b>	7,893	<b>40,880</b>	0
Net cash from/(used in) operating activities		<b>11,739,426</b>	(23,021,779)	<b>(565,013)</b>	(600,756)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	5(h)	<b>(9,000,683)</b>	(10,345,404)	<b>0</b>	0
Addition of investment properties	6	<b>0</b>	(71,100)	<b>0</b>	0
Acquisition of subsidiary, net of cash and cash equivalent	8(h)	<b>0</b>	494,984	<b>0</b>	0
Additions of:					
- investments in subsidiaries		<b>0</b>	0	<b>(1)</b>	(3,009,999)
- investments in associates		<b>(50,004)</b>	(419,000)	<b>0</b>	0
(Increase)/Decrease in amounts owing by subsidiaries		<b>0</b>	0	<b>(12,524,105)</b>	11,218,905
Decrease/(Increase) in amounts owing to subsidiaries		<b>0</b>	0	<b>12,550,976</b>	(1,728,089)
Proceeds from disposal of property, plant and equipment		<b>2,250</b>	110,250	<b>0</b>	0
Net cash inflow on disposal of a subsidiary	8(d)	<b>2</b>	0	<b>0</b>	0
Proceeds from capital distribution of investment in an associate	9(e)	<b>310,321</b>	0	<b>0</b>	0
Interest received from banks		<b>18,070</b>	24,836	<b>0</b>	0
Net cash (used in)/from investing activities		<b>(8,720,044)</b>	(10,205,434)	<b>26,870</b>	6,480,817

# STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019



		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Drawdown from short term borrowings		<b>308,156,347</b>	174,610,959	<b>0</b>	0
Proceeds from term loans		<b>3,432,000</b>	29,998,000	<b>0</b>	0
Repayments of:					
- short term borrowings		<b>(298,213,728)</b>	(152,952,827)	<b>0</b>	0
- term loans		<b>(6,411,900)</b>	(5,150,805)	<b>0</b>	0
- hire purchase creditors		<b>0</b>	(35,876)	<b>0</b>	0
Purchase of treasury shares	19	<b>(159,887)</b>	(1,594,288)	<b>(159,887)</b>	(1,594,288)
Payments of lease liabilities	7	<b>(329,613)</b>	0	<b>0</b>	0
Interest paid		<b>(6,722,337)</b>	(5,905,734)	<b>0</b>	0
Dividend paid		<b>0</b>	(4,706,703)	<b>0</b>	(4,706,703)
Net cash (used in)/from financing activities		<b>(249,118)</b>	34,262,726	<b>(159,887)</b>	(6,300,991)
Net increase/(decrease) in cash and cash equivalents		<b>2,770,264</b>	1,035,513	<b>(698,030)</b>	(420,930)
Effect of exchange rate changes on cash and cash equivalents		<b>(236,222)</b>	(346,792)	<b>0</b>	0
Cash and cash equivalents at beginning of financial year		<b>5,125,374</b>	4,436,653	<b>1,039,614</b>	1,460,544
Cash and cash equivalents at end of financial year	18(b)	<b>7,659,416</b>	5,125,374	<b>341,584</b>	1,039,614

# STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Lease liabilities (Note 7) RM	Borrowings, exclude bank overdrafts (Note 21) RM
As at 1 January 2018	0	72,876,150
Cash flows	0	46,469,451
As at 31 December 2018	0	119,345,601
As at 1 January 2019, as previously reported	0	119,345,601
Effect of adoption of MFRS 16 (Note 39.1)	414,269	(65,926)
As at 1 January 2019, as restated	414,269	119,279,675
Cash flows	(329,613)	6,962,719
Non-cash flows:		
- unwinding of interest	48,911	0
Additions:		
- right-of-use assets	870,203	0
- property, plant and equipment	0	15,444,000
	870,203	15,444,000
As at 31 December 2019	1,003,770	141,686,394

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019



## 1. CORPORATE INFORMATION

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

The registered office of the Company is located at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang.

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

The consolidated financial statements for the financial year ended 31 December 2019 comprise the financial statements of the Company and its subsidiaries and the interests of the Group in associates. 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 18 June 2020.

## 2. PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

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

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 39.1 to the financial statements.

The Group and the Company applied MFRS 16 Leases for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 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.

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.

2019	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
<b>Revenue</b>				
Total revenue	38,474,399	185,128,775	2,109,015	225,712,189
Inter-segment revenue	(3,686,625)	(99,577,762)	(1,480,200)	(104,744,587)
Revenue from external customers	34,787,774	85,551,013	628,815	120,967,602
Interest income	5,173	12,897	0	18,070
Finance costs	(3,433,450)	(3,244,293)	(93,505)	(6,771,248)
Net finance expense	(3,428,277)	(3,231,396)	(93,505)	(6,753,178)
Depreciation of property, plant and equipment	(687,359)	(5,453,314)	(1,931,181)	(8,071,854)
Depreciation of right-of-use assets	0	(21,600)	(268,646)	(290,246)

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 4. OPERATING SEGMENTS (Cont'd)

2019 (Cont'd)	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
<b>Segment profit/(loss) before income tax</b>	<b>3,213,749</b>	<b>694,430</b>	<b>(2,796,983)</b>	<b>1,111,196</b>
Tax income/(expense)	389,241	(45,160)	196,556	540,637
Other non-cash items				
- impairment losses on trade and other receivables	(670,127)	(17,904)	0	(688,031)
- inventories written down	(21,889)	0	0	(21,889)
- share of loss of associates, net of tax	0	0	(49,655)	(49,655)
- fair value adjustment on derivative of financial instruments	0	67,604	0	67,604
- written off of investment in an associate	0	0	(97,348)	(97,348)
- reversal of impairment losses on trade receivables	0	8,043,698	0	8,043,698
Investments in associates	0	0	11,326	11,326
Additions to non-current assets other than financial instruments and deferred tax assets	457,250	6,479,338	18,428,302	25,364,890
<b>Segment assets</b>	<b>118,666,686</b>	<b>177,971,443</b>	<b>128,962,058</b>	<b>425,600,187</b>
<b>Segment liabilities</b>	<b>42,942,586</b>	<b>81,577,000</b>	<b>50,274,616</b>	<b>174,794,202</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 4. OPERATING SEGMENTS (Cont'd)

2018	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
<b>Revenue</b>				
Total revenue	59,421,992	125,860,073	8,152,205	193,434,270
Inter-segment revenue	(11,448,883)	(59,027,825)	(7,168,200)	(77,644,908)
Revenue from external customers	47,973,109	66,832,248	984,005	115,789,362
Interest income	6,423	18,413	0	24,836
Finance costs	(2,825,318)	(3,080,340)	(76)	(5,905,734)
Net finance expense	(2,818,895)	(3,061,927)	(76)	(5,880,898)
Depreciation of property, plant and equipment and investment properties	(630,358)	(4,425,883)	(1,102,750)	(6,158,991)
<b>Segment profit before income tax</b>	<b>6,665,693</b>	<b>1,176,071</b>	<b>1,198,572</b>	<b>9,040,336</b>
Tax income/(expenses)	176,553	(191,680)	(91,072)	(106,199)
Other non-cash items				
- impairment losses on trade and other receivables	(878,332)	0	(356,222)	(1,234,554)
- impairment losses on goodwill	0	0	(2,280)	(2,280)
- inventories written down	(461,274)	0	0	(461,274)
- inventories written off	(296,986)	0	(26,821)	(323,807)
- share of loss of an associate and a joint venture, net of tax	0	0	(1,389)	(1,389)
- property, plant and equipment written off	0	(14,521)	(2,438)	(16,959)
Investments in an associate	0	0	413,633	413,633
Additions to non-current assets other than financial instruments and deferred tax assets	277,691	5,834,051	4,723,762	10,835,504
<b>Segment assets</b>	<b>109,054,578</b>	<b>144,188,307</b>	<b>67,399,480</b>	<b>320,642,365</b>
<b>Segment liabilities</b>	<b>56,899,209</b>	<b>72,851,459</b>	<b>19,635,220</b>	<b>149,385,888</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 4. OPERATING SEGMENTS (Cont'd)

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

	2019 RM	2018 RM
<b>Revenue</b>		
Total revenue for reportable segments	225,712,189	193,434,270
Elimination of inter-segmental revenues	(104,744,587)	(77,644,908)
Revenue per consolidated statement of profit or loss and other comprehensive income	<u>120,967,602</u>	<u>115,789,362</u>
<b>Depreciation</b>		
Depreciation of property, plant and equipment	8,071,854	5,722,458
Depreciation of right-of-use assets	290,246	0
Depreciation of investment properties	0	436,533
Depreciation as per consolidated statement of profit or loss and other comprehensive income	<u>8,362,100</u>	<u>6,158,991</u>
<b>Profit for the financial year</b>		
Total profit for reportable segments	1,111,196	9,040,336
Adjustment for inter-segmental profits	1,732,246	(5,845,589)
Profit before tax	2,843,442	3,194,747
Tax income/(expenses)	540,637	(106,199)
Profit for the financial year	<u>3,384,079</u>	<u>3,088,548</u>
<b>Assets</b>		
Total assets for reportable segments	425,600,187	320,642,365
Current tax assets	727,723	442,878
Deferred tax assets	1,624,500	1,624,500
Assets of the Group per consolidated statement of financial position	<u>427,952,410</u>	<u>322,709,743</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	174,794,202	149,385,888
Current tax liabilities	50,044	50,213
Deferred tax liabilities	10,148,924	631,300
Liabilities of the Group per consolidated statement of financial position	<u>184,993,170</u>	<u>150,067,401</u>



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

	Revenue		Non-current assets	
	2019 RM	2018 RM	2019 RM	2018 RM
Malaysia	58,025,022	83,613,991	239,402,906	145,566,403
Africa	21,789,441	6,588,975	0	0
Bangladesh	593,337	1,260,263	0	0
Cambodia	760,879	1,300,414	0	0
Indonesia	5,233,066	733,899	0	0
Philippines	3,766,939	2,678,967	0	0
Singapore	5,404,887	7,768,279	0	0
Sri Lanka	3,444,275	1,634,310	0	0
Middle-east countries	8,072,767	5,573,611	0	0
Europe	5,659,207	0	0	0
Australia	2,500,499	0	0	0
Taiwan	2,907,604	0	0	0
Others	2,809,679	4,636,653	1,181,500	0
	<u>120,967,602</u>	<u>115,789,362</u>	<u>240,584,406</u>	<u>145,566,403</u>

### Major customers

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

	Revenue		Segments
	2019 RM	2018 RM	
Customer A	5,455,000	27,105,680	Machinery and equipment
Customer B	<u>18,365,511</u>	<u>0</u>	Machinery and equipment
	<u>23,820,511</u>	<u>27,105,680</u>	

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 39.1) RM	Additions RM	Disposals RM	Revaluation RM	Depreciation charge for the financial year RM	Balance as at 31.12.2019 RM
<b>Carrying amount</b>							
<u>At Valuation</u>							
Freehold land*	36,847,497	0	0	0	61,402,503	0	98,250,000
Buildings*	57,167,234	0	0	0	15,877,208	(1,629,219)	71,415,223
<u>At Cost</u>							
Plant and machinery, moulds, tools and equipment	41,869,328	0	6,852,736	0	0	(5,929,896)	42,792,168
Furniture, fittings, office equipment and computer software	762,649	0	116,980	(6,339)	0	(286,363)	586,927
Motor vehicles	477,236	(43,200)	0	0	0	(161,638)	272,398
Electrical installation and renovation	547,381	0	0	0	0	(64,738)	482,643
Capital work-in-progress	258,080	0	17,474,967	0	0	0	17,733,047
	<u>137,929,405</u>	<u>(43,200)</u>	<u>24,444,683</u>	<u>(6,339)</u>	<u>77,279,711</u>	<u>(8,071,854)</u>	<u>231,532,406</u>

\* The freehold land and buildings are stated at cost as at 1 January 2019.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



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

[----- 2019 -----]					
Group	Cost RM	Valuation RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Freehold land	0	98,250,000	0	0	98,250,000
Buildings	0	71,474,036	38,645	20,168	71,415,223
Plant and machinery, moulds, tools and equipment	95,275,408	0	48,095,877	4,387,363	42,792,168
Furniture, fittings, office equipment and computer software	5,047,809	0	4,459,647	1,235	586,927
Motor vehicles	2,865,678	0	2,593,280	0	272,398
Electrical installation and renovation	788,397	0	305,754	0	482,643
Capital work-in-progress	17,733,047	0	0	0	17,733,047
	<u>121,710,339</u>	<u>169,724,036</u>	<u>55,493,203</u>	<u>4,408,766</u>	<u>231,532,406</u>

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

- (a) All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. After initial recognition, property, plant and equipment except for freehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land and buildings are stated at valuation, which is the fair value at the date of revaluation less subsequent accumulated depreciation.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

- (a) Freehold land and buildings are revalued at least every three (3) to five (5) years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of each reporting period. The surplus arising from such revaluations is credited to shareholders' equity as a revaluation reserve, net of deferred tax and any subsequent deficit is offset against such surplus to the extent of a previous increase for the same property. In all other cases, the deficit would be charged to profit or loss. For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus is recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to revaluation reserve.

- (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	35 - 43 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 and building improvement in progress and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

- (d) Based on the accounting policy of the Group, freehold land and buildings are revalued at least every three (3) to five (5) years. The freehold land and buildings were last revalued on 30 June 2019.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts would have been:

	Group 2019 RM
Freehold land	36,847,497
Buildings	56,077,529
	<u>92,925,026</u>

- (e) The fair value of freehold land and buildings (at valuation) of the Group are categorised as Level 3 in the fair value hierarchy.

- (i) Level 3 fair value of freehold land and buildings (at valuation) was determined by an external and independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair value of freehold land and buildings was derived using comparison/cost method.

The comparison/cost method of valuation entails separate valuations of the land and buildings to arrive at the market value of the subject property. The land is valued by reference to transactions of similar lands in close proximity with adjustments made for differences in location, size and shape of the land, tenure, title restrictions, if any other relevant characteristics. Completed buildings are valued by reference to the current estimates on construction costs to erect equivalent buildings, taking into consideration of similar accommodation in term of building differences, improvements and amenities, time element and other relevant characteristics. Appropriate adjustments are then made for the factors of obsolescence, optimisation and existing physical condition of the buildings. The estimated fair value would increase if the yield adjustments based on management's assumptions were higher and vice versa.

- (ii) The fair value measurements of the freehold land and buildings (at valuation) are based on the highest and best use which does not differ from their actual use.



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

- (e) The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 as well as the relationship between key unobservable inputs and fair value, is detailed in the table below.

Group	Valuation technique used	Unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value
<b>2019</b>				
<b><u>Property, plant and equipment</u></b>				
- freehold land	Comparison approach	Yield adjustments based on management's assumptions*	-25% to 15%	A significant increase/(decrease) in yield adjustments based on management's assumptions would result in significant higher/lower fair value measurement.
- buildings	Cost approach	Yield adjustments based on management's assumptions*	-30% to -20%	A significant increase/(decrease) in yield adjustments based on management's assumptions would result in significant higher/lower fair value measurement.

\* The yield adjustments are made for any difference in location, size and shape of the land, tenure, title restrictions, conditions of the specific property.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

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

	Group	
	2019 RM	2018 RM
Motor vehicle	<u>0</u>	<u>43,200</u>

- (g) As at 31 December 2019, property, plant and equipment of the Group with a carrying amount of RM116,522,927 (2018: RM63,637,202) have been charged to banks for credit facilities granted to the Group as disclosed in Note 21(c)(i) to the financial statements.
- (h) During the financial year, the Group made the following cash payments to purchase property, plant and equipment.

	Group	
	2019 RM	2018 RM
Purchase of property, plant and equipment	<b>24,444,683</b>	10,345,404
Financed by term loan arrangements	<b>(15,444,000)</b>	0
Cash payments on purchase of property, plant and equipment	<u><b>9,000,683</b></u>	<u>10,345,404</u>

## 6. INVESTMENT PROPERTIES

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

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

Depreciation was 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 were fifty (50) years.



## 7. LEASES

### The Group as lessee

#### Right-of-use assets

Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 39.1) RM	Additions RM	Depreciation RM	Balance as at 31.12.2019 RM
Land	0	0	596,648	(42,618)	554,030
Buildings	0	348,343	273,555	(226,028)	395,870
Motor vehicle	0	43,200	0	(21,600)	21,600
	0	391,543	870,203	(290,246)	971,500

#### Lease liabilities

Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 39.1) RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2019 RM
Land	0	0	596,648	(56,000)	23,693	564,341
Buildings	0	348,343	273,555	(240,001)	22,271	404,168
Motor vehicle	0	65,926	0	(33,612)	2,947	35,261
	0	414,269	870,203	(329,613)	48,911	1,003,770



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 7. LEASES (Cont'd)

	Group
	2019
	RM

Represented by:

Current liabilities	357,506
Non-current liabilities	646,264
	<u>1,003,770</u>
Lease liabilities owing to financial institutions	35,261
Lease liabilities owing to non-financial institutions	968,509
	<u>1,003,770</u>

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Land	8.7 years
Buildings	1.3 - 1.6 years
Motor vehicle	1.1 years

- (b) The Group has certain leases of machineries with lease term of 12 months or less, and low value leases of office equipment of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.

- (c) The following are the amounts recognised in profit or loss:

	Group
	2019
	RM

Depreciation charge of right-of-use assets (included in cost of sales)	290,246
Interest expense on lease liabilities (included in finance costs)	48,911
Expense relating to short-term leases (included in cost of sales)	120,600
Expense relating to short-term leases (included in administration expenses)	1,859
Expense relating to leases of low-value assets (included in selling and distribution expenses)	4,496
	<u>466,112</u>

- (d) At the end of the financial year, the Group had total cash outflow for leases of RM329,613.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 7. LEASES (Cont'd)

### The Group as lessor

The Group has entered into non-cancellable lease agreements on certain properties for terms of one (1) year. The monthly rental consists of a fixed base rent.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	Group	
	2019 RM	2018 RM
Less than one (1) year	<u>150,000</u>	<u>150,000</u>

(e) Information on financial risks of lease liabilities is disclosed in Note 36 to the financial statements.

## 8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost		
- ordinary shares	62,778,951	62,778,950
- redeemable preference shares	67,600,000	67,600,000
Less: Accumulated impairment losses	<u>(3,495,744)</u>	<u>(3,495,744)</u>
	<u>126,883,207</u>	<u>126,883,206</u>

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2019 %	2018 %	
Eonmetall Technology Sdn. Bhd. #	Malaysia	100	100	Manufacture of metalwork and industrial process machinery and equipment
Eonmetall Industries Sdn. Bhd. #	Malaysia	100	100	Manufacture and distribution of steel products, focusing on cold rolled coils, galvanised coils and flat steel products
Eonmetall Systems Sdn. Bhd. #	Malaysia	100	100	Manufacture of steel products, focusing on steel storage systems
Eonsteel Sdn. Bhd. #	Malaysia	100	100	Property holding, manufacture and trading of steel products
Eonchem Biomass Sdn. Bhd. #	Malaysia	100	100	Manufacture of palm oil related products
Eontarr IT Solutions Sdn. Bhd. #	Malaysia	100	100	Provider of IT solutions including software development

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

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

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2019 %	2018 %	
180 Degree Design Sdn. Bhd. #	Malaysia	100	100	Design and trading of steel products focusing on furniture related products and office space management
Constructor Asia Sdn. Bhd. #	Malaysia	100	100	Trading and distribution of steel racking system and storage solutions
Eonmetall Carotene Oil Sdn. Bhd. #	Malaysia	100	100	Operation of Palm Fibre Oil Extraction (PKOE) plants
Eonchem Technology Sdn. Bhd. #	Malaysia	100	100	Manufacture of industrial process machinery and equipment
Eonmetall International Limited #	Malaysia	100	100	Investment holding
Eonmetall Copper Sdn. Bhd. #	Malaysia	100	100	Manufacturing and processing of copper and other steel materials
Eonmetall China Sdn. Bhd. #	Malaysia	51	51	Investment holding
Eonmetall Land Sdn. Bhd. #	Malaysia	100	0	Investment holding
<b>Subsidiary of Eonchem Biomass Sdn. Bhd.</b>				
Eonmetall Bio-Coal Sdn. Bhd. #	Malaysia	100	100	Production of bio-coal and technical services
<b>Subsidiary of Eonmetall China Sdn. Bhd.</b>				
Shaanxi Longxing Steel Co., Ltd. *	China	51	51	Dormant
<b>Subsidiary of Eonmetall International Limited</b>				
PT Eonmetall Investment ^	Indonesia	88	88	Dormant
Eonmetall Investments Zambia Limited *	Zambia	0	93	Dormant
Africa Steel Investment Limited #	Malaysia	60	60	Investment holding
<b>Subsidiary of Constructor Asia Sdn. Bhd.</b>				
Constructor ANZ Limited *	New Zealand	100	0	Dormant

# Subsidiaries audited by BDO PLT in Malaysia.

^ Subsidiary audited by BDO member firms.

\* Consolidated using management financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



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

- (a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

- (b) 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. The discount rate applied to the cash flow projections is 7.89% (2018: 8.55%). For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect the projected income and cash flows. Judgement has also been used in estimating the key assumptions, including different growth rates as well as determining an appropriate pre-tax discount rate used.

- (c) On 11 March 2019, Constructor Asia Sdn. Bhd., a wholly owned subsidiary of the Company, has incorporated Constructor ANZ Limited ('CAL') in New Zealand by subscribing one (1) ordinary shares of NZD 1 each, representing 100% of the total issued share capital of CAL.
- (d) On 2 May 2019, Eonmetall International Limited ('EIL'), a wholly owned subsidiary of the Company, has completed the disposal of its entire equity interest in Eonmetall Investments Zambia Limited ('EIZ'), a company incorporated in Zambia, for a cash consideration of RM2. Accordingly, EIZ ceased to be a subsidiary of EIL.

The loss on disposal of EIZ at the date of disposal was as follows:

	Group RM
Cost of investment	0
Other receivables	5,218
Total identifiable net assets disposed/Carrying amount	5,218
Less: Non-controlling interests	(360)
Net proceeds from disposal	(2)
Loss on disposal	4,856
The cash inflow are as follows:	
Proceeds from disposal	2
Cash and cash equivalents of subsidiary disposed off	0
Net cash inflow on disposal	2

- (e) On 5 July 2019, the Company has incorporated a subsidiary known as Eonmetall Land Sdn. Bhd. ('ELSB') by subscribing one (1) ordinary shares of RM 1 each, representing 100% of the total issued share capital of ELSB.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

- (f) In the previous financial year, the Company:
- (i) subscribed for an additional 2,499,999 ordinary share in Eonmetall Carotene Oil Sdn. Bhd. for a total consideration of RM2,499,999 which was satisfied by way of cash payment.
  - (ii) subscribed for an additional 126,000 redeemable preference share in Eonsteel Sdn. Bhd. for a total consideration of RM12,600,000 which was satisfied by way of capitalisation of amount owing by Eonsteel Sdn. Bhd..
  - (iii) subscribed for an additional 53,000 redeemable preference share in Eonchem Biomass Sdn. Bhd. for a total consideration of RM5,300,000 which was satisfied by way of capitalisation of amount owing by Eonchem Biomass Sdn. Bhd..
  - (iv) subscribed for an additional 17,000 redeemable preference share in 180 Degree Design Sdn. Bhd. for a total consideration of RM1,700,000 which was satisfied by way of capitalisation of amount owing by 180 Degree Design Sdn. Bhd..
  - (v) subscribed for an additional 50,000 redeemable preference share in Eonmetall Systems Sdn. Bhd. for a total consideration of RM5,000,000 which was satisfied by way of capitalisation of amount owing by Eonmetall Systems Sdn. Bhd..
- (g) In the previous financial year, Eonmetall Industries Sdn. Bhd., a wholly owned subsidiary of the Company, had redeemed 250,000 redeemable preference share for a total consideration of RM25,000,000 which was satisfied by way of capitalisation of amount owing to Eonmetall Industries Sdn. Bhd..
- (h) In the previous financial year, the Company had acquired 51% equity interest, representing 510,000 ordinary shares in Eonmetall China Sdn. Bhd. (formerly known as Grand Hill Assets Sdn. Bhd.) for a total cash consideration of RM510,000.

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



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

(i) In the previous financial year, the following indirect subsidiaries had been incorporated:

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

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

	Eonmetall China Sdn. Bhd. Group	*Eonmetall Investment Zambia Limited	Africa Steel Investment Limited	PT Eonmetall Investment	Total
<b>2019</b>					
NCI percentage of ownership interest and voting interest	49%	0%	40%	12%	
Carrying amount of NCI (RM)	277,574	0	(14,090)	222,940	486,424
Loss attributable to NCI (RM)	(8,103)	0	(5,515)	(2,592)	(16,210)
Total comprehensive (loss)/income allocated to NCI (RM)	(163,969)	(348)	(5,494)	5,897	(163,914)
<b>2018</b>					
NCI percentage of ownership interest and voting interest	49%	7%	40%	12%	
Carrying amount of NCI (RM)	441,543	348	(8,596)	217,043	650,338
Profit/(Loss) attributable to NCI (RM)	398	0	(8,612)	(2,685)	(10,899)
Total comprehensive loss allocated to NCI (RM)	(46,266)	(5)	(8,612)	(17,205)	(72,088)

\* Disposed during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

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

	Eonmetall China Sdn. Bhd. Group RM	Africa Steel Investment Limited RM	PT Eonmetall Investment RM
<b>2019</b>			
<b>Assets and liabilities</b>			
Current assets	12,149,537	12,034	2,378,378
Non-current assets	1,181,500	0	0
Current liabilities	(7,164,560)	(47,259)	(520,543)
Non-current liabilities	(5,600,000)	0	0
Net assets/(liabilities)	566,477	(35,225)	1,857,835
<b>Results</b>			
Revenue	0	0	0
Loss for the financial year	(16,537)	(13,787)	(21,603)
Other comprehensive (loss)/income	(318,094)	51	70,746
Total comprehensive (loss)/income	(334,631)	(13,736)	49,143
Cash flows (used in)/from operating activities	(657,675)	11,994	0
Cash flows used in investing activities	(1,181,500)	0	0
Net (decrease)/increase in cash and bank balances	(1,839,175)	11,994	0

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



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

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

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



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 9. INVESTMENTS IN ASSOCIATES

	2019 RM	Group 2018 RM
Unquoted ordinary shares, at cost	50,004	419,000
Share of post acquisition reserves, net of Group's unrealised profit and dividends	(38,678)	(367)
Exchange differences	0	(5,000)
	<b>11,326</b>	<b>413,633</b>

Details of the associates are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activity
		2019 %	2018 %	
Eonmetall Steel Industries Ethiopia PLC *#	Ethiopia	0	50	Dormant
Emeida Metal Sdn. Bhd. *#	Malaysia	40	0	Dormant
Sinaran Seribumi Sdn. Bhd. *#	Malaysia	23.81	0	Property development, land and property investment and general trading

\* Not audited by BDO PLT in Malaysia or BDO member firms.

# Share of post acquisition reserves using management financial statements.

- Investments in associates is measured at cost less impairment losses, if any, in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.
- The financial statements of the associates are coterminous with those of the Group. In applying equity method of accounting, the most recent available financial statements of the associates have been used. The use of unaudited financial statements is not expected to have any significant effects on the financial statement of the Group.
- During the year, the Company has invested in Emeida Metal Sdn. Bhd. by subscribing 4 ordinary shares of RM1 each, representing 40% of the total issued share capital of Emeida Metal Sdn. Bhd..
- During the year, the Company has invested in Sinaran Seribumi Sdn. Bhd. by subscribing 50,000 ordinary shares of RM1 each, representing 23.81% of the total issued share capital of Sinaran Seribumi Sdn. Bhd..
- On 8 July 2019, Eonmetall Steel Industries Ethiopia PLC, an associate of EIL, has winding up.

The written off of Eonmetall Steel Industries Ethiopia PLC at the date of winding up was as follows:

	Group RM
Cost of investment	419,000
Less: Share of post acquisition reserves, net of Group's unrealised profit and dividends	(11,331)
Less: Proceeds from capital distribution of investment in an associate	(310,321)
Written off of investment in an associate	<b>97,348</b>



## 9. INVESTMENTS IN ASSOCIATES (Cont'd)

- (f) The Group does not have any associates, which is individually material to the Group for financial year ended 31 December 2019.
- (g) Set out below is the financial information of all individually immaterial associates on an aggregate basis.

	Group 2019 RM
Carrying amount of interests in associates	<u>11,326</u>
<b>Share of results for the financial year</b>	
Share of loss	(49,655)
Share of other comprehensive loss	<u>0</u>
Share of total comprehensive loss	<u>(49,655)</u>

- (h) In the previous financial year, summarised financial information of associate was as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 9. INVESTMENTS IN ASSOCIATES (Cont'd)

- (i) In the previous financial year, the reconciliation of net assets of the associate to the carrying amount of the investment in an associate was as follows:

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

## 10. INVESTMENT IN A JOINT VENTURE

	2019 RM	Group 2018 RM
Unquoted ordinary shares, at cost	0	58,105
Share of post acquisition reserves, net of Group's unrealised profit and dividends	0	(55,806)
Exchange differences	0	(2,299)
	0	0

Details of the joint venture is as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activity
		2019 %	2018 %	
Eonmetall Steel Company FZCO*	Dubai	0	50	Dormant

\* Not audited by BDO PLT in Malaysia or BDO member firms.

- (a) Investment in a joint venture is measured at cost less impairment losses, if any, in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.
- (b) The most recent available financial statements of the joint venture is used by the Group in applying the equity method. The share of results of joint venture of the Group is based on the unaudited financial statements.
- (c) On 6 August 2019, EIL, a wholly owned subsidiary of the Company, has strike-off its 50% shareholding owned in Eonmetall Steel Company FZCO.
- (d) The joint venture, in which the Group participates, is unlisted separate structured entity whose quoted market price is not available. The contractual arrangement stipulates unanimous consent of all parties over relevant activities of joint venture and provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with the joint venture. This joint arrangement has been classified as joint venture and has been included in the consolidated financial statements using the equity method.



**10. INVESTMENT IN A JOINT VENTURE (Cont'd)**

- (e) In the previous financial year, summarised financial information of joint venture was as follows:

	Eonmetall Steel Company FZCO 2018 RM
<b>Assets and liabilities</b>	
Current assets	17,916
Current liabilities	(26,086)
<b>Net liabilities</b>	<u>(8,170)</u>
<b>Results</b>	
Revenue	0
Expenses	(10,214)
Loss for the financial year	(10,214)
Other comprehensive income	1,025
Total comprehensive loss	<u>(9,189)</u>

- (f) In the previous financial year, reconciliation of net assets of the joint venture to the carrying amounts of the investment in a joint venture was as follows:

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

- (g) In the previous financial year, the unrecognised share of losses of a joint venture, Eonmetall Steel Company FZCO amounted to RM4,085.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 11. OTHER INVESTMENT

	Group	
	2019 RM	2018 RM
Financial assets at fair value through profit or loss		

### Unquoted shares outside Malaysia

Balance as at 31 December	0	0
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- (a) Unquoted shares of the Group are categorised as Level 3 in the fair value hierarchy. Fair values of investments in unquoted shares are based on estimated based on the price to book valuation model.
- (b) There is no transfer between levels in the hierarchy during the financial year.

## 12. GOODWILL

	Group	
	2019 RM	2018 RM

### Cost

Balance as at 1 January	2,280	0
Acquisition of subsidiary (Note 8)	0	2,280
Less: Accumulated impairment losses	(2,280)	(2,280)
	0	0

- (a) Goodwill has been allocated to the Group's cash-generating unit ('CGU') identified according to business segment as follows:

	Group	
	2019 RM	2018 RM

Property and investment holding and others	0	0
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- (b) In the previous financial year, an impairment losses on goodwill amounted to RM2,280 relating to a subsidiary, Eonmetall China Sdn. Bhd., had been recognised in the financial year ended 31 December 2018 due to the subsidiary making losses.



## 13. DEFERRED TAX (ASSETS)/LIABILITIES

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

	Group	
	2019 RM	2018 RM
Balance as at 1 January	(993,200)	(865,900)
Recognised in profit or loss (Note 31)	(767,200)	(117,300)
Crystallisation of deferred tax liability on revaluation surplus (Note 31)	(48,159)	0
Under/(Over) provision of deferred tax in prior years (Note 31)	382,200	(10,000)
Recognised in other comprehensive income	9,950,783	0
Balance as at 31 December	<u>8,524,424</u>	<u>(993,200)</u>
Presented after appropriate offsetting:		
Deferred tax assets	(1,624,500)	(1,624,500)
Deferred tax liabilities	<u>10,148,924</u>	<u>631,300</u>
	<u>8,524,424</u>	<u>(993,200)</u>

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

	Assets		Liabilities		Net	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Property, plant and equipment	0	0	15,381,024	5,263,700	15,381,024	5,263,700
Unutilised reinvestment allowances	(6,856,600)	(6,256,900)	0	0	(6,856,600)	(6,256,900)
Tax (assets)/liabilities	(6,856,600)	(6,256,900)	15,381,024	5,263,700	8,524,424	(993,200)
Set off	5,232,100	4,632,400	(5,232,100)	(4,632,400)	0	0
Net tax (assets)/liabilities	<u>(1,624,500)</u>	<u>(1,624,500)</u>	<u>10,148,924</u>	<u>631,300</u>	<u>8,524,424</u>	<u>(993,200)</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

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

### Deferred tax (assets)/liabilities of the Group

	Unutilised reinvestment allowance RM	Revaluation of freehold land and buildings RM	Property, plant and equipment RM	Total RM
Balance as at 1 January 2019	(6,256,900)	0	5,263,700	(993,200)
Recognised in profit or loss (Note 31)	(599,700)	(48,159)	214,700	(433,159)
Recognised in other comprehensive income	0	9,950,783	0	9,950,783
Balance as at 31 December 2019	(6,856,600)	9,902,624	5,478,400	8,524,424
Balance as at 1 January 2018	(6,350,900)	0	5,485,000	(865,900)
Recognised in profit or loss (Note 31)	94,000	0	(221,300)	(127,300)
Balance as at 31 December 2018	(6,256,900)	0	5,263,700	(993,200)

- (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.
- (d) The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position is as follows:

	Group	
	2019 RM	2018 RM
Taxable temporary differences	34,855,200	32,163,800
Unabsorbed tax losses		
- expires by 31 December 2025	(11,788,300)	(11,788,300)
- expires by 31 December 2026	(776,900)	0
Unabsorbed capital allowances	(14,407,000)	(11,755,000)
Unutilised reinvestment allowance	(45,796,600)	(46,875,800)
	(37,913,600)	(38,255,300)

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Non-current</b>				
<b>Trade receivables</b>				
Third parties	8,325,000	7,745,625	0	0
Less: Impairment losses				
- third parties	(244,500)	(108,627)	0	0
	<b>8,080,500</b>	<b>7,636,998</b>	<b>0</b>	<b>0</b>
<b>Other receivables</b>				
Amounts owing by subsidiaries	0	0	30,485,483	16,863,834
Less: Impairment losses				
- subsidiaries	0	0	(8,064,387)	(3,763,359)
	<b>0</b>	<b>0</b>	<b>22,421,096</b>	<b>13,100,475</b>
<b>Non-current trade and other receivables</b>	<b>8,080,500</b>	<b>7,636,998</b>	<b>22,421,096</b>	<b>13,100,475</b>
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	64,647,749	70,609,442	0	0
Amounts owing by related parties	813,615	9,996,100	0	0
	<b>65,461,364</b>	<b>80,605,542</b>	<b>0</b>	<b>0</b>
Less: Impairment losses				
- Third parties	(19,068,979)	(26,098,367)	0	0
- Amounts owing by related parties	(9,260)	(471,412)	0	0
	<b>46,383,125</b>	<b>54,035,763</b>	<b>0</b>	<b>0</b>



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Current</b>				
<b>Other receivables</b>				
Other receivables	15,077,703	7,207,831	1,497,536	1,497,536
Deposits	11,539,172	962,035	1,000	1,000
	26,616,875	8,169,866	1,498,536	1,498,536
Less: Impairment losses				
- other receivables	(1,853,058)	(1,853,758)	(1,497,536)	(1,497,536)
	24,763,817	6,316,108	1,000	1,000
<b>Current trade and other receivables (exclude prepayments)</b>	71,146,942	60,351,871	1,000	1,000
Prepayments	1,343,382	1,404,778	0	0
	72,490,324	61,756,649	1,000	1,000
<b>Total trade and other receivables</b>	80,570,824	69,393,647	22,422,096	13,101,475

- Total trade and other receivables exclude prepayments are classified as financial assets measured at amortised cost.
- Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 90 days (2018: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- Included in other receivables of the Group are advances to suppliers amounting to RM10,396,639 (2018: RM3,052,368).
- Non-current amounts owing by subsidiaries (non-trade) are unsecured, interest bearing ranging from 4.73% to 5.04% (2018: 4.61% to 5.07%) per annum, which are unsecured and not payable within the next twelve (12) months.
- Included in deposits is a total sum of RM9,605,600 (2018: RMNil) paid to acquisition of land as set out in Note 37 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	<b>45,967,040</b>	47,277,372	<b>22,422,096</b>	13,101,475
United States Dollar	<b>25,775,359</b>	20,165,977	<b>0</b>	0
Singapore Dollar	<b>137,247</b>	530,854	<b>0</b>	0
Euro Dollar	<b>1,367,010</b>	14,666	<b>0</b>	0
Chinese Yuan	<b>5,980,786</b>	0	<b>0</b>	0
	<b>79,227,442</b>	67,988,869	<b>22,422,096</b>	13,101,475

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

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method based on the common credit risk characteristic - industry.

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

Impairment for trade receivables that contain a significant financing component and past due more than six (6) months, other receivables and amounts owing from subsidiaries are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comprising the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve (12)-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk as amount past due more than six (6) months.

The probability of non-payment by other receivables are adjusted by forward-looking information (gross domestic product and export of manufactured goods) and multiplied by the amount of the expected loss arising from default to determine the twelve (12)-month or lifetime expected credit loss for other receivables.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

(g) Expected loss provision for trade receivables are as follows:

	Expected loss rate	Gross carrying amount RM	Impairment RM
<b>2019</b>			
Current	0.06%	19,009,461	10,724
Past due:			
1 to 60 days	0.16%	17,123,569	26,614
61 to 120 days	0.68%	3,110,335	21,144
121 to 240 days	9.26%	11,625,550	1,076,734
More than 241 days	79.36%	22,917,449	18,187,523
Total		<u>73,786,364</u>	<u>19,322,739</u>
<b>2018</b>			
Current	0.86%	15,848,156	136,759
Past due:			
1 to 60 days	1.19%	12,497,155	149,150
61 to 120 days	1.75%	8,408,143	147,514
121 to 240 days	2.80%	16,188,298	453,303
More than 241 days	72.84%	35,409,415	25,791,680
Total		<u>88,351,167</u>	<u>26,678,406</u>

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

Movements in the impairment allowance for trade receivables based on the simplified approach are as follows:

Group	Lifetime ECL* allowance RM
Balance as at 1 January 2019	490,077
Charge for the financial year	17,904
Reversal of impairment losses	(66,327)
Balance as at 31 December 2019	<u>441,654</u>
Balance as at 1 January 2018	529,207
Charge for the financial year	55,956
Reversal of impairment losses	(95,086)
Balance as at 31 December 2018	<u>490,077</u>



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

- (g) Expected loss provision for trade receivables are as follows: (Cont'd)

Movements in the impairment allowance for trade receivables based on the general approach are as follows:

Group	Lifetime ECL* - not credit impaired RM	Lifetime ECL* - credit impaired RM	Total allowance RM
Balance as at 1 January 2019	5,635,769	20,552,560	26,188,329
Charge for the financial year	656,168	13,959	670,127
Reversal of impairment losses	(5,069,277)	(2,908,094)	(7,977,371)
Balance as at 31 December 2019	1,222,660	17,658,425	18,881,085
Balance as at 1 January 2018	4,814,951	21,115,086	25,930,037
Charge for the financial year	820,818	1,548	822,366
Reversal of impairment losses	0	(353,936)	(353,936)
Written off	0	(210,138)	(210,138)
Balance as at 31 December 2018	5,635,769	20,552,560	26,188,329

- (h) Movements in the impairment allowance for other receivables based on the general approach are as follows:

Group	Lifetime ECL* - not credit impaired RM	Lifetime ECL* - credit impaired RM	Total allowance RM
Balance as at 1 January 2019	0	1,853,758	1,853,758
Exchange differences	0	(700)	(700)
Balance as at 31 December 2019	0	1,853,058	1,853,058
Balance as at 1 January 2018	0	1,497,536	1,497,536
Charge for the financial year (Note 27)	0	356,222	356,222
Balance as at 31 December 2018	0	1,853,758	1,853,758

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

- (h) Movements in the impairment allowance for other receivables based on the general approach are as follows: (Cont'd)

Company	Lifetime ECL* - not credit impaired RM	Lifetime ECL* - credit impaired RM	Total allowance RM
Balance as at 1 January 2019	3,763,359	1,497,536	5,260,895
Charge for the financial year (Note 27)	4,301,028	0	4,301,028
Balance as at 31 December 2019	8,064,387	1,497,536	9,561,923
Balance as at 1 January 2018	3,450,077	1,497,536	4,947,613
Charge for the financial year (Note 27)	313,282	0	313,282
Balance as at 31 December 2018	3,763,359	1,497,536	5,260,895

\* Expected credit loss

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

The Group considers trade and other receivables to be in default when the trade receivables are more than twelve (12) months past due.

- (i) Information on financial risks of trade and other receivables is disclosed in Note 36 to the financial statements.

## 15. CONTRACT ASSETS

	Group	
	2019 RM	2018 RM
Aggregate costs incurred to-date	3,508,482	3,508,482
Add: Attributable profits	1,754,241	1,754,241
	5,262,723	5,262,723
Less: Progress billings	(4,125,000)	(4,125,000)
	1,137,723	1,137,723
Represented by:		
Construction contracts	1,137,723	1,137,723

- (a) Construction contracts

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 15. CONTRACT ASSETS (Cont'd)

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

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

	2019 RM	2020 RM	Total RM
<b>31 December 2019</b>	<b>0</b>	<b>2,237,277</b>	<b>2,237,277</b>
<b>31 December 2018</b>	<b>0</b>	<b>2,237,277</b>	<b>2,237,277</b>

- (c) Impairment for contract assets that do not contain a significant financing component are recognised based on simplified approach using the lifetime expected credit losses as disclosed in Note 14(g) to the financial statements.

No expected credit losses is recognised arising from contract assets as it is negligible.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract amount RM	Group 2019 Asset RM
Forward currency contract	<b>4,738,195</b>	<b>67,604</b>

- (a) Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured to fair value with changes in fair value being recognised in profit or loss.
- (b) Forward currency contracts have been entered into to operationally hedge forecast purchases denominated in foreign currencies that are expected to occur at various dates within one (1) month (2018: NIL) from the end of the reporting period. The forward currency contracts have maturity dates that coincide with the expected occurrence of these transactions. The fair value of these components has been determined based on the difference between the spot rate and the market rate.
- (c) Derivative are dominated in United States Dollar.
- (d) The fair value adjustments on derivative instruments are as follows:

	Group 2019 RM
Gain on derivative financial instruments	<b>67,604</b>

- (e) The methods and assumptions applied in determining the fair values of derivatives are disclosed in Note 35 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 17. INVENTORIES

	Group	
	2019 RM	2018 RM
<b>At cost</b>		
Raw materials	30,882,819	34,726,611
Work-in-progress	49,498,076	43,579,717
Manufactured inventories	12,558,745	14,371,614
	<u>92,939,640</u>	<u>92,677,942</u>
<b>At net realisable value</b>		
Raw materials	688,813	597,021
Work-in-progress	605,054	1,779,528
Manufactured inventories	88,012	17,729
	<u>1,381,879</u>	<u>2,394,278</u>
<b>Total</b>	<u>94,321,519</u>	<u>95,072,220</u>

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

During the financial year, the Group has written down inventories to net realisable value and written off inventories of RM21,889 and RMNil (2018: RM461,274 and RM323,807) respectively.

- (d) During the financial year, inventories of the Group recognised as cost of sales amounted to RM104,570,312 (2018: RM90,441,674).

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 18. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	<b>16,987,285</b>	16,695,737	<b>341,584</b>	1,039,614

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	<b>7,346,811</b>	7,106,349	<b>341,584</b>	1,039,614
United States Dollar	<b>2,981,788</b>	9,406,734	<b>0</b>	0
Singapore Dollar	<b>490,533</b>	129,219	<b>0</b>	0
Euro Dollar	<b>18,873</b>	43,420	<b>0</b>	0
Chinese Yuan	<b>6,142,489</b>	0	<b>0</b>	0
Others	<b>6,791</b>	10,015	<b>0</b>	0
	<b>16,987,285</b>	16,695,737	<b>341,584</b>	1,039,614

- (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	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	<b>16,987,285</b>	16,695,737	<b>341,584</b>	1,039,614
Bank overdrafts included in borrowings (Note 21)	<b>(9,327,869)</b>	(11,570,363)	<b>0</b>	0
	<b>7,659,416</b>	5,125,374	<b>341,584</b>	1,039,614

- (c) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.
- (d) Information on financial risks of cash and bank balances is disclosed in Note 36 to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 19. SHARE CAPITAL

	Group			
	2019		2018	
	Number of shares	RM	Number of shares	RM

### Issued and fully paid

Balance as at 31 December	<u>188,288,100</u>	<u>99,800,734</u>	<u>188,288,100</u>	<u>99,800,734</u>
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	Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM

### Issued and fully paid

Balance as at 31 December	<u>188,288,100</u>	<u>99,310,842</u>	<u>188,288,100</u>	<u>99,310,842</u>
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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.

### Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 28 May 2019, renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January	(2,665,100)	(1,601,252)	(20,000)	(6,964)
Purchase of treasury shares	<u>(431,500)</u>	<u>(159,887)</u>	<u>(2,645,100)</u>	<u>(1,594,288)</u>
Balance as at 31 December	<u>(3,096,600)</u>	<u>(1,761,139)</u>	<u>(2,665,100)</u>	<u>(1,601,252)</u>

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 19. SHARE CAPITAL (Cont'd)

### Treasury shares (Cont'd)

- (ii) During the financial year, the Company repurchased a total of 431,500 of its issued ordinary shares from the open market at an average price of RM0.37 per share. The total consideration paid for the repurchase was RM159,887. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2019, of the total 188,288,100 (2018: 188,288,100) issued and fully paid ordinary shares, 3,096,600 (2018: 2,665,100) are held as treasury shares by the Company. As at 31 December 2019 the number of outstanding ordinary shares in issue after deducting the treasury shares is 185,191,500 (2018: 185,623,000) ordinary shares.

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

## 20. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Non-distributable:</b>				
Exchange translation reserve	(1,805,002)	(1,716,484)	0	0
Revaluation reserve	67,176,429	0	0	0
<b>Distributable:</b>				
Retained earnings	79,061,794	75,509,006	25,496,592	30,455,596
	<u>144,433,221</u>	<u>73,792,522</u>	<u>25,496,592</u>	<u>30,455,596</u>

- (a) Revaluation reserve

The revaluation reserve represents the surplus on revaluation of land and buildings.

- (b) Exchange translation reserve

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 21. BORROWINGS

	Group	
	2019 RM	2018 RM
<b>Non-current</b>		
<i>Secured</i>		
Term loans	35,618,991	29,458,926
Hire purchase creditors (Note 22)	0	35,262
	<u>35,618,991</u>	<u>29,494,188</u>
<b>Current</b>		
<i>Secured</i>		
Term loans	11,942,795	5,638,760
Hire purchase creditors (Note 22)	0	30,664
Bank overdrafts (Note 18(b))	9,327,869	11,570,363
Bankers' acceptances	78,874,608	65,931,989
Revolving credits	15,250,000	15,250,000
Trust receipts	0	3,000,000
	<u>115,395,272</u>	<u>101,421,776</u>
<b>Total borrowings</b>		
<i>Secured</i>		
Term loans	47,561,786	35,097,686
Hire purchase creditors (Note 22)	0	65,926
Bank overdrafts (Note 18(b))	9,327,869	11,570,363
Bankers' acceptances	78,874,608	65,931,989
Revolving credits	15,250,000	15,250,000
Trust receipts	0	3,000,000
	<u>151,014,263</u>	<u>130,915,964</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 21. BORROWINGS (Cont'd)

(a) All borrowings are denominated in Ringgit Malaysia.

(b) Interest rates:

Term loans 1.00% to 1.50% (2018: 1.00% to 1.50%) below prevailing base lending rates per annum and 1.50% (2018: 1.50%) above prevailing base lending rates per annum.

2.00% to 2.25% (2018: 0.60% to 2.00%) above cost of funds or prevailing base lending rates per annum.

Hire purchase creditors Nil (2018: 5.97%) per annum.

Bank overdrafts 0.55% to 1.50% (2018: 0.55% to 1.75%) above prevailing base lending rates per annum.

Bankers' acceptances, revolving credits and trust receipts 0.75% to 1.90% (2018: 0.75% to 1.90%) above cost of funds per annum.

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

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

	Note	2019 RM	2018 RM
Freehold land and buildings	5(g)	<u>116,522,927</u>	<u>63,637,202</u>

(ii) corporate guarantee of RM151,014,263 (2018: RM130,850,038) from the Company.

(d) Borrowings are repayable as follows:

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>Group</b>						
<b>2019</b>						
<i>Secured</i>						
Term loans	2020 - 2026	47,561,786	11,942,795	10,055,348	20,565,642	4,998,001
Bank overdrafts	2020	9,327,869	9,327,869	0	0	0
Bankers' acceptances	2020	78,874,608	78,874,608	0	0	0
Revolving credits	2020	15,250,000	15,250,000	0	0	0
		<u>151,014,263</u>	<u>115,395,272</u>	<u>10,055,348</u>	<u>20,565,642</u>	<u>4,998,001</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 21. BORROWINGS (Cont'd)

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

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>Group</b>						
<b>2018</b>						
<i>Secured</i>						
Term loans	2019 - 2026	35,097,686	5,638,761	6,126,434	14,048,776	9,283,715
Hire purchase creditors	2019 - 2021	65,926	30,664	35,262	0	0
Bank overdrafts	2019	11,570,363	11,570,363	0	0	0
Bankers' acceptances	2019	65,931,989	65,931,989	0	0	0
Revolving credits	2019	15,250,000	15,250,000	0	0	0
Trust receipts	2019	3,000,000	3,000,000	0	0	0
		<u>130,915,964</u>	<u>101,421,777</u>	<u>6,161,696</u>	<u>14,048,776</u>	<u>9,283,715</u>

(e) During the financial year, three (3) of the subsidiaries have breached loan covenant as follows:

Eonmetall Technology Sdn. Bhd., Eonmetall Industries Sdn. Bhd. and Eonmetall Systems Sdn. Bhd. breached the covenant of bankers' acceptance and revolving credit as did not fulfil the requirement to maintain a debt to EBITDA of not more than 8.0 times and debt service cover ratio of not less than 1.2 times. The balance of the said bankers' acceptance and revolving credit of RM9.19 million was presented as current liabilities as at 31 December 2019. The bank has the absolute discretion to revise or recall banking facilities in the event of breach of covenant.

Subsequent to year end, Eonmetall Systems Sdn. Bhd. and Eonmetall Technology Sdn. Bhd. have fully settled the outstanding balances of bankers' acceptance and revolving credit amounting to RM2.85 million. Since then, there are no breach of the loan covenant for these two (2) subsidiaries.

(f) Information on financial risks of borrowings is disclosed in Note 36 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 22. HIRE PURCHASE CREDITORS

	Group	
	2019 RM	2018 RM
Minimum hire purchase payments:		
- not later than one (1) year	0	33,612
- later than one (1) year but not later than five (5) years	0	36,408
Total minimum hire purchase payments	0	70,020
Less: Future interest charges	0	(4,094)
Present value of hire purchase	0	65,926

Repayable as follows:

Current liabilities

- not later than one (1) year (Note 21) 30,664

Non-current liabilities

- later than one (1) year but not later than five (5) years (Note 21) 35,262

0 65,926

(a) Hire purchase liabilities are effectively secured as the rights to the assets under hire purchase in the event of default.

(b) Movement of hire purchase upon adoption of MFRS 16 are as follows:

	2019 RM
At 1 January 2019, as previously reported	65,926
Effect of adoption of MFRS 16 (Note 39.1)	(65,926)
At 1 January 2019, as restated	0

(c) Information on financial risks of hire purchase creditors is disclosed in Note 36 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 23. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM

### Non-current

#### Other payables

Amounts owing to subsidiaries	0	0	26,299,309	12,604,054
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### Current

#### Trade payables

Amounts owing to related parties	1,200,056	0	0	0
Third parties	8,567,126	8,551,468	0	0
	9,767,182	8,551,468	0	0

#### Other payables

Accrued expenses	2,026,082	2,674,763	280,620	294,300
Other payables	10,982,905	7,243,693	35,228	0
	13,008,987	9,918,456	315,848	294,300
Total trade and other payables	22,776,169	18,469,924	26,615,157	12,898,354

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2018: 30 to 60 days).
- (c) Non-current amounts owing to subsidiaries (non-trade) are unsecured, interest bearing ranging from 4.73% to 5.04% (2018: 4.61% to 5.07%) per annum and not payable within the next twelve (12) months.
- (d) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	13,108,737	10,969,542	26,615,157	12,898,354
United States Dollar	4,070,735	7,292,186	0	0
Euro Dollar	183,402	183,402	0	0
Singapore Dollar	72,055	22,584	0	0
Chinese Yuan	5,341,240	2,210	0	0
	22,776,169	18,469,924	26,615,157	12,898,354

- (e) Information on financial risks of trade and other payables is disclosed in Note 36 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 24. CONTINGENT LIABILITIES

	Company	
	2019 RM	2018 RM

### Unsecured

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

**151,014,263**    130,850,038

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 2019 to be insignificant.

## 25. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM

### Revenue from contracts with customers:

- sales of goods	<b>120,967,602</b>	114,651,639	<b>0</b>	0
- contract revenue	<b>0</b>	1,137,723	<b>0</b>	0

### Other revenue:

- dividend income from subsidiaries	<b>0</b>	0	<b>0</b>	5,700,000
	<b>120,967,602</b>	115,789,362	<b>0</b>	5,700,000

### Timing of revenue recognition

- transferred over time	<b>0</b>	1,137,723		
- transferred at a point in time	<b>120,967,602</b>	114,651,639	<b>0</b>	0
Revenue from external customers	<b>120,967,602</b>	115,789,362	<b>0</b>	0

#### (a) Sale of goods

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

#### (b) Contract revenue

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



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 25. REVENUE (Cont'd)

(c) Dividend income

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

## 26. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expenses on:				
- amounts owing to subsidiaries	0	0	1,144,279	1,581,225
- bank overdrafts	710,520	732,965	0	0
- bankers' acceptances	3,254,672	2,582,643	0	0
- hire purchase creditors	0	4,838	0	0
- revolving credits	813,162	600,654	0	0
- term loans	1,930,662	1,965,141	0	0
- lease liabilities	48,911	0	0	0
- others	13,321	19,493	0	0
	<b>6,771,248</b>	<b>5,905,734</b>	<b>1,144,279</b>	<b>1,581,225</b>

## 27. PROFIT/(LOSS) BEFORE TAX

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before tax is arrived at after charging:					
Auditors' remuneration:					
- statutory audits					
- current year		206,235	198,970	31,500	30,000
- under/(over) provision in prior year		6,135	(41,010)	1,500	(1,500)
Depreciations of:					
- property, plant and equipment	5	8,071,854	5,722,458	0	0
- investment properties	6	0	436,533	0	0
- right-of-use assets	7	290,246	0	0	0
Directors' remunerations					
- fees		270,000	270,000	270,000	270,000
- other emoluments		2,723,873	2,942,645	31,500	30,000
Written off of investment in an associate	9	97,348	0	0	0

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 27. PROFIT/(LOSS) BEFORE TAX (Cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before tax is arrived at after charging (Cont'd):					
Bad debts written off		0	210,138	0	0
Impairment losses on:					
- trade receivables		688,031	878,322	0	0
- other receivables	14(h)	0	356,222	4,301,028	313,282
- goodwill	12	0	2,280	0	0
Loss on disposal of a subsidiary	8(d)	4,856	0	0	0
Loss on disposal of property, plant and equipment		4,089	0	0	0
Realised foreign exchange loss		442,517	1,239,069	0	0
Expense relating to leases with less than 12 months of lease term at transition	7	122,459	319,002	0	0
Expense relating to leases of low-value assets	7	4,496	2,800	0	0
Inventories written down	17(c)	21,889	461,274	0	0
Inventories written off	17(c)	0	323,807	0	0
Property, plant and equipment written off	5	0	16,959	0	0
and crediting:					
Gain on disposal of property, plant and equipment		0	106	0	0
Insurance compensation		0	0	0	291
Gain on fair value adjustment on derivative financial instruments	16	67,604	0	0	0
Unrealised foreign exchange gain		177,730	1,596,321	0	0
Interest income from:					
- banks		18,070	24,836	0	0
- amounts owing by subsidiaries		0	0	1,097,544	1,648,510
Rental of premises		300,000	300,000	0	0
Reversal of impairment losses on trade receivables		8,043,698	449,022	0	0

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 28. KEY MANAGEMENT PERSONNEL REMUNERATIONS

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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors and other key management personnel				
- fees	72,000	72,000	72,000	72,000
- remuneration	2,778,365	2,996,513	8,500	8,500
	<u>2,850,365</u>	<u>3,068,513</u>	<u>80,500</u>	<u>80,500</u>

## 29. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Wages, salaries, bonuses and incentive	15,374,963	15,183,716	0	0
Contributions to defined contribution plans	1,363,837	1,132,471	0	0
Social security contributions	140,916	103,615	0	0
Other employee benefits	578,851	557,805	301,500	300,000
	<u>17,458,567</u>	<u>16,977,607</u>	<u>301,500</u>	<u>300,000</u>

Included in the employee benefits of the Group and of the Company are Executive Directors' fee and remuneration amounting to RM2,225,626 and RM80,500 (2018: RM2,412,629 and RM80,500) respectively.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 30. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Directors of the Company</b>				
Executive:				
- fees	72,000	72,000	72,000	72,000
- other emoluments	2,153,721	2,340,629	8,500	8,500
	<u>2,225,721</u>	<u>2,412,629</u>	<u>80,500</u>	<u>80,500</u>
Non-executive:				
- fees	198,000	198,000	198,000	198,000
- other emoluments	71,000	72,500	23,000	21,500
	<u>269,000</u>	<u>270,500</u>	<u>221,000</u>	<u>219,500</u>
<b>Director of a subsidiary</b>				
Executive:				
- other emoluments	499,152	529,516	0	0
Total Directors' remuneration	<u>2,993,873</u>	<u>3,212,645</u>	<u>301,500</u>	<u>300,000</u>

## 31. TAX (INCOME)/EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax (income)/expense based on profit/(loss) for the financial year	241,400	869,500	0	0
Overprovision in prior years	(348,878)	(636,001)	0	(15,630)
	<u>(107,478)</u>	<u>233,499</u>	<u>0</u>	<u>(15,630)</u>
Deferred tax (Note 13):				
Relating to origination and reversal of temporary differences	(767,200)	(117,300)	0	0
Crystallisation of deferred tax on revaluation surplus	(48,159)	0	0	0
Under/(Over) provision in prior years	382,200	(10,000)	0	0
	<u>(433,159)</u>	<u>(127,300)</u>	<u>0</u>	<u>0</u>
Total tax (income)/expense	<u>(540,637)</u>	<u>106,199</u>	<u>0</u>	<u>(15,630)</u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profits for the fiscal year.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

The numerical reconciliation between the tax (income)/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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before tax	<b>2,843,442</b>	3,194,747	<b>(4,959,004)</b>	4,873,111
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	<b>682,400</b>	766,700	<b>(1,190,200)</b>	1,169,600
Tax effects in respect of:				
- non-allowable expenses	<b>1,386,649</b>	2,179,440	<b>1,190,200</b>	198,500
- non-taxable income	<b>(2,561,000)</b>	(715,300)	<b>0</b>	(1,368,000)
- pioneer income	<b>0</b>	(1,798,800)	<b>0</b>	0
Utilisation of previously unrecognised deferred tax assets	<b>(82,008)</b>	0	<b>0</b>	0
Deferred tax assets not recognised during the financial year	<b>0</b>	320,160	<b>0</b>	0
Overprovision of tax expense in prior years	<b>(348,878)</b>	(636,001)	<b>0</b>	(15,630)
Under/(Over)provision of deferred tax in prior years	<b>382,200</b>	(10,000)	<b>0</b>	0
	<b>(540,637)</b>	106,199	<b>0</b>	(15,530)

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

	Group		
	Before tax RM	Tax effect RM	After tax RM
<b>2019</b>			
<b>Item that may be reclassified subsequently to profit or loss</b>			
Foreign currency translations	<b>(236,222)</b>	<b>0</b>	<b>(236,222)</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Revaluation surplus on freehold land and buildings	<b>77,279,711</b>	<b>(9,950,783)</b>	<b>67,328,928</b>
<b>2018</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translations	(346,792)	0	(346,792)
Share of other comprehensive loss of a joint venture	(4,488)	0	(4,488)
	<b>(351,280)</b>	<b>0</b>	<b>(351,280)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



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

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

- (a) For a total of 5 years from 28 August 2013 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.
- (b) For a total of 5 years from 1 July 2015 to 30 June 2020 to manufacture the hot rolling machinery, modules and related parts for long products of iron and steel.
- (c) For a total of 5 years from 23 March 2018 to 22 March 2023 to manufacture the biocoal and biochar production machinery and related components.

## 32. EARNINGS PER ORDINARY SHARE

### (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting treasury shares.

	Group	
	2019 RM	2018 RM
Profit for the financial year attributable to ordinary equity holders of the parent	<u>3,400,289</u>	<u>3,099,447</u>
Weighted average number of ordinary shares in issue	<u>185,328,427</u>	<u>186,322,595</u>
Basic earnings per ordinary share (sen)	<u>1.83</u>	<u>1.66</u>

### (b) Diluted

Diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

## 33. RELATED PARTY DISCLOSURES

### (a) Identities of related parties

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

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

The Group has related parties relationship with the following:

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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Subsidiaries:</b>				
Dividend income	0	0	0	5,700,000
Interest expense	0	0	1,144,279	1,581,225
Interest income	0	0	1,097,544	1,648,510
<b>Related parties:</b>				
Rental of premise receivable	300,000	300,000	0	0
Sales	979,979	8,879,281	0	0
Sales of motor vehicle	0	60,000	0	0
Purchases	<u>5,367,826</u>	<u>2,418,381</u>	<u>0</u>	<u>0</u>

Balances with related parties at the end of the financial year are disclosed in Note 14 and Note 23 to the financial statements.

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



## 34. CAPITAL COMMITMENTS

	Group	
	2019 RM	2018 RM

Capital expenditure in respect of purchase of property, plant and equipment:

Contracted but not provided for	<u>78,172,622</u>	<u>63,320</u>
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## 35. 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 2019 and 31 December 2018.

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, borrowings, lease liabilities, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent. The gearing ratios as at 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Lease liabilities	1,003,770	0	0	0
Borrowings	151,014,263	130,915,964	0	0
Trade and other payables	<u>22,776,169</u>	<u>18,469,924</u>	<u>26,615,157</u>	<u>12,898,354</u>
Total liabilities	<u>174,794,202</u>	<u>149,385,888</u>	<u>26,615,157</u>	<u>12,898,354</u>
Less: Cash and bank balances	<u>(16,987,285)</u>	<u>(16,695,737)</u>	<u>(341,584)</u>	<u>(1,039,614)</u>
Net debt	<u>157,806,917</u>	<u>132,690,151</u>	<u>26,273,573</u>	<u>11,858,740</u>
Total capital	242,472,816	171,992,004	123,046,295	128,165,186
Net debt	<u>157,806,917</u>	<u>132,690,151</u>	<u>26,273,573</u>	<u>11,858,740</u>
Equity	<u>400,279,733</u>	<u>304,682,155</u>	<u>149,319,868</u>	<u>140,023,926</u>
Gearing ratio	39%	44%	18%	8%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, 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 Group has complied with this requirement for the financial year ended 31 December 2019.

The Group is not subject to any other externally imposed capital requirements.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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## 35. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Categories of financial instruments

	Group	
	2019 RM	2018 RM
<b>Financial assets</b>		
<b>Fair value through profit or loss</b>		
Other investment	0	0
Derivative asset	67,604	0
	<u>67,604</u>	<u>0</u>
<b>Amortised cost</b>		
Trade and other receivables (exclude prepayments)	79,227,442	67,988,869
Cash and bank balances	16,987,285	16,695,737
	<u>96,214,727</u>	<u>84,684,606</u>
<b>Financial liabilities</b>		
<b>Amortised cost</b>		
Borrowings	151,014,263	130,915,964
Trade and other payables	22,776,169	18,469,924
	<u>173,790,432</u>	<u>149,385,888</u>
	Company	
	2019 RM	2018 RM
<b>Financial assets</b>		
<b>Amortised cost</b>		
Trade and other receivables (exclude prepayments)	22,422,096	13,101,475
Cash and bank balances	341,584	1,039,614
	<u>22,763,680</u>	<u>14,141,089</u>
<b>Financial liabilities</b>		
<b>Amortised cost</b>		
Trade and other payables	26,615,157	12,898,354



## 35. FINANCIAL INSTRUMENTS (Cont'd)

### (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, borrowings, non-current other receivable and non-current other payables, 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) The fair values of hire purchase creditors are estimated based on the future contractual cash flows discounted at current market interest rates available for similar financial instruments and of the same remaining maturities.

- (iii) Derivatives

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the spot rate and the market rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

### (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).

## 35. 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:

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Total carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
<b>2019</b>										
<b>Financial assets</b>										
<b>Fair value through profit or loss</b>										
Forward currency contract	0	67,604	0	67,604	0	0	0	0	67,604	67,604
<b>2018</b>										
<b>Financial liabilities</b>										
<b>Amortised cost</b>										
Hire purchase creditors	0	0	0	0	0	64,005	0	64,005	64,005	65,926

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2019 and 31 December 2018.

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### (a) Credit risk

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

#### Exposure to credit risk

At the end of each reporting period, the maximum exposure to credit risk of the Group and of the Company is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. Information regarding credit enhancement for trade and other receivables is disclosed in Note 14 to the financial statements.

#### Credit risk concentration profile

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

	2019		2018	
	RM	% of total	RM	% of total
<b>Group</b>				
<b>By countries</b>				
Malaysia	31,653,905	58%	51,954,126	84%
Africa	13,817,732	25%	5,929,337	10%
Middle East	3,365,868	6%	1,867,009	3%
Singapore	207,139	*	553,272	1%
Myanmar	403,380	1%	335,391	1%
Indonesia	1,465,498	3%	201,937	*
Sri Lanka	1,144,600	2%	14,668	*
Cambodia	535,825	1%	0	0%
Taiwan	1,468,199	3%	0	0%
Others	401,479	1%	817,021	1%
	<b>54,463,625</b>	<b>100%</b>	<b>61,672,761</b>	<b>100%</b>
<b>By industry sectors</b>				
Machinery and equipment	34,690,845	64%	46,465,682	75%
Steel product and trading activity	19,772,780	36%	15,207,079	25%
	<b>54,463,625</b>	<b>100%</b>	<b>61,672,761</b>	<b>100%</b>

\* Amount is less than 1%

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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## 36. 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) 53% (2018: 69%) of the Group's trade receivables were due from three (3) (2018: three (3)) major customers who are located in Malaysia and Africa.
- (ii) Approximately 1% (2018: 16%) of the Group's trade and other receivables were due from related parties whilst 99% (2018: 99%) of the Company's receivables were balances with its subsidiaries.

### (b) Liquidity and cash flow risk

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

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

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

As at 31 December 2019	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	22,776,169	0	0	22,776,169
Lease liabilities	405,612	470,796	308,000	1,184,408
Borrowings	117,874,501	34,936,350	5,175,057	157,985,908
Total undiscounted financial liabilities	141,056,282	35,407,146	5,483,057	181,946,485
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	315,848	27,584,469	0	27,900,317
Financial guarantees	151,014,263	0	0	151,014,263
Total undiscounted financial liabilities	151,330,111	27,584,469	0	178,914,580

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

The table below summaries the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations: (Cont'd)

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

### (c) Foreign currency risk

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

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

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:

		Group	
		2019 RM	2018 RM
<b>Profit after tax</b>			
USD/RM	- strengthen by 5% (2018: 5%)	1,118,135	846,660
	- weaken by 5% (2018: 5%)	(1,118,135)	(846,660)
EURO/RM	- strengthen by 5% (2018: 5%)	45,694	(4,762)
	- weaken by 5% (2018: 5%)	(45,694)	4,762
SGD/RM	- strengthen by 5% (2018: 5%)	21,118	24,225
	- weaken by 5% (2018: 5%)	(21,118)	(24,225)
CNY/RM	- strengthen by 5% (2018: 5%)	257,717	(84)
	- weaken by 5% (2018: 5%)	(257,717)	84

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

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

During the financial year, the Group entered into foreign currency forward contracts to manage exposures to currency risk for receivables which are denominated in a currency other than the functional currency of the Group.

The notional amount and maturity date of the forward foreign exchange contracts outstanding as at 31 December 2019 are as follows:

Contract	Maturity dates	Contract amounts	RM equivalent
Contracts used to hedge	January 2020	17,619	73,380
trade payables in USD	January 2020	265,509	1,109,617
	January 2020	99,938	417,574
	January 2020	99,950	418,024
	January 2020	329,100	1,364,284
	January 2020	329,000	1,355,316
			<u>4,738,195</u>

### (d) Interest rate risk

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

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

#### Sensitivity analysis for interest rate risk

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

	Group	
	2019 RM	2018 RM
<b>Profit after tax</b>		
- increase by 0.1% (2018: 0.1%)	(114,771)	(99,446)
- decrease by 0.1% (2018: 0.1%)	<u>114,771</u>	<u>99,446</u>
	Company	
	2019 RM	2018 RM
<b>(Loss)/Profit after tax</b>		
- increase by 0.1% (2018: 0.1%)	(2,947)	377
- decrease by 0.1% (2018: 0.1%)	<u>2,947</u>	<u>(377)</u>

The sensitivity is higher in 2019 than in 2018 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.



## 36. 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 or weighted average incremental borrowings rate per annum as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

Group	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
<b>As at 31 December 2019</b>									
<b>Fixed rates</b>									
Lease liability	7	3.18	32,478	2,783	0	0	0	0	35,261
Lease liabilities	7	*4.99 - 6.10	325,028	184,309	57,583	61,195	65,034	275,360	968,509
<b>Floating rates</b>									
Bank overdrafts	21	5.35 - 8.15	9,327,869	0	0	0	0	0	9,327,869
Term loans	21	5.26 - 8.40	11,942,795	10,055,348	7,723,714	7,429,214	5,412,714	4,998,001	47,561,786
Bankers' acceptances	21	3.29 - 4.56	78,874,608	0	0	0	0	0	78,874,608
Revolving credits	21	4.68 - 5.51	15,250,000	0	0	0	0	0	15,250,000

\* Represents weighted average incremental borrowings rate per annum



## 36. 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 or weighted average incremental borrowings rate per annum as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk: (Cont'd)

Group	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
<b>As at 31 December 2018</b>									
<b>Fixed rates</b>									
Hire purchase creditors	21	5.97	30,664	35,262	0	0	0	0	65,926
<b>Floating rates</b>									
Bank overdrafts	21	7.50 - 8.65	11,570,363	0	0	0	0	0	11,570,363
Term loans	21	5.26 - 8.40	5,638,761	6,126,434	5,477,348	4,285,714	4,285,714	9,283,715	35,097,686
Bankers' acceptances	21	3.66 - 5.58	65,931,989	0	0	0	0	0	65,931,989
Revolving credits	21	4.74 - 5.77	15,250,000	0	0	0	0	0	15,250,000
Trust receipts	21	5.44	3,000,000	0	0	0	0	0	3,000,000



## 36. 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 or weighted average incremental borrowings rate per annum as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk: (Cont'd)

Company	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
<b>As at 31 December 2019</b>									
<b>Floating rates</b>									
Amounts owing by subsidiaries	14	4.73 - 5.04	0	8,416,844	4,620,247	9,384,005	0	0	22,421,096
Amounts owing to subsidiaries	23	4.73 - 5.04	0	10,838,822	12,070,036	3,390,451	0	0	26,299,309
<b>As at 31 December 2018</b>									
<b>Floating rates</b>									
Amounts owing by subsidiaries	14	4.61 - 5.07	0	13,100,475	0	0	0	0	13,100,475
Amounts owing to subsidiaries	23	4.61 - 5.07	0	12,604,054	0	0	0	0	12,604,054

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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## 37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) During the financial year, Shaanxi Longxing Steel Co., Ltd ('SLSC'), a subsidiary of the Eonmetall China Sdn. Bhd. ('ECA'), has acquired a parcel of land with Central Government of the People's Republic of China measuring 35.80 acres (approximately 14.4897 hectares or 1,559,658 square feet) in total held under Geran No. hc2020-23, Long Men Industrial Zone, Hancheng Shaanxi Province, China at the purchase price of CNY54,340,000 (equivalent to RM32,076,902).

On 8 March 2019, SLSC had paid deposit of CNY10,000,000 (equivalent to RM5,903,000) to the Central Government of the People's Republic of China.

The sales and purchase transaction has yet to be completed as at 31 December 2019 and as at the date the financial statements were authorised for issue.

- (b) During the financial year, Eonmetall Land Sdn. Bhd. ('ELSB'), a wholly owned subsidiary of the Company, has entered into a Sale and Purchase Agreement with an associate, Sinaran Seribumi Sdn. Bhd. ('Sinaran') to acquire a parcel of land measuring 100 acres (approximately 40.4686 hectares or 4,356,000 square feet) in total held under Geran No. 95843, Lot 93, Mukim Klang, Daerah Klang, Selangor at the purchase price of RM37,026,000.

On 5 July 2019, ELSB had paid deposit of RM3,702,600 to Sinaran.

The sales and purchase transaction has yet to be completed as at 31 December 2019 and as at the date the financial statements were authorised for issue.

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

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from COVID-19 pandemic. The MCO was subsequently extended until 12 May 2020, followed by Conditional MCO until 9 June 2020 and then, Recovery MCO until 31 August 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

- (a) Reduced consumer demand for goods and services of the Group owing to lost income and/or restrictions on consumers' ability to move freely;
- (b) Reduction in market prices of financial assets, including debt and equity instruments; and
- (c) Disruption of global supply chains due to the restrictions imposed on the movement of people and goods.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

### 39.1 New MFRSs adopted during the financial year

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

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following section.

#### MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 January 2019. The range of incremental borrowing rates of the Group applied to the lease liabilities on 1 January 2019 were between 4.99% to 6.10%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

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

#### MFRS 16 Leases (Cont'd)

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- (a) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- (c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;
- (d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

	Note	As at 31 December 2018	Impact	As at 1 January 2019
Property, plant and equipment		231,532,406	(43,200)	<b>231,489,206</b>
Right-of-use assets	(a)	0	391,543	<b>391,543</b>
Hire purchase creditor		(65,926)	65,926	<b>0</b>
Lease liabilities	(b)	0	(414,269)	<b>(414,269)</b>

- (a) The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the financial statements as at 31 December 2018.

- (b) Lease liabilities are measured as follows:

	Group
Operating lease commitments at 31 December 2018	472,538
Weighted average incremental borrowing rate as at 1 January 2019	5.55%
Discounted operating lease commitments as at 1 January 2019	447,712
Finance lease liabilities recognised as at 31 December 2018	65,926
Recognition exemption for leases of low-value assets	(2,800)
Recognition exemption for leases with less than twelve (12) months of lease term at transition	(96,569)
<b>Lease liabilities recognised at 1 January 2019</b>	<b>414,269</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019



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

### 39.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-Current</i>	1 January 2022
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

### 39.3 Financial Reporting Updates

#### IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group had implemented the requirements of this final agenda decision during the financial year ended 31 December 2019.

# 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 2019 RM'000
Eonmetall Technology Sdn Bhd						
Grant 64234, Lot 1258, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.	30 June 2019 / 08 August 2000	Freehold	19 yrs	39,159	A factory building is erected on the adjoining parcels of the land	38,289
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.	30 June 2019 / 08 August 2000	Freehold	19 yrs	11,198		
Eonmetall Industries Sdn Bhd						
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang.	30 June 2019 / 18 July 2003	Freehold	12 yrs	62,887	Single storey detached factory and a three storey office	34,286
GM 652, Lot 20024 and GM 653, Lot 20025, Lot 384, Mukim 12, Seberang Perai Selatan, Penang.	30 June 2019 / 30 October 2012	Freehold	8 yrs	12,016	Vacant land	20,292
Lot No. T-2317, Mukim 13 No. 35, Lorong Cempaka 28 14110 Simpang Ampat Seberang Perai Selatan, Penang.	30 June 2019 / 1 April 2006	Freehold	13 yrs	116	Single storey terrace house / Residential premise for factory workers	256
Lot No. T-2318, Mukim 13 No. 37, Lorong Cempaka 28 14110 Simpang Ampat Seberang Perai Selatan, Penang.	30 June 2019 / 1 April 2006	Freehold	13 yrs	116	Single storey terrace house / Residential premise for factory workers	256
Eonsteel Sdn Bhd						
Lot No. 387, Mukim 12, Seberang Perai Selatan, Penang.	30 June 2019 / 19 May 2009	Freehold	9 yrs	69,767	Single storey detached factory	56,709
Eonchem Biomass Sdn Bhd						
Lot No. 391, Mukim 12, Seberang Perai Selatan, Penang.	30 June 2019 / 19 November 2013	Freehold	7 yrs	39,607	Single storey detached factory and single storey warehouse	19,577

# ANALYSIS OF SHAREHOLDINGS



## Analysis of Shareholdings as at 9 June 2020

Total number of issued shares : 188,288,100 (inclusive 3,096,600 treasury shares)

Class of share : Ordinary shares

Voting rights : One vote for every ordinary share held

## Distribution of Shareholdings

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	45	1.84	1,970	0.00
100 - 1,000	384	15.67	144,670	0.08
1,001 - 10,000	1,136	46.37	6,654,609	3.53
10,001 - 100,000	760	31.02	24,411,123	13.50
100,001 - less than 5% of issued shares	123	5.02	52,413,200	27.83
9,414,405 - 5% and above of issued shares	2	0.08	103,662,528	55.06
<b>TOTAL</b>	<b>2,450</b>	<b>100.00</b>	<b>188,288,100</b>	<b>100.00</b>

## Substantial Shareholders

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

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Dato' Goh Cheng Huat	19,613,400	10.59	<sup>(i)</sup> 84,049,128	45.38
2	Datin Tan Pak Say	-	-	<sup>(ii)</sup> 103,662,528	55.98
3	Eonmetall Corporation Sdn. Bhd.	84,049,128	45.38	-	-

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

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

## Directors' Shareholdings

The interest of the Directors based on the Register of Directors' Shareholdings of the Company is as follows:

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Tan Sri Dato' Mohd Desa bin Pachi	30,000	0.02	<sup>(i)</sup> 549,800	0.30
2	Yeoh Cheng Chye	50,000	0.03	-	-
3	Dato' Goh Cheng Huat	19,613,400	10.59	<sup>(ii)</sup> 84,049,128	45.38
4	Goh Kee Seng	-	-	-	-
5	Tan Sri Dato' (Dr) Soong Siew Hoong	-	-	<sup>(iii)</sup> 1,006,600	0.54
6	Tang Yin Kham	-	-	-	-
7	Dato' Wahab Bin Hamid	-	-	-	-

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

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

<sup>(iii)</sup> Deemed interested pursuant to Section 8(4) of the Companies Act 2016 and via his children pursuant to Section 59(11)(c) of the Companies Act 2016.

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



# ANALYSIS OF SHAREHOLDINGS (Cont'd)

## Thirty Largest Shareholders as at 9 June 2020

	Name	No. of Shares	% of Issued Share Capital
1	EONMETALL CORPORATION SDN BHD	42,049,128	22.33
2	EONMETALL CORPORATION SDN BHD	21,000,000	11.15
3	EONMETALL CORPORATION SDN BHD	21,000,000	11.15
4	GOH CHENG HUAT	16,646,400	8.84
5	GOH CHENG HUAT	2,967,000	1.58
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	2,889,800	1.53
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY AN NA (7001107)	2,250,000	1.19
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIONG HUI YEE (8068671)	2,100,000	1.12
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	2,070,000	1.10
10	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD ( A/C CLIENTS )	1,910,000	1.01
11	E METALL SYSTEMS SDN BHD	1,734,600	0.92
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN YEW HING (7000829)	1,650,000	0.88
13	GOH LI LI	1,493,700	0.79
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO FOOK HERNG (7000803)	1,420,000	0.75
15	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)	1,120,000	0.59
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEAP BAN AIK	1,064,700	0.57
17	TAI HO FAH	1,018,400	0.54
18	FOO CHEK HENG	1,000,000	0.53
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR YOONG KAH YIN (PB)	940,000	0.50
20	FOONG NGET LEE	796,000	0.42
21	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR PROGRESSIVE INSURANCE BERHAD (A/C231)	735,000	0.39
22	CHIN KOK TIAN	709,900	0.38
23	KOK HAN NI	600,000	0.32
24	KELLY CHANG JIING FENG	594,700	0.32
25	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD DESMAN ANNUAR BIN MD DESA	529,800	0.28
26	IDRIS BIN PILUS	520,900	0.28
27	LIM JIN KEAT	500,000	0.27
28	WIRASAWAH SDN BHD	496,600	0.26
29	LIEW LANG KING	450,000	0.24
30	ENG FOONG HAR	447,100	0.24
		<b>132,703,728</b>	<b>70.48</b>

# NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting ("AGM") of EONMETALL GROUP BERHAD ("the Company") will be held at Ground Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang, Malaysia on Tuesday, 25 August 2020 at 2.30 pm for the following purposes:

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of Directors and Auditors thereon.
2. To re-elect the following Directors retiring in accordance with Clause 103 of the Company's Constitution:
  - (a) Tan Sri Dato' Mohd Desa bin Pachi; and **Ordinary Resolution 1**
  - (b) 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 2019. **Ordinary Resolution 3**
4. To approve the payment of benefit payable to the Directors of the Company up to an aggregate amount of approximately RM50,000 from 25 August 2020 until the conclusion of the next AGM of the Company. **Ordinary Resolution 4**
5. To re-appoint BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

### As Special Business

To consider and if thought fit, to pass the following resolutions with or without modification:

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

"THAT, subject always to the Companies Act 2016 ("the Act"), the Company's Constitution, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant government or regulatory authorities, where such approval is required, the Directors be and are hereby authorized and empowered pursuant to Sections 75 and 76 of the Act to issue and allot shares in the Company at any time, at such price, upon such terms and conditions, for such purposes and to such person or persons, as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) for the time being AND THAT the Directors are also empowered to obtain the approval from the Bursa Securities for the listing and quotation for the additional shares to be issued and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."
7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")** **Ordinary Resolution 7**

"THAT pursuant to the provisions of the MMLR of Bursa Securities, a general mandate of the shareholders be and is hereby granted for the Company and/or its subsidiaries to enter into recurrent related party transactions as set out in Section 2.4 under Part A of the Circular and Statement to Shareholders dated 30 June 2020, 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 of the Company; 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."

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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

AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities to give full effect to the Proposed Shareholders' Mandate."

**8. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")** Ordinary Resolution 8

"THAT subject to the Act, the provisions of the Company's Constitution, the MMLR of Bursa Securities and any other relevant authority or approval for the time being in force or as may be amended from time to time, the Directors of the Company be and are hereby authorised to make purchases of the Company's shares as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that:

- (a) the aggregate number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued shares of the Company at any point in time of the said purchase(s);
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained earnings of the Company at the time of purchase; and
- (c) the authority conferred by this resolution shall continue to be in force until:
  - (i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
  - (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
  - (iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting,

whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

THAT upon completion of the purchase by the Company of its own ordinary shares, the Directors of the Company be and are hereby authorised to deal with the ordinary shares purchased in their absolute discretion in the following manner:

- (a) cancel all the ordinary shares so purchased; and/or
- (b) retain the ordinary shares so purchased as treasury shares; and/or
- (c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary (including executing all such documents as may be required) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Directors may in their discretion deem necessary and to do all such acts and things as the Directors may deem fit and expedient in the best interests of the Company."

**9. RETENTION OF DATO' WAHAB BIN HAMID AS INDEPENDENT NON-EXECUTIVE DIRECTOR** Ordinary Resolution 9

"THAT approval be and is hereby given to Dato' Wahab Bin Hamid, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM."

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



## 10. RETENTION OF TANG YIN KHAM AS INDEPENDENT NON-EXECUTIVE DIRECTOR

## Ordinary Resolution 10

"THAT approval be and is hereby given to Tang Yin Kham, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM."

11. To transact any other business of which due notice shall have been given in accordance with the Act.

By Order of the Board

Tai Yit Chan (MAICSA 7009143) (SSM PC No. 202008001023)  
Ong Tze-En (MAICSA 7026537) (SSM PC No. 202008003397)  
Company Secretaries  
Penang, 30 June 2020

### Notes :

#### Appointment of Proxy

1. A proxy may but need not be a member.
2. To be valid, this form, duly completed must be deposited at the Registered Office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia 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 entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member 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.
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. In respect of deposited securities, only members whose names appear on the Record of Depositors on 18 August 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

#### Explanatory Note on Ordinary Business:

1. **Ordinary Resolution 4**, the benefits payable to the Directors has been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the benefits payable is in the best interest of the Company and in accordance with the remuneration framework of the Group. The benefits comprised of meeting allowance, travelling allowance and Board Committee allowances.

This approval shall continue to be in force until the conclusion of the next 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.

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Notes : (Cont'd)

## Explanatory Notes on Special Business:

1. **Ordinary Resolution 6**, is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to issue shares and allot up to a maximum of ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next 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 28 May 2019 and which will lapse at the conclusion of the Seventeenth AGM.

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

2. **Ordinary Resolution 7**, if passed, will allow the Company and/or its subsidiaries to enter into the existing recurrent related party transactions under the Proposed Shareholders' Mandate pursuant to the provisions of the MMLR Requirements of Bursa Securities without the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The Proposed Shareholders' Mandate is subject to renewal on an annual basis.

Please refer to Part A of the Circular and Statement to Shareholders dated 30 June 2020 for further information.

3. **Ordinary Resolution 8**, if passed, will allow empower the Directors of the Company to exercise the power of the Company to purchase its own shares. The total number of shares purchased shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being. This authority will, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required to be held, whichever occurs first.

Please refer to Part B of the Circular and Statement to Shareholders dated 30 June 2020 for further information.

4. **Ordinary Resolution 9**, if passed, will allow Dato' Wahab Bin Hamid to be retained as Independent Non-Executive Director ("INED") of the Company. The Board of Directors had, vide the Nominating Committee, conducted an annual performance evaluation and assessment of, Dato' Wahab Bin Hamid, who will serve as INED of the Company for a cumulative term of more than nine (9) years and recommended his to continue acting as INED of the Company based on the justifications as set out in Corporate Governance Overview Statement in the Annual Report 2019.
5. **Ordinary Resolution 10**, if passed, will allow Tang Yin Kham to be retained and continue to act as INED of the Company. The Board of Directors had, vide the Nominating Committee, conducted an annual performance evaluation and assessment of, Tang Yin Kham, who will serve as INED of the Company for a cumulative term of more than twelve (12) years and recommended her to continue acting as INED of the Company based on the justifications as set out in Corporate Governance Overview Statement in the Annual Report 2019.

## Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the MMLR of Bursa Securities)

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



# FORM OF PROXY



**EONMETALL**  
Eonmetall Group Berhad  
Registration No. 200301029197 (631617-D)  
(Incorporated in Malaysia)

No. of Shares held	CDS Account No.

I/We, \_\_\_\_\_  
(Full Name in Block Letters and NRIC No./Passport No./Company No.)

of \_\_\_\_\_ and \_\_\_\_\_  
(Address) (Tel. No./Email Address)

being a member/ members of Eonmetall Group Berhad (the "Company"), hereby appoint

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of shareholding
* and/or (*delete if not applicable)			
Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of shareholding

as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the Seventeenth Annual General Meeting ("17<sup>th</sup> AGM") of the Company, to be held at Ground Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang, Malaysia on Tuesday, 25 August 2020 at 2.30 pm, or at any adjournment thereof.

Please indicate with an "x" in the appropriate space(s) provided below on how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at \*his/her discretion.

ORDINARY RESOLUTION ("OR")	OR1	OR2	OR3	OR4	OR5	OR6	OR7	OR8	OR9	OR10
FOR										
AGAINST										

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

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

\* Strike out whichever is not desired.

## Notes:

1. A proxy may but need not be a member.
2. To be valid, this form, duly completed must be deposited at the Registered Office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia 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 entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member 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.
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. In respect of deposited securities, only members whose names appear on the Record of Depositors on 18 August 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

## Personal Data Privacy

By submitting the duly executed proxy form, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the 17<sup>th</sup> AGM of the Company and any adjournment thereof.

1<sup>st</sup> fold here

Affix  
Stamp

The Company Secretaries  
**EONMETALL GROUP BERHAD**  
Registration No. 200301029197 (631617-D)  
170-09-01, Livingston Tower  
Jalan Argyll, 10050 George Town  
Pulau Pinang, Malaysia

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Fold this flap for sealing



[www.eonmetall.com](http://www.eonmetall.com)



## **EONMETALL GROUP BERHAD**

Registration No. 200301029197 (631617-D)

### **Plant 1**

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

### **Plant 2**

Lot 393, Mk. 12,  
Kawasan Perusahaan Valdor,  
14200 Sungai Bakap, Penang, Malaysia.  
Tel +604 582 8651 Fax +604 582 8727  
Email [info@eonmetall.com](mailto:info@eonmetall.com)