

Growing

Ecological

ANNUAL REPORT
2021



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Growing Ecological

Eonmetall Group Berhad supports the ideals of ESG which stands for Environmental, Social and Governance as we embrace the idea of conducting business operations whilst maintaining a healthy and green environment. Our products are created through environmental friendly methods and we are devoted to steering the industry towards a greener route in an effort to save the environment.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Yeoh Cheng Chye
Managing Director & Chief Executive Officer

Dato' Goh Cheng Huat
Executive Director

Goh Hong Kent
Executive Director & Chief Operating Officer

Dato' Wahab Bin Hamid
Independent Non-Executive Director

Tang Yin Kham
Independent Non-Executive Director

Chan Theng Sung
Independent Non-Executive Director
(Appointed on 24 February 2022)

Goh Kee Seng
Non-Independent Non-Executive Director

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

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) 222 0288
Facsimile No. : (04) 222 0299

AUDIT COMMITTEE

Tang Yin Kham (Chairman)
Dato' Wahab Bin Hamid (Member)
Goh Kee Seng (Member)
Chan Theng Sung (Member)

NOMINATING COMMITTEE

Dato' Wahab Bin Hamid (Chairman)
Tang Yin Kham (Member)
Goh Kee Seng (Member)
Chan Theng Sung (Member)

REMUNERATION COMMITTEE

Dato' Wahab Bin Hamid (Chairman)
Tang Yin Kham (Member)
Goh Kee Seng (Member)
Chan Theng Sung (Member)

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 : www.eonmetall.com

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

PRINCIPAL BANKERS

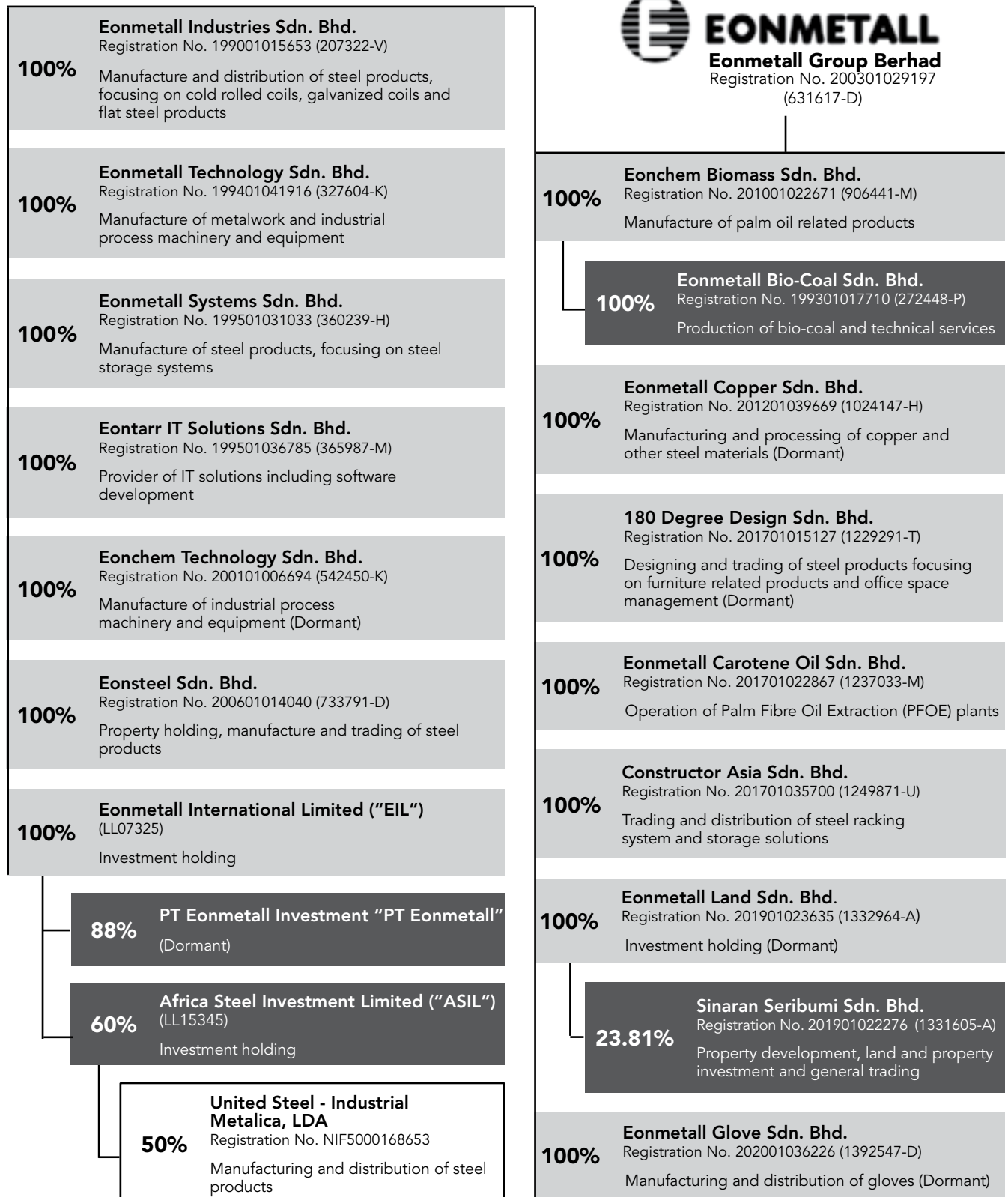
Alliance Bank Malaysia Berhad
Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
AmBank (M) Berhad
Bank Of China (Malaysia) Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (M) Berhad

STOCK EXCHANGE LISTING

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

GROUP STRUCTURE AND PRINCIPAL ACTIVITIES

AS AT 31ST DECEMBER 2021

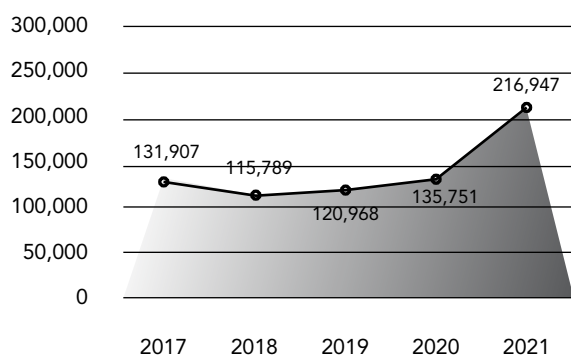


GROUP FINANCIAL HIGHLIGHTS

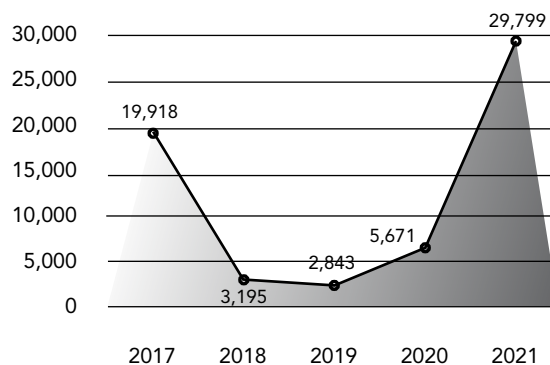
| Financial year ended 31 December | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 |
|--|----------------|----------------|----------------|----------------|----------------|
| INCOME | | | | | |
| Turnover | 131,907 | 115,789 | 120,968 | 135,751 | 216,947 |
| Profit Before Tax | 19,918 | 3,195 | 2,843 | 5,671 | 29,799 |
| Profit attributable to Owners of the Company | 18,702 | 3,099 | 3,400 | 3,468 | 24,164 |
| FINANCIAL POSITION | | | | | |
| Total assets | 289,398 | 322,710 | 427,952 | 502,158 | 511,732 |
| Share Capital | 99,801 | 99,801 | 99,801 | 106,097 | 106,097 |
| Shareholders' Fund | 185,543 | 171,992 | 242,473 | 252,683 | 274,142 |
| PER SHARE | | | | | |
| Gross dividend (%) | 5.0 | 0.0 | 0.0 | 3.0 | 0.0 |
| Net assets (RM)*** | 1.09 | 0.92 | 1.31 | 1.32 | 1.35 |
| Basic Earnings (sen)*** | 10.97 | 1.66 | 1.83 | 1.82 | 11.86 |

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

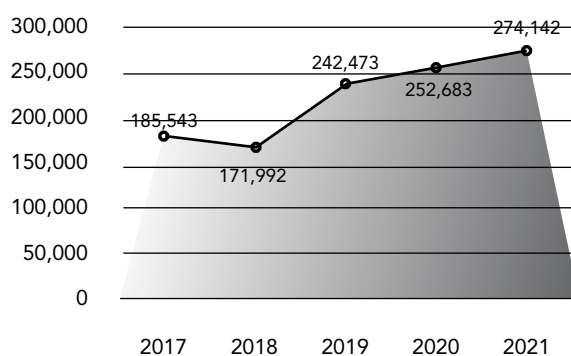
Turnover (RM'000)



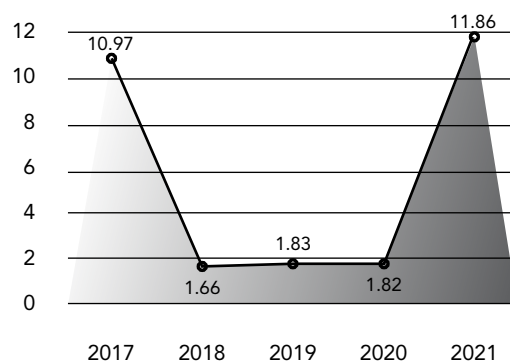
Profit Before Tax (RM'000)



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

Malaysian/ Male/ Aged 88

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.

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

He attended all four (4) board meetings held during the financial year ended 31 December 2021.

Yeoh Cheng Chye

Managing Director & Chief Executive Officer

Malaysian/ Male/ Aged 53

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 1993. In 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 Executive Director of Eontarr IT Solutions Sdn Bhd in 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 attended all four (4) board meetings held during the financial year ended 31 December 2021.

PROFILE OF DIRECTORS (Cont'd)

Dato' Goh Cheng Huat

Executive Director

Malaysian/ Male/ Aged 61

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 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 2009. His visionary approach and keen business acumen certainly augur well for the Group especially in its business direction.

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

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

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

He attended three (3) out of four (4) board meetings held during the financial year ended 31 December 2021.

Goh Hong Kent

Executive Director & Chief Operating Officer

Malaysian/ Male/ Aged 39

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

He has been the Chief Operating Officer since 1 January 2013.

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

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

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

Currently, he is Director of Leader Steel Holdings Berhad's subsidiaries.

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

He attended four (4) board meetings held during the financial year ended 31 December 2021.

PROFILE OF DIRECTORS (Cont'd)

Goh Kee Seng

Non-Independent Non-Executive Director

Malaysian/ Male/ Aged 66

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, Taiwan in 1979 with a Bachelor of Science in Agricultural Chemistry.

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

He also sits on the board of several private companies.

He attended all four (4) board meetings held during the financial year ended 31 December 2021.

Dato' Wahab Bin Hamid

DPMS, DSDK, AMS, PPB

Independent Non-Executive Director

Malaysian/ Male/ Aged 69

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 conferred the title of "Dato".

He has 36 years of service with Malaysian Investment Development Authority (MIDA) in various Divisions with increasing seniority including serving as a Director of MIDA Sarawak, Director of MIDA Korea, Director of MIDA Selangor, Director of MIDA Germany, Director of Human Resource Division, Director of Industry Support Division and Senior Director of Resource Based Industry Division. He was also the Deputy Director General II from June 2008 to April 2011. He previously served as a Chairman of National Duty Exemption Committee and various Technical Working Group Committee under the Industrial Master Plan 3 (IMP 3), a Member of Standard Malaysia Council and National Committee on Investment. He was also a permanent member of ECER Investment Committee, Sabah Industrial Development and Finance Committee, Negeri Sembilan Investment Committee and Perak State Investment Management Committee.

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

He attended four (4) board meetings held during the financial year ended 31 December 2021.

PROFILE OF DIRECTORS (Cont'd)

Tang Yin Kham

Independent Non-Executive Director

Malaysian/ Female/ Aged 70

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 40 years of professional experience in public practice. 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 attended all four (4) board meetings held during the financial year ended 31 December 2021.

Chan Theng Sung

Independent Non-Executive Director

Malaysian/ Male/ Aged 75

Chan Theng Sung was appointed to the Board on 24 February 2022.

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

Mr Chan graduated from University of Malaya with a Bachelor of Economics (Hons) (1971) and a post graduate Diploma in Accounting (1976). He is a Chartered Accountant of Malaysian Institute of Accountants (MIA) and a member of Chartered Taxation Institute of Malaysia (CTIM).

Mr Chan articulated with a Chartered Accountant Firm in Malaysia and qualified as a Certified Public Accountant in 1976.

In 1977, he was appointed as the Manager of Financial and Statutory Accounts Department, Petronas group of companies. In 1981, he joined Body Fashion (M) Sdn. Bhd. as Financial Controller cum Company Secretary.

Since 1983, he started his own public practice.

He did not attend any board meeting held during the financial year ended 31 December 2021.

Notes:

- Other than Dato' Goh Cheng Huat and Datin Tan Pak Say, who are major shareholders of Eonmetall, none of the other Directors has any direct or indirect shareholdings of Eonmetall. Datin Tan Pak Say is the spouse of Dato' Goh Cheng Huat.
- Other than Dato' Goh Cheng Huat and Mr Goh Kee Seng being siblings, 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 Operation Officer

For the profile of the above Directors, please refer to profile of directors in this Annual Report. The above Directors are referred to as the Executive Team.

Chia Kang Yao

Corporate & Finance Manager

Malaysian/ Male/ Aged 32

Chia Kang Yao was appointed on 1 January 2022 as Corporate & Finance Manager. He is a member of the Malaysian 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 audit firm and was involved in the audit of various industries from professional practice to manufacturing, trading, associations, transportation and logistics. He left the firm in 2011, to further his study of ACCA. In 2013, he continued his career in audit firm as Audit Senior and rejoin as Audit Supervisor in another firm in year 2014 where he held accounting and audit related positions with increasing responsibilities and scope of work.

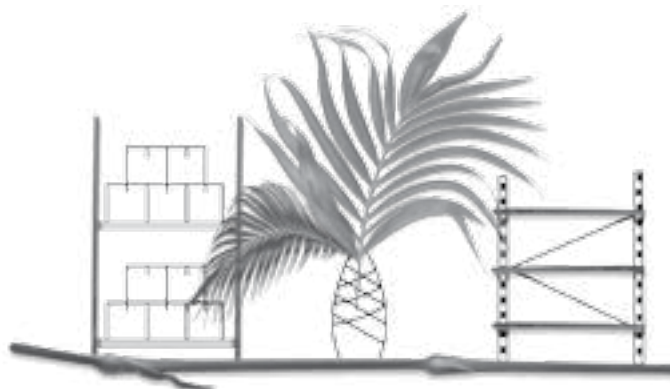
In 2016, he joined the Group to assist in the corporate function and is responsible for statutory reporting, corporate governance and management reporting.

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

In 2021, he was promoted as Corporate & Finance Assistant Manager and subsequently in 2022 as Corporate & Finance 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 2021 ("FY2021").

During the financial year under review, the Group continued to operate within a challenging environment affected by prolonged Covid-19 pandemic as third movement control order (MCO) was imposed mid-year followed by the resurgence of cases towards end of the financial year. On the macro level, global economy was also severely tested by uncertainties and challenges arising from the prolonged impact of the pandemic-triggered recession with many sectors are still in the recovering process amid persistent inflation, business cost pressures and global supply chain disruptions.

Despite operating under such trying environment, the Group has done very well.

Financial Performance

The Group delivered record earnings of RM29.8 million on the back of revenue of RM216.9 million. Revenue increased exponentially by 59.7% from RM135.8 million reported during FY2020 with business growth driven by strong contribution from steel products and trading activity segment. Profit before tax ("PBT") grew in tandem to RM29.8 million compared to RM5.7 million reported during the previous financial year, supplemented by contribution from the gain on disposal of land and building of RM6.5 million. The financial performance would be much better if not due to several provisions made on impairment on trade and other receivables and impairment of inventory.

The Group recorded net asset per share of RM1.35 and maintains a manageable gearing ratio of about 0.44 times.

Operational Review

Revenue contribution from the steel products and trading activity segment ("Steel segment") grew significantly by about 58.2% to RM181.3 million year-on-year ("y-o-y") from RM114.6 million in FY2020 with growth from both local and export markets. The latter contributed about 50% of the total revenue of this segment. Y-o-y, PBT increased to RM33.4 million from RM12.1 million in FY2020 with the stellar performance derived through revenue growth in existing markets, penetration into new markets, improved production efficiency and introduction of new product lines.

Machinery and equipment segment ("Machinery segment") reported a higher revenue of RM35.6 million from RM20.8 million in FY2020 resulting in a return to profitability of RM3.1 million from a profit before tax ("PBT") position of RM0.4 million. Whilst there is revenue growth, it has not significantly contributed to the bottom-line due to contribution from product mix with lower margin. The Group also focused on supplying of machinery capital expenditure to supplement the Group's expansion in the steel products segment. Profitability could be better from this division if not due to high provision on impairment of trade and other receivables and inventory of about RM1.2 million.

Industry Trend and Prospect

The pandemic has presented new challenges, opportunities and obstacles in managing businesses. With post-covid normalisation, many countries, including Malaysia, are gradually switching into endemicity phase and it's paramount for the Group to adopt new strategies moving forward. The Group is getting ready to embrace a quantum leap by adopting digitalization and deploying technology to manage its supply chain effectively and increasing automation in production processes to improve its productivity and efficiency.

External risks such as ongoing Russia-Ukraine conflict could potentially disrupt market recovery. As a start, closure of steel processing facility in Ukraine has had adverse impact on commodities prices whilst disruption of crude oil supply from Russia has Brent crude to hit a high of US\$140 per barrel at one point. The oil price situation is still extremely fluid and also impacting commodity prices inclusive of steel material and logistic costs. Price volatility could impact the Group's cost of production and operating margins as it uses steel as its main feed stocks.

Palm oil price skyrocketed in February 2022 and established a new high touching about RM8,000 per metric tonne on 2 March 2022 due in part to current low stock level and lower production in two major palm oil producing countries which contributed up to 85% of global palm oil production. Malaysia is further impacted by shortage of labour for the palm oil industry.

CHAIRMAN'S STATEMENT (Cont'd)

Malaysia Palm Oil Board (MPOB) has forecasted that Malaysia crude palm oil (CPO) production to reach 19.0 million metric tonnes in 2022 as compared to 18.1 million tonnes in 2021. The Russia-Ukraine conflict has resulted in a surge of demand for palm oil due to disruption to the production of vegetable oil. It is forecasted that there will be a price correction for all vegetable oils sometime in the third quarter of 2022, thus palm oil would likely to be traded at the RM4,500 to RM5,500 per metric tonne level. This is still significantly higher as compared to January 2021 when palm oil was trading at about RM3,700. The Group is hopeful that this would generate forward momentum in demand for our palm solvent extraction plants ("SEP").

We are also pleased to inform on the commissioning of our maiden SEP built-operate-transfer project in late 2021 after several disruptions to the plant installation and operation on site due to the pandemic. The second and third SEP projects are expected to commence operations during the second half of 2022.

On 18 May 2021, the shareholders of the Company had, at an extraordinary general meeting ("EGM") held on even date, approved the following:

- (a) the acquisition of a 51% equity interest in Lienteh Technology Sdn. Bhd. for RM51.0 million to be satisfied entirely via issuance of 72,857,142 new ordinary shares of the Company at the issue price of RM0.70 per-share ; and
- (b) the acquisition of the remaining 49% equity interest in Lienteh at the call option exercise price of RM49.0 million to be satisfied via issuance of 62,857,142 new ordinary shares in the Company for the amount of RM44.0 million and cash payment of RM5.0 million, in the event Eonmetall elects to exercise the call option

((a) and (b) are collectively referred to as the "Acquisition")

- (c) establishment and implementation of an Employees Share Option Scheme ("Scheme") involving up to 15% of the total number of issued shares (excluding treasury shares) for eligible Directors and/or employees of the Group who fulfill the eligibility criteria for participation in the Scheme as set out in the by-laws of the Scheme.
- (d) Proposed amendments to the Constitution of the Company to facilitate the granting of authority to the Board to issue and allot new ordinary shares in Eonmetall pursuant to Sections 75 and 76 of the Companies Act 2016 provided that the total number of shares to be issued, when aggregated with the total number of any such shares issued during the preceding 12 months, must not exceed 20% of the total number of issued shares (excluding treasury shares), except where the shares are issued with the prior shareholders' approval in a general meeting of the precise terms and conditions of the issue.

On 8 April 2022, the shareholders had, at an EGM held on even date, approved the variations to the existing terms and conditions of the share sale agreement in connection with the Acquisition. The variations included amending the issue price to RM0.49 per new ordinary share and reducing the cumulative profit guarantee and tenure to RM70.0 million for a longer 4-year tenure instead of RM100.0 million on a 2-year tenure. The Group is expected to complete the Acquisition by end of first half 2022 and is optimistic that the Acquisition shall contribute positively to the Group's earnings in FY2022 and onwards.

Dividend

The Board of Directors has not recommended any dividend payment for FY2021.

Appreciation

The Board and I are proud of team Eonmetall and their demonstration of teamwork and relentless efforts to deliver outstanding results for the Group for financial year under review. 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 moved into Covid-19 endemic phase, I believe that team Eonmetall, with the guidance of the Board and support from senior management, will prevail in strengthening adaptation of various initiatives for sustainability to meet standards and demand, thus enhancing a sustainable future for the Group moving forward. May we 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
26 April 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Business & Economic Insight

The global economy rebounded strongly in 2021 with a growth rate of 5.5% vs a contraction of 4.9% in 2020 despite the ongoing pandemic. In tandem with the performance of the global economy, Malaysia's overall GDP (gross domestic product) rebounded to 3.1% from a contraction of 5.6% in 2020 supported by marked increase in manufacturing activities and external trade and net inflow of foreign direct investment estimated at more than RM50 billion for the whole of 2021.

Review of Business Operations and Financial Performance

Business Operations

Despite a challenging financial year ended 31 December 2021 ("FY2021") with business environment affected by frequent temporary cessation of operations to curb resurgence of Covid-19 cases, our business activities and operations flourished powered by strong demand for our products particularly from the steel products & trading ("Steel Segment") segment.

This has augured well for the Group which has spent years carving out a name for itself as a leading steel storage and racking systems manufacturer and a niche player in the designing and fabrication of metalworks and palm oil related machines. Its key operations are categorised into Steel Products Division and machinery & equipment manufacturing ("Machinery Segment"). The Group has 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 Machinery Segment with the first of this plant being commissioned in late 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 business.

The Group has been and continued to be the preferred manufacturer and business partner, acknowledged for our innovative solutions and wide-ranging capabilities in delivering machinery and equipment with consistency in quality and service level, guided by professional business ethics. These have been the bedrock that builds 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 original equipment manufacturing (OEM) clients overseas beyond its original design manufacturing (ODM) 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, the Middle East, United States of America and Australasia. 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 many traditional brick and mortar businesses brought about by the pandemic. The boom in e-commerce in the last few years has seen a demand for the Group's racking systems which are needed 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.

Prices of crude palm oil have skyrocketed in the past 12 months and reached a new high of RM8,000 per metric tonne recently due in part to current low stock level, robust demand and lower production in two major palm oil producing countries which contributed up to 85% of global palm oil production. Whilst price corrections are expected to come down to a reasonable level, prices should still trend above average last year. The upside in this instance is increased demand for PFOE and PKOE plants under the M&E Division.

Financial Performance

The control and mitigating measures to contain pandemic spread which continued from 2020 has placed the Group on a strong footing to capitalise on its strengths to meet robust demands for products and services. As a result, the Group was able to meet and deliver on customers' orders which saw a huge surge in demand.

For the FY2021, the Group reported a 59.7% growth in revenue to RM216.9 million from RM135.8 million during FY2020. In tandem, Group's profit before tax surged to RM29.8 million as compared to RM5.7 million achieved for the FY2020 with increase attributed, in part, to gain on disposal of a property of RM6.5 million which was fully utilised for working capital purposes.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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

Financial Performance (Cont'd)

Inventory holding value grew by RM65.2 million to RM186.2 million as at 31 December 2021 necessitated, in part, by the urgent need to support growing business volume and hedge against material supply constraints and raw material price increases.

As at 31 December 2021, the Group has current assets totalling RM318.9 million compared to current liabilities of RM196.2 million which translates into net current assets of RM122.7 million. Premised on the positive working capital, the Group will be able to meet its financial obligations within the next twelve months.

Strategic Developments

As part of business development initiatives to strengthen our presence in the African continent, the Group invested RM8.3 million for a 30% stake in United Steel – Industria Metalica, LDA ("United Steel"), a company domiciled in the Republic of Angola. United Steel is in the business of manufacturing and distribution of steel products. This investment is expected to avail the Group to the first right to supply the required metalwork machinery and equipment needed for United Steel's manufacturing business coupled with the ability to tap into better margins for steel supplies in Angola.

On 26 March 2021, the Group divested off its entire 51% equity interest in Eonmetall China Sdn. Bhd. to a China investor for a cash of USD1,020,000. The divestment was mainly due to the uncertainties and prolonged lockdowns in China due to the pandemic which would lead to project delays for the Group.

On 18 May 2021, the shareholders of the Company had, at an extraordinary general meeting ("EGM") held on even date, approved, among others, the following:

- (a) the acquisition of a 51% equity interest in Lienteh Technology Sdn. Bhd. for RM51.0 million to be satisfied entirely via issuance of 72,857,142 new ordinary shares of the Company at the issue price of RM0.70 per-share ; and
- (b) the acquisition of the remaining 49% equity interest in Lienteh at the call option exercise price of RM49.0 million to be satisfied via issuance of 62,857,142 new ordinary shares in the Company for the amount of RM44.0 million and cash payment of RM5.0 million, in the event Eonmetall elects to exercise the call option.

((a) and (b) are collectively referred to as the "Acquisition")

On 8 April 2022, the shareholders had, at an EGM held on even date, approved the variations to the existing terms and conditions of the share sale agreement in connection with the Acquisition. The variations included amending the issue price to RM0.49 per new ordinary share and reducing the cumulative profit guarantee and tenure to RM70.0 million for a longer 4-year tenure instead of RM100.0 million on a 2-year tenure. The Group is expected to complete the Acquisition by end of first half 2022 and is optimistic that the Acquisition shall contribute positively to the Group's earnings in FY2022 and onwards.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Perspective on Risk Management (Cont'd)

Notwithstanding with the excellent operating performance in FY2021, one of the subsidiary has a debt covenant requiring the advances to holding company and / or related parties to be capped at specific threshold. As at 31 December 2021, the advances have exceeded the threshold. There is a risk that the lending banks may revise or recall the facilities. In mitigation, the subsidiary has made partial settlements of the advances and has secured the necessary indulgence from one of the bank pending another bank.

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.

At the same time, we are mindful of the macro-economic environment as export is a significant market. The ongoing Russia-Ukraine conflict and intense geopolitics at play could potentially worsen and escalate the already unpredictable global situation into one of chaos and turbulence. The closure of steel processing facilities in Ukraine has adversely impacted commodity pricing in the market. Disruptions to crude oil supply from Russia has sent oil prices sky-rocketing beyond USD140 per barrel at one point. The oil price situation is very fluid with likelihood to trend higher if the European Union goes ahead with the full ban on oil import from Russia. This conflict induced volatility has driven inflation upwards and impact economies around the world. On a smaller scale, this could impact the Group's cost of production and operating margins given that steel is main feed stocks. As such, the Group is cautious in managing our business activities and operations and will draw on our strengths to sustain our market share. At the same time, we continue to prioritise cost and cash flow management.

The government has announced an increase in minimum wage to RM1,500 effective from 1 May 2022 which could contribute to higher fixed overheads of the Group. Whilst this is a welcomed news to improve social support, our Group would manage the situation carefully so as not to disrupt the demand and supply equation and mitigate any adverse outcome thereof.

Following the upliftment of the freeze on foreign workers recruitment, excessive bureaucracy could hampered the expediency of recruitment. Unless the shortcomings are addressed expeditiously, our recovery could be derailed from shortage of labour.

Dividend

The Company has not adopted a dividend policy. Notwithstanding, the Company will reward shareholders after taking into consideration its financial performance and the need to conserve cash for working capital and to fund business expansion. On 18 June 2021, the Company paid an interim dividend of 1.5 sen per share totalling RM3,055,660 in respect of the FY2020. At this juncture, the Board does not propose any dividend for FY2021.

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. 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, the Board has implemented Anti-Bribery & Anti-Corruption Policy ("ABC Policy") and Whistle Blower Policy in the Group. The ABC Policy outlined procedures designed to prevent situations in which bribery and corrupt practices may take root. The latter sets out the mechanism and framework by which employees or any third parties can confidently raise concerns or complaints in a responsible manner without the fear of discriminatory treatment. The Group has also included corruption risk into the Group's risk register.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Moving Forward

As most countries, including Malaysia, transit into endemic stage of the pandemic, the Group is making strides to grow market share and clientele portfolio in new regions through tender participations or project negotiations and expand our products range to improve our value proposition to a wider range of prospective customers.

The pandemic has reshaped the economy as well as the way we conduct our daily businesses. Having gone through a trying time and emerged with positive results that has strengthened our financial footing, the Group is well prepared for any possible eventualities, and will place greater focus on business resilience in short to mid-term strategy.

In reviewing the current business landscape powered by unabated e-commerce growth driving needs for our Steel Products division and cautious macro outlook marred by the Ukraine-Russia conflict, we remain hopeful that things can only get better for the Group and the country. On that note, the Group remains cautious on its near-term prospects due to persisting economic uncertainties on the road of recovery.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Eonmetall Group Berhad ("Company" or "Eonmetall") fully appreciates the importance of adopting and continuously maintaining high 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 value 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 in enhancing shareholders' value.

This Corporate Governance Overview Statement ("CG Statement") provides the summary of the Company's corporate governance practices during the financial year ended 31 December 2021 ("FY2021") with reference to the following three (3) principles set out in the Malaysian Code on Corporate Governance 2021 ("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 through an announcement on the website of 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 Malaysia Securities Berhad ("Bursa Securities") ("MMLR").

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board of Directors

The Board comprised of eight (8) members; three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors, as at the date of this Annual Report as follows:

| Position | Directors |
|--|-----------------------------------|
| Managing Director & Chief Executive Officer | Yeoh Cheng Chye |
| Executive Director | Dato' Goh Cheng Huat |
| Executive Director & Chief Operating Officer | 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 |
| | Chan Theng Sung |

On 24 February 2022, Mr Chan Theng Sung was appointed as an Independent Non-Executive Director of the Company.

The details of directors' background, experiences and qualifications are set out under the 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 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.

The Board 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 FY2021, the Board held four (4) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions and the direction of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

1. Board of Directors (Cont'd)

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

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

| Directors | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|-----------------------------------|-------|-----------------|----------------------|------------------------|
| Tan Sri Dato' Mohd Desa Bin Pachi | 4/4 | - | - | - |
| Yeoh Cheng Chye | 4/4 | - | - | - |
| Dato' Goh Cheng Huat | 3/4 | - | - | - |
| Goh Hong Kent | 4/4 | - | - | - |
| Dato' Wahab Bin Hamid | 4/4 | 4/4 | 1/1 | 1/1 |
| Goh Kee Seng | 4/4 | 4/4 | 1/1 | 1/1 |
| Tang Yin Kham | 4/4 | 4/4 | 1/1 | 1/1 |

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board of Directors (Cont'd)

In compliance with Paragraph 15.08 of the MMLR, the Directors had attended the following seminar/webinar/conference/trainings in FYE2021:

| Directors | Training, Conferences or Seminars |
|-----------------------------------|--|
| Tan Sri Dato' Mohd Desa Bin Pachi | <ul style="list-style-type: none"> Webinar on Malaysia Code Of Corporate Governance 2021 |
| Yeoh Cheng Chye | <ul style="list-style-type: none"> Webinar on Malaysia Code Of Corporate Governance 2021 Webinar On Tax Budget 2021 Webinar On Exploring The SME Digitalisation Journey & Tax Highlights BDO Tax Webinar On Withholding Tax BDO Regional Tax Webinar On Effects Of Covid 19 To Transfer Pricing AmBank Group Webinar On Moving Into Endemic Phase & Transforming Challenges Into Opportunities ESG Health Check On 22 July 2021 HSBC Global Markets IBOR Transition Webinar UOB & Invest Penang Webinar – CEO Speaks 2021 |
| Dato' Goh Cheng Huat | <ul style="list-style-type: none"> Webinar on Malaysia Code Of Corporate Governance 2021 |
| Goh Hong Kent | <ul style="list-style-type: none"> Webinar on Malaysia Code Of Corporate Governance 2021 |
| Dato' Wahab Bin Hamid | <ul style="list-style-type: none"> Webinar on Malaysia Code Of Corporate Governance 2021 |
| Tang Yin Kham | <ul style="list-style-type: none"> Webinar on Malaysia Code Of Corporate Governance 2021 |
| Goh Kee Seng | <ul style="list-style-type: none"> Webinar on Malaysia Code Of Corporate Governance 2021 |

1.1 Board Responsibilities

The Board has the overall responsibility to manage the business affairs of the Group 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board of Directors (Cont'd)

1.1 Board Responsibilities (Cont'd)

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

The Board has established clear functions reserved for the Board and those delegated to management. The Board is responsible for the overall business framework within which the Group operates. This is formalised into a schedule of events that is reserved for the Board and these 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 on the Board and creates 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 may give cause for major concerns.

1.3 Separation of Position 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.

The Chairman is primarily 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

1. Board of Directors (Cont'd)

1.3 Separation of Position of Chairman and MD&CEO (Cont'd)

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.

1.4 Chairman of the board shall not be a member of the AC, NC or RC

The Chairman of the Board is not a member of Board Committees and does not attend any of their meetings.

1.5 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, advise 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.

1.6 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 meetings of the Board and Board Committees.

The Directors, 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 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

2. Demarcation of responsibilities

2.1 Board Charter

The Board Charter provides structured guidance by clearly delineating the roles, duties and responsibilities of the Chairman, MD&CEO, Board, Board Committees and Management. 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 periodical 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.

The Board Charter is available on the Company's website at www.eonmetall.com.

3. Good business conduct and corporate culture

3.1 Code of Conduct and Ethics and Anti-Bribery and Anti-Corruption Policy

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.

The Company has also adopted the Anti-Bribery and Anti-Corruption Policy ("ABC Policy") as in compliance with the Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. The adoption of the ABC 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 ABC Policy sets out adequate procedures designed to prevent situations in which bribery and corrupt practices may take root.

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

3.2 Whistle Blower Policy

On 24 May 2016, the Company adopted the 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

4 Sustainable Practice

4.1 Material Sustainability Matters

The Board recognises that sustainable development is an important and integral part of the Group's pursuit of its long-term business success. The Board is responsible for the development of the Group's sustainability strategies. The risk management committee comprises mainly of the senior management have been entrusted to drive strategic management of material sustainability matters.

The MD&CEO drives strategic management of material sustainability matters.

4.2 Sustainability Strategies

Sustainability targets, implementation strategies and measurement targets are being developed.

The Board will meet and discuss key sustainability matters at least once a year.

4.3 Periodic Updates

The Boards will be appraised, and they shall be encouraged to provide their views and opinions on any of the Group's sustainability issues.

4.4 Performance Evaluation

The Board recognises the importance of sustainability in all its business operation and would include sustainability as one of the criteria in the performance evaluations of its board members.

Please refer to the Sustainability Statement which outlined sustainability activities by the Group.

4.5 Sustainability strategically

The MD&CEO is appointed as the designated person on sustainability.

5. Board Composition

The Nominating Committee comprises of four (4) 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 |
| Chan Theng Sung, Independent Non-Executive Director | Member |

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

5. Board Composition (Cont'd)

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

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

5.1 Review of Board Composition

NC reviewed the size and composition of the Board, and the skills and core competencies of its members, to ensure an appropriate balance and diversity of skills and experience. The Board, through the NC, has upon their annual assessment, concluded that the current Board comprises of a balanced mix of skills, knowledge and experience in the relevant areas to enable the Board to carry out its responsibilities in an effective and efficient manner.

5.2 Independent Directors

The Board had not met the composition recommended under the Practice 5.2 of MCCG, whereby at least half (50%) of the Board. This matter was rectified with the appointment of Chan Theng Sung on 24 February 2022.

The Board is also in compliance with paragraph 15.02 of MMLR, 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.

5.3 Tenure of Independent Directors

The Board recognises the MCCG's recommendation that service tenure of an INED should not exceed a cumulative or consecutive term of nine (9) years. Upon completion of the nine (9) years, an INED may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director or the Board shall justify and seek annual shareholders' approval.

As at 31 December 2021, 2 out of 3 INEDs of the Group has exceeded the prescribed nine (9) years cumulative term.

The Board intends to retain the services of Madam Tang Yin Kham and Dato' Wahab Bin Hamid who have served the Board as INEDs since their respective appointment as INED on 3 March 2005 and 1 June 2011 and will seek shareholders' approval at the coming annual general meeting.

NC reviewed and assessed the independence of INEDs and their tenure of service. The NC is satisfied that the INEDs 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 INEDs 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)

5. Board Composition (Cont'd)

5.3 Tenure of Independent Directors (Cont'd)

Key justifications to recommend their continuation as INEDs 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 INEDs 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 INEDs, 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 INEDs or member of the Board's Committees.
- (e) They had contributed sufficient time and efforts in attending the Board meetings.

5.4 Policy on Tenure of Independent Directors

The Board did not adopt any policy which limits the tenure of its INEDs to nine (9) years without further extension.

5.5 Diversification of Board and Senior Management

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

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

5.6 Sources to identify candidate for Directorship

The Board relies on a few sources to identify candidate for directorship, including recommendation from Directors.

During FY2021, and up to the date of this report, the Company had appointed one (1) new Director to the Board to further strengthen the composition of the Board.

5.7 Directors' Information

The profiles of Directors are published in the Annual Report. Information contained therein included age, gender, tenure of service, directorship in other companies, working experience and any conflict of interest as well as shareholding in Eonmetall.

To ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director, a brief profile of director concerned together with statement from the Board (on whether it support the appointment or reappointment) will be included in the agenda of meeting when such appointment or reappointment will be considered.

5.8 Chairman of Nominating Committee

Dato' Wahab Bin Hamid an INED, is the Chairman of Nominating Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

5. Board Composition (Cont'd)

5.9 Female Board Representation

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.

5.10 Gender Diversity

The Board is supportive of gender diversity in the Board and in its senior management team. Within its rank of senior management, the Group has about 25% female representation.

6 Board Effectiveness

6.1 Effectiveness of the Board and individual Directors

The Board has adopted a Directors' Assessment Policy which sets out the criteria and procedures for 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 assessment 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 INEDs 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 are 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 are 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 ("AGM"), 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 AGM 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

6 Board Effectiveness (Cont'd)

6.1 Effectiveness of the Board and individual Directors (Cont'd)

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 FY2021, the Board held four (4) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions and the direction of the Group.

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

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

| Directors | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|-----------------------------------|-------|-----------------|----------------------|------------------------|
| Tan Sri Dato' Mohd Desa Bin Pachi | 4/4 | - | - | - |
| Yeoh Cheng Chye | 4/4 | - | - | - |
| Dato' Goh Cheng Huat | 3/4 | - | - | - |
| Goh Hong Kent | 4/4 | - | - | - |
| Dato' Wahab Bin Hamid | 4/4 | 4/4 | 1/1 | 1/1 |
| Goh Kee Seng | 4/4 | 4/4 | 1/1 | 1/1 |
| Tang Yin Kham | 4/4 | 4/4 | 1/1 | 1/1 |

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 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

6 Board Effectiveness (Cont'd)

6.1 Effectiveness of the Board and individual Directors (Cont'd)

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 an 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.

The training, conferences or seminars attended by Directors for the YA2021 encompassed various topics as outlined below:

| Directors | Training, Conferences or Seminars |
|---|--|
| Tan Sri Dato' Mohd Desa Bin Pachi Yeoh Cheng Chye | <ul style="list-style-type: none">• Webinar on Malaysia Code Of Corporate Governance 2021• Webinar on Malaysia Code Of Corporate Governance 2021• Webinar On Tax Budget 2021• Webinar On Exploring The SME Digitalisation Journey & Tax Highlights• BDO Tax Webinar On Withholding Tax• BDO Regional Tax Webinar On Effects Of Covid 19 To Transfer Pricing• AmBank Group Webinar On Moving Into Endemic Phase & Transforming Challenges Into Opportunities• ESG Health Check On 22 July 2021• HSBC Global Markets IBOR Transition Webinar• UOB & Invest Penang Webinar – CEO Speaks 2021 |
| Dato' Goh Cheng Huat Goh Hong Kent Dato' Wahab Bin Hamid Tang Yin Kham Goh Kee Seng | <ul style="list-style-type: none">• Webinar on Malaysia Code Of Corporate Governance 2021• Webinar on Malaysia Code Of Corporate Governance 2021• Webinar on Malaysia Code Of Corporate Governance 2021• Webinar on Malaysia Code Of Corporate Governance 2021• Webinar on Malaysia Code Of Corporate Governance 2021 |

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)

7 Level and composition of Remuneration

7.1 Remuneration policy

The objective of the Directors' Remuneration Policy is to determine the level of remuneration package to attract, develop and retain high performing and motivated Executive Directors, to provide remuneration that commensurate with the responsibilities of their positions and encourage value creation for the Group 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 for 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 FY2021, 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.

7.2 Remuneration Committee

The current Remuneration Committee consists of four (4) 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 |
| Chan Theng Sung, 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)

8 Remuneration of Directors and Senior Management

8.1 Details of Directors' Remuneration

The remuneration payable in respect of Directors' fees for FY2021 are categorised as follows:

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

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

The remuneration received / receivable by the Directors of the Company for FY2021 is as disclosed in the CG Report.

8.2 Top 5 Senior Management's Remuneration

The remuneration of top Senior Management is 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 RM100,000 for FY2021, are as follows:

| Range of Remuneration | Top 5 Senior Management Team |
|----------------------------|------------------------------|
| Below RM200,000 | 1 |
| RM200,001 to RM300,000 | - |
| RM300,001 to RM400,000 | 1 |
| RM400,001 to RM500,000 | - |
| RM500,001 to RM600,000 | - |
| RM600,001 to RM700,000 | 1 |
| RM800,001 to RM900,000 | - |
| RM900,001 to RM1,000,000 | - |
| RM1,000,001 to RM1,100,000 | - |
| RM1,100,001 to RM1,200,000 | 1 |
| RM1,200,001 to RM1,300,000 | - |
| RM1,300,001 to RM1,400,000 | 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.

8.3 Detailed Remuneration of Top Five (5) Senior Management

The Board takes the view that there is no necessity for the Group to disclose the detailed remuneration package of senior management on a named basis, given the competitive human resource environment, as such disclosure may give rise to talent retention issues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

9 Effective and Independent Audit Committee

9.1 Chairman of the Audit Committee

Madam Tang Yin Kham, an INED, 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.

9.2 Appointment of Former Key Audit Partner to Audit Committee

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 three (3) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner.

9.3 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 FY2021 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 places 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 attend the AGM to attend to any queries from shareholders.

9.4 Composition of the Audit Committee

The Audit Committee has not complied with this Step-up Recommendations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

9 Effective and Independent Audit Committee (Cont'd)

9.5 Diversity in skills of the Audit Committee

The Audit Committee currently comprised of members with professional experience in finance, 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.

10 Effective Risk Management and Internal Control Framework

10.1 Establishment an effective Risk Management and Internal Control

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

The Board, through the AC, constantly reviews the adequacy and integrity financial, operational and compliance controls.

10.2 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.

10.3 Establishment of a Risk Management Committee Comprises a Majority of Independent Director

The group has not complied on this Step-up Practice as the current Risk Management Committee ("RMC") comprised of management personnel. The Board will assess the need for a RMC in the future.

11 Effectiveness Governance, Risk Management and Internal Control

11.1 Effectiveness of 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

11 Effectiveness Governance, Risk Management and Internal Control (Cont'd)

11.2 Disclosure on the internal audit function

The internal auditors are required to declare their independence to the AC. The AC has also received assurance from the internal auditors that they have adopted internal audit standards and best practices based on the International Professional Practices Framework (IPPF), endorsed by the Institute of Internal Auditors Malaysia.

The external service provider is JWC and RM26,000 has been incurred for internal audit services for FYE2021.

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

12 Continuous Communication between Company and Stakeholders

12.1 Communication with its 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 general meetings and are 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 spokesperson for all matters related to the Group.

12.2 Integrated Reporting

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

13 Encourage Shareholders' Participation at General Meeting

13.1 Notice for Annual General Meeting

The Board encourages shareholders' participation and as such, the AGM is an important event as the Board is given the opportunity to have a dialogue with the shareholders following presentation of annual audited financial results and to address any questions that may arise.

The notice of 18th AGM was sent to the shareholders at least twenty-one (21) days prior to the meeting date and published in a major local newspaper. Items of special business included in the notice of 18th AGM were accompanied by explanation of the proposed resolutions. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

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.

13.2 Directors' attendance

All the Directors had attended the Extraordinary General Meeting ("EGM") held on 20 May 2021 (with the exception of Dato' Goh Cheng Huat who was absent due to illness) and 18th AGM held on 31 May 2021.

13.3 Leveraging on technology

The EGM and AGM dated 20 May 2021 and 31 May 2021 respectively were held virtually using remote participation and voting facilities. This allowed shareholders to participate and vote during the AGM without having to physically present at the meeting venue.

The Company will consider to hold AGM on a virtual basis in the future and allow shareholders to actively participate and vote in absentia in the future AGMs.

13.4 Shareholders Engagement

All Directors and senior management, Joint Company Secretaries and external auditors were present during the EGM and AGM to engage with shareholders (physically and virtually) to address any areas of interest or concerned brought up by the shareholders.

Shareholders are provided with avenue to post their queries to the Company whether virtually or physically.

13.5 Infrastructure for Virtual AGM

The system used to handle virtual AGM was tested prior to the AGM and it could support interactions between the Board and senior management team with the shareholders. Questions raised by shareholders could be posted on the meeting platform or read out by the host of the meeting before the Board is invited to respond to the questions. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to include response in the minutes of said general meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

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

13.6 Minutes of General Meeting

Minutes and/or recordings of the AGM proceedings are posted on the Company's website within 30 days from the AGM.

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 26 April 2022.

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 have adopted the following guidelines in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2021:

- a) Appropriate accounting policies were used and applied consistently;
- b) Adopted new and revised MFRS, where applicable; and
- c) Estimates are made reasonably and prudently.

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

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

SUSTAINABILITY STATEMENT

Introduction

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

Our sustainability statement in respect of the financial year ended 31 December 2021 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 28 April 2021.

Background

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

Our Commitment to Sustainability

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

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

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

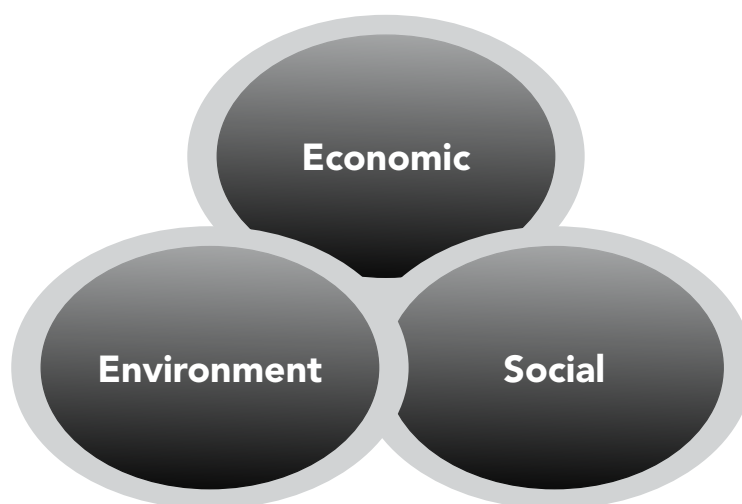


SUSTAINABILITY STATEMENT (Cont'd)

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 and 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
- Covid-19 response

SUSTAINABILITY STATEMENT (Cont'd)

Sustainability Approach and Principles (Cont'd)

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

| Dimension | 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. • Our reputation is built upon the quality products we deliver to our customers. Our products meet regulatory, safety and quality standards and our ability to penetrate the export markets of Asean, Asia, Asia Pacific, Middle East and North Africa, and the USA testify to our product quality. Our product quality is further affirmed by us being awarded exclusive manufacturing and distribution of European standard racking systems. The quality management we have in place is designed to monitor and control the processes from planning and development to production and after-sales service in order to fulfil our customers' high demand for quality. |
| | Cost rationalisation | <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. |
| | Improving profit margins | <ul style="list-style-type: none"> • We participate regularly at trade exhibitions and conduct customer visits as part of market expansion initiatives. During the year under review, the Group participated in 7 local and overseas exhibitions to promote our products to new markets. We have also visited customers to engage with them and to obtain feedback which will form part of our data base to formulate our business strategy to expand our market share. |

SUSTAINABILITY STATEMENT (Cont'd)

Sustainability Approach and Principles (Cont'd)

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

| Dimension | Sustainability matters | Highlights and action plan in place |
|-----------------|---------------------------------------|--|
| 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 staffs to engage meaningfully with our customers and therefore cuts down on unnecessary delay in obtaining/extracting data. The investment in a reputable IT system sustains our business practices for the long term benefits to be derived therefrom. Our IT system has all the necessary security features in place to secure our data base and to protect against malware attacks. |
| | 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 STATEMENT (Cont'd)

Sustainability Approach and Principles (Cont'd)

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

| Dimension | Sustainability matters | Highlights and action plan in place |
|--------------------|---|--|
| 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. |
| | Waste management | <ul style="list-style-type: none"> 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. <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 STATEMENT (Cont'd)

Sustainability Approach and Principles (Cont'd)

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

| Dimension | Sustainability matters | Highlights and action plan in place |
|---------------|--|--|
| 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 | <ul style="list-style-type: none"> We have implemented a standard recruitment procedure which will ensure the proper identification and recruitment of new talent to join our organisation to contribute to the growth of our business. We nurture a dynamic work environment that celebrates diversity and equality. Our talent recruitment is merit based which ensures diversity of qualifications and experiences, age, gender and ethnicity. |
| | Competitive salary and benefits | <ul style="list-style-type: none"> In order to retain our talents, we provide opportunities for high-potential employees to develop and progress to senior positions in the Group. Priority is given to existing employees for promotions rather than recruiting fresh candidates from outside. We ensure our employees are compensated fairly and we adhere to the Minimum Wage Act. In addition to fair remuneration, all full-time employees receive competitive work benefits such as: medical, hospitalisation insurance, travel allowance and etc. |
| | Employee engagement | <ul style="list-style-type: none"> We have also put in place a competitive remuneration package as part of our talent retention program. This strategy will provide us with a stable and productive workforce which will contribute to our sustainability efforts. In engaging our employees, we employ a "two-way" approach where we give opportunity for the employees to make known their grievances and also to give suggestions to improve or resolve their concerns and unhappiness and fellow concern. We have placed a "suggestion box" to facilitate this practice. |
| | Clear lines of reporting and communication channel | <p>We embrace diversity by celebrating various major festivals with our employees to promote understanding of each other's culture and thereby creating harmony, peace and joy in our organisation.</p> |

SUSTAINABILITY STATEMENT (Cont'd)

Sustainability Approach and Principles (Cont'd)

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

| Dimension | Sustainability matters | Highlights and action plan in place |
|---------------|-------------------------------|---|
| 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 a peace of mind whenever they are working in our factory premises. We have complied, to the best of our ability, the existing laws and regulations relevant to our operations such as Occupational Safety and Health Act, 1994, Environmental Quality Act, 1974, Factories and Machinery Act, 1967 and Fire Services Act, 1988. Some of the more important measures which we have implemented to complement the compliance of the aforementioned laws and regulations included: <ul style="list-style-type: none"> An active Safety Committee to oversee and monitor ongoing safety and health initiatives which have been implemented. |
| | Training | <ul style="list-style-type: none"> 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. 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. |
| | Work life balance | <ul style="list-style-type: none"> During the year, we carried out 9 training sessions covering financial management to occupational health & safety and quality management for our employees. Ultimately, we hope to achieve better business performance and profitability and improve staff morale. To promote a healthy working life, we believe in providing a balanced work-life environment to all our employees to enable them to have more time for their family and/or to pursue and advance their areas of interest. In this respect, we do not encourage overtime work unless it is absolutely necessary such as to meet customer's order or regulatory deadlines, promote a healthy lifestyle, also organise weekly badminton session as part of healthy lifestyle promotion. |

SUSTAINABILITY STATEMENT (Cont'd)

Sustainability Approach and Principles (Cont'd)

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

| Dimension | Sustainability matters | Highlights and action plan in place |
|---------------|------------------------|--|
| SOCIAL | Social responsibility | <ul style="list-style-type: none"> Contribution to society. We have contributed financial aid to a local government aided school for its expansion programme as we believe every child is entitled to get a proper and strong education foundation to prepare the child for a better future. We are committed to conduct our affairs in an ethical, responsible and transparent manner. In this respect we have a Whistleblower Policy in place whereby our employees are encouraged to report any malpractices or wrongdoings to the Chairman of the Audit Committee for any unethical or illegal conduct in financial reporting and to the Managing Director & Chief Executive Officer for any employment related concerns. The identity of a whistleblower is protected under this policy. The whistleblower policy is uploaded to our website at www.eonmetall.com. 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. |
| | Work ethics | <ul style="list-style-type: none"> 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. COVID-19 remains a critical issue for our business as the country implemented 'living with COVID' measures. To ensure a safe return to workplace transition, updated COVID-19 SOPs and tests have been provided for all workers with weekly review to ensure compliance and negative test results. In case a worker tests positive for COVID-19, there is a dedicated quarantine place for emergency use while awaiting further action to prevent the spread of the virus. We remain vigilant in ensuring that COVID-19 testing remains a top priority despite it being business-as-usual. Rapid self-test kits have been provided to all staff and weekly testing made mandatory, with the results recorded and updated. These tests are a part of the risk-reduction measures, along with vaccination, mask wearing and physical distancing, championed by Eonmetall to protect its employees. |
| | Covid-19 response | <ul style="list-style-type: none"> Eonmetall has covered all employees' direct vaccination costs and has been proactive in creating structural support by granting a one-day medical leave for those afflicted with vaccination side effects in helping to accelerate the vaccine rollout and to broaden COVID-19 workforce protection. |

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

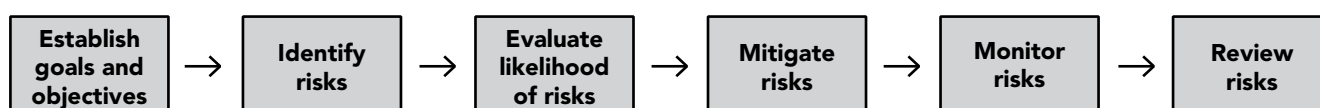
This Statement on Risk Management and Internal Control ("the Statement") is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines") and the Malaysian Code on Corporate Governance 2021.

BOARD RESPONSIBILITY

The Board of Directors ("the Board") of Eonmetall Group Berhad ("Eonmetall" or "the Company") is committed to maintain a sound system of risk management and internal control throughout the Company and its subsidiaries ("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 (as illustrated) for identifying, evaluating, monitoring and managing significant risks faced, or potentially exposed to, by the Group in pursuing its corporate objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidelines.



MANAGEMENT'S ROLE

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. The Board has received assurance from the Managing Director & Chief Executive Officer ("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 Audit Committee and the Board meet 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 of pertinent issues. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis.
- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority.
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability.
- A set of documented internal policies and procedures for operational and human resource management, which is subject to regular review and improvement. A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require the Board's approval.

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

CONTROL STRUCTURE AND ENVIRONMENT (Cont'd)

- Regular and relevant information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making.
- An Enterprise Resource Planning (ERP) system in place for effective control of information and to ease the management of business activities in relation to accounting, project and supply chain management.
- Adopted and Implemented Whistle Blower Policy and Anti-Bribery & Corruption Policy ("ABC Policy") within the Group. The Whistle Blower Policy outlines the mechanism and framework by which employees or any third parties can confidently raise concerns or complaints in a responsible manner without the fear of discriminatory treatment. The latter sets out procedures designed to prevent situations in which bribery and corrupt practices may take root. Copies of the said policies are published on the corporate official website at www.eonmetall.com. Trainings are rolled out as part of induction program for new recruits during the financial year under review as required under the ABC Policy.

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

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

a. Board of Directors

- Overall risk oversight responsibility.
- Ensures that principal risks are identified, and appropriate as well as robust systems are implemented to manage these risks.
- Reviews, 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.
- Accepts risk reports.
- 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 Audit Committee which then informed to the Board on exception basis.

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

RISK MANAGEMENT (Cont'd)

By close of FY2021, following 2 cycles of risks review, the Group had identified 12 risks which are significant to the success of the Group's businesses. Following assessment of the likelihood and impact of these risks, appropriate mitigation actions have been identified and carried out. At the same time, the executive leadership works closely with senior management to manage these 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 within the Group. The Group believes that the risk management framework and guidelines adopted and implemented have strengthened the risk ownership and risk management culture amongst management and the employees.

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 adoption of the ABC Policy, the Board has incorporated corruption risk into the Group's risk register.

The health crisis brought on by Covid-19 pandemic deepened and prolonged into FY2021 and beyond. Throughout this trying time, the Group remained focused on safety and well-being of the Group's workforce and business continuity. Our offices and plant were suspended from time to time in compliance with the lockdown imposed by the federal government to curb the spread of the pandemic.

Management team work together closely with the 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 auditors reports directly to the Audit Committee and internal audit reports are presented to the Audit Committee at least twice a year for review and discussion at their meetings and onward reporting to the Board for notation. The presence of the internal audit function has provided the Audit Committee and the Board independent assurance as to the effectiveness of the operations and validity of the Group's internal control and risk management system.

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

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

Weakness in Internal Controls

Based on the internal auditors' reports for FY2021, 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 FY2021, 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 FY2021. 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 26 April 2022.

AUDIT COMMITTEE REPORT

Objectives

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

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

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

Composition

The Audit Committee comprises four (4) 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("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.

Meetings

The members of the Audit Committee and their attendance at the four (4) meetings held during financial year ended 31 December 2021 ("FY2021") is as tabulated:

| Directors Designation | Attendance |
|--|------------|
| 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 |
| Chan Theng Sung Member (Independent Non-Executive Director) ⁽¹⁾ | - |

Note:

- ⁽¹⁾ Chan Theng Sung was appointed to the Board on 24 February 2022. He did not attend any Audit Committee meetings in FY2021.

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.

AUDIT COMMITTEE REPORT (Cont'd)

Meetings (Cont'd)

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

Summary of Activities Undertaken during the Financial Year

The Audit Committee carried out its duties in accordance with its TOR during the financial year with the main activities undertaken 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 as approved by the Malaysian Accounting Standards Board before recommending the same to the Board for approval; and
- (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 FY2021 outlining their scope of work, areas of audit emphasis, possible key audit matters, updates on financial reporting, audit timeline, deliverables and proposed audit fees;
- (b) Met twice with the external auditors without the presence of Executive Director and Management to discuss issues of concern by 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; and
- (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 made and Management's response, including the implementation progress and status as agreed by management; on actions to address findings highlighted in previous internal audit cycles.
- (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; and
- (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 Group and the Company;
- (b) Reviewed, periodically, any related party transactions and recurrent related party transactions ("RRPT") of a revenue or trading nature on scope, threshold, limit of shareholders' mandate and any conflict of interest situation that might arise from the aforesaid transactions as reported by Management and report to the Board accordingly;
- (c) Reviewed the circular to the shareholders on RRPT of a revenue or trading nature;
- (d) Reviewed non-audit fees paid/payable to the external auditors and its affiliated firms; and
- (e) Reviewed and approved/recommended, where applicable, the Audit Committee Report, Statement on Risk Management and Internal Control for Board's approval before inclusion into the Annual Report 2021.

AUDIT COMMITTEE REPORT (Cont'd)

Internal audit function

The Board acknowledges the need for an effective system of internal control and risk management covering all aspects of the Group's activities including the mapping and management of risks which the Group may exposed. 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 audit auditors had conducted audit reviews on the procurement, sales and marketing, human resources management and Anti- Bribery and Anti-Corruption Policy and Practices 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 review 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 functions and its activities are set out in the Statement on Risk Management and Internal Control in the Annual Report 2021.

The cost incurred for the internal audit function of the Group in respect of FY2021 was RM46,600.

This Audit Committee Report is issued in accordance with a resolution dated 26 April 2022.

ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no proceeds raised from any corporate proposals during the financial year ended 31 December 2021.

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable to the external auditors or a firm or corporation affiliated with the external auditors by the Company and the Group for the financial year ended 31 December 2021 are as follows:

| | Group (RM) | Company (RM) |
|---|----------------|-----------------|
| Fees paid or payable to the external auditors: | | |
| Audit fees | 259,350 | 50,000 |
| 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 | 59,700 | 9,000 |
| Total | 319,050 | 59,000 |

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries, involving the interests of Directors or major shareholders, either still subsisting at the end of the financial year ended 31 December 2021 or entered into since the end of the previous financial year.

4. CONTRACT RELATING TO LOANS

There were no contracts relating to loans entered into by the Company involving interests of Directors and major shareholders during the financial year ended 31 December 2021.

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE NATURE

Details of RRPT transacted during the financial year ended 31 December 2021 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 31 May 2021 are as tabulated. The information contained herein, save for the actual value transacted, is extracted from the Circular dated 7 May 2021.

| 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 | 593 | Dato' Goh Cheng Huat ("Dato' Goh") is a major shareholder of Eonmetall Corporation Sdn. Bhd. ("ECSB"). Datin Tan Pak Say ("Datin Tan") 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. |

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE NATURE (Cont'd)

Details of RRPT transacted during the financial year ended 31 December 2021 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 31 May 2021 are as tabulated. The information contained herein, save for the actual value transacted, is extracted from the Circular dated 7 May 2021. (Cont'd)

| Provider of goods and services | Recipient of goods and services | Nature of Transaction | Actual value transacted (RM'000) | Related Parties |
|--|---|---|----------------------------------|---|
| 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 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 a 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 | 1 | Tan Sri Dato' Mohd Desa Bin Pachi is a director of EMT and Leader Steel Holdings Berhad ("LSH"). Dato' Goh is a director of LSH, LSSB and LSSC. He is also a major shareholder of LSH by virtue of his interest and indirect interest through Bischart Sdn. Bhd. ("Bischart") and Datin Tan. Datin Tan is a director of 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. 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. |
| | ⁽¹⁾ Leader Steel Service Centre Sdn. Bhd. ("LSSC") | | 1 | |
| ⁽¹⁾ LSSC | EMI | Purchase and servicing of steel products | 1,855 | |
| | Eonmetall Systems Sdn. Bhd. ("EMS") | | 10 | |
| | Eonsteel Sdn. Bhd. ("ESL") | | - | |
| ⁽¹⁾ LSSB | EMI | Purchase and servicing of steel products | 42 | |
| | EMS | | - | |
| | ESL | | 13 | |
| EMT | ⁽¹⁾ LSSB | Sales and maintenance of machinery | - | |
| ⁽¹⁾ LSSB ⁽¹⁾ LSSC | EMT | Purchase and maintenance of machinery | 810 | |
| EMT | ⁽¹⁾ LSSC | ⁽²⁾ Construction of office building & a single storey steel factory | - | |
| | | Sales and maintenance of machinery | 390 | |
| EMS and ESL | ⁽¹⁾ LSSB | Sales and servicing of steel products | - | |
| | ⁽¹⁾ LSSC | | - | |

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE NATURE (Cont'd)

Details of RRPT transacted during the financial year ended 31 December 2021 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 31 May 2021 are as tabulated. The information contained herein, save for the actual value transacted, is extracted from the Circular dated 7 May 2021. (Cont'd)

| Provider of goods and services | Recipient of goods and services | Nature of Transaction | Actual value transacted (RM'000) | Related Parties |
|--|---------------------------------|---|----------------------------------|--|
| ⁽¹⁾ LSSC | Lienteh | Renting of ⁽³⁾ single storey factory, ⁽⁴⁾ double storey shophouses and ⁽⁵⁾ equipment | - | Tan Sri Dato' Mohd Desa Bin Pachi is a director of LSH. Dato' Goh is a director of LSSB and LSSC. He is also a major shareholder of LSH by virtue of his interest and indirect interest through Bischart and Datin Tan. Datin Tan is a director of LSSB and LSSC. She is also a major shareholder of LSH by virtue of her interest and indirect interest through Bischart and Dato' Goh. Goh Hong Kent is a director of 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. |
| ⁽¹⁾ LSSB ⁽¹⁾ LSSC | | Sale, purchase and servicing of steel products | - | |
| ⁽¹⁾ LSSB | EMI EMT | ⁽⁶⁾ Renting of single storey factory | - | Tan Sri Dato' Mohd Desa Bin Pachi is a director of EMT and LSH. Dato' Goh is a director of LSSB and LSSC. He is also a major shareholder of LSH by virtue of his interest and indirect interest through Bischart and Datin Tan. Datin Tan is a director of LSSB and LSSC. She is also a major shareholder of LSH by virtue of her interest and indirect interest through Bischart and Dato' Goh. Goh Hong Kent is a director of EMI, 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. |

Notes:

- ¹ Subsidiaries of LSH
- ² Projects delayed due to unfavorable market conditions.
- ³ A Single storey office and factory located at Lot 6483, Jalan Sungai Puloh/KU5, Kawasan Perindustrian Sungai Puloh, 42100 Selangor owned by LSSC. The premises are measuring approximately 191,799.22 square feet in area. The anticipated monthly rental is about RM292,269.72. The tenure of rental for the single storey office and single storey factory (comprising bays A, B and C) are ranging from 12 months to 36 months.
- ⁴ 2 double storey shophouses located at Nos. 30 & 32, Klang Central Industrial Park, Lorong 5 DI Lorong Sungai Puloh, Batu 5 3/4, Jalan Kapar, 41400 Klang, Selangor owned by LSSC. Both premises approximately 4,058 square feet in area. The anticipated monthly rental is about RM6,500. The tenure of rental for premises are 12 months.
- ⁵ A weighing machine owned by LSSC at a monthly rental of RM3,000.
- ⁶ A single storey factory building located at Lot 1596, Mukim 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Daerah Seberang Perai Selatan, Penang measuring approximately 230,000 square feet in area at a monthly rental approximately RM100,000.

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 2021.

PRINCIPAL ACTIVITIES

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

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

RESULTS

| | Group RM | Company RM |
|-------------------------------|-------------|---------------|
| Profit for the financial year | 24,906,438 | 6,981,124 |
| Attributable to: | | |
| Owners of the parent | 24,164,248 | 6,981,124 |
| Non-controlling interests | 742,190 | 0 |
| | 24,906,438 | 6,981,124 |

DIVIDENDS

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

| | Company RM |
|--|---------------|
| In respect of financial year ended 31 December 2020: | |
| Interim single-tier dividend of 1.5 sen per ordinary share, paid on 18 June 2021 | 3,055,660 |

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' 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 *
 Goh Hong Kent *
 Dato' Wahab Bin Hamid
 Tang Yin Kham
 Goh Kee Seng *
 Chan Theng Sung (appointed on 24 February 2022)

* 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)

Ng Keng Hoe
 Datin Tan Pak Say (resigned on 31 July 2021)
 Eng Weng Kong (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 2021 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 1.1.2021 | Bought | Sold | Balance as at 31.12.2021 |
| Shares in the Company | | | | |
| <u>Direct interests:</u> | | | | |
| 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 | 23,298,900 | 9,467,018 | 0 | 32,765,918 |
| <u>Indirect interests:</u> | | | | |
| Tan Sri Dato' Mohd Desa Bin Pachi * | 549,800 | 0 | (549,800) | 0 |
| 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 by Eonmetall Corporation Sdn. Bhd. by virtue of Section 8(4) of the Companies Act 2016 in Malaysia.

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTERESTS (Cont'd)

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

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares 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 and receivable by the Directors) 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:

- (a) 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
- (b) certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 29 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 24 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS, DIRECTORS AND AUDITORS

The Group and the Company effected Directors' and officers' liability insurance during the financial year to protect the Directors and officers of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors and officers. The total amount of insurance premium paid for the Directors and officers of the Group and of the Company was RM15,000.

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT 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.

DIRECTORS' REPORT (Cont'd)

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

(I) AS AT THE END OF THE FINANCIAL YEAR (Cont'd)

- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the efforts arising from:
- (i) gain on disposal of assets held for sale of RM6,483,884 as disclosed in Note 15(b) to the financial statements; and
 - (ii) impairment losses on trade and other receivables of the Group and of the Company of RM1,971,983 and RM2,139,800 respectively as disclosed in Note 11 to the financial statements.

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

- (c) The Directors are not aware of any circumstances:
- (i) which would 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.
- (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 would or may affect the ability of the Group or 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 events during the financial year are disclosed in Note 35 to the financial statements.

DIRECTORS' REPORT (Cont'd)

AUDITORS

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

The details of auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2021 are disclosed in Note 25 to the financial statements.

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

Goh Hong Kent

Director

Penang

26 April 2022

Yeoh Cheng Chye

Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 65 to 135 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 2021 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,

Goh Hong Kent

Director

Penang

26 April 2022

Yeoh Cheng Chye

Director

STATUTORY DECLARATION

I, Yeoh Cheng Chye (I/C No.: 681225-07-5115), being the Director primarily responsible for the financial management of Eonmetall Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 65 to 135 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 26 April 2022

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 2021 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 65 to 135.

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 2021, 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, 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 2021, the Group had trade receivables amounted to RM43,814,838, which were net of impairment losses of RM10,319,788. The details of trade receivables and their credit risks have been disclosed in Note 11 and Note 34(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.

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

Our audit procedures included the following:

- a. recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- b. recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group;
- c. inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses;
- d. 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
- e. evaluated the basis applied by management for determining cash flows recoverable in worst-case scenarios.

Key Audit Matters of the Company

1. Impairment assessment of the carrying amounts of investments in subsidiaries

As at 31 December 2021, the carrying amounts of investments in subsidiaries of RM126,900,649 has been disclosed in Note 8 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the recoverable amounts of the investments in subsidiaries. The recoverable amounts of the investments in subsidiaries are determined based on discounted future cash flow projections, which require judgement on the part of management estimation of the future financial performance and key assumptions used, in particular growth rates and pre-tax discount rates.

Audit response

Our audit procedures included the following:

- a. compared cash flow projections against recent performance and historical accuracy of forecasts and assessed the key assumptions used in projections;
- b. evaluated the reasonableness of projected growth rates by assessing evidence available to support these assumptions;
- c. evaluated the reasonableness of pre-tax discount rates used by management by comparing the market data, weighted average cost of capital of the Company and relevant risk factors; and
- d. assessed and evaluated sensitivity analysis performed by management on the cash flow projections to evaluate the impact on the impairment assessment.

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)

2. *Impairment of amounts owing by subsidiaries*

As at 31 December 2021, the Company had amounts owing by subsidiaries amounted to RM31,635,020, which were net of impairment losses of RM15,102,377 as disclosed in Note 11 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement 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:

- a. assessed the probability of default using historical data and forward-looking adjustments applied by the Company;
- b. 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;
- c. inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses;
- d. assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages; and
- e. 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.

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

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

Responsibilities of the Directors for the Financial Statements (Cont'd)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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
26 April 2022

Koay Theam Hock

02141/04/2023 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2021

| | | Group | | Company | |
|-------------------------------|------|-------------|-------------|-------------|-------------|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 180,304,885 | 181,917,763 | 0 | 0 |
| Right-of-use assets | 6 | 783,334 | 35,602,984 | 0 | 0 |
| Goodwill | 7 | 0 | 0 | 0 | 0 |
| Investments in subsidiaries | 8 | 0 | 0 | 126,900,649 | 126,410,649 |
| Investments in associates | 9 | 10,382,639 | 0 | 0 | 0 |
| Deferred tax assets | 10 | 0 | 1,624,500 | 0 | 0 |
| Trade and other receivables | 11 | 65,393 | 5,153,199 | 31,635,020 | 15,997,530 |
| | | 191,536,251 | 224,298,446 | 158,535,669 | 142,408,179 |
| Current assets | | | | | |
| Inventories | 12 | 186,249,683 | 121,041,645 | 0 | 0 |
| Trade and other receivables | 11 | 116,191,366 | 89,530,132 | 2,172,402 | 5,622,852 |
| Contract assets | 13 | 1,536,988 | 2,659,100 | 0 | 0 |
| Current tax assets | | 445,891 | 635,459 | 0 | 10,747 |
| Cash and bank balances | 14 | 14,490,701 | 11,676,944 | 245,832 | 496,114 |
| | | 318,914,629 | 225,543,280 | 2,418,234 | 6,129,713 |
| Assets held for sale | 15 | 1,281,285 | 52,316,116 | 0 | 0 |
| TOTAL ASSETS | | 511,732,165 | 502,157,842 | 160,953,903 | 148,537,892 |

STATEMENTS OF FINANCIAL POSITION (Cont'd)

As At 31 December 2021

| | | Group | | Company | |
|---|-------|-------------|-------------|-------------|-------------|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 16 | 106,097,245 | 106,097,245 | 105,607,353 | 105,607,353 |
| Treasury shares | 16(c) | (1,761,139) | (1,761,139) | (1,761,139) | (1,761,139) |
| Reserves | 17 | 169,805,858 | 148,346,499 | 23,597,973 | 19,672,509 |
| | | 274,141,964 | 252,682,605 | 127,444,187 | 123,518,723 |
| Non-controlling interests | 8(g) | 1,052,930 | 586,564 | 0 | 0 |
| TOTAL EQUITY | | 275,194,894 | 253,269,169 | 127,444,187 | 123,518,723 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Trade and other payables | 18 | 0 | 0 | 33,167,958 | 24,693,361 |
| Borrowings | 19 | 31,312,589 | 38,823,732 | 0 | 0 |
| Lease liabilities | 6 | 487,715 | 467,388 | 0 | 0 |
| Deferred tax liabilities | 10 | 8,513,989 | 11,085,609 | 0 | 0 |
| | | 40,314,293 | 50,376,729 | 33,167,958 | 24,693,361 |
| Current liabilities | | | | | |
| Trade and other payables | 18 | 33,922,547 | 82,293,556 | 303,653 | 325,808 |
| Derivative liabilities | 20 | 103,137 | 146,674 | 0 | 0 |
| Borrowings | 19 | 160,223,141 | 115,613,642 | 0 | 0 |
| Lease Liabilities | 6 | 334,101 | 111,125 | 0 | 0 |
| Current tax liabilities | | 1,640,052 | 346,947 | 38,105 | 0 |
| | | 196,222,978 | 198,511,944 | 341,758 | 325,808 |
| TOTAL LIABILITIES | | 236,537,271 | 248,888,673 | 33,509,716 | 25,019,169 |
| TOTAL EQUITY AND LIABILITIES | | 511,732,165 | 502,157,842 | 160,953,903 | 148,537,892 |

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 2021

| | Note | Group | | Company | |
|---|------|----------------------|---------------|--------------------|-------------|
| | | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Revenue | 21 | 216,947,424 | 135,750,584 | 10,000,000 | 1,000,000 |
| Cost of sales | | (171,303,192) | (104,652,842) | 0 | 0 |
| Gross profit | | 45,644,232 | 31,097,742 | 10,000,000 | 1,000,000 |
| Other income | | 10,775,361 | 2,102,898 | 1,605,602 | 1,418,170 |
| Distribution expenses | | (5,401,635) | (3,164,673) | 0 | 0 |
| Administrative expenses | | (15,480,817) | (13,382,753) | (1,157,939) | (760,627) |
| Other expenses | | (931,305) | (2,995,247) | (68,895) | (472,559) |
| Finance costs | 22 | (5,369,399) | (6,464,118) | (1,201,571) | (1,342,344) |
| Net impairment losses on financial assets | | (1,206,551) | (1,019,136) | (2,139,800) | (5,666,788) |
| Share of results of associates, net of tax | 9(f) | 1,769,531 | (504,126) | 0 | 0 |
| Profit/(Loss) before tax | 25 | 29,799,417 | 5,670,587 | 7,037,397 | (5,824,148) |
| Tax (expense)/income | 26 | (4,892,979) | (2,327,887) | (56,273) | 65 |
| Profit/(Loss) for the financial year | | 24,906,438 | 3,342,700 | 6,981,124 | (5,824,083) |
| Profit/(Loss) for the financial year attributable to: | | | | | |
| Owners of the parent | | 24,164,248 | 3,467,723 | 6,981,124 | (5,824,083) |
| Non-controlling interests | 8(g) | 742,190 | (125,023) | 0 | 0 |
| | | 24,906,438 | 3,342,700 | 6,981,124 | (5,824,083) |
| Earnings per ordinary share attributable to owners of the parent: | | | | | |
| Basic and diluted (sen) | 27 | 11.86 | 1.82 | | |
| Profit/(Loss) for the financial year | | 24,906,438 | 3,342,700 | 6,981,124 | (5,824,083) |
| Other comprehensive income, net of tax: | | | | | |
| Item that may be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translations | | 528,568 | 670,718 | 0 | 0 |
| Total comprehensive income/(loss) | | 25,435,006 | 4,013,418 | 6,981,124 | (5,824,083) |
| Total comprehensive income/(loss) attributable to: | | | | | |
| Owners of the parent | | 24,608,294 | 3,913,278 | 6,981,124 | (5,824,083) |
| Non-controlling interests | 8(g) | 826,712 | 100,140 | 0 | 0 |
| | | 25,435,006 | 4,013,418 | 6,981,124 | (5,824,083) |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2021

| 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 2021 | | 106,097,245 | (1,761,139) | 66,871,429 | (1,359,447) | 82,834,517 | 252,682,605 | 586,564 | 253,269,169 |
| Profit for the financial year | | 0 | 0 | 0 | 0 | 24,164,248 | 24,164,248 | 742,190 | 24,906,438 |
| Foreign currency translations | | 0 | 0 | 0 | 444,046 | 0 | 444,046 | 84,522 | 528,568 |
| Total comprehensive income | | 0 | 0 | 0 | 444,046 | 24,164,248 | 24,608,294 | 826,712 | 25,435,006 |
| Transactions with owners | | | | | | | | | |
| Disposal of a subsidiary | 8(d) | 0 | 0 | 0 | (93,275) | 0 | (93,275) | (360,346) | (453,621) |
| Dividends paid | 28 | 0 | 0 | 0 | 0 | (3,055,660) | (3,055,660) | 0 | (3,055,660) |
| Total transactions with owners | | 0 | 0 | 0 | (93,275) | (3,055,660) | (3,148,935) | (360,346) | (3,509,281) |
| Realisation of revaluation reserve upon: | | | | | | | | | |
| - disposal of revalued properties | | 0 | 0 | (19,733,770) | 0 | 19,733,770 | 0 | 0 | 0 |
| - depreciation of revalued properties | | 0 | 0 | (232,903) | 0 | 232,903 | 0 | 0 | 0 |
| | | 0 | 0 | (19,966,673) | 0 | 19,966,673 | 0 | 0 | 0 |
| Balance as at 31 December 2021 | | 106,097,245 | (1,761,139) | 46,904,756 | (1,008,676) | 123,909,778 | 274,141,964 | 1,052,930 | 275,194,894 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For The Financial Year Ended 31 December 2021

| 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/(Loss) 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 |
| Transaction with owners | | | | | | | | | |
| Issuance of ordinary shares pursuant to private placement | 16 | 6,296,511 | 0 | 0 | 0 | 0 | 6,296,511 | 0 | 6,296,511 |
| Total transaction with owners | | 6,296,511 | 0 | 0 | 0 | 0 | 6,296,511 | 0 | 6,296,511 |
| Realisation of revaluation reserve upon depreciation of revalued properties | | 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 |

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

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2021

| Company | Note | Share capital RM | Treasury shares RM | Retained earnings RM | Total equity RM |
|---|------|---------------------|-----------------------|-------------------------|--------------------|
| Balance as at 1 January 2021 | | 105,607,353 | (1,761,139) | 19,672,509 | 123,518,723 |
| Profit for the financial year | | 0 | 0 | 6,981,124 | 6,981,124 |
| Other comprehensive income, net of tax | | 0 | 0 | 0 | 0 |
| Total comprehensive income | | 0 | 0 | 6,981,124 | 6,981,124 |
| Transaction with owners | | | | | |
| Dividends paid | 28 | 0 | 0 | (3,055,660) | (3,055,660) |
| Total transaction with owners | | 0 | 0 | (3,055,660) | (3,055,660) |
| Balance as at 31 December 2021 | | 105,607,353 | (1,761,139) | 23,597,973 | 127,444,187 |
| 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) |
| Transaction with owners | | | | | |
| Issuance of ordinary shares pursuant to private placement | 16 | 6,296,511 | 0 | 0 | 6,296,511 |
| Total transaction 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 |

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2021

| | | Group | | Company | |
|--|-------|---------------------|--------------|--------------------|-------------|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit/(Loss) before tax | | 29,799,417 | 5,670,587 | 7,037,397 | (5,824,148) |
| Adjustments for: | | | | | |
| Depreciation of: | | | | | |
| - property, plant and equipment | 5 | 8,981,490 | 8,609,478 | 0 | 0 |
| - right-of-use assets | 6 | 475,014 | 552,946 | 0 | 0 |
| Fair value loss on derivative financial instruments | | 103,137 | 214,278 | 0 | 0 |
| (Gain)/Loss on disposal of: | | | | | |
| - a subsidiary | 8(d) | (159,327) | 0 | 68,895 | 0 |
| - assets held for sale | 15(b) | (6,483,884) | 0 | 0 | 0 |
| - property, plant and equipment | 25 | (7,997) | 412,656 | 0 | 0 |
| Gain on lease modification | 6(e) | (2,960) | (8,793) | 0 | 0 |
| Impairment losses on: | | | | | |
| - investments in subsidiaries | 8(b) | 0 | 0 | 0 | 472,559 |
| - trade and other receivables | | 1,971,983 | 1,997,910 | 2,139,800 | 5,666,788 |
| Interest expense | 22 | 5,369,399 | 6,464,118 | 1,201,571 | 1,342,344 |
| Interest income | 25 | (13,000) | (10,198) | (1,485,604) | (1,418,170) |
| Inventories written down | 12(d) | 511,704 | 399,519 | 0 | 0 |
| Inventories written off | 12(d) | 0 | 12,108 | 0 | 0 |
| Property, plant and equipment written off | 5 | 62,733 | 23,657 | 0 | 0 |
| Reversal of impairment losses on trade and other receivables | | (765,432) | (978,774) | 0 | 0 |
| Share of results of associates | 9(f) | (1,769,531) | 504,126 | 0 | 0 |
| Unrealised foreign exchange (gain)/loss | 25 | (687,518) | 699,122 | (105,000) | 0 |
| Operating profit before changes in working capital | | 37,385,228 | 24,562,740 | 8,857,059 | 239,373 |
| Increase in trade and other receivables | | (35,719,388) | (15,816,130) | (2,813,148) | (21,852) |
| Decrease/(Increase) in contract assets | | 1,122,112 | (1,521,377) | 0 | 0 |
| Increase in inventories | | (65,719,742) | (27,131,753) | 0 | 0 |
| (Decrease)/Increase in trade and other payables | | (11,786,085) | 59,502,752 | (22,155) | 9,960 |
| Cash (used in)/generated from operations | | (74,717,875) | 39,596,232 | 6,021,756 | 227,481 |
| Tax paid | | (4,031,828) | (1,042,821) | (7,421) | (12,084) |
| Tax refunded | | 0 | 40,786 | 0 | 15,967 |
| Net cash (used in)/from operating activities | | (78,749,703) | 38,594,197 | 6,014,335 | 231,364 |

STATEMENTS OF CASH FLOWS (Cont'd)

For The Financial Year Ended 31 December 2021

| | | Group | | Company | |
|---|-------|---------------|---------------|--------------|-------------|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Additions of interests in: | | | | | |
| - a subsidiary | | 0 | 0 | 0 | (1) |
| - associates | | 0 | (492,800) | 0 | 0 |
| Interest received | | 13,000 | 10,198 | 0 | 0 |
| Net cash inflow on disposal of a subsidiary | 8(d) | 3,687,006 | 0 | 4,131,000 | 0 |
| Proceeds from disposal of: | | | | | |
| - assets held for sale | 15(b) | 58,800,000 | 0 | 0 | 0 |
| - property, plant and equipment | | 8,000 | 106,829 | 0 | 0 |
| Purchase of property, plant and equipment | 5 | (8,720,504) | (47,076,103) | 0 | 0 |
| Increase in amounts owing by subsidiaries | | 0 | 0 | (14,612,984) | (3,425,053) |
| Increase/(Decrease) in amounts owing to subsidiaries | | 0 | 0 | 7,273,027 | (2,948,291) |
| Net cash from/(used in) investing activities | | 53,787,502 | (47,451,876) | (3,208,957) | (6,373,345) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Dividends paid | 28 | (3,055,660) | 0 | (3,055,660) | 0 |
| Drawdown from short-term borrowings | | 382,878,083 | 318,225,089 | 0 | 0 |
| Interest paid | | (5,324,009) | (6,416,145) | 0 | 0 |
| Payments of lease liabilities | 6 | (326,100) | (362,208) | 0 | 0 |
| Proceeds from issuance of ordinary shares | 16 | 0 | 6,296,511 | 0 | 6,296,511 |
| Proceeds from term loans | | 4,576,000 | 21,430,000 | 0 | 0 |
| Repayments of: | | | | | |
| - short-term borrowings | | (337,405,007) | (323,271,489) | 0 | 0 |
| - term loans | | (15,691,278) | (11,976,777) | 0 | 0 |
| Net cash from/(used in) financing activities | | 25,652,029 | 3,924,981 | (3,055,660) | 6,296,511 |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| | | 689,828 | (4,932,698) | (250,282) | 154,530 |
| Effects of exchange rate changes on cash and cash equivalents | | | | | |
| | | (616,629) | 606,069 | 0 | 0 |
| Cash and cash equivalents at beginning of financial year | | | | | |
| | | 3,332,787 | 7,659,416 | 496,114 | 341,584 |
| Cash and cash equivalents at end of financial year | | | | | |
| | 14(c) | 3,405,986 | 3,332,787 | 245,832 | 496,114 |

STATEMENTS OF CASH FLOWS (Cont'd)

For The Financial Year Ended 31 December 2021

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| Group | Lease liabilities (Note 6) | | Borrowings excluding bank overdrafts (Note 19) | |
|--|-------------------------------|------------|---|-------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| As at 1 January | 578,513 | 1,003,770 | 146,093,217 | 141,686,394 |
| Cash flows | (326,100) | (362,208) | 34,357,798 | 4,406,823 |
| Non-cash flows: | | | | |
| - additions of right-of-use assets | 555,265 | 116,080 | 0 | 0 |
| - effects of modifications to lease term | (31,252) | (227,102) | 0 | 0 |
| - unwinding of interest | 45,390 | 47,973 | 0 | 0 |
| As at 31 December | 821,816 | 578,513 | 180,451,015 | 146,093,217 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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 and Lot 387, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.

The consolidated financial statements for the financial year ended 31 December 2021 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 26 April 2022.

2. PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of these activities of the Company and its subsidiaries 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 beyond 30 June 2021* (Amendment to MFRS 16 *Leases*) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

4. OPERATING SEGMENTS

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

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

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

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

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

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

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

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

Segment liabilities exclude tax liabilities.

| 2021 | Machinery and equipment RM | Steel product and trading activity RM | Property, investment holding and others RM | Total RM |
|---|-------------------------------------|---|--|--------------------|
| Revenue | | | | |
| Total revenue | 40,907,667 | 400,894,602 | 11,648,874 | 453,451,143 |
| Inter-segment revenue | (5,340,987) | (219,642,932) | (11,519,800) | (236,503,719) |
| Revenue from external customers | <u>35,566,680</u> | <u>181,251,670</u> | <u>129,074</u> | <u>216,947,424</u> |
| Interest income | 410 | 12,577 | 13 | 13,000 |
| Finance costs | (2,223,341) | (2,832,746) | (313,312) | (5,369,399) |
| Net finance expense | <u>(2,222,931)</u> | <u>(2,820,169)</u> | <u>(313,299)</u> | <u>(5,356,399)</u> |
| Depreciation of property, plant and equipment | (709,061) | (6,497,470) | (1,774,959) | (8,981,490) |
| Depreciation of right-of-use assets | (32,602) | (191,264) | (251,148) | (475,014) |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

4. OPERATING SEGMENTS (Cont'd)

| 2021 (Cont'd) | Machinery and equipment RM | Steel product and trading activity RM | Property, investment holding and others RM | Total RM |
|--|-------------------------------------|---|--|--------------------|
| Segment profit before tax | 3,074,082 | 33,422,969 | 3,670,350 | 40,167,401 |
| Tax (expense)/income | (501,449) | (4,512,431) | 120,901 | (4,892,979) |
| Other non-cash items: | | | | |
| Fair value loss on derivative financial instruments | 0 | (103,137) | 0 | (103,137) |
| Gain on disposal of: | | | | |
| - a subsidiary | 0 | 0 | 159,327 | 159,327 |
| - assets held for sale | 0 | 6,483,884 | 0 | 6,483,884 |
| - property, plant and equipment | 2,999 | 4,998 | 0 | 7,997 |
| Impairment losses on trade and other receivables | (653,240) | (378,023) | (940,720) | (1,971,983) |
| Inventories written down | (511,704) | 0 | 0 | (511,704) |
| Reversal of impairment losses on trade and other receivables | 473,965 | 291,467 | 0 | 765,432 |
| Share of results of associates | 0 | 0 | 1,769,531 | 1,769,531 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 242,567 | 7,359,950 | 9,962,448 | 17,564,965 |
| Segment assets | 119,543,662 | 242,581,930 | 149,160,682 | 511,286,274 |
| Segment liabilities | 78,103,045 | 133,144,013 | 15,136,172 | 226,383,230 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

4. OPERATING SEGMENTS (Cont'd)

| 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 | 20,767,826 | 114,631,060 | 351,698 | 135,750,584 |
| 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 | (3,003,745) | (3,003,476) | (446,699) | (6,453,920) |
| 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) |
| Segment profit/(loss) before tax | 449,382 | 12,096,963 | (11,751,560) | 794,785 |
| Tax (expense)/income | (608,208) | (1,632,803) | (86,876) | (2,327,887) |
| Other non-cash items: | | | | |
| Fair value loss on derivative financial instruments | 0 | (146,674) | 0 | (146,674) |
| 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 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 results 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 2021

4. OPERATING SEGMENTS (Cont'd)

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

| | 2021 RM | 2020 RM |
|--|--------------|-------------|
| Profit for the financial year | | |
| Total profit for reportable segments | 40,167,401 | 794,785 |
| Adjustment for inter-segmental profits | (10,367,984) | 4,875,802 |
| Profit before tax | 29,799,417 | 5,670,587 |
| Tax expense | (4,892,979) | (2,327,887) |
| Profit for the financial year | 24,906,438 | 3,342,700 |
| Assets | | |
| Segment assets | 511,286,274 | 499,897,883 |
| Deferred tax assets | 0 | 1,624,500 |
| Current tax assets | 445,891 | 635,459 |
| Total assets | 511,732,165 | 502,157,842 |
| Liabilities | | |
| Segment liabilities | 226,383,230 | 237,456,117 |
| Deferred tax liabilities | 8,513,989 | 11,085,609 |
| Current tax liabilities | 1,640,052 | 346,947 |
| Total liabilities | 236,537,271 | 248,888,673 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

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 | |
|--------------------------|--------------------|-------------|--------------------|-------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Malaysia | 108,952,529 | 66,660,401 | 181,153,612 | 187,614,035 |
| United States of America | 52,782,024 | 22,239,743 | 0 | 0 |
| Middle East | 9,646,297 | 2,728,518 | 0 | 0 |
| Africa | 9,073,286 | 9,470,859 | 0 | 0 |
| Singapore | 7,018,895 | 5,375,559 | 0 | 0 |
| Australia | 5,689,565 | 4,216,026 | 0 | 0 |
| Europe | 5,671,657 | 3,567,104 | 0 | 0 |
| Taiwan | 4,994,056 | 76,148 | 0 | 0 |
| Philippines | 4,867,806 | 5,047,972 | 0 | 0 |
| Indonesia | 3,803,095 | 11,891,106 | 0 | 0 |
| Sri Lanka | 2,123,977 | 974,769 | 0 | 0 |
| Myanmar | 183,562 | 1,254,862 | 0 | 0 |
| Others | 2,140,675 | 2,247,517 | 0 | 35,059,911 |
| | 216,947,424 | 135,750,584 | 181,153,612 | 222,673,946 |

Major customers

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

| | 2021 RM | 2020 RM | Segment |
|------------|--------------------|------------|------------------------------------|
| Customer A | 52,790,203 | 29,308,847 | Steel product and trading activity |
| Customer B | 52,782,024 | 22,239,743 | Steel product and trading activity |
| | 105,572,227 | 51,548,590 | |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT

| Group | Balance as at 1.1.2021 RM | Additions RM | Disposals RM | Disposal of a subsidiary (Note 8(d)) RM | Written off RM | Depreciation charge for the financial year RM | Transfer to assets held for sale (Note 15) RM | Reclassi- fications RM | Exchange differences RM | Balance as at 31.12.2021 RM |
|--|------------------------------------|-----------------|-----------------|--|----------------------|---|---|------------------------------|-------------------------------|--------------------------------------|
| Carrying amount | | | | | | | | | | |
| <u>At Valuation</u> | | | | | | | | | | |
| Freehold land | 70,850,000 | 0 | 0 | 0 | 0 | 0 | (1,281,285) | 0 | 0 | 69,568,715 |
| Buildings | 44,673,619 | 0 | 0 | 0 | (62,649) | (1,170,044) | 0 | 298,520 | 0 | 43,739,446 |
| <u>At Cost</u> | | | | | | | | | | |
| Buildings | 547,541 | 291,983 | 0 | 0 | 0 | (16,695) | 0 | 0 | 0 | 822,829 |
| Plant and machinery, moulds, tools and equipment | 47,582,479 | 6,294,600 | 0 | 0 | 0 | (7,393,810) | 0 | 0 | 0 | 46,483,269 |
| Furniture, fittings, office equipment and computer software | 302,992 | 92,307 | 0 | (8,033) | 0 | (113,772) | 0 | 0 | 162 | 273,656 |
| Motor vehicles | 555,196 | 692,740 | (3) | 0 | 0 | (275,928) | 0 | 0 | 0 | 972,005 |
| Electrical installation and renovation | 57,639 | 0 | 0 | 0 | (84) | (11,241) | 0 | 0 | 0 | 46,314 |
| Capital work-in- progress | 17,348,297 | 1,348,874 | 0 | 0 | 0 | 0 | 0 | (298,520) | 0 | 18,398,651 |
| | 181,917,763 | 8,720,504 | (3) | (8,033) | (62,733) | (8,981,490) | (1,281,285) | 0 | 162 | 180,304,885 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

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

| | [----- 2021 -----] | | | | |
|---|--------------------|--------------------|-----------------------------------|---|--------------------------|
| Group | Cost RM | Valuation RM | Accumulated depreciation RM | Accumulated impairment losses RM | Carrying amount RM |
| Carrying amount | | | | | |
| Freehold land | 0 | 69,568,715 | 0 | 0 | 69,568,715 |
| Buildings | 1,141,959 | 45,498,896 | (2,058,412) | (20,168) | 44,562,275 |
| Plant and machinery, moulds, tools and equipment | 112,770,486 | 0 | (61,899,854) | (4,387,363) | 46,483,269 |
| Furniture, fittings, office equipment and computer software | 4,952,127 | 0 | (4,677,236) | (1,235) | 273,656 |
| Motor vehicles | 3,767,328 | 0 | (2,795,323) | 0 | 972,005 |
| Electrical installation and renovation | 255,404 | 0 | (209,090) | 0 | 46,314 |
| Capital work-in-progress | 18,398,651 | 0 | 0 | 0 | 18,398,651 |
| | 141,285,955 | 115,067,611 | (71,639,915) | (4,408,766) | 180,304,885 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

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

| 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 15) 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 2021

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 2021

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:

| | 2021 RM | Group 2020 RM |
|---------------|-------------------|---------------------|
| Freehold land | 26,200,491 | 27,047,498 |
| Buildings | 33,999,750 | 34,910,664 |
| | 60,200,241 | 61,958,162 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

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

- (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.
- (f) Freehold land and buildings of the Group with a carrying amount of RM113,267,671 (2020: RM59,698,112) have been charged to banks for credit facilities granted to the Group as disclosed in Note 19(b)(i) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

6. LEASES

The Group as lessee

Right-of-use assets

| Carrying amount | Balance as at 1.1.2021 RM | Additions RM | Disposal of a subsidiary (Note 8(d)) RM | Depreciation RM | Effects of modifications to lease term RM | Exchange differences RM | Balance as at 31.12.2021 RM |
|-----------------------------|---------------------------------|-----------------|--|--------------------|--|-------------------------------|-----------------------------------|
| Leasehold land | 35,051,415 | 0 | (35,546,058) | (179,806) | 0 | 674,449 | 0 |
| Land | 490,104 | 0 | 0 | (63,927) | 0 | 0 | 426,177 |
| Hostels | 47,766 | 325,515 | 0 | (115,835) | (15,164) | 0 | 242,282 |
| Office space | 13,699 | 0 | 0 | (571) | (13,128) | 0 | 0 |
| Electrical cables and meter | 0 | 229,750 | 0 | (114,875) | 0 | 0 | 114,875 |
| | 35,602,984 | 555,265 | (35,546,058) | (475,014) | (28,292) | 674,449 | 783,334 |

| Carrying amount | Balance as at 1.1.2020 RM | Additions RM | Transfer from/(to) property, plant and equipment (Note 5) RM | Depreciation RM | Effects of modifications 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 |
| | 971,500 | 116,080 | 35,286,659 | (552,946) | (218,309) | 35,602,984 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

Lease liabilities

| Carrying amount | Balance as at 1.1.2021 RM | Additions RM | Effects of modifications to lease term RM | Lease payments RM | Interest expense (Note 22) RM | Balance as at 31.12.2021 RM |
|-----------------------------|---------------------------------|-----------------|--|-------------------------|--|-----------------------------------|
| Land | 513,356 | 0 | 0 | (84,000) | 29,817 | 459,173 |
| Hostels | 49,117 | 325,515 | (15,850) | (121,400) | 7,749 | 245,131 |
| Office space | 16,040 | 0 | (15,402) | (700) | 62 | 0 |
| Electrical cables and meter | 0 | 229,750 | 0 | (120,000) | 7,762 | 117,512 |
| | 578,513 | 555,265 | (31,252) | (326,100) | 45,390 | 821,816 |

| Carrying amount | Balance as at 1.1.2020 RM | Additions RM | Effects of modifications to lease term RM | Lease payments RM | Interest expense (Note 22) 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 |
| | 1,003,770 | 116,080 | (227,102) | (362,208) | 47,973 | 578,513 |

| | 2021 RM | 2020 RM |
|--|------------|------------|
|--|------------|------------|

Represented by:

Current liabilities

Non-current liabilities

Lease liabilities owing to non-financial institutions

| | | |
|--|----------------|---------|
| | 334,101 | 111,125 |
| | 487,715 | 467,388 |
| | 821,816 | 578,513 |
| | 821,816 | 578,513 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

6. LEASES (Cont'd)

- (a) The Group leases a number of properties and electrical cables and meter in the location which it operates. Leases of the properties and electrical cables and meter comprise only fixed payments over the lease terms.
- (b) 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 remeasurement of the lease liabilities.
- (c) 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 |
| Hostels | 2 - 3 years |
| Office space | 1 - 3 years |
| Electrical cables and meter | 2 years |
| Buildings | 1 - 2 years |
| Motor vehicle | 5 years |

- (d) The Group has certain leases of assets with lease term of twelve (12) months or less. The Group applies the 'short-term lease' exemption for these leases.
- (e) The following are amounts recognised in profit or loss:

| | 2021 RM | Group 2020 RM |
|---|----------------|---------------------|
| Depreciation charge of right-of-use assets (included in cost of sales, distribution expenses and administrative expenses) | 475,014 | 552,946 |
| Interest expense on lease liabilities (included in finance costs) | 45,390 | 47,973 |
| Gain on lease modifications (included in other income) | 2,960 | 8,793 |
| Expense relating to short-term leases (included in cost of sales and administrative expenses) | 20,731 | 13,500 |
| | 544,095 | 623,212 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

6. LEASES (Cont'd)

(f) The following are total cash outflows for leases as a lessee:

| | 2021 RM | Group 2020 RM |
|---|----------------|---------------------|
| Included in net cash flows from operating activities: | | |
| Payment relating to short-term leases | 20,731 | 13,500 |
| Included in net cash flows from financing activities: | | |
| Payment of lease liabilities | 326,100 | 362,208 |
| Total cash outflows for leases | <u>346,831</u> | <u>375,708</u> |

(g) Information on financial risks of lease liabilities is disclosed in Note 34 to the financial statements.

7. GOODWILL

| | 2021 RM | Group 2020 RM |
|-------------------------------------|------------|---------------------|
| Cost | 0 | 2,280 |
| Less: Accumulated impairment losses | 0 | (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:

| | 2021 RM | 2020 RM |
|---|------------|------------|
| Property, investment holding and others | <u>0</u> | <u>0</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

8. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|--------------------------------|---------------------------|--------------------|
| | 2021 RM | 2020 RM |
| Unquoted shares, at cost | | |
| - ordinary shares | 62,268,952 | 62,778,952 |
| - redeemable preference shares | 68,600,000 | 67,600,000 |
| Less: Impairment losses | (3,968,303) | (3,968,303) |
| | <u>126,900,649</u> | <u>126,410,649</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. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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

- (b) Management reviews the investments in subsidiaries for impairment when there is an indication of impairment. Recoverable amounts of the investments in subsidiaries are assessed by reference to the fair value less cost to sell of the underlying assets or the value-in-use of the respective subsidiaries. Value-in-use is the net present value of the projected future cash flows derived from business operations of the respective subsidiaries discounted at an appropriate pre-tax discount rate. This discounted cash flows method involves the use of estimated future results and a set of assumptions to support their income and cash flows. Significant judgements and estimates were used to determine the key assumptions applied to the cash flow projections, which includes the growth rates and the appropriate pre-tax discount rates used for each of the subsidiary. Impairment losses are made when the carrying amount of the investments in subsidiaries exceed its recoverable amount.

In the previous financial year, an impairment loss of RM472,559 was recognised to bring the carrying amount to its recoverable amount due to ceased of operation of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(c) Details of the subsidiaries are as follows:

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity | | Principal activities |
|----------------------------------|--|------------------------------|-----------|---|
| | | 2021 % | 2020 % | |
| Eonmetall Technology Sdn. Bhd. | Malaysia | 100 | 100 | Manufacture of metalwork and industrial process machinery and equipment |
| Eonmetall Industries Sdn. Bhd. | Malaysia | 100 | 100 | Manufacture and distribution of steel products, focusing on cold rolled coils, galvanised coils and flat steel products |
| Eonmetall Systems Sdn. Bhd. | Malaysia | 100 | 100 | Manufacture of steel products, focusing on steel storage systems |
| Eonsteel Sdn. Bhd. | Malaysia | 100 | 100 | Property holding, manufacture and trading of steel products |
| Eonchem Biomass Sdn. Bhd. | Malaysia | 100 | 100 | Manufacture of palm oil related products |
| Eontarr IT Solutions Sdn. Bhd. | Malaysia | 100 | 100 | Provider of IT solutions including software development |
| 180 Degree Design Sdn. Bhd. | Malaysia | 100 | 100 | 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 | Dormant |
| Eonmetall International Limited | Malaysia | 100 | 100 | Investment holding |
| Eonmetall Copper Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| Eonmetall China Sdn. Bhd. * | Malaysia | 0 | 51 | Investment holding |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(c) 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 |
|--|--|------------------------------|--------|---|
| | | 2021 % | 2020 % | |
| Eonmetall Land Sdn. Bhd | Malaysia | 100 | 100 | Dormant |
| Eonmetall Glove Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| 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 | 0 | 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 | 0 | 100 | Dormant |

* Consolidated using management financial statements up to date of disposal.

Subsidiary audited by a BDO member firm.

^ Subsidiary dissolved during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (d) On 26 March 2021, the Company had disposed of 510,000 ordinary shares, representing 51% equity interest in Eonmetall China Sdn. Bhd. ('ECA') for a cash consideration of USD1,020,000 (equivalent to RM4,131,000). Pursuant to the disposal, ECA and its wholly-owned subsidiary, Shaanxi Longxing Steel Co., Ltd., ceased to be subsidiaries of the Company.

The financial effects of the disposal at the date of disposal are as follows:

| | Note | Group RM | Company RM |
|--|------|--------------|---------------|
| Investment in a subsidiary | | 0 | 510,000 |
| Property, plant and equipment | 5 | 8,033 | 0 |
| Right-of-use assets | 6 | 35,546,058 | 0 |
| Trade and other receivables | | 1,992,094 | 0 |
| Cash and bank balances | | 443,994 | 0 |
| Trade and other payables | | (37,254,780) | 0 |
| Carrying amount of net assets disposed of | | 735,399 | 510,000 |
| Exchange translation reserve | | (93,275) | 0 |
| Non-controlling interests | | (360,346) | 0 |
| Waiver of amount owing by subsidiary | | 3,689,895 | 3,689,895 |
| Gain/(Loss) on disposal of subsidiary | | 159,327 | (68,895) |
| Proceeds from disposal | | 4,131,000 | 4,131,000 |
| Less: Cash and bank balances of subsidiary disposed of | | (443,994) | 0 |
| Net cash inflows from disposal of subsidiary | | 3,687,006 | 4,131,000 |

- (e) On 25 March 2021, Constructor ANZ Limited, a wholly-owned subsidiary of Constructor Asia Sdn. Bhd., which in turn is wholly-owned by the Company, had been dissolved pursuant to its member's voluntary winding-up.
- (f) In the previous financial year, the Company incorporated Eonmetall Glove Sdn. Bhd. for a cash consideration of RM1 comprising of 1 ordinary share.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

| | Eonmetall China Sdn. Bhd. Group * RM | Africa Steel Investment Limited RM | PT Eonmetall Investment RM | Total RM |
|--|---|---|---|---------------------|
| 2021 | | | | |
| NCI percentage of ownership interest and voting interest (%) | 49% | 40% | 12% | |
| Carrying amount of NCI | <u>0</u> | <u>814,903</u> | <u>238,027</u> | <u>1,052,930</u> |
| (Loss)/Profit for the financial year attributable to NCI | <u>(90,056)</u> | <u>833,950</u> | <u>(1,704)</u> | <u>742,190</u> |
| Total comprehensive (loss)/income attributable to NCI | <u>(11,400)</u> | <u>833,315</u> | <u>4,797</u> | <u>826,712</u> |
| 2020 | | | | |
| NCI percentage of ownership interest and voting interest (%) | 49% | 40% | 12% | |
| Carrying amount of NCI | <u>371,746</u> | <u>(18,412)</u> | <u>233,230</u> | <u>586,564</u> |
| Loss for the financial year attributable to NCI | <u>(119,320)</u> | <u>(4,560)</u> | <u>(1,143)</u> | <u>(125,023)</u> |
| Total comprehensive income/(loss) attributable to NCI | <u>94,172</u> | <u>(4,322)</u> | <u>10,290</u> | <u>100,140</u> |

* Disposed during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (h) Summarised financial information before intra-group elimination of the subsidiaries that have 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 |
|---|---|---|---|
| 2021 | | | |
| Assets and liabilities | | | |
| Non-current assets | 0 | 10,382,639 | 0 |
| Current assets | 0 | 12,116 | 2,570,040 |
| Current liabilities | 0 | (8,357,497) | (586,484) |
| Net assets | <u>0</u> | <u>2,037,258</u> | <u>1,983,556</u> |
| Results | | | |
| Revenue | 0 | 0 | 0 |
| Profit/(Loss) for the financial year | 0 | 2,084,876 | (14,204) |
| Total comprehensive income | <u>0</u> | <u>2,083,288</u> | <u>39,975</u> |
| Cash flows from operating activities | 0 | 8,613,066 | 0 |
| Cash flows used in investing activities | 0 | (8,613,108) | 0 |
| Net decrease in cash and cash equivalents | <u>0</u> | <u>(42)</u> | <u>0</u> |

* Disposed during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (h) Summarised financial information before intra-group elimination of the subsidiaries that have 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 |
|--|---|---|---|
| 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) |
| Total comprehensive income/(loss) | <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 | (34,051,216) | 0 | 0 |
| Net decrease in cash and cash equivalents | <u>(6,095,065)</u> | <u>(16)</u> | <u>0</u> |

* Disposed during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

9. INVESTMENTS IN ASSOCIATES

| | 2021 RM | Group 2020 RM |
|------------------------------------|-------------------|---------------------|
| Unquoted shares, at cost | 8,832,000 | 542,804 |
| Share of post-acquisition reserves | 1,226,727 | (542,804) |
| Exchange differences | 323,912 | 0 |
| | 10,382,639 | 0 |

- (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 |
|--|--|------------------------------|--------|--|
| | | 2021 % | 2020 % | |
| Associate of Eonmetall International Limited | | | | |
| Emeida Metal Sdn. Bhd. * | Malaysia | 40 | 40 | Dormant |
| Associate of Eonmetall Land Sdn. Bhd. | | | | |
| Sinaran Seribumi Sdn. Bhd. * | Malaysia | 23.81 | 23.81 | Property development, land and property investment and general trading |
| Associate of Africa Steel Investment Limited | | | | |
| United Steel - Industria Metalica, LDA # | Republic of Angola | 50 | 0 | Manufacturing and distribution of steel products |

* Associates not audited by BDO PLT or BDO member firms.

Share of post-acquisition reserves using management financial statements.

- (c) During the financial year, Africa Steel Investment Limited ('ASIL'), a 60%-owned subsidiary of Eonmetall International Limited, which in turn is a wholly owned subsidiary of the Company, invested RM8,289,196 for a 50% stake in United Steel - Industria Metalica, LDA ('United Steel') through capitalisation of machineries and equipment sold to United Steel and/or internally generated funds.
- (d) In the previous 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..

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

9. INVESTMENTS IN ASSOCIATES

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

| Group | Sinaran Seribumi Sdn. Bhd. | | United Steel - Industria Metalica, LDA | |
|--------------------------------------|-------------------------------|---------------|---|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Assets and liabilities | | | | |
| Non-current assets | 162,313,979 | 162,311,107 | 29,750,511 | 0 |
| Current assets | 3,619,906 | 3,597,338 | 43,345,592 | 0 |
| Non-current liabilities | (60,700,000) | (60,700,000) | (4,204,234) | 0 |
| Current liabilities | (105,954,245) | (105,733,199) | (3,729,377) | 0 |
| Net (liabilities)/assets | (720,360) | (524,754) | 65,162,492 | 0 |
| Results | | | | |
| Revenue | 319,061 | 177,397 | 8,882,185 | 0 |
| (Loss)/Profit for the financial year | (195,606) | (2,642,087) | 3,879,154 | 0 |
| Total comprehensive (loss)/income | (195,606) | (2,642,087) | 3,879,154 | 0 |

(f) Reconciliation of net assets of material associates to the carrying amounts of the investments in associates is as follows:

| Group | Sinaran Seribumi Sdn. Bhd. | | United Steel - Industria Metalica, LDA | |
|--|-------------------------------|------------|---|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Share of net assets | 0 | 0 | 32,581,246 | 0 |
| Bargain purchase | 0 | 0 | (22,198,607) | 0 |
| Carrying amount | 0 | 0 | 10,382,639 | 0 |
| Share of results for the financial year | | | | |
| Share of (loss)/profit for the financial year | 0 | (504,126) | 1,769,531 | 0 |
| Share of total comprehensive (loss)/income | 0 | (504,126) | 1,769,531 | 0 |

(g) The unrecognised share of losses of associates amounted to RM48,779 (2020: RM127,685) in the current financial year. As a result, the accumulated unrecognised share of losses of associates amounted to RM176,477 (2020: RM127,698). 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 2021

10. DEFERRED TAX

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

| | 2021 RM | Group 2020 RM |
|---|------------|---------------------|
| Balance as at 1 January | 9,461,109 | 8,524,424 |
| Recognised in profit or loss (Note 26) | (947,120) | 936,685 |
| Balance as at 31 December | 8,513,989 | 9,461,109 |
| Presented after appropriate offsetting: | | |
| Deferred tax assets | 0 | (1,624,500) |
| Deferred tax liabilities | 8,513,989 | 11,085,609 |
| | 8,513,989 | 9,461,109 |

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

| | Assets | | Liabilities | | Net | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Property, plant and equipment | 0 | 0 | 6,995,039 | 7,032,000 | 6,995,039 | 7,032,000 |
| Revaluation of freehold land and buildings | 0 | 0 | 6,743,150 | 9,806,309 | 6,743,150 | 9,806,309 |
| Unutilised reinvestment allowances | (5,224,200) | (7,377,200) | 0 | 0 | (5,224,200) | (7,377,200) |
| Tax (assets)/liabilities | (5,224,200) | (7,377,200) | 13,738,189 | 16,838,309 | 8,513,989 | 9,461,109 |
| Set off | 5,224,200 | 5,752,700 | (5,224,200) | (5,752,700) | 0 | 0 |
| Net tax (assets)/liabilities | 0 | (1,624,500) | 8,513,989 | 11,085,609 | 8,513,989 | 9,461,109 |

| | Property, plant and equipment RM | Revaluation of freehold land and buildings RM | Unutilised reinvestment allowances RM | Total RM |
|--|---|---|--|-------------|
| Balance as at 1 January 2021 | 7,032,000 | 9,806,309 | (7,377,200) | 9,461,109 |
| Recognised in profit or loss (Note 26) | (36,961) | (3,063,159) | 2,153,000 | (947,120) |
| Balance as at 31 December 2021 | 6,995,039 | 6,743,150 | (5,224,200) | 8,513,989 |
| Balance as at 1 January 2020 | 5,478,400 | 9,902,624 | (6,856,600) | 8,524,424 |
| Recognised in profit or loss (Note 26) | 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 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

10. DEFERRED TAX (Cont'd)

- (c) In the previous financial year, deferred tax assets were 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:

| | Group | |
|------------------------------------|---------------------|--------------|
| | 2021 RM | 2020 RM |
| Taxable temporary differences | 4,097,500 | 4,344,900 |
| Unabsorbed capital allowances | (10,435,400) | (10,655,700) |
| Unabsorbed tax losses | | |
| - expiring by 31 December 2028 | (10,269,900) | (10,269,900) |
| - expiring by 31 December 2029 | (2,237,600) | (2,237,600) |
| - expiring by 31 December 2030 | (1,679,900) | (1,679,900) |
| - expiring by 31 December 2031 | (1,473,500) | 0 |
| Unutilised reinvestment allowances | | |
| - expiring by 31 December 2025 | (17,421,000) | (31,008,000) |
| - expiring by 31 December 2029 | (4,206,000) | (4,206,000) |
| | (43,625,800) | (55,712,200) |

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.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the local tax authorities.

With effect from 1 January 2022, any unused tax losses shall be deductible for a maximum period of ten (10) consecutive years of assessment immediately following that year of assessment. Any amount which is not deducted at the end of the period of ten (10) years of assessment shall be disregarded.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

11. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|--------------------|--------------------|-------------------|-------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Non-current | | | | |
| Trade receivables | | | | |
| Third parties | 488,625 | 5,925,250 | 0 | 0 |
| Less: Impairment losses | | | | |
| - third parties | (423,232) | (772,051) | 0 | 0 |
| | 65,393 | 5,153,199 | 0 | 0 |
| Non-current | | | | |
| Other receivables | | | | |
| Amounts owing by subsidiaries | 0 | 0 | 46,737,397 | 29,728,705 |
| Less: Impairment losses | | | | |
| - amounts owing by subsidiaries | 0 | 0 | (15,102,377) | (13,731,175) |
| | 0 | 0 | 31,635,020 | 15,997,530 |
| Non-current trade and other receivables | 65,393 | 5,153,199 | 31,635,020 | 15,997,530 |
| Current | | | | |
| Trade receivables | | | | |
| Third parties | 52,673,583 | 51,795,007 | 0 | 0 |
| Amount owing by an associate | 538,062 | 0 | 0 | 0 |
| Amounts owing by related parties | 434,356 | 839,760 | 0 | 0 |
| | 53,646,001 | 52,634,767 | 0 | 0 |
| Less: Impairment losses | | | | |
| - third parties | (9,829,026) | (9,330,722) | 0 | 0 |
| - amount owing by an associate | (25,336) | 0 | 0 | 0 |
| - amounts owing by related parties | (42,194) | (43,123) | 0 | 0 |
| | (9,896,556) | (9,373,845) | 0 | 0 |
| | 43,749,445 | 43,260,922 | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

11. TRADE AND OTHER RECEIVABLES (Cont'd)

| | Group | | Company | |
|--|--------------------|-------------------|-------------------|-------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Current | | | | |
| Other receivables | | | | |
| Other receivables | 48,542,862 | 21,620,908 | 2,940,000 | 21,852 |
| Amount owing by a subsidiary | 0 | 0 | 0 | 5,600,000 |
| Amounts owing by associates | 2,462,793 | 2,462,793 | 0 | 0 |
| Deposits | 8,850,379 | 5,522,633 | 1,000 | 1,000 |
| | 59,856,034 | 29,606,334 | 2,941,000 | 5,622,852 |
| Less: Impairment losses | | | | |
| - other receivables | (1,601,467) | (537,452) | (768,598) | 0 |
| - amounts owing by associates | (12,379) | (4,167) | 0 | 0 |
| - deposits | (32,634) | (62,258) | 0 | 0 |
| | (1,646,480) | (603,877) | (768,598) | 0 |
| | 58,209,554 | 29,002,457 | 2,172,402 | 5,622,852 |
| Current trade and other receivables (excluding prepayments) | 101,958,999 | 72,263,379 | 2,172,402 | 5,622,852 |
| Prepayments | 14,232,367 | 17,266,753 | 0 | 0 |
| | 116,191,366 | 89,530,132 | 2,172,402 | 5,622,852 |
| Total trade and other receivables | 116,256,759 | 94,683,331 | 33,807,422 | 21,620,382 |

- (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 120 days (2020: 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 3.45% (2020: 3.51%) per annum.
- (d) Amount owing by a subsidiary and amounts owing by 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 RM43,577,141 (2020: RM20,120,129).
- (f) Included in deposits of the Group is an amount of RM3,702,600 (2020: RM3,702,600) paid for the acquisition of land.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

11. TRADE AND OTHER RECEIVABLES (Cont'd)

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

| | Group | | Company | |
|----------------------|--------------------|------------|-------------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Ringgit Malaysia | 86,503,524 | 49,898,009 | 31,636,020 | 21,620,382 |
| United States Dollar | 15,242,232 | 26,827,443 | 2,171,402 | 0 |
| Euro Dollar | 246,328 | 339,194 | 0 | 0 |
| Singapore Dollar | 23,783 | 266,557 | 0 | 0 |
| Pound Sterling | 8,525 | 0 | 0 | 0 |
| Chinese Yuan | 0 | 85,375 | 0 | 0 |
| | 102,024,392 | 77,416,578 | 33,807,422 | 21,620,382 |

(h) Recognition and measurement of impairment loss

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').

Lifetime ECL are the ECL that result from all possible default events over the expected life of the asset, while twelve (12)-month ECL are the portion of ECL that result from default events that are possible within the twelve (12) months after the reporting date. The maximum period considered when estimating ECL is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group uses an allowance matrix to measure the ECL 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 (exports of manufactured goods and gross domestic product by kind of economic activity - manufacturing) and multiplied by the amount of the expected loss arising from default to determine the lifetime ECL 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 in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying amount of the asset would be written off against the associated impairment.

Impairment of trade receivables are separately assessed under individual assessment when it is probable that cash due will not be received in full.

Significant judgement is required in determining the probability of default by trade receivables, appropriate forward-looking information and estimates cash flows recoverable in worst-case scenarios.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

11. TRADE AND OTHER RECEIVABLES (Cont'd)

(h) Recognition and measurement of impairment loss (Cont'd)

Lifetime expected loss provision for trade receivables are as follows:

| Group | Expected loss rate | Gross carrying amount RM | Impairment RM |
|--------------------|-----------------------|-----------------------------------|-------------------|
| 2021 | | | |
| Current | 0.00% | 23,622,140 | 59 |
| Past due: | | | |
| 1 to 60 days | 0.00% | 12,337,702 | 53 |
| 61 to 120 days | 0.05% | 2,739,753 | 1,491 |
| 121 to 240 days | 0.72% | 397,614 | 2,873 |
| More than 241 days | 68.60% | 15,037,417 | 10,315,312 |
| Total | | <u>54,134,626</u> | <u>10,319,788</u> |
| 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> |

Trade receivables are not secured by any collateral or credit enhancement.

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

Impairment for trade receivables past due more than six (6) months, other receivables and intercompany balances are recognised based on the general approach of MFRS 9. 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 by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

For balances in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve (12)-month ECL along with gross interest income are recognised. For balances in which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit-impaired, lifetime ECL 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

11. TRADE AND OTHER RECEIVABLES (Cont'd)

(h) Recognition and measurement of impairment loss (Cont'd)

The probability of non-payment by trade receivables past due more than six (6) months, other receivables and intercompany balances is adjusted by forward-looking information (exports of manufactured goods and gross domestic product by kind of economic activity - manufacturing) and multiplied by the amount of the expected loss arising from default to determine the twelve (12)-month or lifetime ECL for other receivables.

Carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

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

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

| | Lifetime ECL | |
|-------------------------------|----------------|----------------|
| | 2021 RM | 2020 RM |
| Group | | |
| Balance as at 1 January | 132,146 | 441,654 |
| Charge for the financial year | 60,113 | 43,263 |
| Reversal of impairment losses | (792) | (352,771) |
| Balance as at 31 December | <u>191,467</u> | <u>132,146</u> |

(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 2021 | 784,803 | 9,228,947 | 10,013,750 |
| Charge for the financial year | 43,705 | 835,506 | 879,211 |
| Reversal of impairment losses | (295,770) | (468,870) | (764,640) |
| Balance as at 31 December 2021 | <u>532,738</u> | <u>9,595,583</u> | <u>10,128,321</u> |
| 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> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

11. TRADE AND OTHER RECEIVABLES (Cont'd)

- (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 2021 | 0 | 603,877 | 603,877 |
| Charge for the financial year | 0 | 1,032,659 | 1,032,659 |
| Exchange differences | 0 | 9,944 | 9,944 |
| Balance as at 31 December 2021 | 0 | 1,646,480 | 1,646,480 |
| 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 | 0 | 603,877 | 603,877 |
| Company | | | |
| Balance as at 1 January 2021 | 0 | 13,731,175 | 13,731,175 |
| Charge for the financial year | 0 | 2,139,800 | 2,139,800 |
| Balance as at 31 December 2021 | 0 | 15,870,975 | 15,870,975 |
| 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 | 0 | 13,731,175 | 13,731,175 |

- (l) Information on financial risks of trade and other receivables is disclosed in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

12. INVENTORIES

| | 2021 RM | Group 2020 RM |
|--------------------------------|--------------------|---------------------|
| At cost | | |
| Raw materials | 67,180,245 | 46,396,112 |
| Work-in-progress | 91,731,426 | 55,615,247 |
| Manufactured inventories | 22,992,994 | 14,822,250 |
| | 181,904,665 | 116,833,609 |
| At net realisable value | | |
| Raw materials | 328,363 | 410,356 |
| Work-in-progress | 4,014,923 | 3,795,948 |
| Manufactured inventories | 1,732 | 1,732 |
| | 4,345,018 | 4,208,036 |
| Total | 186,249,683 | 121,041,645 |

- (a) Inventories are stated at the lower of cost and net realisable value.
- (b) Cost is determined using the first-in, first-out formula. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of work-in-progress and manufactured inventories included the cost of raw materials, direct labour, other direct cost and an appropriate portion of production overheads based on normal operating capacity of the production facilities.
- (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 amount 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 amount of inventories recognised as an expense in cost of sales of the Group was RM112,088,719 (2020: RM69,330,896). The Group has also written down and written off inventories of RM511,704 and RM Nil (2020: RM399,519 and RM12,108) respectively.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

13. CONTRACT ASSETS

| | 2021 RM | Group 2020 RM |
|----------------------------------|---------------------|---------------------|
| Aggregate costs incurred to-date | 7,774,561 | 6,459,533 |
| Add: Attributable profits | 5,882,427 | 4,944,567 |
| | 13,656,988 | 11,404,100 |
| Less: Progress billings | (12,120,000) | (8,745,000) |
| | 1,536,988 | 2,659,100 |
| Represented by: | | |
| Construction contracts | 1,536,988 | 2,659,100 |

(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) 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:

| | 2021 RM | 2022 RM | Total RM |
|------------------|------------------|------------|------------------|
| Group | | | |
| 31 December 2021 | 0 | 3,243,012 | 3,243,012 |
| 31 December 2020 | <u>3,795,900</u> | <u>0</u> | 3,795,900 |

(c) Impairment for contract assets that do not contain a significant financing component is assessed based on the simplified approach using the lifetime expected credit losses as disclosed in Note 11(h) to the financial statements.

No ECL is recognised arising from contract assets as it is negligible.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

14. CASH AND BANK BALANCES

| | Group | | Company | |
|------------------------|-------------------|------------|----------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cash and bank balances | 14,490,701 | 11,676,944 | 245,832 | 496,114 |

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

(b) Currency exposure profile of cash and bank balances are as follows:

| | Group | | Company | |
|----------------------|-------------------|------------|----------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Ringgit Malaysia | 11,394,092 | 8,013,867 | 245,832 | 496,114 |
| United States Dollar | 2,968,111 | 2,100,742 | 0 | 0 |
| Singapore Dollar | 103,704 | 1,111,632 | 0 | 0 |
| Chinese Yuan | 1,848 | 426,623 | 0 | 0 |
| Others | 22,946 | 24,080 | 0 | 0 |
| | 14,490,701 | 11,676,944 | 245,832 | 496,114 |

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

| | Group | | Company | |
|---------------------------------|---------------------|-------------|------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cash and bank balances | 14,490,701 | 11,676,944 | 245,832 | 496,114 |
| Less: Bank overdrafts (Note 19) | (11,084,715) | (8,344,157) | 0 | 0 |
| | 3,405,986 | 3,332,787 | 245,832 | 496,114 |

(d) No ECL were recognised arising from 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 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

15. ASSETS HELD FOR SALE

| | 2021 RM | Group 2020 RM |
|------------------------|------------------|---------------------|
| Freehold land (Note 5) | 1,281,285 | 27,400,000 |
| Buildings (Note 5) | 0 | 24,916,116 |
| | 1,281,285 | 52,316,116 |

- (a) On 6 January 2022, 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 Mukim No. Hakmilik 653, Lot 20025, Mukim 12, Daerah Seberang Perai Selatan, Negeri Pulau Pinang, measuring approximately 0.785 hectares, for a cash consideration of RM3,379,864.

As at 31 December 2021, a total deposit of RM337,986 had been received by EMI prior to the execution of the agreement as disclosed in Note 18(e) to the financial statements, and accordingly the freehold land under property, plant and equipment is classified as assets held for sale.

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

- (b) On 5 January 2021, EMI 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 18(e) to the financial statements, and accordingly the freehold land and buildings under property, plant and equipment were classified as assets held for sale.

The disposal was completed during the financial year and a gain on disposal of RM6,483,884 was recognised as an income in other income.

- (c) In the previous financial year, the freehold land and buildings were charged to a bank for credit facilities granted to the Group as disclosed in Note 19(b)(i) to the financial statements.

16. SHARE CAPITAL

| | 2021 | | Group 2020 | |
|---|---------------------|--------------------|---------------------|--------------------|
| | Number of shares | RM | Number of shares | RM |
| Issued and fully paid with no par value: | | | | |
| Balance as at 1 January | 206,807,250 | 106,097,245 | 188,288,100 | 99,800,734 |
| Issuance of ordinary shares pursuant to private placement | 0 | 0 | 18,519,150 | 6,296,511 |
| Balance as at 31 December | 206,807,250 | 106,097,245 | 206,807,250 | 106,097,245 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

16. SHARE CAPITAL (Cont'd)

| | Company | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2021 | | 2020 | |
| | Number of shares | RM | Number of shares | RM |
| Issued and fully paid with no par value: | | | | |
| Balance as at 1 January | 206,807,250 | 105,607,353 | 188,288,100 | 99,310,842 |
| Issuance of ordinary shares pursuant to private placement | 0 | 0 | 18,519,150 | 6,296,511 |
| Balance as at 31 December | <u>206,807,250</u> | <u>105,607,353</u> | <u>206,807,250</u> | <u>105,607,353</u> |

- (a) In the previous financial year, the issued and fully paid-up ordinary shares of the Company was increased from 188,288,100 to 206,807,250 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.

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

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

- (c) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 31 May 2021, renewed the approval for the Company to repurchase its own shares.

| | Group and Company | | | |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2021 | | 2020 | |
| | Number of shares | RM | Number of shares | RM |
| Balance as at 1 January/ 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.

- (ii) As at 31 December 2021, the number of ordinary shares net of treasury shares is 203,710,650 (2020: 203,710,650).
- (iii) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

17. RESERVES

| | Group | | Company | |
|------------------------------|--------------------|-------------|-------------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Non-distributable | | | | |
| Revaluation reserve | 46,904,756 | 66,871,429 | 0 | 0 |
| Exchange translation reserve | (1,008,676) | (1,359,447) | 0 | 0 |
| Distributable | | | | |
| Retained earnings | 123,909,778 | 82,834,517 | 23,597,973 | 19,672,509 |
| | 169,805,858 | 148,346,499 | 23,597,973 | 19,672,509 |

(a) Revaluation reserve

Revaluation reserve represents the surplus on revaluation of freehold land and buildings.

(b) Exchange translation reserve

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, whereby the monetary item is denominated in either the functional currency of the reporting entity or the foreign operations.

18. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|-------------------------------|------------|------------|-------------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Non-current | | | | |
| Other payables | | | | |
| Amounts owing to subsidiaries | 0 | 0 | 33,167,958 | 24,693,361 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

18. TRADE AND OTHER PAYABLES (Cont'd)

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Current | | | | |
| Trade payables | | | | |
| Third parties | 17,642,617 | 13,743,285 | 0 | 0 |
| Amounts owing to related parties | 1,607,514 | 391,432 | 0 | 0 |
| | 19,250,131 | 14,134,717 | 0 | 0 |
| Other payables | | | | |
| Other payables | 10,082,178 | 65,145,522 | 17,453 | 41,538 |
| Amount owing to an associate | 487,379 | 476,370 | 0 | 0 |
| Accrued expenses | 4,102,859 | 2,536,947 | 286,200 | 284,270 |
| | 14,672,416 | 68,158,839 | 303,653 | 325,808 |
| Current trade and other payables | 33,922,547 | 82,293,556 | 303,653 | 325,808 |
| Total trade and other payables | 33,922,547 | 82,293,556 | 33,471,611 | 25,019,169 |

- (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 (2020: 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 3.45% (2020: 3.51%) per annum.
- (d) Amount owing to an associate is unsecured, interest-free and payable within the next twelve (12) months.
- (e) Included in other payables of the Group is an amount of RM337,986 (2020: RM11,760,000) received for the disposal of land.
- (f) Currency exposure profile of trade and other payables are as follows:

| | Group | | Company | |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Ringgit Malaysia | 20,368,648 | 40,899,386 | 33,471,611 | 25,019,169 |
| United States Dollar | 9,807,949 | 9,578,819 | 0 | 0 |
| Chinese Yuan | 3,190,807 | 30,964,923 | 0 | 0 |
| Singapore Dollar | 384,913 | 671,998 | 0 | 0 |
| Euro Dollar | 170,230 | 178,430 | 0 | 0 |
| | 33,922,547 | 82,293,556 | 33,471,611 | 25,019,169 |

- (g) Information on financial risks of trade and other payables is disclosed in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

19. BORROWINGS

| | 2021 RM | Group 2020 RM |
|--------------------------------|--------------------|---------------------|
| <u>Non-current</u> | | |
| Secured | | |
| Term loans | 31,312,589 | 38,823,732 |
| <u>Current</u> | | |
| Secured | | |
| Bank overdrafts | 11,084,715 | 8,344,157 |
| Bankers' acceptances | 91,054,822 | 71,367,287 |
| Revolving credits | 18,200,000 | 13,950,000 |
| Term loans | 14,587,142 | 18,191,277 |
| Trust receipts | 25,296,462 | 3,760,921 |
| | 160,223,141 | 115,613,642 |
| <u>Total borrowings</u> | | |
| Secured | | |
| Bank overdrafts (Note 14(c)) | 11,084,715 | 8,344,157 |
| Bankers' acceptances | 91,054,822 | 71,367,287 |
| Revolving credits | 18,200,000 | 13,950,000 |
| Term loans | 45,899,731 | 57,015,009 |
| Trust receipts | 25,296,462 | 3,760,921 |
| | 191,535,730 | 154,437,374 |

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (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 15(c) to the financial statements; and
 - (ii) corporate guarantee of RM191,535,730 (2020: RM154,437,374) by the Company.
- (c) During the financial year, one of the subsidiaries had debt covenants requiring the advances to holding company and/or related parties to be capped at certain level. As at 31 December 2021, the advances had exceeded the stipulated level. These borrowings are classified as current liabilities and the management is currently negotiating with the banks to waive these covenants.
- (d) In the previous financial year, one of the secured term loans contained a debt covenant requiring the subsidiary to maintain a gearing ratio of not more than 1.0 times. As at 31 December 2020, the gearing ratio of the subsidiary was 1.06 times. Consequently, a supplementary letter from the bank in relation to the renewal of the banking facility was obtained and the breach was addressed accordingly.
- (e) All borrowings are denominated in Ringgit Malaysia.
- (f) Information on financial risks of borrowings is disclosed in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

20. DERIVATIVE LIABILITIES

| Group | 2021 | | 2020 | |
|---------------------------|--------------------|----------------|--------------------|----------------|
| | Contract amount RM | Liabilities RM | Contract amount RM | Liabilities RM |
| Forward currency contract | 11,998,052 | 103,137 | 13,245,401 | 146,674 |

- (a) Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.
- (b) The Group uses forward currency derivatives to manage some of the foreign transaction exposure. These derivatives are not designated as cash flow or fair value hedges and are entered into for period consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.
- (c) Derivative liabilities 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.
- (d) Fair value of a forward foreign currency contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.
- (e) The fair value adjustments on derivative financial instruments are as follows:

| | Group | |
|--|----------------|---------|
| | 2021 RM | 2020 RM |
| Loss on derivative financial instruments | 103,137 | 146,674 |

21. REVENUE

| | Group | | Company | |
|--|--------------------|-------------|-------------------|-----------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Revenue from contracts with customers | | | | |
| Recognised at a point in time: | | | | |
| Sale of goods | 214,694,536 | 129,609,207 | 0 | 0 |
| Recognised over time: | | | | |
| Construction contracts revenue | 2,252,888 | 6,141,377 | 0 | 0 |
| Other revenue | | | | |
| Dividend income from subsidiaries | 0 | 0 | 10,000,000 | 1,000,000 |
| | 216,947,424 | 135,750,584 | 10,000,000 | 1,000,000 |

- (a) Revenue from contracts with customers is disaggregated in Note 4 to the financial statements by geographical area.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

21. REVENUE (Cont'd)

(b) Sale of goods

Revenue from the sale of goods is recognised at a point in time when the Group satisfies a performance obligation by transferring a promised goods 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.

(c) Construction contracts 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 construction contracts as the contracts are on normal credit terms not exceeding twelve (12) months.

(d) Dividend income

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

22. FINANCE COSTS

| | Group | | Company | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Interest expenses on: | | | | |
| - amounts owing to subsidiaries | 0 | 0 | 1,201,571 | 1,342,344 |
| - bank overdrafts | 428,713 | 574,995 | 0 | 0 |
| - bankers' acceptances | 2,662,338 | 3,323,095 | 0 | 0 |
| - lease liabilities | 45,390 | 47,973 | 0 | 0 |
| - revolving credits | 599,232 | 744,819 | 0 | 0 |
| - term loans | 1,391,135 | 1,703,988 | 0 | 0 |
| - trust receipts | 242,591 | 1,411 | 0 | 0 |
| - others | 0 | 67,837 | 0 | 0 |
| | 5,369,399 | 6,464,118 | 1,201,571 | 1,342,344 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

23. EMPLOYEE BENEFITS

| | Group | | Company | |
|--|-------------------|------------|----------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Wages, salaries, bonuses and incentives | 16,781,438 | 15,323,743 | 0 | 0 |
| Contributions to defined contribution plan | 1,370,108 | 1,237,448 | 0 | 0 |
| Social security contributions | 168,617 | 162,852 | 0 | 0 |
| Other employee benefits | 484,615 | 603,494 | 303,500 | 301,500 |
| | 18,804,778 | 17,327,537 | 303,500 | 301,500 |

24. DIRECTORS' REMUNERATION

| | Group | | Company | |
|--------------------------------------|------------------|------------|----------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Directors of the Company | | | | |
| Executive: | | | | |
| Fees | 108,000 | 81,000 | 108,000 | 81,000 |
| Other emoluments | 2,947,226 | 2,513,303 | 12,500 | 9,500 |
| | 3,055,226 | 2,594,303 | 120,500 | 90,500 |
| Non-executive: | | | | |
| Fees | 162,000 | 189,000 | 162,000 | 189,000 |
| Other emoluments | 57,000 | 67,000 | 21,000 | 22,000 |
| | 219,000 | 256,000 | 183,000 | 211,000 |
| Total Directors' remuneration | 3,274,226 | 2,850,303 | 303,500 | 301,500 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

25. PROFIT/(LOSS) BEFORE TAX

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

| | Group | | Company | |
|---|----------------|------------|------------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| After charging: | | | | |
| Auditors' remuneration: | | | | |
| - statutory audit | | | | |
| - current year | 227,700 | 217,007 | 35,000 | 33,000 |
| - under provision in prior years | 9,004 | 16,144 | 2,000 | 1,500 |
| Foreign exchange loss: | | | | |
| - realised | 0 | 688,033 | 0 | 0 |
| - unrealised | 0 | 699,122 | 0 | 0 |
| Impairment losses on investments in subsidiaries | 0 | 0 | 0 | 472,559 |
| Loss on disposal of property, plant and equipment | 0 | 412,656 | 0 | 0 |
| Rental expense | 141,797 | 157,910 | 0 | 0 |
| and crediting: | | | | |
| Foreign exchange gain: | | | | |
| - realised | 719,830 | 0 | 15,000 | 0 |
| - unrealised | 687,518 | 0 | 105,000 | 0 |
| Gain on disposal of property, plant and equipment | 7,997 | 0 | 0 | 0 |
| Government assistance | 522,270 | 683,200 | 0 | 0 |
| Interest income from: | | | | |
| - banks | 13,000 | 10,198 | 0 | 0 |
| - amounts owing by subsidiaries | 0 | 0 | 1,485,604 | 1,418,170 |
| Rental income | 840,168 | 13,200 | 0 | 0 |

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

26. TAX EXPENSE/(INCOME)

| | Group | | Company | |
|--|--------------------|------------|---------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Current tax expense/(income) based on profit/(loss) for the financial year: | | | | |
| Current year | 3,104,247 | 1,085,110 | 56,273 | 0 |
| Under/(Over) provision in prior years | 40,658 | 306,092 | 0 | (65) |
| | 3,144,905 | 1,391,202 | 56,273 | (65) |
| Deferred tax (Note 10): | | | | |
| Relating to origination and reversal of temporary differences | 2,717,439 | 869,300 | 0 | 0 |
| Crystallisation of deferred tax liabilities upon: | | | | |
| - disposal of revalued properties | (2,989,611) | 0 | 0 | 0 |
| - depreciation of revalued properties | (73,548) | (96,315) | 0 | 0 |
| (Over)/Under provision in prior years | (601,400) | 163,700 | 0 | 0 |
| | (947,120) | 936,685 | 0 | 0 |
| Real property gains tax | 2,695,194 | 0 | 0 | 0 |
| Total tax expense/(income) | 4,892,979 | 2,327,887 | 56,273 | (65) |

- (a) Malaysian income tax is calculated at the statutory tax rate of twenty-four per centum (24%) (2020: 24%) of the estimated taxable profits for the fiscal year.
- (b) Tax expense for other taxation authorities are calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

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

- (c) 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 | |
|--|--------------------|-------------|--------------------|-------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Profit/(Loss) before tax | 29,799,417 | 5,670,587 | 7,037,397 | (5,824,148) |
| Tax at Malaysian statutory tax rate of 24% (2020: 24%) | 7,151,900 | 1,360,900 | 1,689,000 | (1,397,800) |
| Tax effects in respect of: | | | | |
| Non-allowable expenses | 4,910,971 | 2,910,756 | 767,273 | 1,637,800 |
| Non-taxable income | (6,403,644) | (585,361) | (2,400,000) | (240,000) |
| Real property gains tax | 2,695,194 | 0 | 0 | 0 |
| Deferred tax assets not recognised | 431,000 | 471,400 | 0 | 0 |
| Utilisation of previously unrecognised deferred tax assets | (3,331,700) | (2,299,600) | 0 | 0 |
| | 5,453,721 | 1,858,095 | 56,273 | 0 |
| Under/(Over) provision of current tax expense in prior years | 40,658 | 306,092 | 0 | (65) |
| (Over)/Under provision of deferred tax expense in prior years | (601,400) | 163,700 | 0 | 0 |
| | 4,892,979 | 2,327,887 | 56,273 | (65) |

- (d) Eonmetall Technology Sdn. Bhd., a wholly owned subsidiary of the Company, has been granted pioneer status for a total of 5 years from 23 March 2018 to 22 March 2023 to manufacture biocoal and biochar production machinery and related components.

27. 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 in issue (excluding treasury shares) during the financial year.

| | Group | |
|---|--------------------|-------------|
| | 2021 RM | 2020 RM |
| Profit for the financial year attributable to owners of the parent (RM) | 24,164,248 | 3,467,723 |
| Weighted average number of ordinary shares in issue | 203,710,650 | 190,858,562 |
| Basic earnings per ordinary share (sen) | 11.86 | 1.82 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

27. EARNINGS PER ORDINARY SHARE (Cont'd)

(b) Diluted

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

28. DIVIDENDS

| | Group and Company | | | |
|--|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | | 2021 | | 2020 |
| | Dividend per share sen | Amount of dividend RM | Dividend per share sen | Amount of dividend RM |

In respect of financial year ended 31 December
2020:

| | | | | |
|------------------------------|-----|-----------|---|---|
| Interim single-tier dividend | 1.5 | 3,055,660 | 0 | 0 |
|------------------------------|-----|-----------|---|---|

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

29. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

Related parties of the Group include:

| Names of related parties | Relationship |
|---------------------------------------|---|
| Leader Steel Sdn. Bhd. | A company in which a Director of the Company has substantial financial interests. |
| Leader Steel Service Centre Sdn. Bhd. | A company in which a Director of the Company has substantial financial interests. |
| Genrizt Storage System | A Director of the Company is connected to this company. |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

29. RELATED PARTY DISCLOSURES (Cont'd)

(b) Significant related parties transactions

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

| | Group | | Company | |
|-----------------------------|------------------|------------------|-------------------|------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Associate: | | | | |
| Sale of goods | <u>1,147,291</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Related parties: | | | | |
| Sale of goods | <u>932,211</u> | <u>1,021,033</u> | <u>0</u> | <u>0</u> |
| Purchase of goods | <u>2,731,803</u> | <u>2,913,600</u> | <u>0</u> | <u>0</u> |
| Rental expense | <u>3,700</u> | <u>6,200</u> | <u>0</u> | <u>0</u> |
| Director: | | | | |
| Purchase of a motor vehicle | <u>170,000</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Subsidiaries: | | | | |
| Dividend income | <u>0</u> | <u>0</u> | <u>10,000,000</u> | <u>1,000,000</u> |
| Interest income | <u>0</u> | <u>0</u> | <u>1,485,604</u> | <u>1,418,170</u> |
| Interest expense | <u>0</u> | <u>0</u> | <u>1,201,571</u> | <u>1,342,344</u> |

The above transactions were carried out in the ordinary course of business and have been established under negotiated and mutually agreed terms.

(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 any Director (whether executive or otherwise) of the Group and of the Company.

Remuneration of Directors and other key management personnel of the Group and of the Company during the financial year are as follows:

| | Group | | Company | |
|------------------|------------------|------------------|----------------|----------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Fees | <u>270,000</u> | <u>270,000</u> | <u>270,000</u> | <u>270,000</u> |
| Other emoluments | <u>3,105,877</u> | <u>2,686,938</u> | <u>33,500</u> | <u>31,500</u> |
| | <u>3,375,877</u> | <u>2,956,938</u> | <u>303,500</u> | <u>301,500</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

30. CAPITAL COMMITMENTS

| | 2021 RM | Group 2020 RM |
|---|-------------------|---------------------|
| Capital expenditure in respect of purchase of property, plant and equipment: | | |
| Contracted but not provided for | 18,624,500 | 18,728,920 |

31. CONTINGENT LIABILITIES

| | 2021 RM | Company 2020 RM |
|---|--------------------|-----------------------|
| Corporate guarantees given to financial institutions for credit facilities granted to certain subsidiaries and an associate | 401,778,000 | 321,019,560 |

As at 31 December 2021, the credit facilities utilised by the subsidiaries and an associate amounted to RM217,535,730 (2020: RM180,437,374).

The Group designates corporate guarantees 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.

32. MATERIAL LITIGATIONS

(a) Eonmetall Systems Sdn. Bhd. ('EMS') vs United Motors And Heavy Equipment Co. (L.L.C.) ('UMHE')

On 8 May 2020, EMS, a wholly-owned subsidiary of the Company, filed a Statement of Claim against UMHE for claims arising from the supply of goods for a sum of USD304,287 together with interest of 5% per annum thereon from the date of filing until the full settlement of the sum.

On 12 March 2021, EMS filed an application for summary judgement ('SJ') against UMHE. Subsequently, on 2 June 2021, UMHE filed an application to strike out ('SO') EMS's claim. To this end, both parties have exhausted the affidavits and filed written submissions for both SJ and SO applications. The hearing date initially fixed for 25 April 2022 has been vacated and the next case management is now fixed for 29 April 2022 for the Court to fix a new hearing date.

(b) Cosco Shipping Lines Co., Ltd. and Cosco Shipping Lines (Malaysia) Sdn. Bhd. ('COSCO') vs EMS

On 25 May 2021, COSCO filed a claim against EMS, a wholly-owned subsidiary of the Company, for an alleged to be due and owing to COSCO arising from demurrage charges dated 22 March 2021 amounting to RM1,194,026 and a contractual interest of the sum at a daily rate of 0.1%, fourteen (14) days from 22 March 2021 until the date of full and final payment.

EMS has since filed its defence on 10 August 2021 and the reply was then filed by COSCO on 8 September 2021. Subsequently, EMS filed an application to seek leave of Court to issue Third Party Notice against UMHE, and was granted by the Court on 30 September 2021.

The Third Party Notice was issued on 4 October 2021, and on 14 October 2021, EMS obtained leave of Court to serve the Third Party Notice out of jurisdiction (i.e. to United Arab Emirates). The Third Party Notice was served to UMHE, and on 23 January 2022, UMHE filed its Memorandum of Appearance.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

32. MATERIAL LITIGATIONS (Cont'd)

- (b) Cosco Shipping Lines Co., Ltd. and Cosco Shipping Lines (Malaysia) Sdn. Bhd. ('COSCO') vs EMS (Cont'd)

EMS proceeded to file a Notice for Third Party Directions on 21 February 2022. Subsequently, on 28 February 2022, UMHE applied for an order to set aside the Third Party Notice. EMS's Notice for Third Party Directions will be kept in abeyance pending the disposal of UMHE's setting aside application. To this end, both parties have exhausted the affidavits and filed written submissions for UMHE's setting aside application, and the case management for the said application is fixed for 26 April 2022.

The full trial of the main action has been fixed from 26 September 2022 to 29 September 2022.

- (c) Eonmetall Industries Sdn. Bhd. ('EMI') vs Starke Storage Far East Sdn. Bhd. ('Starke')

On 7 September 2021, EMI, a wholly-owned subsidiary of the Company, filed a claim against Starke for the recovery of the outstanding debt owing to EMI amounting to RM406,762 and on 22 February 2022, EMI obtained summary judgement against Starke and EMI is proceeding with execution.

- (d) Eonmetall Group Berhad ('EGB') vs Rizhao Xinyang International Trade Co., Ltd. ('Rizhao') and Eng Meng Kong ('EMK')

On 24 September 2021, the Company filed a Statement of Claim against Rizhao and EMK for claims arising from a Share Sale Agreement ('SSA') entered on 18 March 2021 for the disposal of 510,000 shares in Eonmetall China Sdn. Bhd. to Rizhao for a total purchase price of USD1,020,000. Rizhao failed to pay the balance purchase price of USD1,000,000 in accordance with the terms and conditions of the SSA. The Company filed an application against Rizhao to declare that the SSA is null and void and seeking an order for the company secretary to register the 510,000 shares into the Company or nominee's name.

On 11 February 2022 and 20 March 2022, the Company served the Originating Summons ('OS') to Rizhao and EMK accordingly. Subsequently, on 21 March 2022, the Company filed an application to extend the OS for another six (6) months due to ongoing lockdown in China for the agent of the Company in Shanghai to affirm an affidavit of service before the Consulate of Malaysia. The application for extension of the OS is fixed for hearing on 28 April 2022.

- (e) Xin Xin Engineering Sdn. Bhd. ('XXE') vs Eonmetall Technology Sdn. Bhd. ('EMT')

On 26 November 2021, XXE filed a claim against EMT, a wholly-owned subsidiary of the Company, for an alleged to be due and owing to XXE arising from a latex glove dipping line Purchase Agreement dated 30 June 2020 for a sum of RM2,676,911. EMT filed its defence on 18 February 2022.

On 13 April 2022, the court has dismissed the summary judgement application filed by XXE. The Court has fixed 25 and 26 October 2022 and 4 and 11 November 2022 for trial.

33. 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 2021

33. 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 are as follows:

| | | Group | | Company | |
|------------------------------|------|---------------------|--------------|--------------------|-------------|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Trade and other payables | 18 | 33,922,547 | 82,293,556 | 33,471,611 | 25,019,169 |
| Borrowings | 19 | 191,535,730 | 154,437,374 | 0 | 0 |
| Lease liabilities | 6 | 821,816 | 578,513 | 0 | 0 |
| | | 226,280,093 | 237,309,443 | 33,471,611 | 25,019,169 |
| Less: Cash and bank balances | 14 | (14,490,701) | (11,676,944) | (245,832) | (496,114) |
| Net debt | | 211,789,392 | 225,632,499 | 33,225,779 | 24,523,055 |
| Total capital | | 274,141,964 | 252,682,605 | 127,444,187 | 123,518,723 |
| Net debt | | 211,789,392 | 225,632,499 | 33,225,779 | 24,523,055 |
| Equity | | 485,931,356 | 478,315,104 | 160,669,966 | 148,041,778 |
| Gearing ratio | | 44% | 47% | 21% | 17% |

Pursuant to the requirements of Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of more than twenty-five per centum (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement during the financial year ended 31 December 2021.

34. 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, interest rate risk and commodity price 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 the reporting period, the maximum exposures to credit risk of the Group and of the Company are represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

34. 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:

| | 2021 | | 2020 | |
|------------------------------------|-------------------|-------------|-------------------|-------------|
| | RM | % of total | RM | % of total |
| By countries | | | | |
| Malaysia | 35,959,897 | 82% | 27,317,781 | 56% |
| Middle East | 1,908,912 | 4% | 1,301,929 | 3% |
| Africa | 1,785,232 | 4% | 14,970,912 | 31% |
| Australia | 1,773,612 | 4% | 189,294 | * |
| Indonesia | 1,255,935 | 3% | 307,707 | 1% |
| Sri Lanka | 696,312 | 2% | 38,148 | * |
| United States of America | 0 | 0% | 4,032,375 | 8% |
| Others | 434,938 | 1% | 255,975 | 1% |
| | 43,814,838 | 100% | 48,414,121 | 100% |
| By industry sectors | | | | |
| Steel product and trading activity | 24,116,124 | 55% | 19,257,678 | 40% |
| Machinery and equipment | 19,698,714 | 45% | 29,156,443 | 60% |
| | 43,814,838 | 100% | 48,414,121 | 100% |

* Amount less than 1%.

At the end of the reporting period, approximately:

- (i) 68% (2020: 48%) of the Group's trade receivables were due from three (3) (2020: three (3)) major customers who are located in Malaysia, United States of America and Africa.
- (ii) 1% (2020: 1%) of the Group's receivables were due from an associate and several related parties whilst 94% (2020: 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 2021

34. 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:

| Group | On demand or within one (1) year RM | One (1) to five (5) years RM | Over five (5) years RM | Total RM |
|--|--|---------------------------------------|---------------------------------|--------------------|
| 2021 | | | | |
| Financial liabilities | | | | |
| Trade and other payables | 33,922,547 | 0 | 0 | 33,922,547 |
| Lease liabilities | 370,200 | 423,000 | 140,001 | 933,201 |
| Borrowings | 162,184,056 | 32,749,467 | 720,071 | 195,653,594 |
| Total undiscounted financial liabilities | <u>196,476,803</u> | <u>33,172,467</u> | <u>860,072</u> | <u>230,509,342</u> |
| 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 | <u>200,525,012</u> | <u>38,532,961</u> | <u>3,911,620</u> | <u>242,969,593</u> |
| Company | On demand or within one (1) year RM | One (1) to five (5) years RM | Over five (5) years RM | Total RM |
| 2021 | | | | |
| Financial liabilities | | | | |
| Trade and other payables | 303,653 | 34,312,252 | 0 | 34,615,905 |
| Financial guarantees | 217,535,730 | 0 | 0 | 217,535,730 |
| Total undiscounted financial liabilities | <u>217,839,383</u> | <u>34,312,252</u> | <u>0</u> | <u>252,151,635</u> |
| 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 | <u>180,763,182</u> | <u>25,668,749</u> | <u>0</u> | <u>206,431,931</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

34. 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.

Certain subsidiaries of the Group have 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 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:

| | Maturity | Contractual amount in Foreign Currency FC | Equivalent amount in Ringgit Malaysia RM |
|----------------------|---------------------|--|---|
| 2021 | | | |
| United States Dollar | Within one (1) year | 2,847,000 | 11,998,052 |
| 2020 | | | |
| United States Dollar | Within one (1) year | 3,258,931 | 13,245,401 |

Sensitivity analysis for foreign currency risk

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

| | | Group | |
|-------------------------|-------------------------------|--------------------|--------------------|
| Profit after tax | | 2021 RM | 2020 RM |
| USD/RM | - strengthen by 5% (2020: 5%) | 319,291 | 735,276 |
| | - weaken by 5% (2020: 5%) | (319,291) | (735,276) |
| CNY/RM | - strengthen by 5% (2020: 5%) | (121,180) | (1,157,211) |
| | - weaken by 5% (2020: 5%) | 121,180 | 1,157,211 |

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

34. FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Interest rate risk

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

The exposures of the Group and of the Company to interest rate risk arises primarily from loans and borrowings and amounts owing by subsidiaries respectively. 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.

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 | |
|--------------------------------|--------------------|--------------------|
| | 2021 RM | 2020 RM |
| Profit after tax | | |
| Increase by 0.1% (2020: 0.1%) | (146,192) | (117,812) |
| Decrease by 0.1% (2020: 0.1%) | 146,192 | 117,812 |
| | | |
| | Company | |
| | 2021 RM | 2020 RM |
| Profit/(Loss) after tax | | |
| Increase by 0.1% (2020: 0.1%) | (1,165) | (6,609) |
| Decrease by 0.1% (2020: 0.1%) | 1,165 | 6,609 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

34. 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 ('WAEIR') or weighted average incremental borrowing rates ('WAIBR') 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 | WAEIR/ WAIBR * | 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 |
|-----------------------|------|-------------------|------------------------------|--------------------------------------|--|---|--|---------------------------------|-------------|
| 2021 | | | | | | | | | |
| Fixed rates | | | | | | | | | |
| Lease liabilities | 6 | * 5.42 | 334,101 | 147,318 | 65,034 | 69,114 | 73,449 | 132,800 | 821,816 |
| Floating rates | | | | | | | | | |
| Bank overdrafts | 19 | 6.21 | 11,084,715 | 0 | 0 | 0 | 0 | 0 | 11,084,715 |
| Bankers' acceptances | 19 | 3.38 | 91,054,822 | 0 | 0 | 0 | 0 | 0 | 91,054,822 |
| Revolving credits | 19 | 4.78 | 18,200,000 | 0 | 0 | 0 | 0 | 0 | 18,200,000 |
| Term loans | 19 | 5.00 | 14,587,142 | 14,579,143 | 10,304,875 | 2,857,143 | 2,857,143 | 714,285 | 45,899,731 |
| Trust receipts | 19 | 3.46 | 25,296,462 | 0 | 0 | 0 | 0 | 0 | 25,296,462 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

34. 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 ('WAEIR') or weighted average incremental borrowing rates ('WABIR') 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)

| Group | Note | WAEIR/ WABIR * | 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 | * 6.03 | 111,125 | 65,797 | 61,195 | 65,034 | 69,114 | 206,248 | 578,513 |
| Floating rates | | | | | | | | | |
| Bank overdrafts | 19 | 6.13 | 8,344,157 | 0 | 0 | 0 | 0 | 0 | 8,344,157 |
| Bankers' acceptances | 19 | 3.36 | 71,367,287 | 0 | 0 | 0 | 0 | 0 | 71,367,287 |
| Revolving credits | 19 | 4.14 | 13,950,000 | 0 | 0 | 0 | 0 | 0 | 13,950,000 |
| Term loans | 19 | 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 | 19 | 4.79 | 3,760,921 | 0 | 0 | 0 | 0 | 0 | 3,760,921 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

34. 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 ('WAEIR') or weighted average incremental borrowing rates ('WAIBR') 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 | WAEIR/ WAIBR * | 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 |
|-------------------------------|------|-------------------|---------------------------------|--------------------------------------|--|--|--|---------------------------------|-------------|
| 2021 | | | | | | | | | |
| Floating rates | | | | | | | | | |
| Amounts owing by subsidiaries | 11 | 3.45 | 0 | 17,646,101 | 0 | 13,988,919 | 0 | 0 | 31,635,020 |
| Amounts owing to subsidiaries | 18 | 3.45 | 0 | 33,167,958 | 0 | 0 | 0 | 0 | 33,167,958 |
| 2020 | | | | | | | | | |
| Floating rates | | | | | | | | | |
| Amounts owing by subsidiaries | 11 | 3.51 | 0 | 3,002,396 | 4,710,785 | 715,796 | 7,568,553 | 0 | 15,997,530 |
| Amounts owing to subsidiaries | 18 | 3.51 | 0 | 24,693,361 | 0 | 0 | 0 | 0 | 24,693,361 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

34. FINANCIAL RISK MANAGEMENT (Cont'd)

(e) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows of the financial instruments of the Group would fluctuate because of changes in market prices (other than interest or exchange rates).

The principal exposure of the Group to commodity price risk arises mainly from the changes in steel raw material prices. Raw material is classified as current assets and the Group manage the procurement of its raw material to optimise return on realisation of its inventories.

Sensitivity analysis on world composite steel prices

The following table demonstrates the sensitivity analysis of the profit after tax of the Group to a reasonably possible change in world composite steel prices, with all other variables held constant:

| | Group | |
|---------------------------|--------------------|-------------|
| | 2021 RM | 2020 RM |
| Profit after tax | | |
| Increase by 5% (2020: 5%) | 1,862,574 | 1,728,051 |
| Decrease by 5% (2020: 5%) | (1,862,574) | (1,728,051) |

35. 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 entered into the various phases of the MCO, followed by the announcement of the National Recovery Plan ('NRP') in June 2021, which details a roadmap to control the COVID-19 pandemic while progressively reopening society and the economic sectors towards the new normal under four progressive phases. Subsequently, in March 2022, the Government of Malaysia announced that Malaysia will enter the "Transition to Endemic" phase of COVID-19 and reopen its borders from 1 April 2022.

Consequently, effective from 1 April 2022, the restrictions on business operating hours and the capacity limit imposed on the number of employees allowed in the workplace based on the employees' vaccination status are removed.

The implementation of the MCO/NRP and the COVID-19 pandemic have not resulted in any material impact to the Group's business and operations. The Group was able to operate during the MCO/NRP period upon obtained approval from Ministry of International Trade and Industry ('MITI'). It had also not negatively impacted the liquidity position of the Group. In addition, the Group had not observed any material impairments of the assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Cont'd)

- (b) On 9 February 2021, the Company entered into a Share Sale Agreement ('SSA') with all the shareholders of Lienteh Technology Sdn. Bhd. ('LTSB'), a private limited company incorporated in Malaysia, to acquire 51% equity interest in LTSB for a purchase consideration of RM51 million, to be satisfied entirely via issuance of 72,857,142 new ordinary shares of the Company at an issue price of RM0.70 per share and to acquire the remaining 49% equity interest in LTSB at the call option exercise price of RM49 million, to be satisfied via issuance of 62,857,142 new ordinary shares of the Company for the amount of RM44 million and cash payment of RM5 million, in the event the Company elects to exercise the call option ('Proposed Acquisition').

On 12 April 2021, Bursa Securities, vide its letter, resolved to approve the listing of and quotation for up to 135,714,284 new ordinary shares to be issued pursuant to the Proposed Acquisition.

On 18 May 2021, the shareholders of the Company had, at an extraordinary general meeting, approved the Proposed Acquisition.

As at the date of this report, the transaction has yet to be completed as certain conditions precedent of the SSA have yet to be fulfilled.

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 |
|--|-------------------------------|
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i> | 1 January 2021 |
| Amendment to MFRS 16 <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> | 1 April 2021 (early adopt) |

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (Cont'd)

36.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2022

| Title | Effective Date |
|--|----------------|
| Annual Improvements to MFRS Standards 2018 - 2020 | 1 January 2022 |
| Amendments to MFRS 3 Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use | 1 January 2022 |
| Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract | 1 January 2022 |
| MFRS 17 Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 17 Insurance Contracts | 1 January 2023 |
| Amendment to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information | 1 January 2023 |
| Amendments to MFRS 101 Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to MFRS 101 Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to MFRS 108 Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

The Group and the Company are 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 2021 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 | 21 yrs | 39,180 | A factory building is erected on the adjoining parcels of the land | 37,452 |
| Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang. | 30 June 2019 / 08 August 2000 | Freehold | 21 yrs | 11,160 | | |
| Eonmetall Industries Sdn Bhd | | | | | | |
| GM 652, Lot 20024, Lot 384, Mukim 12, Seberang Perai Selatan, Penang. | 30 June 2019 / 30 October 2012 | Freehold | 10 yrs | 3,178 | Vacant land | 519 |
| GM 653, Lot 20025, Lot 384 Mukim 12, Seberang Perai Selatan, Penang. (Disposed On 6 th January 2022) | 30 June 2019 / 30 October 2012 | Freehold | 10 yrs | 7,850 | Vacant land | 1,281 |
| 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 | 16 yrs | 116 | Single storey terrace house / Residential premise for factory workers | 244 |
| 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 | 16 yrs | 116 | Single storey terrace house / Residential premise for factory workers | 244 |
| Eonsteel Sdn Bhd | | | | | | |
| Lot No. 387, Mukim 12, Seberang Perai Selatan, Penang. | 30 June 2019 / 19 May 2009 | Freehold | 13 yrs | 66,791 | Single storey detached factory | 56,581 |
| Eonchem Biomass Sdn Bhd | | | | | | |
| Lot No. 20123, Lot No. 20124, Mukim 12, Seberang Perai Selatan, Penang. | 30 June 2019 / 19 November 2013 | Freehold | 9 yrs | 30,680 | Single storey detached factory and single storey warehouse | 20,157 |

ANALYSIS OF SHAREHOLDINGS

Analysis of Shareholdings as at 31 March 2022

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 | 54 | 2.25 | 2,346 | 0.00 |
| 100 - 1,000 | 411 | 17.13 | 168,008 | 0.08 |
| 1,001 - 10,000 | 1,172 | 48.83 | 6,689,995 | 3.23 |
| 10,001 - 100,000 | 642 | 26.75 | 21,529,023 | 10.41 |
| 100,001 - less than 5% of issued shares | 119 | 4.96 | 61,602,832 | 29.80 |
| 10,340,362 - 5% and above of issued shares | 2 | 0.08 | 116,815,046 | 56.48 |
| TOTAL | 2,400 | 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 | 32,765,918 | 16.08 | ⁽ⁱ⁾ 84,049,128 | 41.26 |
| 3 | Datin Tan Pak Say | - | - | ⁽ⁱⁱ⁾ 116,815,046 | 57.34 |

* Exclusive 3,096,600 treasury shares.

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

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

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 | - | - |
| 2 | Yeoh Cheng Chye | 50,000 | 0.02 | - | - |
| 3 | Dato' Goh Cheng Huat | 32,765,918 | 16.08 | ⁽ⁱ⁾ 84,049,128 | 41.26 |
| 4 | Goh Kee Seng | - | - | - | - |
| 5 | Goh Hong Kent | - | - | - | - |
| 6 | Tang Yin Kham | - | - | - | - |
| 7 | Dato' Wahab Bin Hamid | - | - | - | - |
| 8 | Chan Theng Sung | 180,000 | 0.09 | - | - |

* Exclusive 3,096,600 treasury shares.

⁽ⁱ⁾ 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

| | Name | No. of Shares | % of Issued Share Capital |
|----|--|--------------------|---------------------------|
| 1 | EONMETALL CORPORATION SDN BHD | 84,049,128 | 41.26 |
| 2 | GOH CHENG HUAT | 32,765,918 | 16.08 |
| 3 | TAN KIAN CHUAN | 6,423,618 | 3.15 |
| 4 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIONG HUI YEE (8068671) | 2,148,600 | 1.05 |
| 5 | GOH LI LI | 2,071,500 | 1.02 |
| 6 | CHOO TEIK HENG | 2,028,500 | 1.00 |
| 7 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY AN NA (7001107) | 2,000,000 | 0.98 |
| 8 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES) | 2,000,000 | 0.98 |
| 9 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN YEW HING (7000829) | 1,680,000 | 0.82 |
| 10 | TOU SOUR | 1,340,000 | 0.66 |
| 11 | RAWANG MACHINERY & HARDWARE SDN BHD | 1,311,300 | 0.64 |
| 12 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO FOOK HERNG (7000803) | 1,174,000 | 0.58 |
| 13 | RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOW KIAN MENG | 1,059,200 | 0.52 |
| 14 | TAI HO FAH | 1,018,400 | 0.50 |
| 15 | TAN HANG KIM | 1,018,100 | 0.50 |
| 16 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KAY KEONG (MY4113) | 1,000,000 | 0.49 |
| 17 | FOO CHEK HENG | 1,000,000 | 0.49 |
| 18 | AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMP AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT) | 920,000 | 0.45 |
| 19 | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEAP BAN AIK | 919,700 | 0.45 |
| 20 | LEE KEE NIAN | 853,000 | 0.42 |
| 21 | NG CHEE MENG | 820,000 | 0.40 |
| 22 | TAN CHEIT CHAI | 818,000 | 0.40 |
| 23 | KENANGA NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT) | 788,900 | 0.39 |
| 24 | LIM JIN KEAT | 716,700 | 0.35 |
| 25 | M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOH CHOH PIAU (M&A) | 702,100 | 0.34 |
| 26 | GAN CHUAN LEE | 656,300 | 0.32 |
| 27 | TAN CHENG ENG | 649,400 | 0.32 |
| 28 | SIM WING THONG | 620,300 | 0.30 |
| 29 | TEOH CHAI HENG | 545,000 | 0.27 |
| 30 | HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR CHUA LAY SUAN | 528,000 | 0.26 |
| | | 153,625,664 | 75.39 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting ("19th 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, 30 May 2022 at 3.00 pm for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of Directors and Auditors thereon.
2. To re-elect the following Directors retiring in accordance with Clause 103 of the Company's Constitution:
(a) Mr Yeoh Cheng Chye; and **Ordinary Resolution 1**
(b) Madam Tang Yin Kham **Ordinary Resolution 2**
3. To re-elect Mr Chan Theng Sung, 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 2021. **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 for the period from 30 May 2022 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 pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act") and subject always to the provisions of the Constitution of the Company and the approvals from the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorised to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the issued share capital (excluding treasury shares) of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("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 AND FURTHER THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until 31 December 2022 or such timing, as empowered by Bursa Securities and thereafter ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being to be utilised before the conclusion of the next annual general meeting ("AGM") of the Company after such approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is the earlier (hereinafter referred to as the "General Mandate"), notwithstanding Section 76(3) of the Act, duly varied and adopted by the Directors of the Company pursuant to Section 76(4) of the Act. "

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING 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 Main Market Listing Requirements ("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 29 April 2022, 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)

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 nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM."

12. 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, 29 April 2022

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 23 May 2022 (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 Notes on Ordinary Business:

1. Ordinary Resolutions 1, 2 and 3:

The profiles of the retiring Directors are set out under Profile of Directors in the Annual Report 2021. The Independent Non-Executive Directors ("INEDs") had provided annual declaration / confirmation of independence. The Board of Directors ("Board") approved the recommendations from the Nominating Committee and is supportive of the re-election of the retiring Directors based on the justifications below. The retiring Directors had abstained from deliberation and decision making on their own eligibility to stand for re-election:

1.1 Mr Yeoh Cheng Chye is Managing Director/Chief Executive Director. He leads management and oversees group-wide business activities and operations. He also leads investor relations where his outreach has helped to enhance our standing amongst the investment communities.

1.2 Madam Tang Yin Kham is Independent Non-Executive Director ("INED"). She has fulfilled the requirements on independence as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). Madam Tang has demonstrated her objectivity through her proactive engagements during meetings of the Board and Board Committee by sharing valuable, relevant, independent and impartial insights, views and opinions on issues tabled for discussion. She has exercised due care and carried out her professional duties proficiently and effectively throughout her tenure as a Director of the Company.

1.3 Mr Chan Theng Sung was appointed on 24 February 2022 as INED of the Company. As he was appointed recently and with due notice of the basis of his appointment, he should be given opportunity to contribute to the Company.

2. Ordinary Resolution 5 is to approve Directors' Benefits

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 to authorise to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

This Ordinary Resolution, is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to issued and allot ordinary shares at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting, whichever is the earlier.

On 31 May 2021, at the Eighteenth AGM, the Directors of the Company were granted a general mandate by the members of the Company to issue and allot shares in the Company up to and not exceeding 20% of the total number of issued shares of the Company (hereinafter referred to as the "20% General Mandate"). The 20% General Mandate granted to the Directors will lapse at the conclusion of the Nineteenth AGM. After that, unless extended by Bursa Securities, the 10% mandate limit will be reinstated. The 20% 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 projects, working capital and/or acquisitions as well as to avoid any delay and cost in convening general meeting to specifically approve such an issuance of shares.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 31 May 2021 and which will lapse at the conclusion of the Nineteenth AGM.

On 23 December 2021, Bursa Securities had announced a 12-month extension for the implementation and utilisation of the 20% General Mandate ("Extended 20% General Mandate") up to 31 December 2022 and the Company is eligible for the Extended 20% General Mandate. The 20% General Mandate may be utilised by the Company to issue and allot new ordinary shares until 31 December 2022 and thereafter, the 10% General Mandate will be reinstated.

2. Ordinary Resolution 8 is to approve Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

This Ordinary Resolution, 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 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 29 April 2022 for further information.

3. Ordinary Resolution 9 is to approve Proposed Renewal of Authority to purchase its own shares

This Ordinary Resolution, 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 29 April 2022 for further information.

4. Ordinary Resolution 10 is to retain Dato' Wahab Bin Hamid as INED

This Ordinary Resolution, if passed, will allow Dato' Wahab Bin Hamid, who has served as INED for a cumulative term of more than nine (9) years, to be retained and continue to act as INED of the Company. Following annual performance evaluation and assessment of Dato' Wahab, the Board recommended him to continue acting as INED of the Company based on the justifications as set out in Corporate Governance Overview Statement in the Annual Report 2021.

5. Ordinary Resolution 11 is to retain Madam Tang Yin Kham as INED

This Ordinary Resolution, if passed, will allow Madam Tang, who has served as INED for a cumulative term of more than nine (9) years, to be retained and continue to act as INED of the Company. Following annual performance evaluation and assessment of Madam Tang, the Board 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 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 Nineteenth Annual General Meeting of the Company.



EONMETALL

EONMETALL GROUP BERHAD

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

FORM OF PROXY

| 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 Nineteenth Annual General Meeting ("19th 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, 30 May 2022 at 3.00 p.m. 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 |
|----------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|------|
| FOR | | | | | | | | | | | |
| AGAINST | | | | | | | | | | | |

Signed this _____ day of _____ 2022.

.....
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 23 May 2022 (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 19th AGM of the Company and any adjournment thereof.

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The Company Secretaries
EONMETALL GROUP BERHAD
Registration No. 200301029197 (631617-D)
170-09-01, Livingston Tower
Jalan Argyll, 10050 George Town
Pulau Pinang, Malaysia

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Fold this flap for sealing

EONMETALL GROUP BERHAD

Registration No. 200301029197 (631617-D)

Plant 1

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

Plant 2

Lot 393, Mk. 12,
Kawasan Perusahaan Valdor,
14200 Sungai Bakap, Penang, Malaysia.
Tel: +604 582 8651 Fax: +604 582 8727
Email: info@eonmetall.com



www.eonmetall.com

