



Conquer the Greater Height

ANNUAL REPORT 2020





Conquering the Greater Height

Eonmetall aims to reach the peak of excellence, overcomes challenges and conquer greater height. We are committed to improve our technological advancement, ensuring the best, satisfying the expectations of international market. We will push beyond limit, conquer mountains one after another and elevate to better position.

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ENCLOSED

I 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

Goh Hong Kent

Executive Director/Chief Operating Officer

Dato' Wahab Bin Hamid

Independent Non-Executive Director

Tang Yin Kham

Independent Non-Executive Director

Goh Kee Seng

Non-Independent Non-Executive Director

I COMPANY SECRETARIES

Tai Yit Chan

(SSM PC No. 202008001023) (MAICSA 7009143)

Ong Tze-En

(SSM PC No. 202008003397) (MAICSA 7026537)

I AUDIT COMMITTEE

Tang Yin Kham (Chairman)

Dato' Wahab Bin Hamid (Member)

Goh Kee Seng (Member)

I NOMINATING COMMITTEE

Dato' Wahab Bin Hamid (Chairman)

Tang Yin Kham (Member)

Goh Kee Seng (Member)

I REMUNERATION COMMITTEE

Dato' Wahab Bin Hamid (Chairman)

Tang Yin Kham (Member)

Goh Kee Seng (Member)

I REGISTERED OFFICE

170-09-01, Livingston Tower

Jalan Argyll,

10050 George Town,

Pulau Pinang

Telephone No. : (04) 229 4390

Facsimile No. : (04) 226 5860

I HEAD OFFICE

Lot 1258 & 1259, MK 12

Jalan Seruling

Kawasan Perusahaan Valdor

14200 Sungai Bakap, Penang

Telephone No. : (04) 582 8323

Facsimile No. : (04) 582 1525

Email : info@eonmetall.com

Website : http://www.eonmetall.com

I REGISTRAR

AGRITEUM Share Registration Services
Sdn. Bhd.

2nd Floor, Wisma Penang Garden

42, Jalan Sultan Ahmad Shah

10050 George Town, Penang

Telephone No. : (04) 228 2321

Facsimile No. : (04) 227 2391

I AUDITORS

BDO PLT (LLP0018825-LCA & AF 0206)

Chartered Accountants

51-21-F, Menara BHL

Jalan Sultan Ahmad Shah

10050 George Town, Penang

Telephone No. : (04) 227 6888

Facsimile No. : (04) 227 8118

I PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad

Al Rajhi Bank (M) Berhad

AmBank (M) Berhad

Bank Of China (Malaysia) Berhad

CIMB Bank Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

United Overseas Bank (M) Berhad

I STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

Main Market

Stock Code : 7217

Stock Name : EMETALL

GROUP STRUCTURE & PRINCIPAL ACTIVITIES

As at 30 April 2021

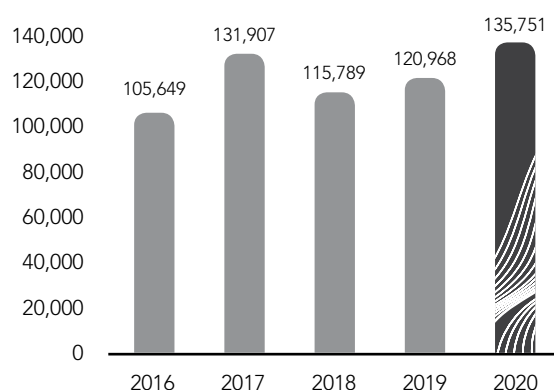


GROUP FINANCIAL HIGHLIGHTS

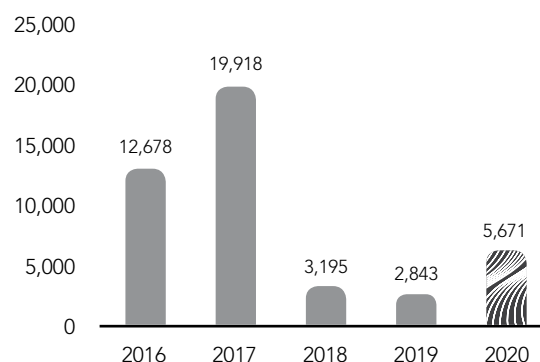
Financial year ended 31 December	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
INCOME					
Turnover	105,649	131,907	115,789	120,968	135,751
Profit Before Tax	12,678	19,918	3,195	2,843	5,671
Profit attributable to Owners of the Company	12,462	18,702	3,099	3,400	3,468
FINANCIAL POSITION					
Total assets	237,450	289,398	322,710	427,952	502,158
Share Capital	85,586	99,801	99,801	99,801	106,097
Shareholders' Fund	156,567	185,543	171,992	242,473	252,683
PER SHARE					
Gross dividend (%)	5.0	5.0	0.0	0.0	3.0
Net assets (RM)***	0.93	1.09	0.92	1.31	1.32
Basic Earnings (sen)***	7.39	10.97	1.66	1.83	1.82

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

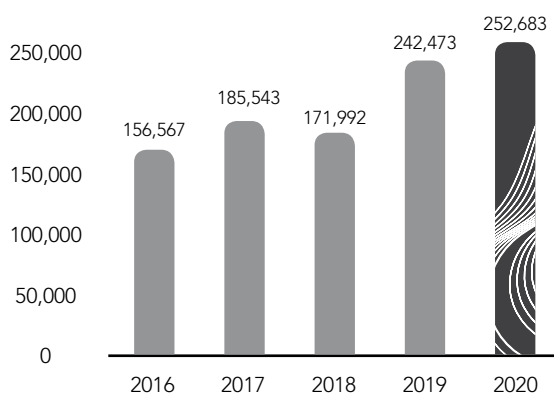
Turnover (RM'000)



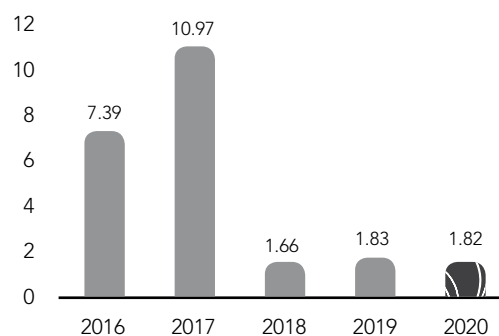
Profit Before Tax (RM'000)



Shareholders' Fund (RM'000)



Basic Earnings Per Share (RM'000)



PROFILE OF DIRECTORS

Tan Sri Dato' Mohd Desa Bin Pachi

PSM, DSPN, KMN
Independent Non-Executive Chairman
Aged 87 • 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 a subsidiary of Eonmetall and several other private companies.

He has attended all four (4) board meetings held during the financial year ended 31 December 2020.

Yeoh Cheng Chye

Managing Director/Chief Executive Officer
Aged 52 • 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 elected 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 2020.

Dato' Goh Cheng Huat

DSPN
Executive Director
Aged 60 • 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 strategic business direction.

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

Currently, he is a Deputy Chairman/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 2020.

Goh Hong Kent

Chief Operating Officer
Aged 37 • Male, Malaysian

Goh Hong Kent was appointed to the Board on 7 September 2020.

He 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 assumed responsibility for 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.

Currently, he is a Director of Leader Steel Sdn Bhd.

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

He has attended one (1) board meeting held after his appointment to the Board.

PROFILE OF DIRECTORS (Cont'd)

Dato' Wahab Bin Hamid

DPMS, DSDK, AMS, PPB
Independent Non-Executive Director
Aged 68 • Male, Malaysian

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

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

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

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

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

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

He attended three (3) board meetings held during the financial year ended 31 December 2020.

Tang Yin Kham

Independent Non-Executive Director
Aged 69 • 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 a 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 2020.

Goh Kee Seng

Non-Independent Non-Executive Director
Aged 65 • 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 in Taiwan. Following that, he spent 10 years travelling extensively 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 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 2020.

NOTES:

- Other than Dato' Goh Cheng Huat and Datin Tan Pak Say, who are major shareholders of Eonmetall, none of the other Directors have any major 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, 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 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 and Dato' Goh Cheng Huat, 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*
GOH HONG KENT, *Executive Director/Chief Operating Officer*

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.

Chia Kang Yao

Corporate & Finance Assistant Manager
Aged 31 • Male, Malaysian

Chia Kang Yao was appointed on 1 January 2021 as Corporate & Finance Assistant Manager. He is a member of the Malaysia Institute of Accountant (MIA) and Association of Chartered Certified Accountants (ACCA).

He has extensive experience in accounting, tax, audit, internal audit and corporate finance from 10 years of working in both professional and commercial environment.

He started his career in 2008 as an Audit Assistant with Chang Kong Foo & Co. (now known as Key Focus Group) and was involved in the audit of various industries from professional practice (legal) to manufacturing, trading, associations, transportation and logistics. He left the firm in year 2011, to further his study of ACCA. In year 2013, he joined Moores Rowland and left the firm as Audit Senior in year 2014 to join as an Audit Supervisor with JL Ong & Associates where he held accounting and audit related positions with increasing responsibilities and scope of work.

In year 2016, he joined the Group to assist in the corporate function and is responsible for management and statutory reporting, as well as corporate governance.

Following his promotion to Accountant in 2018, he was responsible for overall corporate function, statutory and management reporting, as well as corporate governance and assisted in finance.

In 2020, he was promoted as Senior Accountant and subsequently in 2021 as Corporate & Finance Assistant Manager where he is in-charge of overall corporate and finance function and is responsible for finance, statutory reporting, corporate governance and management reporting of the Group.

NOTES:

- None of the Key Senior Management (save and except for Dato' Goh Cheng Huat) holds any other directorship in public companies.
- None of the Key Senior Management has been convicted of any offences, other than traffic offences, within the past 5 years.
- None of the Key Senior Management has public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("the Board") of Eonmetall Group Berhad ("Eonmetall" or "the Company"), 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 2020 ("FY2020").

During the financial year under review, the Group operates within a challenging condition with Covid-19 pandemic creating major disruption to livelihood and economy across the globe. The World Health Organization ("WHO") on 30 January 2020 declared a public health emergency of international concern Covid-19.

Besides, the economy still encountering challenges in both the international and domestic fronts such as escalation of the US-China trade tensions, sudden increase in steel commodity price and domestic political uncertainty. Nonetheless, the Group has prevailed to deliver an improved financial performance as compared to preceding year.

Financial Performance

Revenue grew to RM135.8 million, a 12.2% increase from RM121.0 million reported for FY2019 with growth driven mainly by strong contribution from steel product and trading activity segment. The profit before tax ("PBT") was at RM5.7 million compared to RM2.8 million reported last year with the contribution mainly from the increase in sales of steel division. The financial performance would be much better if not due to forex losses, loss of disposal and several provisions made such as impairment on trade receivables and impairment of inventory.

The Group continues to maintain a set of healthy and financially sound balance sheet with net asset per share of RM1.32 and manageable gearing ratio of about 0.47 times.

Operational Review

Revenue contribution from the steel products and trading activity segment (steel division) grew significantly by about 34% from RM85.6 million to RM114.6 million with increase in both domestic and export markets. PBT increased to RM12.1 million from RM0.7 million recorded in prior year. The stellar performance from this division was mainly through lower production cost, improved production efficiency and expansion of more product lines.

Presently the market share of this division constitutes about 47% export market with tremendous increase of USA market penetration which contributes about 41% of the total export market. This division is expected to strive for further growth especially from the USA market after our successful market penetration during the year.

However, the machinery and equipment division reported a lower revenue of RM20.8 million compared to RM34.8 million, resulting to a PBT of RM0.4 million from a PBT of RM3.2 million reported during FY2019. This division embarked on more inter-company machinery sales to support the production capacity expansion for the steel division, about one third of this division revenue was eliminated from the Group's financial results. Besides, this division also incurred high provision on impairment of trade receivables and inventory.

Industry Trend and Prospect

Many countries have closed their boundaries, imposed lockdowns and operational restrictions on non-essential economic sectors amongst the major actions taken to curb the spread of the Covid-19 pandemic. The Group is impacted both in domestic and international business as it is exposed to more than 52% (year: 2019) and 51% (year: 2020) in export markets. The Group's operation was heavily disrupted due to operational closure during MCO 1.0 which was imposed by the Government of Malaysia from 18 March 2020 until the Group resumed operation in late April 2020. Thus, the Group's business was impacted partly during quarters 1 and 2 of the year.

This pandemic leads to the adoption of working from home (WFH). This new working norm has created higher demand for our products specifically for steel shelving. The growth in e-commerce has resulted in an increase in storage needs including steel storage and racking systems used in warehouses and distribution centers to support this growing industry. Our products are closely correlated to the growth of storage and transportation sectors.

The warehousing industry in Malaysia, as represented by the GDP from the transportation and storage sector, grew from RM47.21 billion in 2017 to RM53.65 billion in 2019 at a CAGR of 6.60%. It's estimated that the GDP from the transportation and storage sector to have decreased by 13.30% from RM53.65 billion in 2019 to RM46.51 billion in 2020 due to the impact from the Covid-19 pandemic.

In anticipation of the recovery of the transportation and storage sector in 2021, the forecasted GDP from the transportation and

CHAIRMAN'S STATEMENT (Cont'd)

storage sector is to increase by 10.70% from RM46.51 billion in 2020 to RM51.49 billion in 2021. The anticipated growth in the transportation and storage sector, coupled with the growth in e-commerce industry, are therefore expected to continue driving the demand for steel storage and racking systems.

Malaysia is the second largest palm oil producer in the world and contribute to Malaysia's total GDP at 2.7% in 2019. The continuing demand for palm oil through several initiatives such as the B20 biodiesel programme, China's Group Standard for Red Palm Oil and the high crude palm oil ("CPO") price. CPO price increases tremendously from RM2,038.50 in January 2019 to RM3,015.50 in January 2020 and presently at RM3,749.00 in January 2021, will continue to drive palm oil production in Malaysia, which in turn will boost demand for our solvent extraction plant ("SEP").

We are also expecting the commissioning of our maiden SEP built-operate-transfer project in mid 2021 after major interruption and disruption to the plant erection works at site due to Covid-19. The second and third SEP projects are expected to commence operations in second half 2021.

In January 2021, the Group has announced several proposals which include the proposed acquisition of 51% equity interest in a glove making company at the purchase consideration of RM51.0 million to be satisfied entirely via issuance of 72,857,142 ordinary shares of the Group at the issuing price of RM0.70 per-share. The acquisition is expected to be completed by early second half 2021. The Group is optimistic that the acquisition, upon completion shall contribute positively to the Group's earnings in FY2021.

Dividend

The Board of Directors has declared an Interim Dividend of 1.5 sen per ordinary share totaling of RM3,055,660 for the year ended 31 December 2020.

The book closure and payment dates for the aforesaid dividend are 25 May 2021 and 18 June 2021 respectively.

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.

As we recover gradually from the Covid-19 challenges, I believe that team Eonmetall, with the guidance of the Board and key senior management, will prevail in strengthening the sustainability of the Group moving 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

MANAGEMENT DISCUSSION & ANALYSIS

Notwithstanding a very challenging business landscape and weak economy affected by the Covid-19 pandemic which tested the Group's resilience, Eonmetall has successfully delivered continued growth in terms of revenue and profitability.

Business & Economic Insight

Looking back, FY2020 has been both very significant and eventful. The Covid-19 pandemic had affected economic growth worldwide, shut down most non-essential businesses and industries, resulted in closed national borders as well as caused significant socioeconomic harm at individual level. The continued challenges from US-China trade tension to geopolitical tension in the Middle East have also impacted the global economy and prices of commodities including steel which is the primary raw material of the Group's products. The pricing volatility, the resurgence in Covid-19 pandemic every now and then despite control measures in place and continued uncertainties in the global economy have been very challenging for the Group as unfavourable pricing movement could result in unpredictable profit margin.

In its report to the shareholders for FY2019 that was issued on 18 June 2020, the Board of Directors ("Board") of Eonmetall Group Berhad ("Eonmetall" or "the Company") had noted the potential adverse impact of the Covid-19 pandemic on the country, industry and by extension, the Group (collectively, Eonmetall and its subsidiaries). Over the past 12 months, we witnessed severe across-the-board effects which tested the Group's resilience and challenged the Board and Management team to ensure that the Group remains sustainable. Eonmetall Group has been able to overcome these significant headwinds and emerge relatively unscathed, with wins on a few fronts.

Review of Business Operations and Financial Performance

Business Operations

Our operations and businesses were affected as offices and manufacturing plants were suspended for a significant duration during the first half of FY2020 in compliance with the MCO movement control order and its various iteration of differing restrictions. Given the urgent need to support the export and domestic demand for steel racking products, the Group was allowed to resume operations on staggered basis in compliance with approval from MITI (Ministry of Internal Trade & Industry) and relevant standard operating procedures ("SOP") and guidelines of working in the new norm.

Health and safety of our employees is our non-negotiable number one priority. The pandemic has added a new challenge to finding ways to keep our people, suppliers and our surrounding communities safe. The strong leadership demonstrated at all levels throughout our businesses have enabled us to implement various steps to minimise the risk of an outbreak on the Group's operations as a whole. One of our key measures was embracing the use of digital media and video conferencing to replace physical meetings. The Group also restricted visitors to the business premises and adopted work from home mode of operation to those possible in alignment with government's SOP. We also ensure adherence to strict hygiene practices and all SOP at work places inclusive of regular and enhanced cleaning of work-stations and common areas after every shift, regular chemical sanitisation, daily temperature monitoring of employees working on site and social distancing practices.

Recruitment of foreign workers to support production is inevitable for most local manufacturing concerns. This exercise has been difficult owing to changes in public policy and of late, frozen by government in response to the pandemic. Although the government has relented to realow recruitment of foreign workers of late, the Group has opted to mitigate the risk of such reliance to minimise disruption to manufacturing activities. As a result, the Group revised our wage rates higher than the Minimum Wages Order 2020 and associated benefits to attract and retain local talent.

Financial Performance

Over the years, Eonmetall Group have carved its name 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"). We have come a long way from a traditional setting to a large group with huge product potential and capabilities going forward.

The Group has been focussed on building its BOOT (built-to-operate) business model offering patented solvent extraction solutions both for Palm Fibre Oil Extraction ("PFOE") and Palm Kernel Oil Extraction ("PKOE") plants under its M&E Division with the first of this plant was commissioned late in 2020. This business model, coupled with the Group's extensive presence in Malaysia and Indonesia markets, underpinned the Group's commitment to grow market presence for its products and services in support of the downstream palm oil refinery business.

Review of Business Operations and Financial Performance (Cont'd)

Financial Performance (Cont'd)

The Group has been and continued to be the preferred equipment manufacturer and business partner, acknowledged for our innovative solutions and wide-ranging capabilities in delivering products and services with consistency in quality and service level, guided by professional business ethics. These have been the bedrock that build the Group's resilience in managing the tough external headwinds of its operating landscape and enabled it to forge forward to compete efficiently and grow its presence in downstream steel industry activities. Drawing on these, the Group has expanded its steel racking manufacturing capacity to cater for OEM (original equipment manufacturing) clients overseas beyond its ODM (original design manufacturing) clients.

The Group's offering of racking systems under the "Eonmetall" and "Constructor" marques have reached wider audience and emerged as leading brands in their respective categories across Asia. In particular, the "Constructor" brand of racking system, offered through a strategic partnership with Gonvarri Material Handling AS, has been gaining acceptance and market penetration since its launch in mid 2019.

Management has been focussed on driving volume sales powered by boom in e-commerce following closure of traditional brick and mortar businesses in 2020. Enthusiasm for e-commerce grew exponentially as the general population found solace in virtual shopping efficiently, comfortably and safely from their homes during lockdown imposed to curb the spread of the Covid-19 pandemic. Despite a challenging year for retail in 2020 which saw deceleration of 3% to about USD23.8 trillion, worldwide retail e-commerce sales grew 27.6% for the year, for a total of USD4.280 trillion. The Group has benefited in part as material handling market grew in tandem to support logistics and supply chain management (including warehouses and distribution centres) which are crucial to improving e-business performance as companies can simplify inventories, better manage the cash outlay, and enhance the features of their business processes to further increase their business activities.

Additionally, the slowdown in global economy had resulted in fall in demand for commodities including steel products. This gave rise to the "price-cost effect" phenomenon where the raw steel material cost drop due to lower demand. The Group has been able to capitalise on this phenomenon to support its clients with advantageous pricing and deliver stronger top-line growth in turn.

The plan to set up a steel downstream manufacturing facility on the African continent on joint-venture basis was placed on hold due to the adverse impact of Covid-19 on business conditions there and is expected to come on-stream only later this year.

Against this backdrop, we are proud to share that the Group has performed well even under adversity. Eonmetall reported revenue of RM135.8 million, a 12.2% upside compared to RM121.0 million in FY2019 driven by strong contribution from Steel Products segment. Concurrent with its revenue growth, the Group's PBT surged to RM5.7 million compared to RM2.8 million reported for FY2019.

The Group's total assets grew to RM502.2 million, a 17.3% upside from RM428.0 million reported for FY2019. Over the same comparative period, the Group's total liabilities also increased to RM248.9 million from RM185.0 million as at FY2019 due to drawdown of new long term loans, borrowings and payables to fund capital investments and expansion.

At this juncture, given the twin need to conserve cash and fund business expansion and diversification into nitrile glove and healthcare related businesses, the Board has declared an interim dividend of 1.5 sen per ordinary share.

Strategic Developments

Notwithstanding a year that is unprecedented on so many levels, the Group remained forward looking and pressed on with its strategic plans aimed at recapitalising the Group, delivering sustainable and organic top and bottom-line growth, diversifying its business activities, growing the Eonmetall brand to be the business partner of choice and ultimately delivering consistent value for all our stakeholders.

On 8 September 2020, 18,519,150 new ordinary shares were issued at RM0.34 per ordinary share and marked the closing of our private placement exercise. The exercise raised about RM6.3 million to finance our working capital.

Strategic Developments (Cont'd)

On 25 November 2020, the Group announced a proposal to acquire a 51% stake in Lienteh Technology Sdn. Bhd. ("Lienteh") from third parties for about RM51 million ("Proposed Acquisition"). Lienteh is a private limited liability company intended to undertake manufacturing as well as sales and distribution of medical and non-medical grade nitrile gloves. This was followed up by a comprehensive announcement on 9 February 2021 on the following:

- (a) The consideration for the Proposed Acquisition will be satisfied entirely via issuance of 72,857,142 new ordinary shares in the Company and the granting of a call option by the vendors to Eonmetall for the acquisition of the remaining 49% equity interest in Lienteh for RM49.0 million ("Call Option") to be satisfied via issuance of 62,857,142 new ordinary shares in the Company for amount of RM44.0 million and cash payment of RM5.0 million, in the event Eonmetall elects to exercise the Call Option at any time within a period of 2 years following 21 days after the date upon which the Share Sale Agreement in respect of the Proposed Acquisition becomes unconditional or is deemed unconditional.
- (b) diversification of the existing principal activities of the Group to also include manufacturing, sales and marketing of gloves and related healthcare products, including but not limited to, personal protective equipment, pharmaceutical or medical products as well as related upstream and downstream activities;
- (c) establishment and implementation of an employees' share option scheme involving up to 15% of the total number of issued shares of the Company (excluding treasury shares) for eligible directors and employees of the Group; and
- (d) amendment to the constitution of the Company to facilitate the issuance and allotment of new Eonmetall Shares pursuant to Sections 75 and 76 of the Companies Act, 2016 of up to 20% the total number of issued shares. (collectively "the Proposals").

The Board will be seeking shareholders' approval for the Proposals at a forthcoming extraordinary general meeting.

On 5 January 2021, the Group announced that a wholly owned subsidiary, Eonmetall Industries Sdn. Bhd. had entered into a sale and purchase agreement with Power Portal Sdn. Bhd. to dispose of a parcel of land held together with a building erected thereon located in Sungai Jawi, Pulau Pinang ("Property") for RM58.8million with completion anticipated by end of first half of FY2021. The disposal, which is ongoing presently, is part of the Group's plan to unlock and monetise the value of the Property to, among others, fund working capital (including business expansion and future development of the land acquired in Kapar, Selangor) and/or repayment of bank borrowings.

Perspective on Risk Management

The Board is mindful and continues to monitor the various risks that the Group is exposed to in pursuance of its growth and diversification strategies. The Group's risk exposure arising from its business activities included, among others, financial risks (such as credit risk, liquidity risk and interest rate risk) as well as risks associated with changes to political, regulatory and economic dimensions, project risks and potential contract claims.

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, performance and cash flows. At the same, the Group also scrutinises the receivables to ensure that credit risk exposure is kept at manageable level.

In view that the Group's primary business activities are manufacturing in nature, the Group has in place quality control measures and best practices and relevant policies and procedures to ensure delivery that meet required quality and deadlines. Additionally, the Group has taken various legal and financial measures to ensure that any other associated risks are limited vis-a-vis review and execution of contracts.

In acknowledgement of the fact that market pricing as well as socio-economic and political changes are some of the external elements that could impact the Group's growth and diversification plans, the Group has spread out its geographical reach to ensure no concentration of revenue from one country and strategizes its purchasing to minimise adverse impact of steel prices.

Corporate Governance

Eonmetall believes that good governance is essential for us to effectively deliver on our business strategies and generate sustainable value for all our stakeholders. To that end, the Board welcomed the new provision on corporate liability for corruption offences under the Malaysian Anti-Corruption Commission (Amendment) Act 2018 which came into effect on 1 June 2020. The provision ties in with our corporate belief to always uphold and conduct our business in an ethical manner.

Board Changes

Our Independent Non-Executive Director, Tan Sri Dato' (Dr) Soong Siew Hoong retired from the Board on 1 October 2020. The Board thanked him for his valued contribution, support and counsel over the past 15 years and wished him happy retirement.

The Board welcomed a new executive member, Goh Hong Kent, on 7 September 2020. This new appointment represents an investment in executive leadership succession planning and will also strengthened the Board from competency and diversity perspectives.

Moving Forward

Amidst challenging global and domestic working environment, the Malaysian economy contracted by 5.6% following global restraint orders and border closures. Bank Negara Malaysia projected a turnaround in economy in 2021 with expansion by about 6.0% to 7.5% is anticipated sustained by both domestic and external factors particularly improvement in global demand driven by technology upcycle as well phased vaccination rollout, less stringent containment measures and continued support from public policies for a gradual normalisation of in economic activities. The Covid-19 vaccine rollout from February 2021 is also expected to lift sentiment and dampen the spread of the virus.

Nonetheless, the Group remained cautious as Malaysia faces possible onset of a fourth wave of outbreak with the resurgence of cases beyond 2,000 daily of late while on global front, there were announcements of pockets of outbreaks of different variants of Covid-19 worldwide. These had resulted in re-imposition of containment measures (of varying degree of restrictions), a stark reminder that this public health crisis will continue to cast long shadow of uncertainties and instabilities on global economy and by extension Malaysia as well. Fresh lockdowns will negatively impact economies, triggering a prolonged crisis.

On the flipside, the pandemic has highlighted the urgent need to future proof our business and build resilience in its business activities for the tomorrows. The Group had considered the business environment and opportunities in the new norm and capitalise on its manufacturing and fabrication expertise to diversify into manufacturing, sale and distribution of gloves and related healthcare products, including but not limited to, personal protective equipment, pharmaceutical or medical products as well as related upstream and downstream activities. Management has also identified assets (in the form of land and buildings) to be monetised to fund investment into more productive activities. Both exercises represent a recalibration of strategic direction to better position the Group amidst challenging business environment.

Crude palm oil prices which were affected by a slump in global demand for edible oil arising from efforts to slow the spread of the Covid-19 pandemic had enjoyed a robust rebound in late 2020 and expected to hit a nine-year high in 2021. The Group is anticipating growth in its BOOT business model to support capital investment that arose from growing demand for PFOE and PKOE plants in tandem with increasing crude palm oil prices.

The pandemic has also opened up new ways of working and thinking and the Group started FY2021 with renewed focus on our purpose. Management will continue with our digital transformation by accelerating and expanding our efforts to digitise our work processes (our production as well as backroom support activities) for greater efficiencies to drive revenue growth going forward and in part, to response to the new norm where the future of workspace is no workplace.

We will continue to push forward with a strong focus on our long-term sustainability and accelerate our transformation by realigning our strengths to better position the Group for the future.

Notwithstanding the economic outlook and given the still shifting pandemic situation, the Board and Management remain vigilant and monitor closely the business environment and general economic situation to ensure that swift actions could be taken to mitigate any challenges that arise. We remain cautiously confident that the Group will emerge from this health crisis stronger, not just in terms of financial metrics, but with strong focus on performance, forward momentum and growth potential coming from a position of strength to capitalise on new opportunities to power its top line and earnings growth.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of the Company fully appreciates the importance of adopting and continuously maintaining the highest standards of corporate governance throughout Eonmetall and its subsidiaries ("the Group"), so that the affairs of the group are conducted with integrity, transparency and professionalism with the objective of enhancing business success, safeguarding shareholders' investment, enhancing shareholders' values as well as the interests of other stakeholders. The main focus is to adopt the substance behind good corporate governance practices with the ultimate aim to ensure Board effectiveness and efficacy. 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 a summary of the Company's corporate governance practices during the FY2020 with reference to the following three (3) principles set out in the Malaysian Corporate Governance Code 2017 (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 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 as well as via an announcement on the website of Bursa Malaysia Securities Berhad ("Bursa Securities"). 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 of Bursa Securities ("MMLR").

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 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 ("TOR") as approved by the Board and which are periodically reviewed for relevance and improvement.

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 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 the Board 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 provides structured guidance clearly by delineating 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 Board has formalised Code of Ethics and Code of 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 of Conduct is based on principles in relation to trust, integrity, responsibility, excellence, loyalty, commitment, dedication, discipline, diligence and professionalism. Our Code of Ethics is based on the principles of sincerity, integrity, responsibility and corporate social responsibility. The codes cover 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.

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.

Both Codes are available on the Company's website at www.eonmetall.com.

3.2 Whistleblowing Policy

On 24 May 2016, the company 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.

3.3 Anti-Bribery and Anti-Corruption Policy

On 1 June 2020, the Company has adopted the Anti-Bribery and Anti-Corruption Policy ("ABAC Policy") as in compliance with Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. The adoption of the ABAC Policy signalled commitment by the Board and the Group to conduct all businesses in an honest and ethical manner requiring all Directors and employees to act professionally, fairly and with integrity in all our business dealings and relationships.

The ABAC Policy sets out adequate procedures designed to prevent situations in which bribery and corrupt practices may take root. The ABAC Policy has been disseminated to all Directors, employees and business partners and the same is published on the Company's website at www.eonmetall.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

Part II Board Composition

4 Board objectivity

4.1 Board Composition

The Board comprised of seven (7) members, three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) 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 Goh Hong Kent
Non-Independent Non-Executive Director	Goh Kee Seng
Independent Non-Executive Director	Tan Sri Dato' Mohd Desa Bin Pachi Dato' Wahab Bin Hamid Tang Yin Kham

Note:

On 1 October 2020, the Board accepted with regrets the retirement of Tan Sri Dato' (Dr) Soong Siew Hoong as Independent Non-Executive Director of the company.

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

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

The present composition of the Board is in compliance with 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 concept of independence as adopted by the Board is consistent with definition of INEDs outlined in para 1.01 and Practice Note 13 of the MMLR. The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management and who are free of any relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and the Group.

Although the Board had not met the composition recommended under the MCCG for which INEDs are to comprise half (50%) of the Board members, the three (3) Independent Non-Executive Directors, with their breadth of professional background, have enabled the Board to exercise objective judgement on various issues through their sharing of impartial, objective and unbiased opinion and viewpoints.

The current composition of all Board Committees, made up of majority Independent Non-Executive Directors, affirmed the Board's commitment towards independence and provide strong check and balance in the Board's governance function.

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 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 annual shareholders' approval. If Board continue to retain the Independent Director after twelfth (12) 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.

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)

4.2 Tenure of Independent Directors (Cont'd)

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.

As at to-date, Madam Tang Yin Kham has served the Board as Independent Non-Executive Director for more than twelve (12) years since her appointment on 3 March 2005. Dato' Wahab Bin Hamid's tenure as Independent Non-Executive Director would have exceeded nine (9) years by 1 June 2021.

Notwithstanding their long tenure of service, both have served the Board well. Their presence, together with that of the Independent Non-Executive Chairman, had ensured that issues of strategies, performance and resources as proposed by Management are objectively evaluated, taking into consideration the long-term interests of the stakeholders of the Group.

At the annual general meeting last held on 25 August 2020, the shareholders had approved to retain Madam Tang Yin Kham as Independent Non-Executive Director.

Following the assessment and deliberation by the Nominating Committee (with the affected Directors abstaining from deliberation and decision-making in their particular case) and the Board has decided to recommend for Madam Tang Yin Kham and Dato' Wahab Bin Hamid to continue to act as Independent Non-Executive Directors and would table resolutions for shareholders' approval at the forthcoming annual general meeting.

Following the assessment and deliberation by the Nominating Committee (with the affected Directors abstaining from deliberation and decision-making in their particular case) and the Board has decided to recommend for Madam Tang Yin Kham and Dato' Wahab Bin Hamid to continue to act as Independent Non-Executive Directors and would table resolutions for shareholders' approval.

Key justifications to recommend their continuation as Independent Non-Executive Directors are as follows:

- (a) Both have proven business insight, academic qualifications, professional and entrepreneurial experience 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 exercised due care during his/her tenure as Independent Non-Executive Directors of the Company and carried out his/her professional duties in the best interest of the Company and shareholders.
- (d) They had not developed, established or maintained any significant relationship which could impair their independence as Independent Non-Executive 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 had 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 Non-Executive Director to nine (9) years. Should the Board intend to retain any of its Independent Non-Executive Directors beyond nine (9) years, it would provide justification and seek annual shareholders' approval at the Company's general meeting.

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

4.4 Diverse 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.

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 Board and Senior Management Team (Cont'd)

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

4.5 Gender Diversity

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

The current composition of one (1) female Director testifies to the Group's commitment on gender diversity.

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

The Nominating Committee and the Board will consider utilising independent sources to identify suitably qualified candidates going forward. However, independent sources were not used in the instance where Goh Hong Kent was appointed to the Board on 7 September 2020 as his appointment was part of executive leadership succession planning.

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 TOR of the Nominating Committee published on corporates website at www.eonmetall.com.

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

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

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

- Reviewed the term of office and performance of the Audit Committee.
- Reviewed the current Board structure, size and composition with an aim to achieving a balance of views on the Board.
- Reviewed and assessed the contribution of each Director and the effectiveness of the Board and Board Committees.
- Discussed the character, experience, integrity and competence of the Directors, Chief Executive or Chief Financial Officer and to ensure they have the time to discharge their respective roles.
- Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board.
- Reviewed the level of independence of Independent Non-Executive Directors.
- Reviewed and recommended re-election of Directors, who retire by rotation under the Articles of Association (Constitution) of the Company, at the forthcoming annual general meeting.
- Reviewed and recommended for re-appointment, the Independent Non-Executive Director who has served the Company for a cumulative term of more than twelve (12) years or nine (9) years (as applicable), 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)

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 being 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 FY2020, the Board held four (4) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions and the direction of the Group.

The major deliberation, in terms of issues discussed and the conclusion arrived by the Board during the meetings, are recorded by the Company Secretary with the minutes signed by the Chairman of the meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

Part II Board Composition (Cont'd)

5 Board Assessments (Cont'd)

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

Details 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	-	-	-
Goh Hong Kent ⁽¹⁾	1/1	-	-	-
Tan Sri Dato' (Dr) Soong Siew Hoong ⁽²⁾	2/3	-	-	-
Dato' Wahab Bin Hamid	3/4	3/4	2/2	1/1
Goh Kee Seng	4/4	4/4	2/2	1/1
Tang Yin Kham	4/4	4/4	2/2	1/1

Notes:

- ⁽¹⁾ Goh Hong Kent was appointed to the Board on 7 September 2020. His attendance at the Board meetings (as applicable) is counted from his date of appointment.
- ⁽²⁾ Tan Sri Dato' (Dr) Soong Siew Hoong retired on 1 October 2020. His attendance at the Board meetings is up to his date of retirement.

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)

The training, conferences or seminars attended by Directors during YA2020 encompassed various topics as outlined below:

Directors	Training, Conferences or Seminars
Tan Sri Dato' Mohd Desa Bin Pachi	<ul style="list-style-type: none"> Budget 2020 Highlights Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018 Briefing on Guidelines on Conduct of Directors for listed corporation and their subsidiaries issued by Securities Commission Malaysia pursuant to Section 158 and subsection 15(1)(q) of the Securities Commission Malaysia Act 1933
Yeoh Cheng Chye	<ul style="list-style-type: none"> Webinar on Covid-19 and it's update on the Asian Economy (HSBC) Webinar on The Coming Recession and The Impact On Malaysia Webinar on HSBC Business Resilience : Stay on top of your business with HSBC Digital Platforms and Markets Insights Webinar on Section 17A MAAC Act 2018: What In-House Counsel Must Know (ZICO) Webinar on HSBC Economics & Forex Outlook Webinar on Malaysia Budget 2021 : Market and Sectorial Outlook Webinar on BDO Tax Budget 2020 Webinar on Application For Import Duty and Sales Tax Exemption : Iron and Steel Raw Materials/Components (MIDA) HSBC Cybersecurity Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018 Briefing on Guidelines on Conduct of Directors for listed corporation and their subsidiaries issued by Securities Commission Malaysia pursuant to Section 158 and subsection 15(1)(q) of the Securities Commission Malaysia Act 1933
Dato' Goh Cheng Huat	<ul style="list-style-type: none"> Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018 Briefing on Guidelines on Conduct of Directors for listed corporation and their subsidiaries issued by Securities Commission Malaysia pursuant to Section 158 and subsection 15(1)(q) of the Securities Commission Malaysia Act 1933
Goh Hong Kent	<ul style="list-style-type: none"> Webinar on HSBC Net Training
Dato' Wahab Bin Hamid	<ul style="list-style-type: none"> Budget 2020 Highlights Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018 Briefing on Guidelines on Conduct of Directors for listed corporation and their subsidiaries issued by Securities Commission Malaysia pursuant to Section 158 and subsection 15(1)(q) of the Securities Commission Malaysia Act 1933
Tang Yin Kham	<ul style="list-style-type: none"> Tax Audit and Investigation Webinar on Seminar Percukaian Kebangsaan 2020 MIA Webinar Series : Valuation in Practice for Transactions and Reporting : Part 1 - Valuation Fundamentals MIA Webinar Series : Tax Issues and Law Relating to Property Developers, JMB/MC and Investors MIA Webinar Series : Valuation in Practice for Transactions and Reporting : Part 2 - Valuation for Business Combination MIA Webinar Series : Transfer Pricing Documentation: Do's and Don'ts MIA Webinar Series : Valuation in Practice for Transactions and Reporting : Part 3 - Valuation of Intangible Assets Internal briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018 Briefing on Guidelines on Conduct of Directors for listed corporation and their subsidiaries issued by Securities Commission Malaysia pursuant to Section 158 and subsection 15(1)(q) of the Securities Commission Malaysia Act 1933
Goh Kee Seng	<ul style="list-style-type: none"> Briefing on Malaysian Anti-Corruption Commission (Amendment) Act 2018 Briefing on Guidelines on Conduct of Directors for listed corporation and their subsidiaries issued by Securities Commission Malaysia pursuant to Section 158 and subsection 15(1)(q) of the Securities Commission Malaysia Act 1933

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

Part III Remuneration

6 Level and composition of Remuneration

6.1 Remuneration policy

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

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

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

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

During the FY2020, 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, Independent Non-Executive Director	Chairman
Tang Yin Kham, Independent Non-Executive Director	Member
Goh Kee Seng, Non-Independent Non-Executive Director	Member

The Remuneration Committee is empowered by the Board and its TOR 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 TOR of the Remuneration Committee is available for viewing at the Company's website at www.eonmetall.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

Part III Remuneration (Cont'd)

7 Remuneration of Directors and Senior Management

7.1 Details of Directors' Remuneration

The remuneration payable in respect of Directors' fees for FY2020 are categorised as follows:

Type of fees	(RM)
Executive Directors (per pax)	36,000.00
Non-Executive Directors (per pax)	36,000.00
Independent Non-Executive Director and Chairman of the Audit Committee	54,000.00

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

The remuneration received / receivable by the Directors of the Company for FY2020 is as disclosed in the CG Report.

7.2 Details of top 5 Senior Management's Remuneration

The remuneration of top Senior Management can be made up of basic salary, bonus, benefits-in-kind and other emoluments. Details of the remuneration of the top Senior Management in each successive band of RM50,000 for the FY 31 December 2020, are as follows:

Range of Remuneration	Top 5 Senior Management Team
Below RM200,000	-
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
RM500,001 to RM550,000	1
RM550,001 to RM600,000	-
RM600,001 to RM650,000	-
RM650,001 to RM700,000	-
RM700,001 to RM750,000	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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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, and other pertinent facts of the Audit Committee is outlined under the Audit Committee Report in this Annual Report.

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

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

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

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

Under its TOR, 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 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 FY2020 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 general meetings). During the financial year, 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.

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)

8.4 Composition of the Audit Committee (Cont'd)

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

8.5 Diversity in skills of the Audit Committee

The Audit Committee currently comprised of members with professional experience in finance and audit assurance, business, public policy 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.

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 AC 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 briefings to them when required, as the Board believes that this will give investors and interested parties on one hand, a better appreciation and understanding of the Group's performance and on the other, awareness of the expectations and concerns of investors and such interested parties. Besides, the Company also maintains an official website at www.eonmetall.com that provides an easy and convenient avenue for public to gain access to more information of the Group.

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

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

The Group disseminates information in relation to its financial performance, operations and corporate developments through the annual reports, quarterly reports, circulars and various announcements. The Company's website at www.eonmetall.com has a tab marked as "Investor Relations" which contains vital information, including annual reports, quarterly reports and official announcements made to Bursa Securities, concerning the Group which is updated on a regular basis. All material announcements 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 of the Group is 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".

Part II Conduct of General Meetings

12 Encourage Shareholders 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

Part II Conduct of General Meetings (Cont'd)

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

12.1 Notice for Annual General Meeting (Cont'd)

The notice of Seventeenth (17th) 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 17th 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.

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 17th 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 Directors (save and except for Tan Sri Dato' (Dr) Soong Siew Hoong who was absent due to ill health) had attended the 17th Annual General Meeting held on 25 August 2020.

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 is not applicable presently.

As of now, the Company encourages participation of shareholders through the issuance of proxies when there are 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 satisfactorily 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 6 May 2021.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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 2020, 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 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 2020 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.

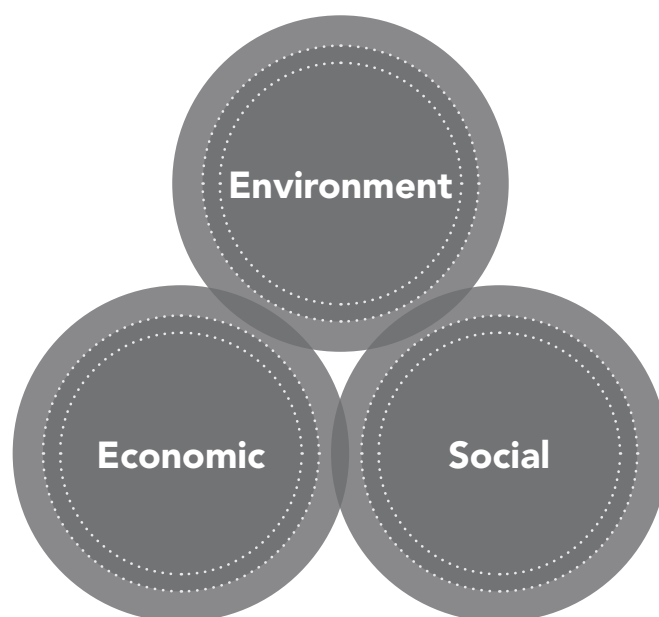
The Group's sustainability governance structure (as illustrated below) is responsible for identifying material sustainability matters ("MSM") and formulating the related sustainability initiatives. Our MD/CEO provides strong stewardship towards the implementation of the sustainability initiatives within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

- Business prospects
- Cost rationalisation
- Improving profit margins
- Return on investment
- Product quality and reliability
- Competitive pricing
- Procurement policy and prompt payment

Environment

- Energy conservation impact of operations
- Sourcing of materials from verified suppliers
- Waste management
- Compliance with existing laws (Standards and certification)

Social

- Core values and vision
- Social responsibility
- Health and safe working space
- Career path and opportunities
- Training
- Work-life balance
- Clear lines of reporting and communication channel
- Competitive salary and benefits
- Employee engagement
- Work ethics

Sustainability Approach and Principles (Cont'd)

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

Dimension	Material Sustainability matters	Highlights and action plan in place
Economic	Business prospects	<ul style="list-style-type: none"> • We monitor closely our economic performance and business sustainability strategy. • We monitor closely and manage our resources effectively to ensure that we are adequately funded with sufficient cash reserve for business growth and acquisitions. • 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.
	Cost rationalisation	<ul style="list-style-type: none"> • 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 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 accordance to fulfil our customers' stringent demand for quality.
	Improving profit margins	<ul style="list-style-type: none"> • 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.

Sustainability Approach and Principles (Cont'd)

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

Dimension	Material Sustainability matters	Highlights and action plan in place
Economic	Competitive pricing	<ul style="list-style-type: none"> 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.
	Return on investment	<ul style="list-style-type: none"> 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 staff 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.
	Product quality and reliability	<ul style="list-style-type: none"> 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.
	Procurement policy and prompt payment	<ul style="list-style-type: none"> 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. In certain instances, we also develop partnership based approach with selected vendors to ensure effective cost management and delivery of our raw material purchases.

Sustainability Approach and Principles (Cont'd)

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

Dimension	Material Sustainability matters	Highlights and action plan in place
Environment	Energy conservation and impact of operations	<ul style="list-style-type: none"> 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. <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"> 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. 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. 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.
	Waste management	<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 & 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"> 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. 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.

Sustainability Approach and Principles (Cont'd)

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

Dimension	Material Sustainability matters	Highlights and action plan in place
Social	Core values and vision	<ul style="list-style-type: none"> Sustaining strong governance processes <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	
	Competitive salary and benefits	
	Employee engagement	
	Clear lines of reporting and communication channel	

Sustainability Approach and Principles (Cont'd)

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

Dimension	Material Sustainability matters	Highlights and action plan in place
Social	Health and safe working space	<ul style="list-style-type: none"> Our policy is to create a safe and healthy workplace for our employees where they can have peace of mind while working in our factory premises. We have complied, to the best of our ability with the existing laws and regulations relevant to our operations such as Occupational Safety and Health Act, 1994, Environmental Quality Act, 1974, and Factories and Machinery Act, 1967. <p>Some of the more important measures which we have implemented to complement the compliance of the aforementioned laws and regulations included:</p>
	Training	<ul style="list-style-type: none"> An active Safety Committee to oversee and monitor ongoing safety and health initiatives which have been implemented. Implement a standard security procedure to protect our factory from unauthorised access, sabotage and espionage. Regular maintenance of fire extinguishers and proper layout location and signage plan for the fire extinguishers for easy identification in the event of emergency.
	Work life balance	<ul style="list-style-type: none"> 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. 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, we also organise weekly badminton session as part of healthy lifestyle promotion.

Sustainability Approach and Principles (Cont'd)

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

Dimension	Material Sustainability matters	Highlights and action plan in place
Social	Social responsibility	<ul style="list-style-type: none"> As part of community outreach. We have contributed financial assistance to a local government aided school for its expansion programme as we believe every child is entitled to a proper and comprehensive education to prepare the child for a better future. 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 MD/CEO for any employment related concerns. The identity of a whistleblower is protected under this policy. The whistleblower policy is uploaded to our website at www.eonmetall.com.
	Work ethics	<ul style="list-style-type: none"> Our work ethics require all our employees to discharge their duties and responsibilities in accordance to their job functions professionally, honestly, productively and efficiently. Likewise for those conducting business on behalf of the Group are required to observe generally accepted business ethics such as engaging in fair negotiations with our customers and vendors and adopting a "win-win" strategy when closing business deals. Premised on the aforementioned, we will not tolerate bribery and corruption practices among our employees irrespective of ranks and status. As bribery and corruption practices fall under criminal, anyone caught will be dealt with severely like reporting to the police and brought to court.

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 & INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control ("the Statement") is prepared pursuant to paragraph 15.26(b) of the Bursa Securities MMLR and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines").

BOARD RESPONSIBILITY

The Board of the Company is committed to maintain a sound system of risk management and internal control throughout the Group.

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

The Group has established an ongoing process for identifying, evaluating, monitoring and managing significant risks faced, or potentially exposed to, by the Group in pursuing its corporate objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the 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 MD/CEO 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 MD/CEO leads the presentation of board papers and provides explanation on pertinent issues. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis;
- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational and human resource management, which is subject to regular review and improvement. A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require the Board's approval;
- Regular and relevant information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making; and
- The Group has in place an Enterprise Resource Planning (ERP) system for effective control of information and to ease the management of business activities in relation to accounting, project and supply chain management.

STATEMENT ON RISK MANAGEMENT & 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 is as follows:

A. Board of Directors

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

B. Audit Committee

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

C. Management Committee

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

During the FY2020, the Group had continually monitor and follow up on risk management activities, identified 12 risks which are significant to the success of the business. The likelihood and impact of the risks have been assessed and appropriate mitigation actions have been identified and carried out. At the same time, the executive leadership works closely with Management to manage the identified risks and aligning objectives at all levels to overall organisational goals to ensure sustainable growth going forward.

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 employees.

The Board is cognizant of the T.R.U.S.T. principles set out in the Guidelines on Adequate Procedures in accordance with Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. In this regard, further to the Board having adopted the Anti-Bribery and Anti-Corruption Policy on 1 June 2020 in addition to the Whistle Blowing Policy, the Board will be including corruption risk into the Group's risk register in the upcoming review of ERM in financial year 2021.

The onset of the Covid-19 pandemic from March 2020 onwards brought 2 key concerns to fore: safety and well being of our workforce and our business continuity. Our offices and plant were suspended for a significant duration during the first half of calendar year 2020 in compliance with the lockdown imposed by the federal government to curb the spread of the pandemic.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (Cont'd)

RISK MANAGEMENT (Cont'd)

Our Management team work together with our executive leadership to assess the changing operational environment, obtain the needful approval from MITI (Ministry of Internal Trade & Industry) and implement all required health and safety procedures and protocols as introduced and revised by the governing authorities from time to time to enable the Group to resume operations on staggered basis. Given the wide-ranging challenges that have arisen from the pandemic, we have assessed and built-in contingencies in our operations to minimize disruptions to our supply chain all the way to production and ultimately, our customers. At all times, our team are reminded of the need to adhere strictly to health and safety protocols put in place.

The Group continues to review the situation and monitor macro business indicators and work closely with the relevant authorities to ensure continuity of our business operations as well as safety and well being of our workforce and the community at large.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function. The Group has outsourced its internal audit function to an independent professional consulting firm. The internal audit reports are presented to the Audit Committee at least twice a year for review and discussions at their meetings and for notation at the Board meetings. The presence of the internal audit function has provided the Audit Committee and the Board assurance as to the effectiveness of the operations and validity of the Group's internal control and risk management system.

The internal audit function adopts a risk-based approach to develop its audit plan which addresses all the core auditable areas of the Group based on their risk profiles. 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 continues 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.

Weakness in Internal Controls

Based on the internal auditors' reports for FY2020, 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 FY2020, 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

Pursuant to paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Company for the FY2020. The review of this Statement by the external auditors was performed in accordance with the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants ("MIA"). 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 is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines to be set out, nor is factually inaccurate.

This Statement is issued in accordance with a resolution of the Directors dated 6 May 2021.

AUDIT COMMITTEE REPORT

Objectives

The primary function of the Audit Committee of the Company is to assist the Board of Directors in fulfilling the following oversight objectives of the Group's 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
- Review the adequacy and completeness of the Group's risk management process and recommending improvements where required.

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

Composition

The Audit Committee comprises three (3) members; all Non-Executive Directors with a majority being Independent Non-Executive Director. The composition of the Audit Committee meets the requirements of paragraph 15.09 of the Bursa Securities MMLR.

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

All members are 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 four (4) meetings held during FY2020 is as tabulated:

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

The meetings were appropriately structured through the use of agendas and relevant board materials, which were distributed to Audit Committee with sufficient notification. The Company Secretary and/or her representatives were in attendance at all 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 minutes of each meeting were reported and tabled for confirmation at its following meeting and subsequently presented to the Board for notation. The Audit Committee Chairman reports to the Board on the activities undertaken and the key recommendations for the Board's consideration and decisions.

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

AUDIT COMMITTEE REPORT (Cont'd)

Summary of Activities Undertaken during the Financial Year

The Audit Committee carried out its duties in accordance with its TOR during the financial year. The main activities undertaken by the Audit Committee during the financial year ended 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.
- (b) Reviewed relevant issues which have or could have significant impact on the results of the Group such as receivables, inventory management, investment, divestments, bank borrowings and strategic operations of subsidiaries.

External Audit

- (a) Discussed with external auditors on their audit plan for FY2020 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 Directors 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 and, arising therefrom, instructing Management to take needful remedial actions.
- (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 is 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 consulting firm. The Audit Committee noted the audit 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.

Corporate Governance

- (a) Reviewed the relevant regulatory changes and ensure compliance by the Company and the Group.
- (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 notified 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, the Audit Committee Report, Statement on Risk Management and Internal Control for Board's approval before inclusion in the Annual Report 2020.

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 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.

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.

It is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of internal controls of the key business units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

During the financial year under review, the internal auditors had conducted audit reviews maintenance on production machinery; property, plant and equipment management; and financial control of banking 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.

Additionally, the Group, with the help of internal auditors, has implemented the Enterprise Risk Management processes to identify, assess, monitor, report and mitigate risks impacting the Group's businesses, operations 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 2020.

The cost incurred for the internal audit function of the Group in respect of YA2020 was RM46,600.

This Audit Committee Report is issued in accordance with a resolution dated 6 May 2021.

ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS

On 26 August 2020, the Company announced its intention to undertake a private placement of up to 10% of the total number of issued shares of the Company (excluding treasury shares) ("Private Placement").

The Private Placement, which entailed the issuance of 18,519,150 ordinary shares at issue price of RM0.34 per ordinary share, was completed following listing and quotation on the Main Market of Bursa Malaysia Securities Berhad on 8 September 2020. The proceeds from the Private Placement of RM6,296,511 had been fully utilised for working capital purpose during the financial year under review.

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 FY2020 are as follows:

	Group (RM)	Company (RM)
Fees paid or payable to the external auditors:		
Audit fees	237,050	45,000
Non-audit fees		
- Non-audit fees paid or payable to the listed issuer's auditors, or a firm or corporation affiliated to the auditors' firm	54,370	8,870
Total	291,420	53,870

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 FY2020 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 FY2020.

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

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

At the Annual General Meeting held on 25 August 2020, the Company obtained shareholders' mandate to allow the Group enter into recurrent related party transactions (RRPT) of revenue or trading nature.

The details of RRPT of a revenue or trading nature conducted during the FY2020 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	409	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")	⁽²⁾ Sales of steel products, sales and maintenance of machinery, and project works	-	Dato' Goh is a director of EMI, EMT, Eonlipids and ENS. Dato' Goh and Datin Tan are major shareholders of Eonlipids and ENS by virtue of their indirect interest through ECSB. Goh Kee Seng is a director of EMT, Eonlipids and ENS. He is a person connected to Dato' Goh and Datin Tan. He is also major shareholders of Eonlipids and ENS. Eonlipids and ENS are subsidiaries of ECSB.
	Eonlipids Nutrition Specialties Sdn. Bhd. ("ENS")		-	
EMI	⁽¹⁾ Leader Steel Sdn. Bhd. ("LSSB")	Sales and servicing of steel products	-	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.
	⁽¹⁾ Leader Steel Service Centre Sdn. Bhd. ("LSSC")		26	
⁽¹⁾ LSSC	EMI	Purchase and servicing of steel products	991	Datin Tan is a director of EMI, EMS, EMT, LSH, LSSB and LSSC. She is also a major shareholder of LSH by virtue of her interest and indirect interest through Bischart and Dato' Goh. Tan Sri Dato' (Dr) Soong is a director and shareholder of Eonmetall and LSH. Goh Hong Kent is a director of EMI, EMS, EMT and LSSC. He is a person connected to Dato' Goh and Datin Tan. He also has interest in LSH. ECSB is a major shareholder of Eonmetall.
	Eonmetall Systems Sdn. Bhd. ("EMS")		16	
	Eonsteel Sdn. Bhd. ("ESL")		49	

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

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

The details of RRPT of a revenue or trading nature conducted during the FY2020 pursuant to the shareholders' mandate are disclosed as follow: (Cont'd)

Provider of goods and services	Recipient of goods and services	Nature of Transaction	Actual value transacted (RM'000)	Related Parties
⁽¹⁾ LSSB	EMI	Purchase and servicing of steel products	78	
	EMS		-	
	ESL		-	
EMT	⁽¹⁾ LSSB	Sales and maintenance of machinery	587	
⁽¹⁾ LSSB and ⁽¹⁾ LSSC	EMT	Purchase and maintenance of machinery	1,779	
EMT	⁽¹⁾ LSSC	⁽²⁾ Construction of office building & a single storey steel factory	-	
		Sales and maintenance of machinery	-	
EMI	⁽¹⁾ LSSC	⁽³⁾ Letting of single storey factory	-	
EMS and ESL	⁽¹⁾ LSSB	Sales and servicing of steel products	-	
	⁽¹⁾ LSSC		-	

Notes:

¹ Subsidiaries of LSH

² Projects delayed due to unfavorable market conditions.

³ 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 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities and 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	3,342,700	(5,824,083)
Attributable to:		
Owners of the parent	3,467,723	(5,824,083)
Non-controlling interests	(125,023)	0
	3,342,700	(5,824,083)

DIVIDEND

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

On 6 May 2021, the Director declared an interim single-tier dividend of RM0.015 per ordinary share amounting to RM3,055,660 in respect of the financial year ended 31 December 2020, which is payable on 18 June 2021. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for as an appropriation of retained earnings for the financial year ending 31 December 2021.

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 188,288,100 ordinary shares to 206,807,250 ordinary shares by way of issuance of 18,519,150 new ordinary shares for cash pursuant to the private placement undertaken by the Company at an issue price of RM0.34 per share.

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

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT (Cont'd)

DIRECTORS

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

Eonmetall Group Berhad

Tan Sri Dato' Mohd Desa Bin Pachi *

Yeoh Cheng Chye *

Dato' Goh Cheng Huat *

Dato' Wahab Bin Hamid

Tang Yin Kham

Goh Kee Seng *

Goh Hong Kent *

(appointed on 7 September 2020)

Tan Sri Dato' (Dr) Soong Siew Hoong

(retired on 1 October 2020)

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

Subsidiaries of Eonmetall Group Berhad (excluding those who are listed above)

Datin Tan Pak Say

Yusri Suhud

Taufik Aries Budiono

Ng Keng Hoe

Eng Weng Kong

(appointed on 9 March 2020 and resigned on 27 April 2021)

Eng Meng Kong #

(appointed on 11 March 2021)

Yan XingXu #

The subsidiary was disposed of on 26 March 2021.

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 2020 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 1.1.2020	Bought	Sold	Balance as at 31.12.2020

Shares in the Company

Direct interests:

Tan Sri Dato' Mohd Desa Bin Pachi	30,000	0	0	30,000
Yeoh Cheng Chye	50,000	0	0	50,000
Dato' Goh Cheng Huat	19,613,400	3,685,500	0	23,298,900

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

* Deemed interest through shares held by his child by virtue of Section 59(11)(c) of the Companies Act 2016 in Malaysia.

Deemed interest through shares held in Eonmetall Corporation Sdn. Bhd. by virtue of Section 8(4) of the Companies Act 2016 in Malaysia.

By virtue of Dato' Goh Cheng Huat's substantial interest in the shares of the Company, he is deemed to have interest in the 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 of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have 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 interests; and
- (ii) certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 30 to the financial statements.

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

DIRECTORS' REMUNERATION

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

INDEMNITY AND INSURANCE FOR DIRECTORS, 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 amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company were RM15,000,000 and RM15,000 respectively.

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 THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

- (c) The Directors are not aware of any circumstances:
 - (i) which would render the amounts written off for bad debts or the amount of 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.

DIRECTORS' REPORT (Cont'd)

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

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

(d) In the opinion of the Directors:

- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the 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 will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 34 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 35 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 2020 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

6 May 2021

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 60 to 127 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 2020 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
6 May 2021

STATUTORY DECLARATION

I, Yeoh Cheng Chye (I/C No.: 681225-07-5115), being the Director primarily responsible for the financial management of Eonmetall Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 60 to 127 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 6 May 2021

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 2020 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 60 to 127.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('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 2020, the Group had trade receivables amounted to RM48,414,121, which were net of impairment losses of RM10,145,896. The details of trade receivables and their credit risks have been disclosed in Note 12 and Note 33(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, considering the effects of the Covid-19 pandemic, 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;

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):

- (iv) assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of balances into respective stages; and
- (v) evaluated the basis applied by management for determining cash flows recoverable in worst-case scenarios.

Key Audit Matters of the Company

- (a) *Impairment assessment of the carrying amounts of costs of investments in subsidiaries*

As at 31 December 2020, the net carrying amounts of costs of investments in subsidiaries were RM126,410,649 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 amounts are based on value-in-use. These key assumptions include budgeted gross profit margins, determining an appropriate pre-tax discount rate used for each subsidiary and growth rates.

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 for each subsidiary by comparing to the cost of capital and relevant risk factors of the subsidiaries and considering the effects of the Covid-19 pandemic; and
 - (v) performed sensitivity analysis of our own to stress test the key assumptions used by management in the impairment model.
- (b) *Impairment assessment of amounts owing by subsidiaries*

As at 31 December 2020, the Company had amounts owing by subsidiaries amounted to RM21,597,530, which were net of impairment losses of RM13,731,175 as disclosed in Note 12 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) recomputed the probability of default using historical data and forward-looking information adjustment, considering the effects of the Covid-19 pandemic, applied by the Company;

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 Matters of the Company (Cont'd)

(b) *Impairment assessment of amounts owing by subsidiaries (Cont'd)*

Audit response (Cont'd)

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

- (ii) recomputed the correlation coefficient between the macroeconomic indicators used by the Company and historical losses to determine the appropriateness of the forward-looking information used by the Company;
- (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 balances into respective stages; and
- (v) evaluated the basis applied by management for determining cash flows recoverable in worst-case scenarios.

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 the 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.

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

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.
- (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 the 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, actions taken to eliminate threats or safeguards applied.

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)

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

Penang
6 May 2021

Koay Theam Hock
02141/04/2023 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	181,917,763	231,532,406	0	0
Right-of-use assets	6	35,602,984	971,500	0	0
Goodwill	7	0	0	0	0
Investments in subsidiaries	8	0	0	126,410,649	126,883,207
Investments in associates	9	0	11,326	0	0
Other investment	10	0	0	0	0
Deferred tax assets	11	1,624,500	1,624,500	0	0
Trade and other receivables	12	5,153,199	8,080,500	15,997,530	22,421,096
		224,298,446	242,220,232	142,408,179	149,304,303
Current assets					
Inventories	13	121,041,645	94,321,519	0	0
Trade and other receivables	12	89,530,132	72,490,324	5,622,852	1,000
Contract assets	14	2,659,100	1,137,723	0	0
Derivative assets	15	0	67,604	0	0
Current tax assets		635,459	727,723	10,747	14,565
Cash and bank balances	16	11,676,944	16,987,285	496,114	341,584
		225,543,280	185,732,178	6,129,713	357,149
Non-current assets held for sale	17	52,316,116	0	0	0
TOTAL ASSETS		502,157,842	427,952,410	148,537,892	149,661,452

STATEMENTS OF FINANCIAL POSITION (Cont'd)

AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	18(a)	106,097,245	99,800,734	105,607,353	99,310,842
Treasury shares	18(b)	(1,761,139)	(1,761,139)	(1,761,139)	(1,761,139)
Reserves	19	148,346,499	144,433,221	19,672,509	25,496,592
		<u>252,682,605</u>	<u>242,472,816</u>	<u>123,518,723</u>	<u>123,046,295</u>
Non-controlling interests	8(g)	586,564	486,424	0	0
TOTAL EQUITY		<u>253,269,169</u>	<u>242,959,240</u>	<u>123,518,723</u>	<u>123,046,295</u>
LIABILITIES					
Non-current liabilities					
Trade and other payables	20	0	0	24,693,361	26,299,309
Borrowings	21	38,823,732	35,618,991	0	0
Lease liabilities	6	467,388	646,264	0	0
Deferred tax liabilities	11	11,085,609	10,148,924	0	0
		<u>50,376,729</u>	<u>46,414,179</u>	<u>24,693,361</u>	<u>26,299,309</u>
Current liabilities					
Trade and other payables	20	82,293,556	22,776,169	325,808	315,848
Derivative liabilities	15	146,674	0	0	0
Borrowings	21	115,613,642	115,395,272	0	0
Lease liabilities	6	111,125	357,506	0	0
Current tax liabilities		346,947	50,044	0	0
		<u>198,511,944</u>	<u>138,578,991</u>	<u>325,808</u>	<u>315,848</u>
TOTAL LIABILITIES		<u>248,888,673</u>	<u>184,993,170</u>	<u>25,019,169</u>	<u>26,615,157</u>
TOTAL EQUITY AND LIABILITIES		<u>502,157,842</u>	<u>427,952,410</u>	<u>148,537,892</u>	<u>149,661,452</u>

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	23	135,750,584	120,967,602	1,000,000	0
Cost of sales		(104,652,842)	(104,570,312)	0	0
Gross profit		31,097,742	16,397,290	1,000,000	0
Other income		2,102,898	9,854,407	1,418,170	1,097,544
Distribution expenses		(3,164,673)	(2,589,794)	0	0
Administrative expenses		(13,382,753)	(12,760,716)	(760,627)	(611,241)
Other expenses		(4,014,383)	(1,236,842)	(6,139,347)	(4,301,028)
Finance costs	24	(6,464,118)	(6,771,248)	(1,342,344)	(1,144,279)
Share of loss of associates, net of tax		(504,126)	(49,655)	0	0
Profit/(Loss) before tax	27	5,670,587	2,843,442	(5,824,148)	(4,959,004)
Tax (expense)/income	28	(2,327,887)	540,637	65	0
Profit/(Loss) for the financial year		3,342,700	3,384,079	(5,824,083)	(4,959,004)
Profit/(Loss) attributable to:					
Owners of the parent		3,467,723	3,400,289	(5,824,083)	(4,959,004)
Non-controlling interests	8(g)	(125,023)	(16,210)	0	0
		3,342,700	3,384,079	(5,824,083)	(4,959,004)
Earnings per ordinary share attributable to owners of the parent:					
Basic and diluted (sen)	29	1.82	1.83		

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Profit/(Loss) for the financial year		3,342,700	3,384,079	(5,824,083)	(4,959,004)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		<u>670,718</u>	<u>(236,222)</u>	<u>0</u>	<u>0</u>
Items that will not be reclassified subsequently to profit or loss					
Gross revaluation increase of properties	5	<u>0</u>	<u>77,279,711</u>	<u>0</u>	<u>0</u>
Deferred tax relating to revalued properties	11(a)	<u>0</u>	<u>(9,950,783)</u>	<u>0</u>	<u>0</u>
		<u>0</u>	<u>67,328,928</u>	<u>0</u>	<u>0</u>
Other comprehensive income for the financial year, net of tax		<u>670,718</u>	<u>67,092,706</u>	<u>0</u>	<u>0</u>
Total comprehensive income/(loss) for the financial year		<u>4,013,418</u>	<u>70,476,785</u>	<u>(5,824,083)</u>	<u>(4,959,004)</u>
Total comprehensive income/(loss) attributable to:					
Owners of the parent		<u>3,913,278</u>	<u>70,640,699</u>	<u>(5,824,083)</u>	<u>(4,959,004)</u>
Non-controlling interests	8(g)	<u>100,140</u>	<u>(163,914)</u>	<u>0</u>	<u>0</u>
		<u>4,013,418</u>	<u>70,476,785</u>	<u>(5,824,083)</u>	<u>(4,959,004)</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Note	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	Total equity RM
Balance as at 1 January 2020		99,800,734	(1,761,139)	67,176,429	(1,805,002)	79,061,794	242,472,816	486,424	242,959,240
Profit for the financial year		0	0	0	0	3,467,723	3,467,723	(125,023)	3,342,700
Foreign currency translations		0	0	0	445,555	0	445,555	225,163	670,718
Total comprehensive income		0	0	0	445,555	3,467,723	3,913,278	100,140	4,013,418
Transactions with owners									
Issuance of ordinary shares pursuant to private placement	18(a)	6,296,511	0	0	0	0	6,296,511	0	6,296,511
Total transactions with owners		6,296,511	0	0	0	0	6,296,511	0	6,296,511
Realisation of revaluation reserve		0	0	(305,000)	0	305,000	0	0	0
Balance as at 31 December 2020		106,097,245	(1,761,139)	66,871,429	(1,359,447)	82,834,517	252,682,605	586,564	253,269,169

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Note	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	Total equity 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	11(a)	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	18(b)	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 2020

Company	Note	Share capital RM	Treasury shares RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2020		99,310,842	(1,761,139)	25,496,592	123,046,295
Loss for the financial year		0	0	(5,824,083)	(5,824,083)
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive loss		0	0	(5,824,083)	(5,824,083)
Transactions with owners					
Issuance of ordinary shares pursuant to private placement	18(a)	6,296,511	0	0	6,296,511
Total transactions with owners		6,296,511	0	0	6,296,511
Balance as at 31 December 2020		105,607,353	(1,761,139)	19,672,509	123,518,723
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	18(b)	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 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		5,670,587	2,843,442	(5,824,148)	(4,959,004)
Adjustments for:					
Depreciation of property, plant and equipment	5	8,609,478	8,071,854	0	0
Depreciation of right-of-use assets	6	552,946	290,246	0	0
Fair value adjustments on derivative financial instruments		214,278	(67,604)	0	0
Gain on lease modification	6(c)	(8,793)	0	0	0
Impairment losses on:					
- investments in subsidiaries		0	0	472,559	0
- trade and other receivables		1,997,910	688,031	5,666,788	4,301,028
Interest expense	24	6,464,118	6,771,248	1,342,344	1,144,279
Interest income	27	(10,198)	(18,070)	(1,418,170)	(1,097,544)
Inventories written down	13(d)	399,519	21,889	0	0
Inventories written off	13(d)	12,108	0	0	0
Loss on disposal of:					
- a subsidiary	8(e)(ii)	0	4,856	0	0
- property, plant and equipment	27	412,656	4,089	0	0
Property, plant and equipment written off	5	23,657	0	0	0
Reversal of impairment losses on trade and other receivables		(978,774)	(8,043,698)	0	0
Share of loss of associates		504,126	49,655	0	0
Unrealised foreign exchange loss/(gain)	27	699,122	(177,730)	0	0
Written off of investment in an associate	9(d)(iii)	0	97,348	0	0
Operating profit/(loss) before changes in working capital		24,562,740	10,535,556	239,373	(611,241)

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM	2019 RM	Company 2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Cont'd)					
Operating profit/(loss) before changes in working capital		24,562,740	10,535,556	239,373	(611,241)
Increase in trade and other receivables		(15,816,130)	(3,732,111)	(21,852)	0
Increase in contract assets		(1,521,377)	0	0	0
(Increase)/Decrease in inventories		(27,131,753)	728,812	0	0
Increase in trade and other payables		59,502,752	4,384,705	9,960	21,548
Cash generated from/(used in) operations		39,596,232	11,916,962	227,481	(589,693)
Tax paid		(1,042,821)	(1,232,753)	(12,084)	(16,200)
Tax refunded		40,786	1,055,217	15,967	40,880
Net cash from/(used in) operating activities		38,594,197	11,739,426	231,364	(565,013)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions of interests in:					
- a subsidiary		0	0	(1)	(1)
- an associate		(492,800)	(50,004)	0	0
Interest received		10,198	18,070	0	0
Net cash inflow on disposal of a subsidiary	8(e)(ii)	0	2	0	0
Proceeds from capital distribution of investment in an associate	9(d)(iii)	0	310,321	0	0
Proceeds from disposal of property, plant and equipment		106,829	2,250	0	0
Purchase of property, property and equipment	5(g)	(47,076,103)	(9,000,683)	0	0
Increase in amounts owing by subsidiaries		0	0	(3,425,053)	(12,524,105)
Decrease in amounts owing to subsidiaries		0	0	(2,948,291)	12,550,976
Net cash (used in)/from investing activities		(47,451,876)	(8,720,044)	(6,373,345)	26,870

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown from short-term borrowings		318,225,089	308,156,347	0	0
Interest paid		(6,416,145)	(6,722,337)	0	0
Payments of lease liabilities	6	(362,208)	(329,613)	0	0
Proceeds from issuance of ordinary shares	18(a)	6,296,511	0	6,296,511	0
Proceeds from term loans		21,430,000	3,432,000	0	0
Purchase of treasury shares	18(b)	0	(159,887)	0	(159,887)
Repayments of:					
- short-term borrowings		(323,271,489)	(298,213,728)	0	0
- term loans		(11,976,777)	(6,411,900)	0	0
Net cash from/(used in) financing activities		3,924,981	(249,118)	6,296,511	(159,887)
Net (decrease)/increase in cash and cash equivalents		(4,932,698)	2,770,264	154,530	(698,030)
Effects of exchange rate changes on cash and cash equivalents		606,069	(236,222)	0	0
Cash and cash equivalents at beginning of financial year		7,659,416	5,125,374	341,584	1,039,614
Cash and cash equivalents at end of financial year	16(c)	3,332,787	7,659,416	496,114	341,584

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Lease liabilities (Note 6)		Borrowings excluding bank overdrafts (Note 21)	
	2020 RM	2019 RM	2020 RM	2019 RM
As at 1 January	1,003,770	0	141,686,394	119,345,601
Effects of adoption of MFRS 16	0	414,269	0	(65,926)
Cash flows	(362,208)	(329,613)	4,406,823	6,962,719
Non-cash flows:				
- additions of property, plant and equipment	0	0	0	15,444,000
- additions of right-of-use assets	116,080	870,203	0	0
- effect of modification to lease term	(227,102)	0	0	0
- unwinding of interest	47,973	48,911	0	0
As at 31 December	<u>578,513</u>	<u>1,003,770</u>	<u>146,093,217</u>	<u>141,686,394</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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, Penang.

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

The consolidated financial statements for the financial year ended 31 December 2020 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 6 May 2021.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities and 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.

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 36.1 to the financial statements.

The Group has also early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* in the current financial year and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and similar circumstances.

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

4. OPERATING SEGMENTS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

4. OPERATING SEGMENTS (Cont'd)

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

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

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

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

Segment liabilities exclude tax liabilities.

2020	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
Revenue				
Total revenue	32,128,866	264,824,786	2,831,898	299,785,550
Inter-segment revenue	(11,361,040)	(150,193,726)	(2,480,200)	(164,034,966)
Revenue from external customers	<u>20,767,826</u>	<u>114,631,060</u>	<u>351,698</u>	<u>135,750,584</u>
Interest income	3,435	6,592	171	10,198
Finance costs	(3,007,180)	(3,010,068)	(446,870)	(6,464,118)
Net finance expense	<u>(3,003,745)</u>	<u>(3,003,476)</u>	<u>(446,699)</u>	<u>(6,453,920)</u>
Depreciation of property, plant and equipment	(699,871)	(6,034,345)	(1,875,262)	(8,609,478)
Depreciation of right-of-use assets	(47,766)	(28,448)	(476,732)	(552,946)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

4. OPERATING SEGMENTS (Cont'd)

2020 (Cont'd)	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
Segment profit/(loss) before tax	449,382	12,096,963	(11,751,560)	794,785
Tax expense	(608,208)	(1,632,803)	(86,876)	(2,327,887)
Other non-cash items:				
Impairment losses on trade and other receivables	(1,139,369)	(749,196)	(109,345)	(1,997,910)
Inventories written down	(399,519)	0	0	(399,519)
Inventories written off	0	(12,108)	0	(12,108)
Loss on derivative financial instruments	0	(146,674)	0	(146,674)
Loss on disposal of property, plant and equipment	3,999	(1,762)	(414,893)	(412,656)
Reversal of impairment losses on trade and other receivables	908,343	70,431	0	978,774
Share of loss of associates	0	0	(504,126)	(504,126)
Additions to non-current assets other than financial instruments and deferred tax assets	165,932	11,643,878	35,875,173	47,684,983
Segment assets	124,267,781	207,022,188	168,607,914	499,897,883
Segment liabilities	94,355,566	96,802,941	46,297,610	237,456,117

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

4. OPERATING SEGMENTS (Cont'd)

2019	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
Revenue				
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	<u>34,787,774</u>	<u>85,551,013</u>	<u>628,815</u>	<u>120,967,602</u>
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	<u>(3,428,277)</u>	<u>(3,231,396)</u>	<u>(93,505)</u>	<u>(6,753,178)</u>
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)
Segment profit/(loss) before tax	3,213,749	694,430	(2,796,983)	1,111,196
Tax income/(expense)	389,241	(45,160)	196,556	540,637
Other non-cash items:				
Gain on derivative financial instruments	0	67,604	0	67,604
Impairment losses on trade and other receivables	(670,127)	(17,904)	0	(688,031)
Inventories written down	(21,889)	0	0	(21,889)
Reversal of impairment losses on trade and other receivables	0	8,043,698	0	8,043,698
Share of loss of associates	0	0	(49,655)	(49,655)
Written off of investment in an associate	0	0	(97,348)	(97,348)
Investments in associates	0	0	11,326	11,326

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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
Additions to non-current assets other than financial instruments and deferred tax assets	457,250	6,479,338	18,428,302	25,364,890
Segment assets	118,666,686	177,971,443	128,962,058	425,600,187
Segment liabilities	42,942,586	81,577,000	50,274,616	174,794,202

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

	2020 RM	2019 RM
Profit for the financial year		
Total profit for reportable segments	794,785	1,111,196
Adjustment for inter-segmental profits	4,875,802	1,732,246
Profit before tax	5,670,587	2,843,442
Tax (expense)/income	(2,327,887)	540,637
Profit for the financial year	3,342,700	3,384,079
Assets		
Segment assets	499,897,883	425,600,187
Deferred tax assets	1,624,500	1,624,500
Current tax assets	635,459	727,723
Total assets	502,157,842	427,952,410
Liabilities		
Segment liabilities	237,456,117	174,794,202
Deferred tax liabilities	11,085,609	10,148,924
Current tax liabilities	346,947	50,044
Total liabilities	248,888,673	184,993,170

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

4. OPERATING SEGMENTS (Cont'd)

Geographical information

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

	Revenue		Non-current assets	
	2020 RM	2019 RM	2020 RM	2019 RM
Malaysia	66,660,401	58,025,022	187,614,035	239,402,906
United States of America	22,239,743	0	0	0
Indonesia	11,891,106	5,233,066	0	0
Africa	9,470,859	21,789,441	0	0
Singapore	5,375,559	5,404,887	0	0
Philippines	5,047,972	3,766,939	0	0
Australia	4,216,026	2,500,499	0	0
Europe	3,567,104	5,659,207	0	0
Middle East	2,728,518	8,072,767	0	0
Myanmar	1,254,862	1,502,583	0	0
Sri Lanka	974,769	3,444,275	0	0
Taiwan	76,148	2,907,604	0	0
Others	2,247,517	2,661,312	35,059,911	1,181,500
	<u>135,750,584</u>	<u>120,967,602</u>	<u>222,673,946</u>	<u>240,584,406</u>

Major customers

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

	2020 RM	2019 RM	Segment
Customer A	29,308,847	0	Steel product and trading activity
Customer B	22,239,743	0	Steel product and trading activity
Customer C	0	18,365,511	Machinery and equipment
	<u>51,548,590</u>	<u>18,365,511</u>	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2020 RM	Additions RM	Disposals RM	Written off RM	Depreciation charge for the financial year RM	Transfer from/(to) right-of-use assets (Note 6) RM	Transfer to assets held for sale (Note 17) RM	Reclassi- fications RM	Exchange differences RM	Balance as at 31.12.2020 RM
Carrying amount										
<u>At Valuation</u>										
Freehold land	98,250,000	0	0	0	0	0	(27,400,000)	0	0	70,850,000
Buildings	71,415,223	0	0	0	(1,825,488)	0	(24,916,116)	0	0	44,673,619
<u>At Cost</u>										
Buildings	0	420,856	0	0	(3,915)	0	0	130,600	0	547,541
Plant and machinery, moulds, tools and equipment	42,792,168	11,200,478	0	0	(6,410,167)	0	0	0	0	47,582,479
Furniture, fittings, office equipment and computer software	586,927	59,112	(136,663)	(23,657)	(183,283)	0	0	0	556	302,992
Motor vehicles	272,398	427,240	(2)	0	(144,441)	1	0	0	0	555,196
Electrical installation and renovation	482,643	0	(382,820)	0	(42,184)	0	0	0	0	57,639
Capital work-in-progress	17,733,047	34,968,417	0	0	0	(35,286,660)	0	(130,600)	64,093	17,348,297
	231,532,406	47,076,103	(519,485)	(23,657)	(8,609,478)	(35,286,659)	(52,316,116)	0	64,649	181,917,763

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

Group	2020				
	Cost RM	Valuation RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Carrying amount					
Freehold land	0	70,850,000	0	0	70,850,000
Buildings	551,456	45,574,036	(884,164)	(20,168)	45,221,160
Plant and machinery, moulds, tools and equipment	106,475,886	0	(54,506,044)	(4,387,363)	47,582,479
Furniture, fittings, office equipment and computer software	4,872,091	0	(4,567,864)	(1,235)	302,992
Motor vehicles	3,119,588	0	(2,564,392)	0	555,196
Electrical installation and renovation	260,369	0	(202,730)	0	57,639
Capital work-in-progress	17,348,297	0	0	0	17,348,297
	<u>132,627,687</u>	<u>116,424,036</u>	<u>(62,725,194)</u>	<u>(4,408,766)</u>	<u>181,917,763</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

Group	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Revaluation RM	Disposals RM	Depreciation charge for the financial year RM	Balance as at 31.12.2019 RM
Carrying amount							
<u>At Valuation</u>							
Freehold land *	36,847,497	0	0	61,402,503	0	0	98,250,000
Buildings *	57,167,234	0	0	15,877,208	0	(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	0	(6,339)	(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>77,279,711</u>	<u>(6,339)</u>	<u>(8,071,854)</u>	<u>231,532,406</u>

* Freehold land and buildings are stated at cost as at 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

Group	2019				
	Cost RM	Valuation RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Carrying amount					
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>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

- (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.

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 or valuation 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 - 50 years
Plant and machinery, moulds, tools and equipment	2% - 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 machineries and building improvements 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) 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:

	2020 RM	Group 2019 RM
Freehold land	27,047,498	36,847,497
Buildings	34,910,664	56,077,529
	<u>61,958,162</u>	<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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

(e) (Cont'd)

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 are detailed in the table below:

Group	Valuation technique used	Unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value
2019				
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 as well as conditions of the specific property.

(f) Freehold land and buildings of the Group with a carrying amount of RM59,698,112 (2019: RM116,522,927) have been charged to banks for credit facilities granted to the Group as disclosed in Note 21(b)(i) to the financial statements.

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

	Group	
	2020 RM	2019 RM
Purchase of property, plant and equipment	47,076,103	24,444,683
Financed by term loan arrangements	0	(15,444,000)
Cash payments on purchase of property, plant and equipment	<u>47,076,103</u>	<u>9,000,683</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

6. LEASES

The Group as lessee

Right-of-use assets

Carrying amount	Balance as at 1.1.2020 RM	Additions RM	Transfer from/ (to) property, plant and equipment (Note 5) RM	Depreciation RM	Effect of modification to lease term RM	Balance as at 31.12.2020 RM
Leasehold land	0	0	35,286,660	(235,245)	0	35,051,415
Land	554,030	0	0	(63,926)	0	490,104
Buildings	395,870	0	0	(177,561)	(218,309)	0
Hostels	0	95,532	0	(47,766)	0	47,766
Office space	0	20,548	0	(6,849)	0	13,699
Motor vehicle	21,600	0	(1)	(21,599)	0	0
	<u>971,500</u>	<u>116,080</u>	<u>35,286,659</u>	<u>(552,946)</u>	<u>(218,309)</u>	<u>35,602,984</u>

Lease liabilities

Carrying amount	Balance as at 1.1.2020 RM	Additions RM	Effect of modification to lease term RM	Lease payments RM	Interest expense (Note 24) RM	Balance as at 31.12.2020 RM
Land	564,341	0	0	(84,000)	33,015	513,356
Buildings	404,168	0	(227,102)	(186,000)	8,934	0
Hostels	0	95,532	0	(50,400)	3,985	49,117
Office space	0	20,548	0	(5,400)	892	16,040
Motor vehicle	35,261	0	0	(36,408)	1,147	0
	<u>1,003,770</u>	<u>116,080</u>	<u>(227,102)</u>	<u>(362,208)</u>	<u>47,973</u>	<u>578,513</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

Right-of-use assets

Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 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 RM	Additions RM	Lease payments RM	Interest expense (Note 24) 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 2020

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

	2020 RM	2019 RM
Represented by:		
Current liabilities	111,125	357,506
Non-current liabilities	<u>467,388</u>	<u>646,264</u>
	<u>578,513</u>	<u>1,003,770</u>
Lease liabilities owing to financial institutions	0	35,261
Lease liabilities owing to non-financial institutions	<u>578,513</u>	<u>968,509</u>
	<u>578,513</u>	<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:

Leasehold land	50 years
Land	9 years
Buildings	1 - 2 years
Hostels	2 years
Office space	3 years
Motor vehicle	5 years

- (b) The Group has certain leases of machineries, hostel and office space with lease term of twelve (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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

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

	2020 RM	2019 RM
Included in cost of sales:		
Depreciation charge of right-of-use assets	225,326	290,246
Expense relating to short-term leases	12,700	120,600
Included in other income:		
Gain on lease modification	8,793	0
Included in distribution expenses:		
Depreciation charge of right-of-use assets	21,599	0
Expense relating to leases of low-value assets	0	4,496
Included in administrative expenses:		
Depreciation charge of right-of-use assets	306,021	0
Expense relating to short-term leases	800	1,859
Included in finance costs:		
Interest expense on lease liabilities	47,973	48,911
	623,212	466,112

(d) At the end of the financial year, the Group had total cash outflow for leases of RM362,208 (2019: RM329,613).

(e) Information on financial risks of lease liabilities is disclosed in Note 33 to the financial statements.

The Group as lessor

In the previous financial year, the Group had 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 aggregate future minimum lease receivable of the Group in the previous financial year was as follows:

	2019 RM
Less than one (1) year	150,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

7. GOODWILL

	Group	
	2020 RM	2019 RM
Cost	2,280	2,280
Less: Accumulated impairment losses	(2,280)	(2,280)
	<u>0</u>	<u>0</u>

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

	2020 RM	2019 RM
Property, investment holding and others	<u>0</u>	<u>0</u>

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM	2019 RM
Unquoted shares, at cost		
- ordinary shares	62,778,952	62,778,951
- redeemable preference shares	67,600,000	67,600,000
Less: Impairment losses	(3,968,303)	(3,495,744)
	<u>126,410,649</u>	<u>126,883,207</u>

Movement in accumulated impairment losses:

	Company	
	2020 RM	2019 RM
Balance as at 1 January	3,495,744	3,495,744
Impairment losses recognised in profit or loss	472,559	0
Balance as at 31 December	<u>3,968,303</u>	<u>3,495,744</u>

- (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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(b) Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2020 %	2019 %	
Eonmetall Technology Sdn. Bhd.	Malaysia	100	100	Manufacture of metalwork and industrial process machinery and equipment
Eonmetall Industries Sdn. Bhd.	Malaysia	100	100	Manufacture and distribution of steel products, focusing on cold rolled coils, galvanised coils and flat steel products
Eonmetall Systems Sdn. Bhd.	Malaysia	100	100	Manufacture of steel products, focusing on steel storage systems
Eonsteel Sdn. Bhd.	Malaysia	100	100	Property holding, manufacture and trading of steel products
Eonchem Biomass Sdn. Bhd.	Malaysia	100	100	Manufacture of palm oil related products
Eontarr IT Solutions Sdn. Bhd.	Malaysia	100	100	Provider of IT solutions including software development
180 Degree Design Sdn. Bhd. ('180DD')	Malaysia	100	100	Design and trading of steel products focusing on furniture related products and office space management. During the financial year, 180DD has become dormant.
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 (PFOE) 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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2020 %	2019 %	
Eonmetall Land Sdn. Bhd.	Malaysia	100	100	Investment holding
Eonmetall Glove Sdn. Bhd. ^	Malaysia	100	0	Manufacturing and distribution of gloves
Subsidiary of Eonchem Biomass Sdn. Bhd.				
Eonmetall Bio-Coal Sdn. Bhd.	Malaysia	100	100	Production of bio-coal and technical services
Subsidiary of Eonmetall China Sdn. Bhd.				
Shaanxi Longxing Steel Co., Ltd. #	China	51	51	Dormant
Subsidiary of Eonmetall International Limited				
PT Eonmetall Investment *	Indonesia	88	88	Dormant
Africa Steel Investment Limited	Malaysia	60	60	Investment holding
Subsidiary of Constructor Asia Sdn. Bhd.				
Constructor ANZ Limited ^	New Zealand	100	100	Dormant

* Subsidiary audited by BDO member firm.

Consolidated using management financial statements up to 31 December 2020.

^ These subsidiaries have not commenced their business operations as of the report date and were consolidated using management financial statements up to 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

The recoverable amounts of the investment in subsidiaries are assessed by reference to the value-in-use of the respective subsidiaries. For such discounted cash flow method, it involves the use of estimated future results and key 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 and incorporating the impact of the Covid-19 pandemic.

Impairment loss on the cost of investment in a subsidiary amounting to RM472,559 (2019: RM Nil) has been recognised due to its recoverable amount being lower than its carrying amount.

- (d) On 9 November 2020, the Company incorporated Eonmetall Glove Sdn. Bhd. for a cash consideration of RM1 comprising of 1 ordinary share.

- (e) In the previous financial year:

- (i) The Company incorporated Eonmetall Land Sdn. Bhd. for a cash consideration of RM1 comprising of 1 ordinary share.
- (ii) Eonmetall International Limited ('EIL'), a wholly owned subsidiary of the Company, had 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:

	At date of disposal 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 was as follows:

Proceeds from disposal	2
Cash and cash equivalents of subsidiary disposed off	0
Net cash inflow on disposal	2

- (f) On 11 March 2019, Constructor Asia Sdn. Bhd., a wholly owned subsidiary of the Company, incorporated Constructor ANZ Limited ('CAL') in New Zealand for a cash consideration of NZD1 (equivalent to RM3) comprising of 1 ordinary share. CAL was subsequently struck off on 25 March 2021.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(g) 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
2020					
NCI percentage of ownership interest and voting interest	49%	0%	40%	12%	
Carrying amount of NCI (RM)	371,746	0	(18,412)	233,230	586,564
Loss attributable to NCI (RM)	(119,320)	0	(4,560)	(1,143)	(125,023)
Total comprehensive income/(loss) attributable to NCI (RM)	94,172	0	(4,322)	10,290	100,140
2019					
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 attributable to NCI (RM)	(163,969)	(348)	(5,494)	5,897	(163,914)

* Disposed in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (h) 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
2020			
Assets and liabilities			
Non-current assets	35,059,911	0	0
Current assets	2,394,094	11,815	2,500,344
Non-current liabilities	(5,600,000)	0	0
Current liabilities	(31,095,339)	(57,846)	(556,763)
Net assets/(liabilities)	<u>758,666</u>	<u>(46,031)</u>	<u>1,943,581</u>
Results			
Revenue	0	0	0
Loss for the financial year	(243,510)	(11,401)	(9,524)
Other comprehensive income for the financial year	<u>435,699</u>	<u>597</u>	<u>95,276</u>
Total comprehensive income/(loss) for the financial year	<u>192,189</u>	<u>(10,804)</u>	<u>85,752</u>
Cash flows from/(used in) operating activities	27,956,151	(16)	0
Cash flows used in investing activities	<u>(34,051,216)</u>	<u>0</u>	<u>0</u>
Net decrease in cash and cash equivalents	<u>(6,095,065)</u>	<u>(16)</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

9. INVESTMENTS IN ASSOCIATES

	2020 RM	Group 2019 RM
Unquoted shares, at cost	542,804	50,004
Share of post-acquisition reserves	(542,804)	(38,678)
	<u>0</u>	<u>11,326</u>

(a) Investments in associates are 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) Details of the associates are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2020 %	2019 %	
Emeida Metal Sdn. Bhd. *#	Malaysia	40	40	Dormant
Sinaran Seribumi Sdn. Bhd. #	Malaysia	23.81	23.81	Property development, land and property investment and general trading

* Share of post-acquisition reserves using management financial statements.

Associates not audited by BDO PLT or BDO member firms.

(c) During the financial year, Eonmetall Land Sdn. Bhd., a wholly owned subsidiary of the Company, further subscribed for an additional 985,600 ordinary shares in Sinaran Seribumi Sdn. Bhd. for a cash consideration of RM492,800, representing 23.81% of the total issued share capital of Sinaran Seribumi Sdn. Bhd.

(d) In the previous financial year:

- (i) EIL, a wholly owned subsidiary of the Company, had subscribed for 4 ordinary shares in Emeida Metal Sdn. Bhd. for a cash consideration of RM4.
- (ii) Eonmetall Land Sdn. Bhd. subscribed for 50,000 ordinary shares in Sinaran Seribumi Sdn. Bhd. for a cash consideration of RM50,000.
- (iii) Eonmetall Steel Industries Ethiopia PLC, an associate of EIL, had wound up.

The cost of investment written off at the date of winding up was as follows:

Group	At date of winding up RM
Cost of investment	419,000
Less: Share of post-acquisition reserves	(11,331)
Less: Proceeds from capital distribution of investment in an associate	(310,321)
Written off of investment in an associate	<u>97,348</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

9. INVESTMENTS IN ASSOCIATES (Cont'd)

(e) Summarised financial information of a material associate is as follows:

Group	Sinaran Seribumi Sdn. Bhd.	
	2020 RM	2019 RM
Assets and liabilities		
Non-current assets	162,311,107	15,572,747
Current assets	3,597,338	49,575
Non-current liabilities	(60,700,000)	0
Current liabilities	(107,525,775)	(15,574,747)
Net (liabilities)/assets	(2,317,330)	47,575
Results		
Revenue	177,397	0
Loss for the financial year	(4,434,663)	(162,426)
Total comprehensive loss for the financial year	(4,434,663)	(162,426)

Group	Sinaran Seribumi Sdn. Bhd.	
	2020 RM	2019* RM
Carrying amounts of interests in associates	0	11,326
Share of results for the financial year		
Share of loss for the financial year	(504,126)	(38,674)
Share of other comprehensive loss for the financial year	0	0
Share of total comprehensive loss for the financial year	(504,126)	(38,674)

* This associate was individually immaterial in the previous financial year.

(f) Set out below is the financial information of all individually immaterial associates on an aggregate basis:

Group	Group	
	2020 RM	2019 RM
Carrying amounts of interests in associates	0	0
Share of results for the financial year		
Share of loss for the financial year	0	(10,981)
Share of other comprehensive loss for the financial year	0	0
Share of total comprehensive loss for the financial year	0	(10,981)

(g) The unrecognised share of loss of associates amounted to RM554,497 (2019: RM13) in the current financial year. As a result, the accumulated unrecognised share of losses of associates amounted to RM554,510 (2019: RM13). The Group has ceased recognising its share of losses since there is no further obligation in respect of those losses using the equity method of accounting.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

10. OTHER INVESTMENT

	2020 RM	Group 2019 RM
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Unquoted shares outside Malaysia

Balance as at 31 December	0	0
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- (a) Other investment is classified as financial assets at fair value through profit or loss.
- (b) Unquoted shares are categorised as Level 3 in the fair value hierarchy. Fair value of investment in unquoted shares is estimated based on the price to book valuation model.
- (c) There is no transfer between levels in the hierarchy during the financial year.
- (d) The unquoted shares were disposed of during the financial year.

11. DEFERRED TAX (ASSETS)/LIABILITIES

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

	2020 RM	Group 2019 RM
Balance as at 1 January	8,524,424	(993,200)
Recognised in:		
- profit or loss (Note 28)	936,685	(433,159)
- other comprehensive income	0	9,950,783
Balance as at 31 December	9,461,109	8,524,424
Presented after appropriate offsetting:		
Deferred tax assets	(1,624,500)	(1,624,500)
Deferred tax liabilities	11,085,609	10,148,924
	9,461,109	8,524,424

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

	Assets		Liabilities		Net	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
Property, plant and equipment	0	0	7,032,000	5,478,400	7,032,000	5,478,400
Revaluation of freehold land and buildings	0	0	9,806,309	9,902,624	9,806,309	9,902,624
Unutilised reinvestment allowances	(7,377,200)	(6,856,600)	0	0	(7,377,200)	(6,856,600)
Tax (assets)/liabilities	(7,377,200)	(6,856,600)	16,838,309	15,381,024	9,461,109	8,524,424
Set off	5,752,700	5,232,100	(5,752,700)	(5,232,100)	0	0
Net tax (assets)/liabilities	(1,624,500)	(1,624,500)	11,085,609	10,148,924	9,461,109	8,524,424

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

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

	Property, plant and equipment RM	Revaluation of freehold land and buildings RM	Unutilised reinvestment allowances RM	Total RM
Balance as at 1 January 2020	5,478,400	9,902,624	(6,856,600)	8,524,424
Recognised in profit or loss (Note 28)	1,553,600	(96,315)	(520,600)	936,685
Balance as at 31 December 2020	7,032,000	9,806,309	(7,377,200)	9,461,109
Balance as at 1 January 2019	5,263,700	0	(6,256,900)	(993,200)
Recognised in profit or loss (Note 28)	214,700	(48,159)	(599,700)	(433,159)
Recognised in other comprehensive income	0	9,950,783	0	9,950,783
Balance as at 31 December 2019	5,478,400	9,902,624	(6,856,600)	8,524,424

(c) Deferred tax assets are recognised for unabsorbed tax losses, unabsorbed capital allowances and unutilised reinvestment allowances to the extent that it is probable that future taxable profits would be available against which the tax losses, capital allowances and reinvestment allowances could be utilised.

(d) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	2020 RM	Group 2019 RM
Taxable temporary differences	28,325,300	34,864,600
Unabsorbed tax losses		
- expires by 31 December 2025	(10,230,100)	(13,113,000)
- expires by 31 December 2026	(2,237,600)	(2,237,600)
- expires by 31 December 2027	(1,504,100)	0
Unabsorbed capital allowances	(10,663,100)	(14,377,700)
Unutilised reinvestment allowances	(36,746,900)	(45,810,400)
	(33,056,500)	(40,674,100)

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 would be available against which the deductible temporary differences could be utilised.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-current				
Trade receivables				
Third parties	5,925,250	8,325,000	0	0
Less: Impairment losses				
- third parties	(772,051)	(244,500)	0	0
	<u>5,153,199</u>	<u>8,080,500</u>	<u>0</u>	<u>0</u>
Other receivables				
Amounts owing by subsidiaries	0	0	29,728,705	30,485,483
Less: Impairment losses				
- amounts owing by subsidiaries	0	0	(13,731,175)	(8,064,387)
	<u>0</u>	<u>0</u>	<u>15,997,530</u>	<u>22,421,096</u>
Non-current trade and other receivables	<u>5,153,199</u>	<u>8,080,500</u>	<u>15,997,530</u>	<u>22,421,096</u>
Current				
Trade receivables				
Third parties	51,795,007	64,647,749	0	0
Amounts owing by related parties	839,760	813,615	0	0
	<u>52,634,767</u>	<u>65,461,364</u>	<u>0</u>	<u>0</u>
Less: Impairment losses				
- third parties	(9,330,722)	(19,068,979)	0	0
- amounts owing by related parties	(43,123)	(9,260)	0	0
	<u>(9,373,845)</u>	<u>(19,078,239)</u>	<u>0</u>	<u>0</u>
	<u>43,260,922</u>	<u>46,383,125</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

12. TRADE AND OTHER RECEIVABLES (Cont'd)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current				
Other receivables				
Other receivables	21,620,908	15,077,703	21,852	1,497,536
Amount owing by a subsidiary	0	0	5,600,000	0
Amounts owing by associates	2,462,793	0	0	0
Deposits	5,522,633	11,539,172	1,000	1,000
	29,606,334	26,616,875	5,622,852	1,498,536
Less: Impairment losses				
- other receivables	(537,452)	(1,853,058)	0	(1,497,536)
- amounts owing by associates	(4,167)	0	0	0
- deposits	(62,258)	0	0	0
	(603,877)	(1,853,058)	0	(1,497,536)
	29,002,457	24,763,817	5,622,852	1,000
Current trade and other receivables (excluding prepayments)	72,263,379	71,146,942	5,622,852	1,000
Prepayments	17,266,753	1,343,382	0	0
	89,530,132	72,490,324	5,622,852	1,000
Total trade and other receivables	94,683,331	80,570,824	21,620,382	22,422,096

- (a) Trade and other receivables excluding prepayments are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 90 days (2019: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Amounts owing by subsidiaries are unsecured, not payable within the next twelve (12) months and bear interest at a rate of 3.51% (2019: 4.73%) per annum.
- (d) Amounts owing by a subsidiary and associates are unsecured, interest-free and payable within the next twelve (12) months.
- (e) Included in other receivables of the Group are advances to suppliers amounting to RM20,120,129 (2019: RM10,396,639).
- (f) Included in deposits of the Group is an amount of RM3,702,600 (2019: RM9,605,600) paid for the acquisition of land.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

12. TRADE AND OTHER RECEIVABLES (Cont'd)

(g) The currency exposure profile of trade and other receivables excluding prepayments are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	49,898,009	45,967,040	21,620,382	22,422,096
United States Dollar	26,827,443	25,775,359	0	0
Euro Dollar	339,194	1,367,010	0	0
Singapore Dollar	266,557	137,247	0	0
Chinese Yuan	85,375	5,980,786	0	0
	77,416,578	79,227,442	21,620,382	22,422,096

(h) 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 ('ECL').

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from monthly aging based on a 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 by kind of economic activity - manufacturing) (2019: 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 statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

Impairment for trade receivables past due more than six (6) months, other receivables and intercompany balances 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

12. TRADE AND OTHER RECEIVABLES (Cont'd)

(h) (Cont'd)

The probability of non-payment by the trade receivables, other receivables and intercompany balances is adjusted by forward-looking information (gross domestic product by kind of economic activity - manufacturing) (2019: 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 the trade receivables, other receivables and intercompany balances.

Lifetime expected loss provision for trade receivables are as follows:

Group	Expected loss rate	Gross carrying amount RM	Impairment RM
2020			
Current	0.00%	14,751,071	422
Past due:			
1 to 60 days	0.01%	7,942,434	504
61 to 120 days	0.09%	6,967,090	6,378
121 to 240 days	0.28%	1,011,136	2,843
More than 241 days	36.34%	27,888,286	10,135,749
Total		<u>58,560,017</u>	<u>10,145,896</u>
2019			
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>

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

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

Group	Lifetime ECL	
	2020 RM	2019 RM
Balance as at 1 January	441,654	490,077
Charge for the financial year	43,263	17,904
Reversal of impairment losses	(352,771)	(66,327)
Balance as at 31 December	<u>132,146</u>	<u>441,654</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

12. TRADE AND OTHER RECEIVABLES (Cont'd)

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

	Lifetime ECL - not credit impaired RM	Lifetime ECL - credit impaired RM	Total allowance RM
Group			
Balance as at 1 January 2020	1,222,660	17,658,425	18,881,085
Charge for the financial year	382,601	1,318,791	1,701,392
Reversal of impairment losses	(48,984)	(577,019)	(626,003)
Written off	0	(9,942,724)	(9,942,724)
Transfer to lifetime ECL - credit impaired	(771,474)	771,474	0
Balance as at 31 December 2020	<u>784,803</u>	<u>9,228,947</u>	<u>10,013,750</u>
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	<u>1,222,660</u>	<u>17,658,425</u>	<u>18,881,085</u>

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

	Lifetime ECL - not credit impaired RM	Lifetime ECL - credit impaired RM	Total allowance RM
Group			
Balance as at 1 January 2020	0	1,853,058	1,853,058
Charge for the financial year	0	253,255	253,255
Written off	0	(1,497,536)	(1,497,536)
Exchange differences	0	(4,900)	(4,900)
Balance as at 31 December 2020	<u>0</u>	<u>603,877</u>	<u>603,877</u>
Balance as at 1 January 2019	0	1,853,758	1,853,758
Exchange differences	0	(700)	(700)
Balance as at 31 December 2019	<u>0</u>	<u>1,853,058</u>	<u>1,853,058</u>
Company			
Balance as at 1 January 2020	8,064,387	1,497,536	9,561,923
Charge for the financial year	0	5,666,788	5,666,788
Written off	0	(1,497,536)	(1,497,536)
Transfer to lifetime ECL - credit impaired	(8,064,387)	8,064,387	0
Balance as at 31 December 2020	<u>0</u>	<u>13,731,175</u>	<u>13,731,175</u>
Balance as at 1 January 2019	3,763,359	1,497,536	5,260,895
Charge for the financial year	4,301,028	0	4,301,028
Balance as at 31 December 2019	<u>8,064,387</u>	<u>1,497,536</u>	<u>9,561,923</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

12. TRADE AND OTHER RECEIVABLES (Cont'd)

- (l) Credit impaired refers to individually determined receivables who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.
- (m) The Group considers receivables to be in default when the receivables are more than twelve (12) months past due and there is no reasonable expectation of recovery.
- (n) Information on financial risks of trade and other receivables is disclosed in Note 33 to the financial statements.

13. INVENTORIES

	Group	
	2020 RM	2019 RM
At cost		
Raw materials	46,396,112	30,882,819
Work-in-progress	55,615,247	49,498,076
Manufactured inventories	14,822,250	12,558,745
	<u>116,833,609</u>	<u>92,939,640</u>
At net realisable value		
Raw materials	410,356	688,813
Work-in-progress	3,795,948	605,054
Manufactured inventories	1,732	88,012
	<u>4,208,036</u>	<u>1,381,879</u>
Total	<u>121,041,645</u>	<u>94,321,519</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 costs 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.
- (d) During the financial year, the Group had written down and written off inventories of RM399,519 and RM12,108 (2019: RM21,889 and RM Nil) respectively.
- (e) During the financial year, inventories of the Group recognised as cost of sales amounted to RM69,330,896 (2019: RM73,876,488).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

14. CONTRACT ASSETS

	2020 RM	Group 2019 RM
Aggregate costs incurred to-date	6,459,533	3,508,482
Add: Attributable profits	4,944,567	1,754,241
	11,404,100	5,262,723
Less: Progress billings	(8,745,000)	(4,125,000)
	2,659,100	1,137,723
Represented by:		
Construction contracts	2,659,100	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.

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

(b) Contract value yet to be recognised as revenue

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

Group	2020 RM	2021 RM	Total RM
31 December 2020	0	3,795,900	3,795,900
31 December 2019	2,237,277	0	2,237,277

(c) Impairment for contract assets that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses as disclosed in Note 12(h) to the financial statements.

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

15. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Contract amount 2020 RM	Liabilities 2020 RM	Contract amount 2019 RM	Assets 2019 RM
Forward currency contract	13,245,401	146,674	4,738,195	67,604

(a) Derivatives were initially recognised at fair value on the date the derivative contracts were entered into. The derivatives were subsequently remeasured at fair value and the changes in fair value were recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

15. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

- (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 two (2) (2019: one (1)) months 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) The fair value adjustments on derivative financial instruments are as follows:

	Group
	2020 RM
	2019 RM
(Loss)/Gain on derivative financial instruments	(146,674)
	67,604

- (d) Derivatives of the Group are categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (e) Forward currency contracts are valued using a valuation technique with market observable inputs. The derivatives arising from the forward currency contracts are stated at fair value using the prevailing market rate. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

16. CASH AND BANK BALANCES

	Group	Company
	2020 RM	2019 RM
	2020 RM	2019 RM
Cash and bank balances	11,676,944	16,987,285
	496,114	341,584

- (a) Cash and bank balances are classified as financial assets measured at amortised cost.

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

	Group	Company
	2020 RM	2019 RM
	2020 RM	2019 RM
Ringgit Malaysia	8,013,867	7,346,811
United States Dollar	2,100,742	2,981,788
Singapore Dollar	1,111,632	490,533
Chinese Yuan	426,623	6,142,489
Others	24,080	25,664
	11,676,944	16,987,285
	496,114	341,584

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

16. CASH AND BANK BALANCES (Cont'd)

- (c) 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	11,676,944	16,987,285	496,114	341,584
Less: Bank overdrafts (Note 21)	(8,344,157)	(9,327,869)	0	0
	<u>3,332,787</u>	<u>7,659,416</u>	<u>496,114</u>	<u>341,584</u>

- (d) No expected credit losses were recognised arising from the bank balances because the probability of default by these financial institutions were negligible.
- (e) Information on financial risks of cash and bank balances is disclosed in Note 33 to the financial statements.

17. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2020 RM	2019 RM
Cost	53,300,000	0
Less: Accumulated depreciation	(983,884)	0
Carrying amount (Note 5)	<u>52,316,116</u>	<u>0</u>

- (a) Management reclassified the freehold land and buildings as non-current assets held for sale in accordance with the requirements of MFRS 5 *Non-current assets held for sale and discontinued operations* as the Group is committed to a plan to sell freehold land and buildings as disclosed in Note 35(a) to the financial statements.
- (b) The non-current assets held for sale have been charged to banks for credit facilities granted to the Group as disclosed in Note 21(b)(i) to the financial statements.

18. SHARE CAPITAL

- (a) Share capital

	Group			
	2020 Number of shares	2020 RM	2019 Number of shares	2019 RM
Issued and fully paid				
Balance as at 1 January	188,288,100	99,800,734	188,288,100	99,800,734
Issuance of ordinary shares pursuant to private placement	18,519,150	6,296,511	0	0
Balance as at 31 December	<u>206,807,250</u>	<u>106,097,245</u>	<u>188,288,100</u>	<u>99,800,734</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

18. SHARE CAPITAL (Cont'd)

(a) Share capital (Cont'd)

	Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	188,288,100	99,310,842	188,288,100	99,310,842
Issuance of ordinary shares pursuant to private placement	18,519,150	6,296,511	0	0
Balance as at 31 December	<u>206,807,250</u>	<u>105,607,353</u>	<u>188,288,100</u>	<u>99,310,842</u>

- (i) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 188,288,100 ordinary shares to 206,807,250 ordinary shares by way of issuance of 18,519,150 new ordinary shares for cash pursuant to the private placement undertaken by the Company at an issue price of RM0.34 per share.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

- (ii) The owners of the parent (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

(b) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 25 August 2020, renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January	(3,096,600)	(1,761,139)	(2,665,100)	(1,601,252)
Purchase of treasury shares	<u>0</u>	<u>0</u>	<u>(431,500)</u>	<u>(159,887)</u>
Balance as at 31 December	<u>(3,096,600)</u>	<u>(1,761,139)</u>	<u>(3,096,600)</u>	<u>(1,761,139)</u>

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

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

The carrying amount of the treasury shares shall be offset against equity in the statements of financial position.

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 sale consideration and the carrying amount is shown as a movement in equity.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

18. SHARE CAPITAL (Cont'd)

(b) Treasury shares (Cont'd)

- (ii) In the previous financial year, the Company repurchased 431,500 of its issued ordinary shares from the open market for a total consideration of RM159,887 at an average price of RM0.37 per share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.
- (iii) As at 31 December 2020, of the total 206,807,250 (2019: 188,288,100) issued and fully paid ordinary shares, 3,096,600 (2019: 3,096,600) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 203,710,650 (2019: 185,191,500).
- (iv) None of the treasury shares held were resold or cancelled during the financial year. Treasury shares have no rights to voting, dividends or participation in other distribution.

19. RESERVES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-distributable:				
Revaluation reserve	66,871,429	67,176,429	0	0
Exchange translation reserve	(1,359,447)	(1,805,002)	0	0
Distributable:				
Retained earnings	82,834,517	79,061,794	19,672,509	25,496,592
	<u>148,346,499</u>	<u>144,433,221</u>	<u>19,672,509</u>	<u>25,496,592</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 presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment in foreign operations of the Group, 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 2020

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-current				
Other payables				
Amounts owing to subsidiaries	0	0	24,693,361	26,299,309
Current				
Trade payables				
Third parties	13,743,285	8,567,126	0	0
Amounts owing to related parties	391,432	1,200,056	0	0
	14,134,717	9,767,182	0	0
Other payables				
Other payables	65,145,522	10,982,905	41,538	35,228
Amount owing to an associate	476,370	0	0	0
Accrued expenses	2,536,947	2,026,082	284,270	280,620
	68,158,839	13,008,987	325,808	315,848
Current trade and other payables	82,293,556	22,776,169	325,808	315,848
Total trade and other payables	82,293,556	22,776,169	25,019,169	26,615,157

- (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 (2019: 30 to 60 days).
- (c) Amounts owing to subsidiaries are unsecured, not payable within the next twelve (12) months and bear interest at a rate of 3.51% (2019: 4.73%) per annum.
- (d) Included in other payables of the Group is an amount of RM11,760,000 (2019: RM Nil) received for the disposal of land.
- (e) Amount owing to an associate is unsecured, interest-free and payable within the next twelve (12) months.
- (f) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	40,899,386	13,108,737	25,019,169	26,615,157
Chinese Yuan	30,964,923	5,341,240	0	0
United States Dollar	9,578,819	4,070,735	0	0
Singapore Dollar	671,998	72,055	0	0
Euro Dollar	178,430	183,402	0	0
	82,293,556	22,776,169	25,019,169	26,615,157

- (g) Information on financial risks of trade and other payables is disclosed in Note 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

21. BORROWINGS

	2020 RM	Group 2019 RM
<u>Non-current</u>		
<i>Secured</i>		
Term loans	38,823,732	35,618,991
<u>Current</u>		
<i>Secured</i>		
Bank overdrafts	8,344,157	9,327,869
Bankers' acceptances	71,367,287	78,874,608
Revolving credits	13,950,000	15,250,000
Term loans	18,191,277	11,942,795
Trust receipts	3,760,921	0
	115,613,642	115,395,272
<u>Total borrowings</u>		
<i>Secured</i>		
Bank overdrafts (Note 16(c))	8,344,157	9,327,869
Bankers' acceptances	71,367,287	78,874,608
Revolving credits	13,950,000	15,250,000
Term loans	57,015,009	47,561,786
Trust receipts	3,760,921	0
	154,437,374	151,014,263

- (a) All borrowings are denominated in Ringgit Malaysia.
- (b) Borrowings of the Group are secured by the following:
- (i) fixed charges over freehold land and buildings of the Group as disclosed in Note 5(f) and Note 17(b) to the financial statements; and
 - (ii) corporate guarantee of RM154,437,374 (2019: RM151,014,263) by the Company.
- (c) Eonmetall Technology Sdn. Bhd. ('EMT'), a wholly owned subsidiary of the Company, has a secured term loan of RM24,249,732 as at 31 December 2020 and the term loan contains a debt covenant requiring the subsidiary to maintain a gearing ratio of not more than 1.0 times. As at the end of the reporting period, the gearing ratio of EMT was 1.06 times.
- On 22 December 2020, EMT obtained a supplementary letter from the bank in relation to the renewal of the above banking facility.
- (d) In the previous financial year, three (3) subsidiaries of the Company, Eonmetall Technology Sdn. Bhd., Eonmetall Industries Sdn. Bhd. and Eonmetall Systems Sdn. Bhd. had breached the covenant of bankers' acceptances and revolving credits as they 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. Subsequently, the outstanding balances were fully repaid during the year and the breaches were addressed accordingly.
- (e) Information on financial risks of borrowings is disclosed in Note 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

22. CONTINGENT LIABILITIES

	Company	
	2020 RM	2019 RM
<i>Unsecured</i>		
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries and an associate	180,437,374	151,014,263

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

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries and an associate 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 2020 to be insignificant.

23. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers:				
- sales of goods	129,609,207	120,967,602	0	0
- contract revenue	6,141,377	0	0	0
Other revenue:				
- dividend income from subsidiaries	0	0	1,000,000	0
	135,750,584	120,967,602	1,000,000	0
Timing of revenue recognition				
- transferred over time	6,141,377	0	0	0
- transferred at a point in time	129,609,207	120,967,602	0	0
Revenue from external customers	135,750,584	120,967,602	0	0

(a) Sale of goods

Revenue from sale of goods is recognised at a point in time 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.

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the normal credit terms not exceeding twelve (12) months.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

23. REVENUE (Cont'd)

(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.

There is no significant financing component in the revenue arising from sale of products as the sales are made on the normal credit terms not exceeding twelve (12) months.

(c) Dividend income

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

24. FINANCE COSTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest expenses on:				
- amounts owing to subsidiaries	0	0	1,342,344	1,144,279
- bank overdrafts	574,995	710,520	0	0
- bankers' acceptances	3,323,095	3,254,672	0	0
- lease liabilities	47,973	48,911	0	0
- revolving credits	744,819	813,162	0	0
- term loans	1,703,988	1,930,662	0	0
- trust receipts	1,411	0	0	0
- others	67,837	13,321	0	0
	6,464,118	6,771,248	1,342,344	1,144,279

25. EMPLOYEE BENEFITS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Wages, salaries, bonuses and incentives	15,323,743	15,374,963	0	0
Contributions to defined contribution plan	1,237,448	1,363,837	0	0
Social security contributions	162,852	140,916	0	0
Other employee benefits	603,494	578,851	301,500	301,500
	17,327,537	17,458,567	301,500	301,500

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM2,603,303 (2019: RM2,225,721) and RM99,500 (2019: RM80,500) respectively.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

26. DIRECTORS' REMUNERATION

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company				
Executive:				
- fees	81,000	72,000	81,000	72,000
- other emoluments	2,513,303	2,153,721	9,500	8,500
	<u>2,594,303</u>	<u>2,225,721</u>	<u>90,500</u>	<u>80,500</u>
Non-executive:				
- fees	189,000	198,000	189,000	198,000
- other emoluments	67,000	71,000	22,000	23,000
	<u>256,000</u>	<u>269,000</u>	<u>211,000</u>	<u>221,000</u>
Director of the subsidiaries				
Executive:				
- other emoluments	0	499,152	0	0
Total Directors' remuneration	<u>2,850,303</u>	<u>2,993,873</u>	<u>301,500</u>	<u>301,500</u>

27. PROFIT/(LOSS) BEFORE TAX

Other than those disclosed elsewhere in the financial statements, profit/(loss) before tax is arrived at:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
After charging:				
Auditors' remuneration				
- statutory audit				
- current year	217,007	206,235	33,000	31,500
- underprovision in prior year	16,144	6,135	1,500	1,500
Foreign exchange loss				
- realised	688,033	442,517	0	0
- unrealised	699,122	0	0	0
Impairment losses on investments in subsidiaries	0	0	472,559	0
Loss on disposal of property, plant and equipment	412,656	4,089	0	0
Rental expense	157,910	126,955	0	0
and crediting:				
Government assistance	683,200	0	0	0
Interest income from:				
- banks	10,198	18,070	0	0
- subsidiaries	0	0	1,418,170	1,097,544
Rental income	13,200	300,000	0	0
Unrealised foreign exchange gain	<u>0</u>	<u>177,730</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

- (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.

28. TAX EXPENSE/(INCOME)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax expense/(income) based on profit/(loss) for the financial year	1,085,110	241,400	0	0
Under/(Over)provision of tax expense in prior years	306,092	(348,878)	(65)	0
	<u>1,391,202</u>	<u>(107,478)</u>	<u>(65)</u>	<u>0</u>
Deferred tax (Note 11):				
- relating to origination and reversal of temporary differences	869,300	(767,200)	0	0
- crystallisation of deferred tax liabilities on revaluation surplus	(96,315)	(48,159)	0	0
- underprovision in prior years	163,700	382,200	0	0
	<u>936,685</u>	<u>(433,159)</u>	<u>0</u>	<u>0</u>
Total tax expense/(income)	<u>2,327,887</u>	<u>(540,637)</u>	<u>(65)</u>	<u>0</u>

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated taxable profits for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

- (b) The numerical reconciliation between the tax expense/(income) 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit/(Loss) before tax	<u>5,670,587</u>	<u>2,843,442</u>	<u>(5,824,148)</u>	<u>(4,959,004)</u>
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	1,360,900	682,400	(1,397,800)	(1,190,200)
Tax effects in respect of:				
- non-allowable expenses	2,910,756	1,386,649	1,637,800	1,190,200
- non-taxable income	(585,361)	(2,561,000)	(240,000)	0
Deferred tax assets not recognised	471,400	0	0	0
Utilisation of deferred tax assets previously not recognised	(2,299,600)	(82,008)	0	0
Under/(Over)provision of tax expense in prior years	306,092	(348,878)	(65)	0
Underprovision of deferred tax in prior years	<u>163,700</u>	<u>382,200</u>	<u>0</u>	<u>0</u>
	<u>2,327,887</u>	<u>(540,637)</u>	<u>(65)</u>	<u>0</u>

- (c) Tax on each component of other comprehensive income are as follows:

	Before tax RM	Group Tax effect RM	After tax RM
2020			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translations	<u>670,718</u>	<u>0</u>	<u>670,718</u>
2019			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translations	<u>(236,222)</u>	<u>0</u>	<u>(236,222)</u>
Items that will not be reclassified subsequently to profit or loss			
Revaluation surplus on freehold land and buildings	<u>77,279,711</u>	<u>(9,950,783)</u>	<u>67,328,928</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

- (d) Eonmetall Technology Sdn. Bhd., a wholly owned subsidiary of the Company, has been granted the following pioneer status:
- (i) for a total of 5 years from 1 July 2015 to 30 June 2020 to manufacture hot rolling machinery, modules and related parts for long products of iron and steel; and
 - (ii) for a total of 5 years from 23 March 2018 to 22 March 2023 to manufacture biocoal and biochar production machinery and related components.

29. 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 owners of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting treasury shares.

	2020 RM	Group 2019 RM
Profit for the financial year attributable to owners of the parent (RM)	<u>3,467,723</u>	<u>3,400,289</u>
Weighted average number of ordinary shares in issue	<u>190,858,562</u>	<u>185,328,427</u>
Basic earnings per ordinary share (sen)	<u>1.82</u>	<u>1.83</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.

30. 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

30. RELATED PARTY DISCLOSURES (Cont'd)

(a) Identities of related parties (Cont'd)

The Group has related party 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Subsidiaries:				
- dividend income	0	0	1,000,000	0
- interest income	0	0	1,418,170	1,097,544
- interest expense	0	0	1,342,344	1,144,279
Related parties:				
- sale of goods	1,021,033	979,979	0	0
- purchase of goods	2,913,600	5,367,826	0	0
- rental income	0	300,000	0	0
- rental expense	6,200	0	0	0

Balances with related parties at the end of the financial year are disclosed in Note 12 and Note 20 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

30. RELATED PARTY DISCLOSURES (Cont'd)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including Executive Directors and other members of key management personnel of the Group and of the Company.

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fees	81,000	72,000	81,000	72,000
Other emoluments	2,619,938	2,778,365	9,500	8,500
	<u>2,700,938</u>	<u>2,850,365</u>	<u>90,500</u>	<u>80,500</u>

31. CAPITAL COMMITMENTS

	Group	
	2020 RM	2019 RM

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

Contracted but not provided for	<u>18,728,920</u>	<u>78,172,622</u>
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32. CAPITAL MANAGEMENT

The primary objective of the capital management of the Group 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 throughout the reporting period.

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 throughout the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

32. CAPITAL MANAGEMENT (Cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The strategy of the Group 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, trade and other payables, borrowings and lease liabilities, less cash and bank balances. Capital represents equity attributable to owners of the parent. The gearing ratios as at 31 December 2020 and 31 December 2019 are as follows:

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Trade and other payables	20	82,293,556	22,776,169	25,019,169	26,615,157
Borrowings	21	154,437,374	151,014,263	0	0
Lease liabilities	6	578,513	1,003,770	0	0
		237,309,443	174,794,202	25,019,169	26,615,157
Less: Cash and bank balances	16	(11,676,944)	(16,987,285)	(496,114)	(341,584)
Net debt		225,632,499	157,806,917	24,523,055	26,273,573
Total capital		252,682,605	242,472,816	123,518,723	123,046,295
Net debt		225,632,499	157,806,917	24,523,055	26,273,573
Equity		478,315,104	400,279,733	148,041,778	149,319,868
Gearing ratio		47%	39%	17%	18%

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 of more than twenty-five percent (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 2020.

33. FINANCIAL RISK MANAGEMENT

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 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

33. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Credit risk (Cont'd)

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 trade receivables of the Group at the end of the reporting period are as follows:

	2020		2019	
	RM	% of total	RM	% of total
By countries				
Malaysia	27,317,781	56%	31,653,905	58%
Africa	14,970,912	31%	13,817,732	25%
United States of America	4,032,375	8%	0	*
Middle East	1,301,929	3%	3,365,868	6%
Indonesia	307,707	1%	1,465,498	3%
Australia	189,294	*	211,445	*
Sri Lanka	38,148	*	1,144,600	2%
Cambodia	1,875	*	535,825	1%
Taiwan	0	*	1,468,199	3%
Myanmar	0	*	403,380	1%
Others	254,100	1%	397,173	1%
	<u>48,414,121</u>	<u>100%</u>	<u>54,463,625</u>	<u>100%</u>
By industry sectors				
Machinery and equipment	29,156,443	60%	34,690,845	64%
Steel product and trading activity	19,257,678	40%	19,772,780	36%
	<u>48,414,121</u>	<u>100%</u>	<u>54,463,625</u>	<u>100%</u>

* Amount less than 1%.

At the end of the reporting period, approximately:

- 48% (2019: 53%) of the Group's trade receivables were due from three (3) (2019: three (3)) major customers who are located in Malaysia, United States of America and Africa.
- Approximately 1% (2019: 1%) of the Group's receivables were due from related parties whilst 99% (2019: 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

33. FINANCIAL RISK MANAGEMENT (Cont'd)

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

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

	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
Group				
2020				
Financial liabilities				
Trade and other payables	82,293,556	0	0	82,293,556
Lease liabilities	142,800	344,400	224,001	711,201
Borrowings	118,088,656	38,188,561	3,687,619	159,964,836
Total undiscounted financial liabilities	200,525,012	38,532,961	3,911,620	242,969,593
2019				
Financial liabilities				
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
Company				
2020				
Financial liabilities				
Trade and other payables	325,808	25,668,749	0	25,994,557
Financial guarantees	180,437,374	0	0	180,437,374
Total undiscounted financial liabilities	180,763,182	25,668,749	0	206,431,931
2019				
Financial liabilities				
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)

31 DECEMBER 2020

33. FINANCIAL RISK MANAGEMENT (Cont'd)

(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.

A subsidiary of the Group has assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

The Group is also exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of entities with the Group.

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

Profit after tax		2020 RM	Group 2019 RM
USD/RM	- strengthen by 5% (2019: 5%)	735,276	1,118,135
	- weaken by 5% (2019: 5%)	<u>(735,276)</u>	<u>(1,118,135)</u>
CNY/RM	- strengthen by 5% (2019: 5%)	(1,157,211)	257,717
	- weaken by 5% (2019: 5%)	<u>1,157,211</u>	<u>(257,717)</u>

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

The unexpired forward currency contracts which have been entered into by the Group for its trade payables as at the end of each reporting period are as follows:

		Contractual amount in Foreign Currency FC	Equivalent amount in Ringgit Malaysia RM
Maturity			
2020			
United States Dollar	Within one (1) year	<u>3,258,931</u>	<u>13,245,401</u>
2019			
United States Dollar	Within one (1) year	<u>1,141,116</u>	<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 exposures 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 exposures of the Group and of the Company to interest rate fluctuations.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

33. FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Interest rate risk (Cont'd)

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 each reporting period changed by ten (10) basis points with all other variables held constant:

	Group	
	2020 RM	2019 RM
Profit after tax		
Increase by 0.1% (2019: 0.1%)	(117,812)	(115,534)
Decrease by 0.1% (2019: 0.1%)	<u>117,812</u>	<u>115,534</u>

	Company	
	2020 RM	2019 RM
Loss after tax		
Increase by 0.1% (2019: 0.1%)	(6,609)	(2,947)
Decrease by 0.1% (2019: 0.1%)	<u>6,609</u>	<u>2,947</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

33. FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Interest rate risk (Cont'd)

The following table sets out the carrying amounts, the weighted average effective interest rates/incremental borrowing rates as at the end of each 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/incremental borrowing rate *	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to three (3) years RM	Three (3) to four (4) years RM	Four (4) to five (5) years RM	Over five (5) years RM	Total RM
2020									
Fixed rates									
Lease liabilities	6	*4.88 - 6.10	111,125	65,797	61,195	65,034	69,114	206,248	578,513
Floating rates									
Bank overdrafts	21	6.13	8,344,157	0	0	0	0	0	8,344,157
Bankers' acceptances	21	3.36	71,367,287	0	0	0	0	0	71,367,287
Revolving credits	21	4.14	13,950,000	0	0	0	0	0	13,950,000
Term loans	21	4.61	18,191,277	18,295,143	8,980,375	5,119,643	2,857,143	3,571,428	57,015,009
Trust receipts	21	4.79	3,760,921	0	0	0	0	0	3,760,921
2019									
Fixed rates									
Lease liability	6	3.18	32,478	2,783	0	0	0	0	35,261
Lease liabilities	6	*4.99 - 6.10	325,028	184,309	57,583	61,195	65,034	275,360	968,509
Floating rates									
Bank overdrafts	21	7.40	9,327,869	0	0	0	0	0	9,327,869
Bankers' acceptances	21	4.40	78,874,608	0	0	0	0	0	78,874,608
Revolving credits	21	5.17	15,250,000	0	0	0	0	0	15,250,000
Term loans	21	5.87	11,942,795	10,055,348	7,723,714	7,429,214	5,412,714	4,998,001	47,561,786

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

33. FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Interest rate risk (Cont'd)

The following table sets out the carrying amounts, the weighted average effective interest rates/incremental borrowing rates as at the end of each 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/incremental borrowing rate %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to three (3) years RM	Three (3) to four (4) years RM	Four (4) to five (5) years RM	Over five (5) years RM	Total RM
2020									
Floating rates									
Amounts owing by subsidiaries	12	3.51	0	3,002,396	4,710,785	715,796	7,568,553	0	15,997,530
Amounts owing to subsidiaries	20	3.51	0	24,693,361	0	0	0	0	24,693,361
2019									
Floating rates									
Amounts owing by subsidiaries	12	4.73	0	8,416,844	4,620,247	9,384,005	0	0	22,421,096
Amounts owing to subsidiaries	20	4.73	0	10,838,822	12,070,036	3,390,451	0	0	26,299,309

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The World Health Organisation declared the novel coronavirus ('Covid-19') a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ('MCO') on 18 March 2020 and has subsequently entered into various phases of the MCO until 17 May 2021.

Financial year 2020 was a tough and disruptive year for the Group as it was classified under non-essential industry, forcing the operations of the Group to shut down on 18 March 2020 and only resumed on 28 April 2020 to comply with the MCO. The overall business and operations of the Group were negatively affected especially in quarter 2. However following the resumption of business operations in late April 2020, the Group achieved positive growth in revenue.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next 12 months after the end of the reporting period. The Group does not anticipate significant supply disruptions and would continue to monitor its funds and operational needs.

- (b) On 25 November 2020, the Company entered into a Memorandum of Understanding ('MOU') with all the shareholders of Lienteh Technology Sdn. Bhd. ('LTSB'), a private limited company incorporated in Malaysia, with the intention to acquire a fifty-one percent (51%) equity interest in LTSB for a consideration of RM51 million which shall be satisfied via the allotment and issuance of new ordinary shares in the Company. Subsequent to that, the Company entered into a Supplemental MOU with the shareholders of LTSB to amend and supplement the provisions of the MOU entered into on 25 November 2020.

As at the date of this report, the transaction has yet to be completed.

35. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) On 5 January 2021, Eonmetall Industries Sdn. Bhd. ('EMI'), a wholly owned subsidiary of the Company, entered into a Sale and Purchase agreement with a third party for the disposal of a piece of freehold land held under Geran No. Hakmilik 33125, Lot 393, Mukim 12, Daerah Seberang Perai Selatan, Negeri Pulau Pinang, measuring approximately 62,886.52 square meters together with the building erected thereon and bearing assessment address at Lot 393, Ladang Valdor, Kawasan Perindustrian Valdor, 14200 Sungai Jawi, for a cash consideration of RM58,800,000.

As at 31 December 2020, a total deposit of RM11,760,000 had been received by EMI prior to the execution of the agreement as disclosed in Note 20(d) to the financial statements and the properties had been reclassified as non-current assets held for sale in accordance with the requirements of MFRS 5 *Non-current assets held for sale and discontinued operations* as disclosed in Note 17(a) to the financial statements.

- (b) On 2 February 2021, Africa Steel Investment Limited ('ASIL'), a 60%-owned subsidiary of the Company, invested about RM8.3 million for a 50% stake in United Steel - Industria Metalica, LDA ('United Steel'), a private limited liability company incorporated in Republic of Angola through capitalisation of machinery and equipment sold to United Steel and/or internally generated funds.
- (c) On 18 March 2021, the Company entered into a Share Sale Agreement to dispose 510,000 ordinary shares in Eonmetall China Sdn. Bhd. ('ECA'), representing fifty-one percent (51%) of the total issued and paid-up share capital of ECA for a cash consideration of USD1,020,000 (equivalent to RM4,141,200).

As at the date of this report, the disposal has been completed.

- (d) On 6 May 2021, the Directors declared an interim single-tier dividend of RM0.015 per ordinary share amounting to RM3,055,660 in respect of the financial year ended 31 December 2020, which is payable on 18 June 2021. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for as an appropriation of retained earnings for the financial year ending 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

36.1 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
<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>Amendment to MFRS 16 Covid-19-Related Rent Concessions</i>	1 June 2020 (early adopt)
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

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

36.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

Title	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (Amendment to MFRS 16 Leases)	1 April 2021
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 Presentation of Financial Statements)	1 January 2023
<i>Definition of Accounting Estimates</i> (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023
<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 is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

LIST OF PROPERTIES OWNED BY THE GROUP

Location	Date of Revaluation / Acquisition	Tenure	Approximate Age of Building	Area (Square metres)	Description of property / Existing Use	Net book Value at 31 December 2020 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	20 yrs	39,159	A factory building is erected on the adjoining parcels of the land	37,874
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.	30 June 2019 / 08 August 2000	Freehold	20 yrs	11,198		
Eonmetall Industries Sdn Bhd						
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang. (Disposed on 5th January 2021)	30 June 2019 / 18 July 2003	Freehold	13 yrs	62,887	Single storey detached factory and a three storey office	52,316
GM 652, Lot 20024 and GM 653, Lot 20025, Lot 384, Mukim 12, Seberang Perai Selatan, Penang.	30 June 2019 / 30 October 2012	Freehold	9 yrs	12,016	Vacant land	1,800
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	14 yrs	116	Single storey terrace house / Residential premise for factory workers	250
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	14 yrs	116	Single storey terrace house / Residential premise for factory workers	250
Eonsteel Sdn Bhd						
Lot No. 387, Mukim 12, Seberang Perai Selatan, Penang.	30 June 2019 / 19 May 2009	Freehold	10 yrs	69,767	Single storey detached factory	56,449
Eonchem Biomass Sdn Bhd						
Lot No. 391, Mukim 12, Seberang Perai Selatan, Penang.	30 June 2019 / 19 November 2013	Freehold	8 yrs	39,607	Single storey detached factory and single storey warehouse	20,031

ANALYSIS OF SHAREHOLDINGS

Analysis of Shareholdings as at 20 April 2021

Total number of issued shares : 206,807,250 (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	50	2.07	2,220	0.00
100 - 1,000	415	17.22	165,870	0.08
1,001 - 10,000	1,165	48.34	6,640,759	3.21
10,001 - 100,000	652	27.05	20,975,823	10.14
100,001 - less than 5% of issued shares	126	5.23	71,558,750	34.60
10,340,362 - 5% and above of issued shares	2	0.08	107,463,828	51.96
TOTAL	2,410	100.00	206,807,250	100.00

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	Eonmetall Corporation Sdn. Bhd.	84,049,128	41.26	-	-
2	Dato' Goh Cheng Huat	23,414,700	11.49	⁽ⁱ⁾ 84,049,128	41.26
3	Datin Tan Pak Say	-	-	⁽ⁱⁱ⁾ 107,463,828	52.75

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

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

Directors' Shareholdings

The 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	0.01	⁽ⁱ⁾ 549,800	0.27
2	Yeoh Cheng Chye	50,000	0.02	-	-
3	Dato' Goh Cheng Huat	23,414,700	11.49	⁽ⁱⁱ⁾ 84,049,128	41.26
4	Goh Hong Kent	-	-	-	-
5	Goh Kee Seng	-	-	-	-
6	Tang Yin Kham	-	-	-	-
7	Dato' Wahab Bin Hamid	-	-	-	-

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

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

By virtue of his 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 20 April 2021

	Name	No. of Shares	% of Issued Share Capital
1	EONMETALL CORPORATION SDN BHD	42,049,128	20.64
2	EONMETALL CORPORATION SDN BHD	21,000,000	10.31
3	EONMETALL CORPORATION SDN BHD	21,000,000	10.31
4	GOH CHENG HUAT	19,447,700	9.55
5	TAN KIAN CHUAN	8,333,618	4.09
6	LOH KOOI CHUAN	5,131,118	2.52
7	GOH CHENG HUAT	3,967,000	1.95
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIONG HUI YEE (8068671)	2,350,000	1.15
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY AN NA (7001107)	2,000,000	0.98
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	2,000,000	0.98
11	GOH LI LI	1,741,000	0.85
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN YEW HING (7000829)	1,680,000	0.82
13	CHOO TEIK HENG	1,600,000	0.79
14	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,455,000	0.71
15	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG GUAN KEAT (REM 802)	1,269,000	0.62
16	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)	1,120,000	0.55
17	KOCK NAI SUAN	1,114,414	0.55
18	TAN POW HONG	1,088,200	0.53
19	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOW KIAN MENG	1,059,100	0.52
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO FOOK HERNG (7000803)	1,030,000	0.51
21	TAI HO FAH	1,018,400	0.50
22	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KAY KEONG (MY4113)	1,000,000	0.49
23	FOO CHEK HENG	1,000,000	0.49
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEAP BAN AIK	994,700	0.49
25	RAWANG MACHINERY & HARDWARE SDN BHD	960,200	0.47
26	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HOE KOK SEONG (HOE0016C)	800,000	0.39
27	LAI CHEE CHOY	800,000	0.39
28	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOW YEE CHIN (KEBUN TEH-CL)	792,600	0.39
29	LIM JIN KEAT	716,700	0.35
30	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HARRY LEE VUI KHIUN	707,200	0.35
		149,225,078	73.25

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting ("18th AGM") of EONMETALL GROUP BERHAD ("the Company") will be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Perai Tengah, Penang, Malaysia on Monday, 31 May 2021 at 11.00 am for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 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:
Dato' Goh Cheng Huat; and **Ordinary Resolution 1**
Goh Kee Seng **Ordinary Resolution 2**
3. To re-elect Mr Goh Hong Kent, the Director retiring in accordance with Clause 110 of the Company's Constitution. **Ordinary Resolution 3**
4. To approve the payment of Directors' Fees of the Group totaling RM270,000 for the financial year ended 31 December 2020. **Ordinary Resolution 4**
5. To approve the payment of benefit payable to the Directors of the Company up to an aggregate amount of approximately RM50,000 from 31 May 2021 until the conclusion of the next AGM of the Company. **Ordinary Resolution 5**
6. To re-appoint BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions with or without modifications:

7. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 7**
"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 authorised 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 twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) for the time being, to be utilised until 31 December 2021 as empowered by Bursa Malaysia Securities Berhad ("Bursa Securities") pursuant to Bursa Securities' letter dated 16 April 2020 to grant additional temporary relief measures to listed issuers and thereafter, ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) for the time being as stipulated under Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Securities.

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."

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

8. PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR THE RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE") Ordinary Resolution 8

"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 7 May 2021, 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.

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."

9. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY") Ordinary Resolution 9

"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.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

9. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY") (Cont'd) Ordinary Resolution 9

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."

10. RETENTION OF DATO' WAHAB BIN HAMID AS INDEPENDENT NON-EXECUTIVE DIRECTOR Ordinary Resolution 10

"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."

11. RETENTION OF TANG YIN KHAM AS INDEPENDENT NON-EXECUTIVE DIRECTOR Ordinary Resolution 11

"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."

12. PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY ("Proposed Amendments to the Constitution") Special Resolution

"THAT, the proposed alteration or amendments to the existing Constitution of the Company, as detailed in Part C and annexed herewith as Appendix II in the Circular to Shareholders dated 7 May 2021, be and are hereby approved and adopted, with immediate effect. AND THAT, the Directors of the Company be and are hereby authorised to assent to any conditions, modification, variation and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.

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

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, 7 May 2021

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 the rest of this form 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 24 May 2021 (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.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Notes: (Cont'd)

Explanatory Note on Ordinary Business:

1. **Ordinary Resolution 5**, 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.

Explanatory Notes on Special Business:

1. **Ordinary Resolution 7**, 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 twenty per centum (20%) 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, the Company had issued 18,519,150 ordinary shares at an issue price of RM0.34 per ordinary share pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 25 August 2020 and which will lapse at the conclusion of the Eighteenth 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 8**, 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 7 May 2021 for further information.

3. **Ordinary Resolution 9**, 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 per centum (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 7 May 2021 for further information.

4. **Ordinary Resolution 10**, 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 2020.
5. **Ordinary Resolution 11**, 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 2020.
6. The proposed **Special Resolution**, if passed, will enhance administrative efficiency and provide greater clarity to the Constitution. The Proposed Amendments to the Constitution is set out in Part C of the Circular to Shareholders dated 7 May 2021.

Statement Accompanying Notice of Annual General Meeting

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

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

IMPORTANT NOTICE: In view of the outbreak of Covid-19 which is now a global pandemic, the Company has in place rules and control for the 18th AGM. You are requested to read and adhere to the Administrative Guide issued which is sent together with this Notice of 18th AGM and published on the Company's website at www.eonmetall.com. Stockholders are also reminded to monitor the Company's website and announcements from time to time for any changes to the 18th AGM's arrangements.

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 Eighteenth Annual General Meeting ("18th AGM") of the Company, to be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Perai Tengah, Penang, Malaysia on Monday, 31 May 2021 at 11.00 am 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	OR11	SR
SPECIAL RESOLUTION ("SR")												
FOR												
AGAINST												

Signed this _____ day of _____ 2021.

.....
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, Provided Always that 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 24 May 2021 (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 18th AGM of the Company and any adjournment thereof.



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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

Then fold here

Fold this flap for sealing



www.eonmetall.com

EONMETALL GROUP BERHAD
Registration No. 200301029197 (631617-D)

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Kawasan Perusahaan Valdor,
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Email info@eonmetall.com