



COMPREHENSIVE  
AUTOMATION

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## Comprehensive Automation

In partnering Eonmetall Group Berhad and having access to our comprehensive one-stop solutions, clients can be at ease as we provide only the best and convenience. We strive to deliver more and better. We are committed to innovation in our manufacturing capabilities for continuous improvements in all sectors. Building on our commitment, we can only go forward and upwards for innovative solutions and excellence.



# 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

**Chan Theng Sung**  
Independent  
Non-Executive Director

**Dato' Mohammad Radhi Bin Abdul Razak**  
Independent Non-Executive Director  
(Appointed on 30 May 2022)

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

**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)

## AUDIT COMMITTEE

Chan Theng Sung	Chairman
Tang Yin Kham	Member
Dato' Wahab Bin Hamid	Member
Dato' Mohammad Radhi Bin Abdul Razak	Member

## NOMINATING COMMITTEE

Dato' Mohammad Radhi Bin Abdul Razak	Chairman
Chan Theng Sung	Member
Dato' Wahab Bin Hamid	Member

## REMUNERATION COMMITTEE

Dato' Wahab Bin Hamid	Chairman
Chan Theng Sung	Member
Dato' Mohammad Radhi Bin Abdul Razak	Member

## REGISTERED OFFICE

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

## REGISTRAR

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

## 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

## HEAD OFFICE

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

## AUDITORS

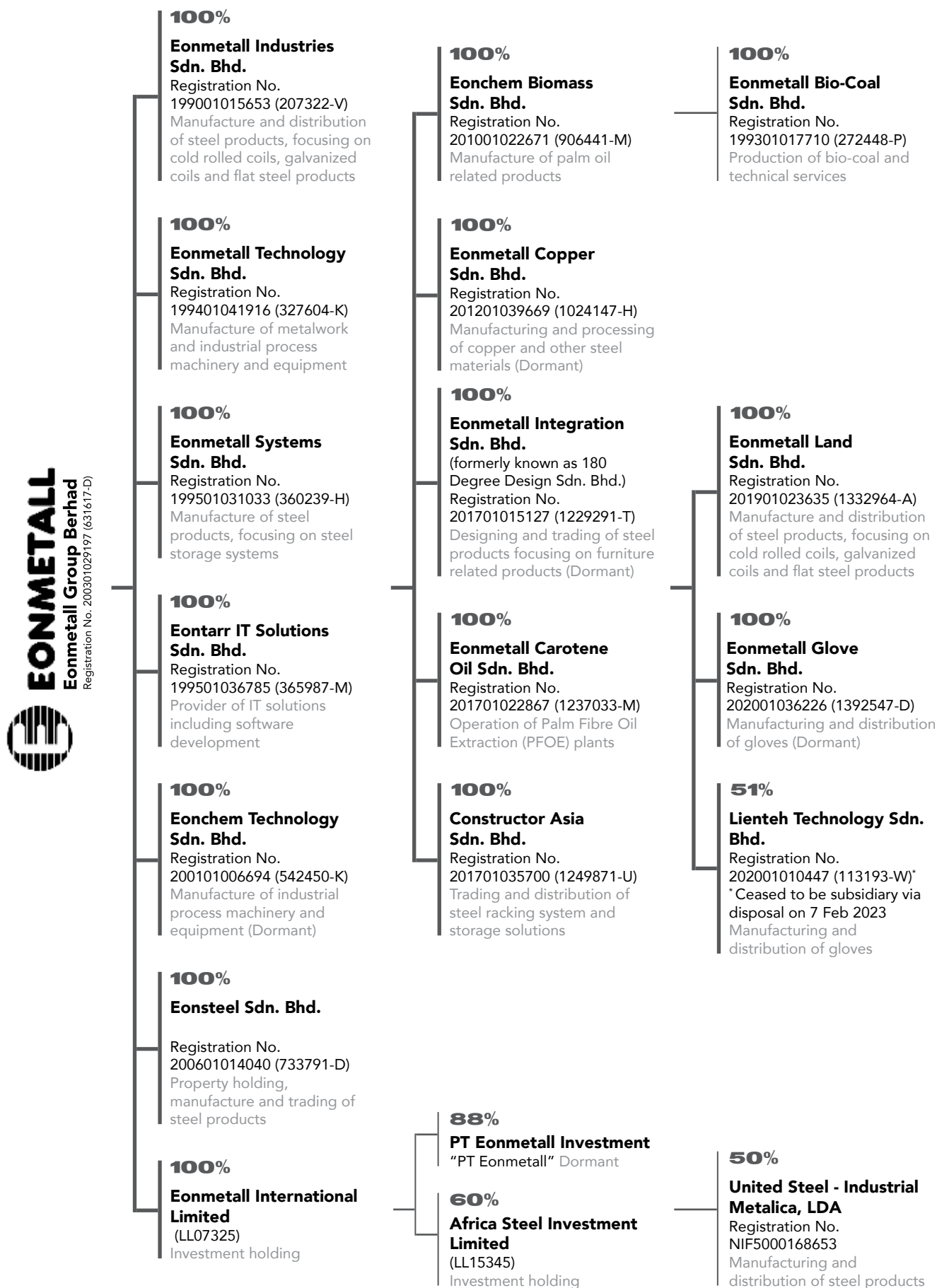
BDO PLT  
201906000013  
(LLP0018825-LCA & AF 0206)  
Chartered Accountants  
51-21-F, Menara BHL  
Jalan Sultan Ahmad Shah  
10050 George Town, Penang  
Telephone No. : (04) 222 0288  
Facsimile No. : (04) 222 0299

## STOCK EXCHANGE LISTING

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

# GROUP STRUCTURE & PRINCIPAL ACTIVITIES

AS AT 31ST DECEMBER 2022

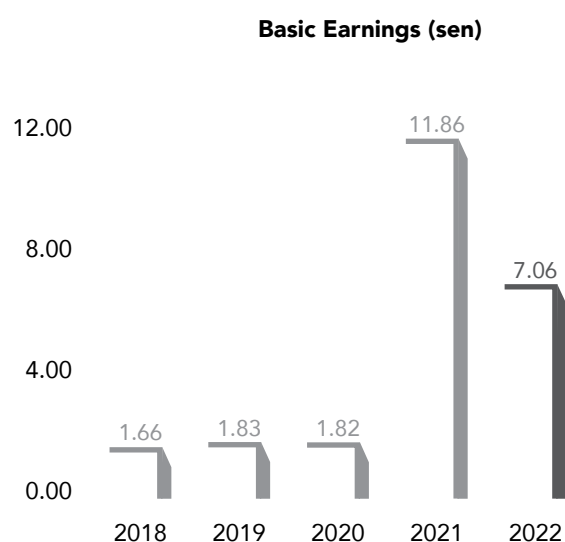
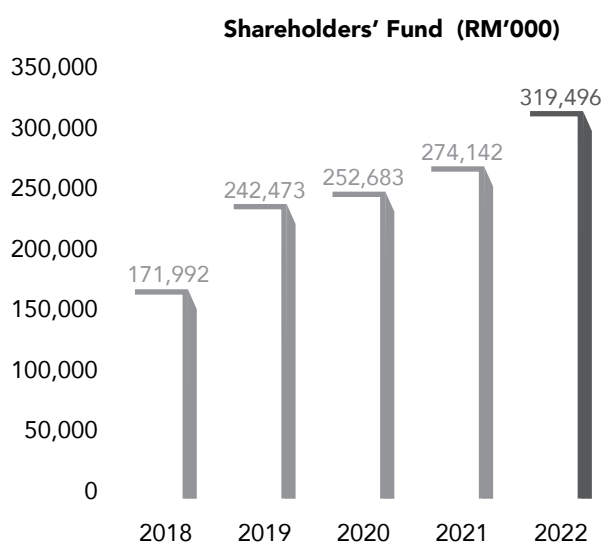
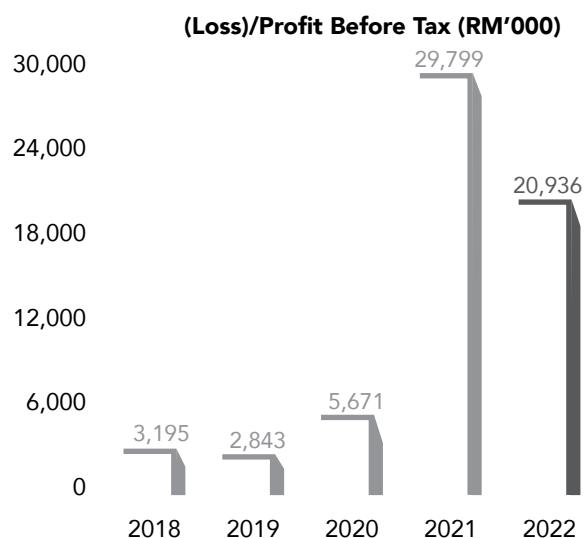
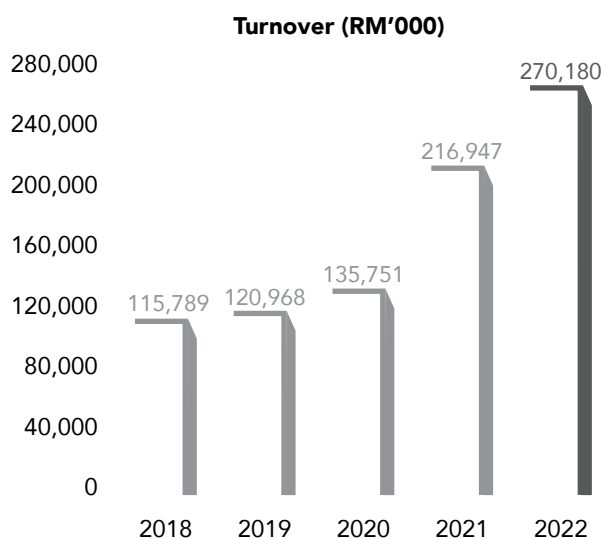


# GROUP FINANCIAL HIGHLIGHTS

Financial year ended 31 December	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
<b>INCOME</b>					
Turnover **	115,789	120,968	135,751	216,947	<b>270,180</b>
(Loss)/Profit before tax **	3,195	2,843	5,671	29,799	<b>20,936</b>
(Loss)/Profit attributable to owners of the company **	3,099	3,400	3,468	24,164	<b>17,675</b>
<b>FINANCIAL POSITION</b>					
Total assets	322,710	427,952	502,158	511,732	<b>608,263</b>
Share capital	99,801	99,801	106,097	106,097	<b>137,426</b>
Shareholders' fund	171,992	242,473	252,683	274,142	<b>319,496</b>
<b>PER SHARE</b>					
Gross dividend (%)	0.0	0.0	3.0	0.0	<b>2.6</b>
Net assets (RM)***	0.92	1.31	1.32	1.35	<b>1.28</b>
Basic earnings (sen)***	1.66	1.83	1.82	11.86	<b>7.06</b>

\*\* Include discontinued operations

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



# PROFILE OF DIRECTORS

## TAN SRI DATO' MOHD DESA BIN PACHI

PSM, DSPN, KMN  
Independent Non-Executive Chairman

**Tan Sri Dato' Mohd Desa Bin Pachi** was appointed to the Board on 3 March 2005 and redesignated 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,

**Age**  
89

**Gender**  
Male

**Nationality**  
Malaysian

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 one (1) subsidiary of Eonmetall and several other private companies.

He has attended all four (4) board meetings held during the financial year ended 31 December 2022.

## YEOH CHENG CHYE

Managing Director  
& Chief Executive Officer

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

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

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

**Age**  
54

**Gender**  
Male

**Nationality**  
Malaysian

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

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

He sits on the Board of certain subsidiaries of Eonmetall.

He has attended all four (4) board meetings held during the financial year ended 31 December 2022.

# PROFILE OF DIRECTORS (Cont'd)

## DATO' GOH CHENG HUAT

Executive Director

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

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

### Age

62

### Gender

Male

### Nationality

Malaysian

and keen business acumen certainly augur well for the Group especially in its business direction.

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

On 17 February 2023, he was appointed to the Board of Malaysian Bulk Carriers Berhad and redesignated as Managing Director.

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

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

He has attended three (3) out of four (4) board meetings held during the financial year ended 31 December 2022.

## GOH HONG KENT

Executive Director  
& Chief Operating Officer

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

He was appointed on 1 January 2013 as Chief Operating Officer.

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

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

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

### Age

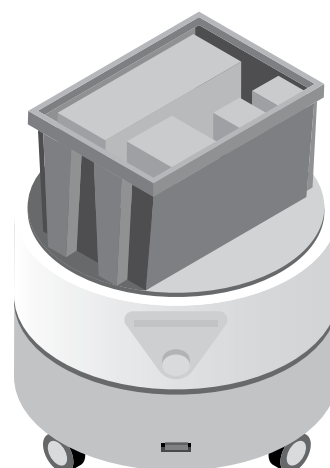
40

### Gender

Male

### Nationality

Malaysian



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

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

He has attended three (3) out of four (4) board meetings held during the financial year ended 31 December 2022.

# PROFILE OF DIRECTORS (Cont'd)

## DATO' WAHAB BIN HAMID

DPMS, DSDK, AMS, PPB  
Independent Non-Executive Director

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

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

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

He has 36 years of service in Malaysian Investment Development Authority (MIDA) in various Divisions with increasing seniority including serving as a Director of MIDA Sarawak, Director of MIDA Korea, Director of MIDA Selangor, Director of MIDA Germany, Director of Human Resource Division, Director of Industry Support Division and Senior Director of Resource Based Industry

### Age

70

### Gender

Male

### Nationality

Malaysian

Division. He was also the Deputy Director General II from June 2008 to April 2011.

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

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

He has attended all four (4) board meetings held during the financial year ended 31 December 2022.

## TANG YIN KHAM

Non-Independent  
Non-Executive Director

**Tang Yin Kham** was appointed to the Board on 3 March 2005 and redesignated as Non-Independent Non-Executive Director on 24 February 2023.

On 24 February 2023, she was redesignated as a member of Audit Committee and stepped down as a member of Nominating Committee and Remuneration Committee.

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

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

She has attended all four (4) board meetings held during the financial year ended 31 December 2022.

### Age

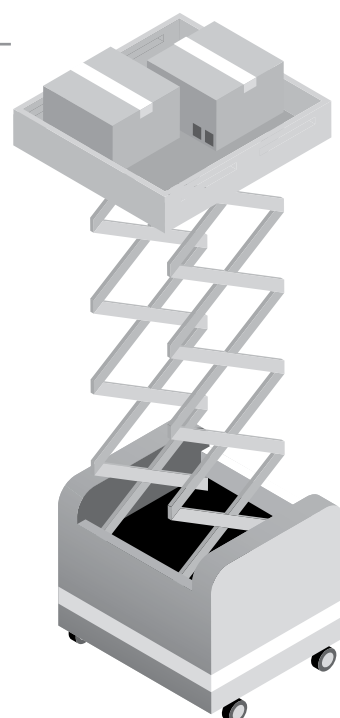
71

### Gender

Female

### Nationality

Malaysian



# PROFILE OF DIRECTORS (Cont'd)

## CHAN THENG SUNG

Independent Non-Executive Director

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

He was appointed as the Chairman of Audit Committee on 24 February 2023. He is also a member of 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 and a member of Chartered Taxation Institute of Malaysia.

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.

### Age

76

### Gender

Male

### Nationality

Malaysian

Bhd. as Financial Controller cum Company Secretary. Since 1983, he started his own Public Practice.

He attended all four (4) board meetings held during the financial year ended 31 December 2022.

## GOH KEE SENG

Non-Independent  
Non-Executive Director

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

He graduated from National Taiwan University of Taiwan in year 1979 with a Bachelor of Science 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 certain subsidiaries of Eonmetall and several other private companies.

He has attended all four (4) board meetings held during the financial year ended 31 December 2022.

### Age

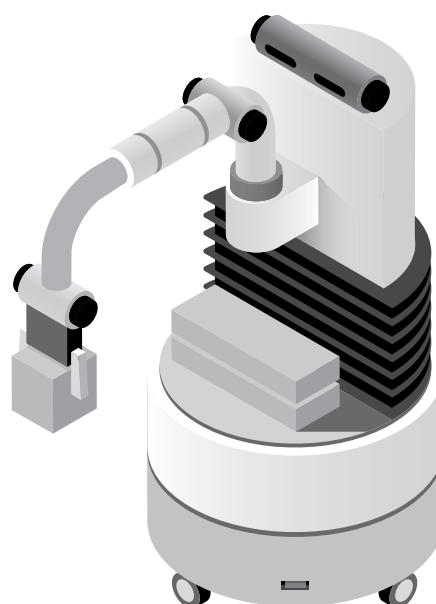
67

### Gender

Male

### Nationality

Malaysian



# PROFILE OF DIRECTORS (Cont'd)

## DATO' MOHAMMAD RADHI BIN ABDUL RAZAK

Independent Non-Executive Director

### Age

60

### Gender

Male

### Nationality

Malaysian

**Dato' Mohammad Radhi Bin Abdul Razak** was appointed to the Board of Eonmetall as Independent Non-Executive Director on 30 May 2022.

He was appointed as the Chairman of Nominating Committee on 24 February 2023. He is also a member of Audit Committee and Remuneration Committee.

He started his career in 1992 as assistant director of Ministry of Finance.

Later in 2001, he joined the Ministry of International Trade and Industry as a director where he was mainly responsible for sectoral policy division on iron and steel, he was also represent as a director for anti-dumping division. He was a deputy director of Economy Planning Unit, Ministry of Economic Affairs in 2015.

In 2019, he was promoted as director of Development Budget of Economy Planning Unit, Ministry of Economic Affairs.

Currently, he is Deputy Secretary General responsible for policy and monitoring in Ministry of Entrepreneur Development and Cooperatives since year 2020.

He is director of Small medium Enterprise Development Bank Malaysia Berhad and several other private companies.

He has attended three (3) board meetings held since the date of his appointment.

### 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 Goh Kee Seng being siblings, Goh Hong Kent who is the son of Dato' Goh Cheng Huat and the nephew of 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, Dato' Goh Cheng Huat and Dato' Mohammad Radhi Bin Abdul Razak none of the other Directors holds any other directorship in public companies.
- None of the Directors has been convicted of any offences, other than traffic offences, within the past 5 years.
- None of the Directors has public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

# PROFILE OF KEY SENIOR MANAGEMENT

**YEOH CHENG CHYE,  
DATO' GOH CHENG HUAT,  
GOH HONG KENT,**

Managing Director & Chief Executive Officer  
Executive Director  
Executive Director & Chief Operating Officer

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

## CHIA KANG YAO

Corporate & Finance Manager

### Age

33

### Gender

Male

### Nationality

Malaysian

**Chia Kang Yao** was appointed on 1 January 2022 as Corporate & Finance Manager. He is a member of the Malaysia Institute of Accountant (MIA) and a Fellow of the 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 lawyer to manufacturing, trading, associations, transportation and logistics. He left the firm in year 2011, to further his study of ACCA. In year 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 year 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 function, 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, holds any other directorship in public companies.
- None of the Key Senior Management has any family relationship, as defined under the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, with any other Directors and/or major shareholders of the Company.
- None of the Key Senior Management has any conflict of interest with Eonmetall Group.
- 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 2022 ("FYE2022").

During the financial year under review, the Group operates in a challenging environment in both our existing developed and emerging markets. Global economy faced with rocket high inflation and high threat of recession.

Despite these challenging business environment, the Group has performed well.

## Financial Performance

The Group recorded earnings of RM20.9 million from a revenue of RM270.2 million. Revenue increased exponentially by 24.6% from RM216.9 million reported during the financial year ended 31 December 2021 ("FYE2021") with significant growth contribution from steel products and trading activity segment ("Steel segment"). Despite the increased in revenue, profit before tax ("PBT") declined to RM20.9 million compared to RM29.8 million reported during the previous financial year. The lower earnings financial performance are mainly contributed by share of losses from our investment in a glove making subsidiary and share of losses from associates of about RM6.1 million and RM1.59 million respectively. The Group was also impacted by higher inventory cost and foreign exchange losses.

The Group recorded net asset per share of RM1.28 and maintained a manageable gearing ratio of about 38 percent.

## Operational Review

Revenue contribution from the steel products and trading activity segment ("Steel segment") grew significantly by about 30.6% to RM236.8 million year-on-year ("y-o-y") from RM181.3 million in FYE2021 with growth from both local and export markets. Its y-o-y PBT decreased to RM32.0 million from RM33.4 million in FYE2021 mainly due to higher cost of steel raw material and foreign exchange losses.

Machinery and equipment segment ("Machinery segment") reported revenue of RM19.6 million from RM35.6 million in FYE2021, and improved earnings by registering RM3.9 million in PBT from RM3.1 million in FYE2021. The revenue contribution dropped as the Group focused mainly in supply of machinery requirements within the Group for its steel segment capacity expansion.

## Industry Trend and Prospect

Towards end of 2022, the prognosis for global economic recovery was grim. Major central banks signalled a willingness to risk growth and forged ahead in raising interest rates further to manage inflation. These continues hiked in interest rate will further impact the Group's finance cost.

On 1 May 2022, the minimum wage is fixed at RM1,500 per month. This has impacted the Group's cost of production and operating margins for its labour intensive operation. The Group shall continue to emphasis on deployment of automation on its production process.

Palm oil price benchmark is expected at average of RM3,760 per metric tonne in year 2023, down from RM4,920 in year 2022. Even with the lower forecasted palm oil price, the price is still favourable in investment for our Solvent Extraction Plant due to higher demand for biofuels.

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.

Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023. Monetary policy is expected to stay on course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints.

Nevertheless, overall, the Group still performed well. We aim to strengthen our core divisions through expansion along the value chain to deliver more value added products and solutions to our customers, and to meet with changing market demands.

# CHAIRMAN'S STATEMENT (Cont'd)

## Industry Trend and Prospect (Cont'd)

The acquisition of Lienteh Technology Sdn. Bhd. ("LTSB") was completed on 12 May 2022.

On 15 September 2022, the shareholders of the Company during an extraordinary general meeting held on even date, approved the following:

- (a) the disposal of a 51% equity interest in LTSB to (1) Envy Venture Sdn. Bhd., (2) EMT Systems Sdn. Bhd. (formerly known as E Metall Systems Sdn. Bhd.), (3) Medical Spring International Health Management (Hong Kong) Co. Limited and (4) Elogistic and Industrial Estate Developer Sdn. Bhd. (collectively, the "LTSB shareholders") for a cash consideration of RM35.7 million; and
- (b) the rescission of profit guarantee and call option granted by LTSB shareholders to Company which is merely a consequence of the disposal

The Disposal was completed on 7 February 2023.

Moving forward, the Group shall continue to develop and expand its existing core business without any financial implication from the investment of the glove business.

## Dividend

The Board of Directors has declared an Interim Single Tier Dividend of 1.25 sen per ordinary share totalling of RM3,457,099 for the year ended 31 December 2022.

The entitlement and payment dates for the aforesaid dividend were 19 December 2022 and 30 December 2022 respectively.

## 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, 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**  
28 April 2023

# MANAGEMENT DISCUSSION & ANALYSIS

## Business & Economic Insight

The global economy is currently undergoing a widespread and more severe slowdown than previously anticipated with inflation levels not seen in several decades. This is due to various factors including the cost-of-living crisis in many regions and Russia's invasion of Ukraine. As a result, the forecasted global growth rate is expected to decline from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This projected slowdown represented the weakest growth profile since 2001, with the exception of the global financial crisis and the most severe phase of the COVID-19 pandemic.

However, projected to be the highest among ASEAN countries, Malaysia's gross domestic product (GDP) growth recorded at 8.7 percent in 2022 representing a significant increase from the 3.1 percent growth seen in 2021.

## Review of Business Operations and Financial Performance

### Business Operations

The financial year ended 31 December 2022 ("FYE 2022") had seen some major economies rebounding from the negative effects of COVID-19. However, recovery remained increasingly fragile affected by surging energy prices, commodity price volatility, persistent supply chain disruptions, and geopolitical conflicts.

The Group continued to reap the benefits from the strong demand for our products from the steel products & trading segment ("Steel Segment") for FYE 2022. This augured well for the Group which had spent years positioning itself as a leading steel storage and racking systems manufacturer. The Group reaped from the surge in demand for these products and from penetration into the United States market. The Group continues to expand 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, and Australasia. We have been granted exclusive manufacturing and marketing in Asia under "Constructor" brand name for our steel storage system by Gonvarri Material Handling AS (one of Europe's leading engineering and manufacturers of steel storage solutions) in 2019 and this was recently extended beyond 2023. This strategic partnership has allowed our products to gain acceptance and market penetration since its launch in early 2020. To date, our Group's racking system under these two brand names have emerged as leading brands in their respective categories in their markets. During current year, the Group have increased the product range as well.

The Group continues to be a niche player in the designing and fabrication of metalworking and palm oil related machines ("Machinery Segment"). The elevated crude palm oil prices have resulted in growing demand for our Group's palm fibre oil extraction which is also within this segment.

The Group remained focussed on building its built, operate transfer (BOT) business model offering patented processing technology both for Palm Fibre Oil Extraction ("PFOE") and Palm Kernel Oil Extraction ("PKOE") plants to palm oil mill owners within this segment with the first of this plant being commissioned in early 2022. 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.

In August 2022, our subsidiary, Eonmetall Technology Sdn Bhd had entered into an agreement to build a PFOE plant to extract oil from mesocarp fibre from processed fresh fruit bunches in Sedenak palm oil mill in Johor. This had augured well for the Group as we had completed 80% of the project in FY2022. This PFOE plant is expected to be commissioned in June 2023. The Group is planning to build the largest capacity PFOE plant in Malaysia during the year 2023 which is expected to be commissioned in 2024.

Fortunately the Russian-Ukraine war has not had any major impact on the demand for the Group's products and the Group had not encountered any supply-chain disruptions for its raw materials as they are sourced mainly from Vietnam, Taiwan and Japan.

### Financial Performance

Revenue increased by 24.6 percent to RM270.2 million over the previous financial year mainly arising from the increased demand from the Steel Segment. Despite the increase in revenue, profit before tax ("PBT") declined to RM20.9 million as compared to RM29.8 million during the previous financial year. This was mainly contributed by the share of losses from our investment in Lienteh Technology Sdn Bhd ("LTSB"), a glove making subsidiary and associate of about RM6.1 million and RM1.59 million respectively.

The Group recorded net asset per share of RM1.28 and maintained a manageable gearing ratio of approximately 38 percent. The Group recorded earnings of RM20.9 million from a revenue of RM270.2 million.

# MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

## Strategic Developments

On 8 August 2022, the Company had entered into a Share Sale Agreement with the 4 other shareholders of LTSB ("LTSB Shareholders") to dispose of the 15,300,000 ordinary shares in LTSB (representing 51% equity interest in LTSB) to LTSB Shareholders in proportion to their current interest in Lienteh for a cash consideration of RM35.7 million (the "Disposal"), and to rescind the profit guarantee and call option in consequential to the Disposal. The Disposal was completed on 7 February 2023.

In 2019, the Company acquired a parcel of land in Kapar to build a new manufacturing plant in order to accommodate the expansion of its business. The first phase of construction is expected to be completed by end of 2024.

This proposed new factory building measuring approximately 40,000 square metres will allow the Group to expand our existing Steel Segment production capability and capacity to better cater towards the growing demand of our products as our existing factory has reached optimum production capacity. This new expansion will allow the Group to have among the largest production capacity for steel storage and racking manufacturing in Asia.

## 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 specifications, quality and deadlines. Additionally, the Group has taken various legal and financial measures to ensure that any other associated risks are limited vis-a-vis review and execution of contracts.

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

Premised on the foregoing, global inflation has risen over the past year from less than 2% to over 6%, the highest level since 2008. Inflation is now running well above central bank inflation targets in almost all advanced economies and most inflation-targeting emerging market and developing economies. The recent commodity price surges triggered by the Russia-Ukraine crisis has raised inflation further. Unless there is a viable solution in sight, the developed countries especially those which are dependent on Russian oil and gas might tip towards a recession.

If the Russia-Ukraine crisis were to worsen, Malaysia might also be negatively impacted. We believe that the experience gained in the last two years managing the effects of the COVID-19 pandemic will put us in good stead in facing another crisis.

In addition to the increase in minimum wage to RM1,500 from 1 May 2022, the Malaysian Government had announced amongst other the decrease of working hours to 45 hours and the coverage of employees under the Employment Act to include employees with monthly salary of RM4,000, effective from 1 January 2023. These amendments had increased the production cost. Our Group will manage the situation carefully so as not to disrupt the demand and supply equation and mitigate the adverse outcome from this new policy.

## 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. The Company had paid an interim dividend of 1.25 sen per ordinary share totalling RM3,457,099 in respect of the FYE2022 on 30 December 2022.

# MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

## Corporate Governance & Sustainability

The Board of Eonmetall is committed to upholding high standards of governance practices that is essential for the Group to effectively deliver on our business strategies and generate sustainable value for all our stakeholders. The roll out of various policies underpinned our culture of accountability is to ensure all in the Group are guided by a set of governance policies and standard operating procedures to ensure comprehensive adherence to legal and ethical conduct.

For FYE2022, the Group have committed to diversify our workplace which included different mix of age and gender and also provide a friendly workplace to all people. We played our part by contributing to the enlarged community. We have contributed financial aid to a local government aided school for its expansion programme as we strongly promote the fundamental rights of every child to be entitled for education. Our Sustainability Statement outlined the efforts carried out by our Group and our commitment to deliver on out sustainable deliverables.

## Moving Forward

The Group is anticipating lower demand for its steel product and trading activity due to weakening global economy growth. However, the Group is maintaining optimism in the machinery and equipment segment due to the high crude palm oil price which may lead to higher demand in its palm oil related business. Nonetheless, the Group shall continue to exercise caution in our business approach for the foreseeable future in view of slower market conditions.

# 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 2022 ("**FYE2022**") 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](http://www.eonmetall.com) as well as through an announcement on the website of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). This CG Statement is to be read together with CG Report, based on a prescribed format as outlined under paragraph 15.25(2) of Main Market Listing Requirements of Bursa Securities ("**MMLR**").

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### 1 Board of Directors

The Board comprised of nine (9) members; three (3) Executive Directors, two (2) Non-Independent Non-Executive Directors 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 Directors	Dato' Goh Cheng Huat Goh Hong Kent
Non-Independent Non-Executive Directors	Goh Kee Seng Tang Yin Kham
Independent Non-Executive Directors	Tan Sri Dato' Mohd Desa Bin Pachi Dato' Wahab Bin Hamid Chan Theng Sung Dato' Mohammad Radhi Bin Abdul Razak

During the financial year under review and up to the date of this CG Statement, there was one (1) new appointment of Independent Non-Executive Director ("**INED**"). Dato' Mohammad Radhi Bin Abdul Razak was appointed on 30 May 2022 as INED. On 3 August 2022, he was appointed member of the Audit Committee ("**AC**").

On 24 February 2023, Tang Yin Kham was redesignated as a member of the AC and stepped down as a member of Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). On even date, Chan Theng Sung was appointed as the Chairman of the AC. Dato' Wahab Bin Hamid was redesignated as a member of NC. Dato' Mohammad Radhi Bin Abdul Razak was appointed as Chairman of the NC and Goh Kee Seng stepped down as a member of all Board Committees. The Board Committees refers, collectively, to the AC, NC and RC.

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 INED 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 1 Board of Directors (Cont'd)

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 FYE2022, the Board held four (4) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions, appointment of new INED 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 Board Committees meetings of Eonmetall held 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	3/4	-	-	-
Dato' Wahab Bin Hamid	4/4	4/4	1/1	1/1
Chan Theng Sung	4/4	4/4	1/1	1/1
Dato' Mohammad Radhi Bin Abdul Razak <sup>(1)</sup>	3/3	2/2	-	-
Tang Yin Kham	4/4	4/4	1/1	1/1
Goh Kee Seng	4/4	4/4	1/1	1/1

Note:

<sup>(1)</sup> Dato' Mohammad Radhi Bin Abdul Razak was appointed to the Board on 30 May 2022 and Audit Committee on 3 August 2022. His attendance at the Board and Audit Committee (as applicable) is counted from the date of his appointment.

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.

In respect of the new appointee, Dato' Mohammad Radhi Bin Abdul Razak had attended the Mandatory Accreditation Program ("MAP") prescribed under the MMLR.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 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 FYE2022:

Directors	Training, Conferences or Seminars
Tan Sri Dato' Mohd Desa Bin Pachi	<ul style="list-style-type: none"> <li>Webinar on Enhanced Sustainability Disclosure 2022</li> <li>Khazanah Megatrends Forum 2022 - Development and Its Complexities</li> </ul>
Yeoh Cheng Chye	<ul style="list-style-type: none"> <li>Webinar on Enhanced Sustainability Disclosure 2022</li> <li>HSBC Asian Outlook 2022: Climate and ESG Themes</li> <li>HSBC Malaysia Global Economic and Forex Outlook 2022</li> <li>HSBC Q2 2022 Forex Market Outlook Webinar</li> <li>Employer and Employee Tax obligations in Malaysia</li> <li>Malaysia's Corporate Taxes and Incentives Update</li> <li>SIRIM QAS Update Sessions 2022</li> <li>BDO Tax Webinar: Transfer Pricing of Intra-Group Financing</li> </ul>
Dato' Goh Cheng Huat	<ul style="list-style-type: none"> <li>Webinar on Enhanced Sustainability Disclosure 2022</li> </ul>
Goh Hong Kent	<ul style="list-style-type: none"> <li>Webinar on Enhanced Sustainability Disclosure 2022</li> <li>Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers</li> </ul>
Dato' Wahab Bin Hamid	<ul style="list-style-type: none"> <li>Webinar on Enhanced Sustainability Disclosure 2022</li> </ul>
Chan Theng Sung	<ul style="list-style-type: none"> <li>Webinar on Enhanced Sustainability Disclosure 2022</li> <li>National Tax Conference 2022</li> <li>Cross Border Transactions and Withholding Tax</li> <li>Auditing of Property Developers and Contractors</li> <li>ISQC 1, ISQM 1 &amp; ISQM 2, ISA 220 (Revised), Incorporating Root Cause Analysis</li> </ul>
Dato' Mohammad Radhi Bin Abdul Razak	<ul style="list-style-type: none"> <li>Webinar on Enhanced Sustainability Disclosure 2022</li> </ul>
Tang Yin Kham	<ul style="list-style-type: none"> <li>Webinar on Enhanced Sustainability Disclosure 2022</li> <li>ISQM 1: The Processes (FRAP &amp; MRP)</li> <li>Related Party Transactions and Disclosures (MFRS 124 and MPERS S.33)</li> <li>Taxation on Foreign Source Income (FSI)</li> <li>Modified Auditors Opinion Vs Modified Audit Report</li> </ul>
Goh Kee Seng	<ul style="list-style-type: none"> <li>Webinar on Enhanced Sustainability Disclosure 2022</li> </ul>

### 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.

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 (Cont'd)

### 1 Board of Directors (Cont'd)

#### 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.

#### 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.

#### 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.

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 1 Board of Directors (Cont'd)

#### **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.

#### **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.

#### **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 seven (7) days prior to meetings to ensure that they have sufficient time to review and evaluate the matters to be deliberated and obtain further information, if needed, prior to meeting to expedite decision-making during meetings. Actions on all matters arising from any previous meeting are reported at the following meeting.

### 2 Demarcation of Responsibilities

#### **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](http://www.eonmetall.com).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 3 Good Business Conduct and Corporate Culture

#### Code of Conduct and Ethics

The Board is committed towards inculcating a corporate culture which engenders ethical conduct throughout the Group. The Board has formalised Code of Ethics and Code of Conduct setting out the standard of ethics and conduct expected from its Directors, management and employees to enhance the standards of corporate governance and corporate behaviour.

The Code of Conduct is based on principles in relation to trust, integrity, responsibility, excellence, loyalty, commitment, dedication, discipline, diligence and professionalism. Our Code of Ethics is based on the principles of sincerity, integrity, responsibility and corporate social responsibility. The codes cover a wide range of business practices and procedures; and sets out the basic principles to guide the Group's Directors, management and employees in performing their duties so as to improve work quality, productivity and self-discipline in order to provide effective, good and quality services.

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

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

The ABAC Policy sets out adequate procedures designed to prevent situations in which bribery and corrupt practices may take root.

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

#### Whistleblowing 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 AC (for financial reporting, unethical or illegal conduct) or MD&CEO (for Employment-related concern) and shall be set forth in writing or verbally.

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

### 4 Sustainable Practice

#### 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 ("**RMC**") comprises mainly of the senior management has been entrusted to drive strategic management of material sustainability matters.

The Board has appointed the Executive Director & Chief Operating Officer ("**ED&COO**") to drive strategic management of material sustainability matters.

#### Sustainability Strategies

The management has set sustainability targets and these are being communicated with the key stakeholders. Implementation strategies are being developed and measured continuously.

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 4 Sustainable Practice (Cont'd)

#### Periodic Updates

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

#### Performance Evaluation

The Board recognised the importance of sustainability in all its business operation and had included sustainability as one of the criteria in the performance evaluations of all employees including its board members.

The Board Effectiveness Evaluation for FYE2022 included assessment on Board's understanding on sustainability issues that are critical to the Group's performance.

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

#### Sustainability Strategically

The ED&COO was appointed as the designated person on sustainability.

### 5 Board Composition

The NC comprises of three (3) members, all of whom are INEDs. The members of NC are as follows:

Name	Position
Dato' Mohammad Radhi Bin Abdul Razak	Chairman
Dato' Wahab Bin Hamid	Member
Chan Theng Sung	Member

The NC was previously chaired by Dato' Wahab Bin Hamid and supported by Tang Yin Kham, Goh Kee Seng and Chan Theng Sung. on 24 February 2023, Dato' Mohammad Radhi Bin Abdul Razak was appointed as the Chairman of NC while Dato' Wahab was re-designated as a member of the NC on 24 February 2023. On even date, Tang Yin Kham and Goh Kee Seng stepped down from the NC.

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

- Reviewed the term of office and performance of the AC.
- Reviewed the current Board structure, size and composition with an aim to achieving a balance of views on the Board.
- Reviewed and assessed the contribution of each Director and the effectiveness of the Board and Board Committees.
- Discussed the character, experience, integrity and competence of the Directors, Chief Executive or Chief Financial Officer and to ensure they have the time to discharge their respective roles.
- Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board.
- Reviewed the level of independence of INEDs.
- Reviewed and recommended re-election of Directors, who retire by rotation under the Company's Constitution, at the forthcoming Annual General Meeting ("AGM").
- Reviewed and recommended for re-appointment, the INEDs 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.
- Considered candidates and thereafter recommended Dato' Mohammad Radhi Bin Abdul Razak to the Board for appointment as INED.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 5 Board Composition (Cont'd)

#### 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, have 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.

#### 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 members should comprise of INEDs. The four (4) INEDs, with their breadth of professional background, have enabled the Board to exercise objective judgement on various issues through their sharing of impartial, objective and unbiased opinion and viewpoints. All Board Committees comprised solely of INEDs. In both instances, the Board's commitment towards independent view as well as check and balance is affirmed.

The current Board composition had exceeded the provision of 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 INEDs.

#### Tenure of Independent Director

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-ID or the Board shall justify and seek annual shareholders' approval.

The Board intends to retain the service of Dato' Wahab Bin Hamid and will seek shareholders' approval at the coming AGM. NC reviewed and assessed the level of independence of Dato' Wahab Bin Hamid vis-à-vis his tenure of service. The NC is satisfied that he has continued to demonstrate his independence through his engagement in meetings by bringing objective and independent judgement to decisions taken by the Board. The INED of the Company had also devoted sufficient time and attention to the Group's affairs.

Key justifications to recommend his continuation as INED is as follows:

- (a) Has proven business insight, academic qualifications, professional and entrepreneurial experience to share his valuable experience, expertise and skills with the Board;
- (b) Active 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) Exercised due care during his tenure as INED of the Company and carried out his professional duties in the best interest of the Company and shareholders.
- (d) Had not developed, established or maintained any significant relationship which could impair his independence as INED, with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of him to carry out his duties as INED or member of the Board's Committees.
- (e) Contributed sufficient time and efforts in attending the Board meetings.

#### Policy on Tenure of Independent Directors

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

#### 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, corporate affairs, manufacturing as well as sales and marketing.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 5 Board Composition (Cont'd)

#### Sources to identify candidate for Directorship

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

The NC evaluated the candidates against defined criteria. Deliberation and justification were documented and the NC recommended the appointment of Dato' Mohammad Radhi Bin Abdul Razak as INED for the Board's approval.

#### 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.

#### Chairman of NC

Dato' Mohammad Radhi Bin Abdul Razak, an INED, is the current Chairman of the NC. During the financial year under review, Dato' Wahab Bin Hamid another INED, was the Chairman of the NC.

#### 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.

#### 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

#### Effectiveness of the Board and individual Directors

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

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 6 Board Effectiveness (Cont'd)

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

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

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

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

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

### 7 Level and Composition of Remuneration

#### Remuneration policy

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

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

The RC 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 FYE2022, the RC 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 RC are properly documented in the minutes of Committee meetings and recommendations are reported by the RC Chairman at Board meetings.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 7 Level and Composition of Remuneration (Cont'd)

#### RC

The present RC consists of three (3) INEDs, all of whom are independent. The RC currently comprised of the following:

Name	Position
Dato' Wahab Bin Hamid	Chairman
Chan Theng Sung	Member
Dato' Mohammad Radhi Bin Abdul Razak	Member

The RC was previously chaired by Dato' Wahab Bin Hamid and supported by Tang Yin Kham, Goh Kee Seng and Chan Theng Sung. Tang Yin Kham and Goh Kee Seng stepped down from RC on 24 February 2023. On even date, Dato' Mohammad Radhi Bin Abdul Razak was appointed as member of RC.

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

### 8 Remuneration of Directors and Senior Management

#### Details of Directors' Remuneration

The remuneration payable in respect of Directors' fees and benefits payable for FYE2022 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 AC	54,000

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

The remuneration received/receivable by the Directors of the Company for FYE2022 is as disclosed in the CG Report.

#### Detailed Disclosure of Top Five (5) Senior Management's Remuneration

The Board acknowledged the need for transparency in the disclosure of remuneration as recommended under the MCCG. Nonetheless, the Board takes the view that there is no necessity for the Group to disclose the remuneration package of top five (5) Senior Management as such disclosure could be detrimental to its business interests given the highly competitive human capital 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 give rise to recruitment and talent retention issues going forward.

The Board will ensure that the remuneration of the Senior Management personnel commensurate with the level of responsibilities, with due consideration in attracting, retaining and motivating Senior Management to lead and run the Group successfully. Excessive remuneration pay-out is not made to the Senior Management personnel in any instance.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### 9 Effective and Independent AC

#### AC

Chan Theng Sung, an INED, is the Chairman of the AC and he is not the Chairman of the Board. Details on the composition and other pertinent facts of the AC is outlined under the AC Report in this Annual Report.

#### Appointment of Former Key Audit Partner

None of the members of the Board were former key audit partners. Hence, no former key audit partner is appointed to the AC. 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 AC was a key audit partner.

#### External Auditors

Under its TOR, the AC 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 AC has assessed the suitability and independence of the external auditors and is satisfied with the technical competency and independence of the external auditors. The AC meets with the external auditors at least twice (2) a year to discuss their audit plan and audit findings. The AC 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 AC 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 AC is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The AC 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 AC has considered the non-audit services provided by the external auditors during FYE2022 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 AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence rules of the Malaysian Institute of Accountants.

The Board place great emphasis on the objectivity and independence of the auditors, namely BDO PLT, in providing relevant and transparent reports to the shareholders. To ensure full disclosure of matters, the auditors attend the AGM to attend any queries from shareholders.

#### Composition of the AC

The present AC comprises four (4) members; three (3) INEDs and one (1) Non-INED.

#### Diversity in skills of the AC

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 10 Effective Risk Management and Internal Control Framework

#### **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 principal risks faced by the Group on an on-going basis.

#### **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 AC regularly.

#### **Establishment of a Risk Management Committee Comprises a Majority of Independent Director**

The group has not compiled on this Step-up Practice as the current RMC comprised of management personnel. The Board will assess the need for a Board-level RMC in the future.

### 11 Effective Governance, Risk Management and Internal Control

#### **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 AC.

The AC 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.

#### **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 RM47,000 has been incurred for internal audit services for FYE2022.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 12 Continuous Communication between the Company and Stakeholders

#### 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 the general meetings and given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns.

In addition, the Board and Management welcomed 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](http://www.eonmetall.com) that provides an easy and convenient avenue for public to gain access to more information of the Group.

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

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

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

#### Integrated Reporting

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

### 13 Conduct of General Meetings

#### Notice for AGM

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 19th AGM was sent to the shareholders at least twenty-eight (28) days prior to the meeting date and published in a major local newspaper. Items of special business included in the notice of 19th 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.

All the resolutions set out in the Notice for the 19th AGM were put to vote by poll with the outcome announced to Bursa Securities on the same day. The Board is satisfied with the current programme at AGM and there have been no major contentious issues noted with shareholders/investors.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

### 13 Conduct of General Meetings (Cont'd)

#### Directors' attendance

All the Directors had attended the Extraordinary General Meeting ("EGM") held on 8 April 2022, 15 September 2022 (with the exception of Tang Yin Kham and Dato' Mohammad Radhi Bin Abdul Razak who were absent due to being abroad and timing difference), 3 April 2023 and 19th AGM held on 30 May 2022 (with the exception of Goh Hong Kent who was absent due to urgent meeting abroad).

#### Leveraging on technology

The Company has leveraged on technology to facilitate shareholders' participation at the EGM which were convened virtually using remote participation and electronic voting ("RPEV") facilities through online meeting platform. These allowed shareholders to participate and vote during the EGM without having to be physically present at the meeting venue. The 19th AGM was held in person.

The Company will continue to conduct virtual general meetings through live streaming and using RPEV facilities to enhance the quality of engagement with its shareholders and facilitate further shareholders' participation at the forthcoming AGM in accordance with the Company's Constitution.

#### Shareholders engagement

All Directors and Management, Joint Company Secretary and external auditors were present during EGM and 19th 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.

#### Infrastructure for virtual general meeting

The RPEV system used to handle EGMs in a virtual environment was tested prior to the EGMs 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 meetings before the Board is invited to respond to the questions. In the event that an answer could be readily given at the meeting, the Board had to undertaken to include response in the minutes of said general meeting.

### 13.6 Minutes of General Meeting

Minutes 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 28 April 2023.

# 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 2022:

- a) Appropriate accounting policies were used and applied consistently;
- b) Adopted new and revised Malaysian Financial Reporting Standards (MFRSs), 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 Companies Act 2016.

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 Company and its subsidiaries ("the Group") 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 2022 illustrates the Group's progress over its sustainability challenges and opportunities from Economic, Environmental and Social dimensions ("EES") 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 storage and metal workings 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 and shelving 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 related sustainability initiatives. Our Executive Director & COO 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 and other stakeholders.

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 payment

### Environment

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

### Social

- Core values and vision
- Social responsibility
- Health and safe working space
- Career path and opportunities Training
- Work-life balance
- Clear lines of reporting and communication channel
- Competitive salary and benefits
- Employee engagement
- Work ethics
- 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
<b>ECONOMIC</b>	Business prospects	<ul style="list-style-type: none"> <li>We monitor closely our economic performance and business sustainability strategy.</li> <li>We monitor closely and manage our resources effectively to ensure that we are adequately funded with sufficient cash reserve for business growth and acquisitions.</li> <li>We source for cost effective materials and solutions. Our close business partnership with our supply chain has enabled all parties to have clear and definitive understanding of roles and responsibilities vis a vis needs, rules and regulations of the Group.</li> </ul>
	Cost rationalisation	<ul style="list-style-type: none"> <li>Our reputation is built upon the quality products we deliver to our customers. Our products meet regulatory, safety and quality standards and our ability to penetrate the export markets of Asean, Asia, Asia Pacific, Middle East and North Africa, and the USA testify to our product quality. Our product quality is further affirmed by us being awarded exclusive manufacturing and distribution of European standard storage systems. The quality management we have in place is designed to monitor and control the processes from planning and development to production and after-sales service in order to fulfil our customers' high demand for quality.</li> <li>We recognise and live up to the slogan of "Customer Satisfaction First". In line with this slogan, our service staff are well trained to prioritise customer satisfaction and to achieve this attribute, our service staff are required to attend training in product knowledge and soft skills development in line with the Quality Policy commitment within ISO9001:2015.</li> </ul>
	Improving profit margins	<ul style="list-style-type: none"> <li>We participate regularly at trade exhibitions and conduct customer visits as part of market expansion initiatives. During the year under review, the Group participated in 2 local and overseas exhibitions to promote our products to new markets. We have also visited customers to engage with them and to obtain feedback which will form part of our data base to formulate our business strategy to expand our market share.</li> </ul>

# SUSTAINABILITY STATEMENT (Cont'd)

## Sustainability Approach and Principles (Cont'd)

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

Dimension	Sustainability matters	Highlights and action plan in place
<b>ECONOMIC</b>	Competitive pricing	<ul style="list-style-type: none"> <li>Our products are globally accepted and we are able to give our customers total solutions in advance design, reliable engineering, world class manufacturing and cost effective project management. In addition, we have gained recognition as the leading design innovator and fabricator of the patented solvent extraction plant for palm mesocarp fibre and palm kernel cake.</li> </ul>
	Return on investment	<ul style="list-style-type: none"> <li>Our operations are supported by Enterprise Resource Planning ("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 protect critical systems .</li> </ul>
	Product quality and reliability	<ul style="list-style-type: none"> <li>We engage in responsible procurement practices whereby proper procedures are laid down to ensure that any procurement made is properly evaluated and approved by the relevant authority after considering the production needs and existing stock position. We only source our raw materials from approved vendors which meet certain acceptable business practices and deliver high quality materials based on our specifications which are in compliance with international and Malaysian standards especially for imported steel materials. Our officers are expected to conduct themselves ethically. We will not tolerate any corrupt practices in all business dealings and any breach of this policy will be dealt with severely.</li> </ul>
	Procurement policy and payment	<ul style="list-style-type: none"> <li>Engagement of local vendors is key part of our contribution to domestic economy. We continue to prioritise local suppliers and contractors to help develop and grow our sustainable practices along the supply chain whilst stimulating the local economy.</li> <li>In certain instances, we also develop partnership based approach with selected vendors to ensure effective cost management and delivery of our raw material purchases.</li> </ul>

# SUSTAINABILITY STATEMENT (Cont'd)

## Sustainability Approach and Principles (Cont'd)

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

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

# SUSTAINABILITY STATEMENT (Cont'd)

## Sustainability Approach and Principles (Cont'd)

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

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

# SUSTAINABILITY 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"> <li>Our policy is to create a safe and healthy workplace for our employees where they can have a peace of mind whenever they are working in our factory premises. We have complied, to the best of our ability, the existing laws and regulations relevant to our operations such as Occupational Safety and Health Act, 1994, Environmental Quality Act, 1974, and Factories and Machinery Act, 1967.</li> </ul> <p>Some of the more important measures which we have implemented to complement the compliance of the aforementioned laws and regulations included:</p> <ul style="list-style-type: none"> <li>An active Safety Committee to oversee and monitor ongoing safety and health initiatives which have been implemented.</li> </ul>
	Training	<ul style="list-style-type: none"> <li>Implement a standard security procedure to protect our factory from unauthorised access, sabotage and espionage.</li> <li>Regular maintenance of fire extinguishers and proper layout location and signage plan for the fire extinguishers for easy identification in the event of emergency.</li> <li>We believe in empowering our employees by having in place a standard operating procedure on training and personnel development. Investing in appropriate training to our employees will result in better customer service, productivity improvements, better efficiency and better workplace safety practices.</li> </ul>
	Work life balance	<ul style="list-style-type: none"> <li>During the year, we carried out 2 training sessions covering financial management to occupational health &amp; safety and quality management for our employees. Ultimately, we hope to achieve better business performance and profitability and improve staff morale.</li> <li>To promote a healthy working life, we believe in providing a balanced work-life environment to all our employees to enable them to have more time for their family and/or to pursue and advance their areas of interest. In this respect, we do not encourage overtime work unless it is absolutely necessary such as to meet customer's order or regulatory deadlines, promote a healthy lifestyle, also organise weekly badminton session as part of healthy lifestyle promotion.</li> </ul>

# SUSTAINABILITY STATEMENT (Cont'd)

## Sustainability Approach and Principles (Cont'd)

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

Dimension	Sustainability matters	Highlights and action plan in place
<b>SOCIAL</b>	Social responsibility	<ul style="list-style-type: none"> <li>Contribution to society. We have contributed financial aid to a local government aided school for its expansion programme as we believe every child is entitled to get a proper and strong education foundation to prepare the child for a better future.</li> <li>We are committed to conduct our affairs in an ethical, responsible and transparent manner. In this respect we have a Whistleblower Policy in place whereby our employees are encouraged to report any malpractices or wrongdoings to the Chairman of the Audit Committee for any unethical or illegal conduct in financial reporting and to the Managing Director &amp; Chief Executive Officer for any employment related concerns. The identity of a whistleblower is protected under this policy. The whistleblower policy is uploaded to our website at <a href="http://www.eonmetall.com">www.eonmetall.com</a>.</li> </ul>
	Work ethics	<ul style="list-style-type: none"> <li>Our work ethics require all our employees to discharge their duties and responsibilities in accordance to their job functions professionally, honestly, productively and efficiently. Likewise for those conducting business on behalf of the Group are required to observe generally accepted business ethics such as engaging in fair negotiations with our customers and vendors and adopting a “win-win” strategy when closing business deals.</li> <li>Premised on the aforementioned, we will not tolerate bribery and corruption practices among our employees irrespective of ranks and status. As bribery and corruption practices fall under criminal, anyone caught will be dealt with severely like reporting to the police and brought to court.</li> <li>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.</li> <li>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.</li> </ul>
	Covid-19 response	

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

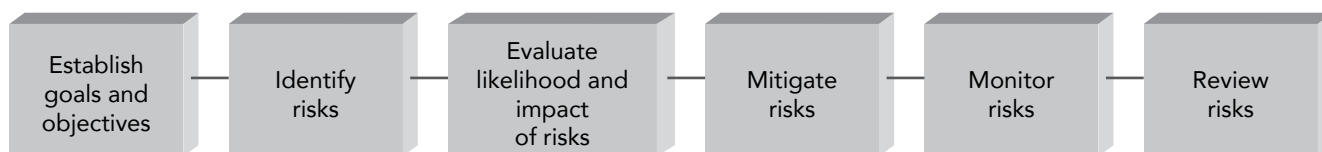
This Statement on Risk Management and Internal Control ("**the Statement**") is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**MMLR**") and guided by the Statement on Risk Management and Internal Control: 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 this Annual Report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Guidelines.



## MANAGEMENT'S ROLE

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. The Board has received assurance from the Managing Director & Chief Executive Officer ("**MD&CEO**") and Executive Director & 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 a sound system of risk management and internal control, the Board continued 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 met 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.
- 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 and Anti-Corruption Policy ("**ABAC Policy**") within the Group. The Whistle Blower Policy outlines the mechanism and framework by which employees and/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](http://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 ABAC Policy.

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

## RISK MANAGEMENT

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

The Group, has implemented 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.

By close of FYE2022, following 2 cycles of risks review, the Group had identified 4 new 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 ABAC Policy, the Board has incorporated corruption risk into the Group's risk register.

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.

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

## 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, JWC consulting Sdn. Bhd. ("JWC"). 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.

JWC and its personnel are not related to any of the Directors of the Group and hence no conflict of interest with the Group. The head of JWC is a member of the MIA and the Institute of Internal Auditors Malaysia ("IIAM")

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

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.

## Weakness in Internal Controls

Based on the internal auditors' reports for FYE2022, 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 FYE2022, 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 FYE2022. 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 28 April 2023.

# 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 the Company and its subsidiaries ("**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/investor-relations/](http://www.eonmetall.com/investor-relations/).

## 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, Chan Theng Sung, is a Chartered Accountant of the Malaysian Institute of Accountants and a fellow member of 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 2022 ("**FYE2022**") is as tabulated:

Directors   Designation	Attendance
Chan Theng Sung   Chairman (Independent Non-Executive Director) <sup>(1)</sup>	4/4
Tang Yin Kham   Member (Non-Independent Non-Executive Director) <sup>(2)</sup>	4/4
Dato' Wahab Bin Hamid   Member (Independent Non-Executive Director)	4/4
Goh Kee Seng   Member (Non-Independent Non-Executive Director) <sup>(3)</sup>	4/4
Dato' Mohammad Radhi Bin Abdul Razak   Member (Independent Non-Executive Director) <sup>(4)</sup>	2/2

Notes:

<sup>(1)</sup> Chan Theng Sung was appointed as the Chairman of Audit Committee on 24 February 2023.

<sup>(2)</sup> Tang Yin Kham was redesignated as member of Audit Committee on 24 February 2023.

<sup>(3)</sup> Goh Kee Seng resigned from Audit Committee on 24 February 2023.

<sup>(4)</sup> Dato' Mohammad Radhi Bin Abdul Razak was appointed to the Audit Committee on 3 August 2022. His attendance at the Audit Committee meetings is counted from his date of appointment.

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

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

The Audit Committee also arranged to meet and discuss with the external and internal auditors on any matters relating to the Group and its 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.

# AUDIT COMMITTEE REPORT (Cont'd)

## Summary of Activities Undertaken during the Financial Year

The Audit Committee carried out its duties in accordance with its TOR during the financial year 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 FYE2022 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 was satisfied with the external auditors' performance and made its recommendations to the Board on their re-appointment as auditors at the forthcoming annual general meeting.

### Internal Audit and Risk Management

- (a) Reviewed the internal audit reports prepared by an independent professional 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 2022.

# 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 management information systems and inventory management of the Group based on the approved internal audit plan. Upon completion of their work, the internal auditors presented their findings and recommendations as well as the Management's responses and action plans to the Audit Committee for its review and deliberation. The internal auditors also conducted follow-up 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 2022.

The cost incurred for the internal audit function of the Group in respect of FYE2022 was RM47,000.

This Audit Committee Report is issued in accordance with a resolution dated 28 April 2023.

# ADDITIONAL COMPLIANCE INFORMATION

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

## 1. Utilisation of Proceeds Raised From Corporate Proposal

On 30 August 2022, the Company announced that the Proposed Disposal of 15,300,000 ordinary shares which equivalent to 51% of shares in LTSB for a cash consideration of RM35,700,000.

As at 31 December 2022, the status of utilisation of proceeds raised pursuant to the Private Placement is as follows:-

Details of Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilisation RM'000	Intended Timeframe for Utilisation
Expansion of steel manufacturing facilities	17,000	6,700	10,300	Within thirty (30) months from the date of completion of the Proposed Disposal
Repayment of borrowings	12,000	1,400	10,600	Within six (6) months from the date of completion of the Proposed Disposal
Working capital	6,040	6,040	-	Within six (6) months from the date of completion of the Proposed Disposal
Estimated expenses <sup>(1)</sup>	660	660	-	Immediate
	<u>35,700</u>	<u>14,800</u>	<u>20,900</u>	

Notes:

<sup>(1)</sup> The estimated expenses comprising professional fees payable to the Principal Adviser, solicitors, Independent Adviser, company secretaries and share registrar for the Proposals

## 2. Audit and Non-audit fees

The amount of audit and non-audit fees paid or payable to the external auditors, BDO PLT or a firm or corporation affiliated with them by the Company and the Group for the financial year ended 31 December 2022 are as follows:

	Group (RM)	Company (RM)
Fees paid or payable to the external auditors:		
Audit fees	281,400	57,500
Non-audit fees	64,600	6,900
- Non-audit fees paid or payable to the listed issuer's auditors, or a firm or corporation affiliated to the auditors' firm		
<b>Total</b>	<b>346,000</b>	<b>64,400</b>

## 3. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries, involving the interests of Directors or major shareholders, either still subsisting at the end of the financial year ended 31 December 2022 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 2022.

# ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

## 5. Recurrent related Party Transactions ("RRPT") of revenue nature

Details of RRPT transacted during the financial year ended 31 December 2022 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 30 May 2022 are as tabulated. The information contained herein, save for the actual value transacted, is extracted from the Circular dated 29 April 2022.

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	624	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. Goh Hong Kent ("GHK") is a director of EMI. He is a person connected to Dato' Goh and Datin Tan. Tan Kheng Hwa ("TKH") is the spouse of TPH. Genrizt is a partnership owned by TKH and TPH.
EMI & Eonmetall Technology Sdn. Bhd. ("EMT")	Eonlipids Sdn. Bhd. ("Eonlipids")	<sup>(2)</sup> Sales of steel products, sales and maintenance of machinery, and project works	-	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. GHK is a director of EMI and EMT. He is a person connected to Dato' Goh and Datin Tan. Goh Kee Seng ("GKS") is a director of EMT, Eonlipids and ENS. He is a person connected to Dato' Goh and Datin Tan. He is also a major shareholder of Eonlipids and ENS. Eonlipids and ENS are subsidiaries of ECSB.
	Eonlipids Nutrition Specialties Sdn. Bhd. ("ENS")		-	
EMI	<sup>(1)</sup> Leader Steel Sdn. Bhd. ("LSSB")	Sales and servicing of steel products	-	Tan Sri Dato' Mohd Desa Bin Pachi is a director of EMT and Leader Steel Holdings Berhad ("LSH"). Dato' Goh is a director of 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, ESL and LSSC. He is a person connected to Dato' Goh and Datin Tan. He also has interest in LSH. ECSB is a major shareholder of Eonmetall.
	<sup>(1)</sup> Leader Steel Service Centre Sdn. Bhd. ("LSSC")		629	
<sup>(1)</sup> LSSC	EMI	Purchase and servicing of steel products	1,574	
	Eonmetall Systems Sdn. Bhd. ("EMS")		-	
	Eonsteel Sdn. Bhd. ("ESL")		-	
<sup>(1)</sup> LSSB	EMI	Purchase and servicing of steel products	139	
	EMS		2	
	ESL		-	
EMT	<sup>(1)</sup> LSSB	Sales and maintenance of machinery	-	
<sup>(1)</sup> LSSB <sup>(1)</sup> LSSC	EMT	Purchase and maintenance of machinery	4	
EMT	<sup>(1)</sup> LSSC	<sup>(2)</sup> Construction of office building & a single storey steel factory	-	
		Sales and maintenance of machinery	2	

# 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 2022 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 30 May 2022 are as tabulated. The information contained herein, save for the actual value transacted, is extracted from the Circular dated 29 April 2022. (Cont'd)

Provider of goods and services	Recipient of goods and services	Nature of Transaction	Actual value transacted (RM'000)	Related Parties
EMS and ESL	<sup>(1)</sup> LSSB	Sales and servicing of steel products	-	<p>Tan Sri Dato' Mohd Desa Bin Pachi is a director of LSH.</p> <p>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 and Datin Tan.</p> <p>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.</p> <p>GHK is a director of EMI, EMS, ESL and LSSC. He is a person connected to Dato' Goh and Datin Tan. He also has interest in LSH.</p> <p>ECSB is a major shareholder of Eonmetall.</p>
	<sup>(1)</sup> LSSC		-	
<sup>(1)</sup> LSSC	Lienteh Technology Sdn. Bhd. ("Lienteh")	Renting of <sup>(3)</sup> single storey factory, <sup>(4)</sup> double storey shophouses and <sup>(5)</sup> equipment	904	<p>Tan Sri Dato' Mohd Desa Bin Pachi is a director of LSH.</p> <p>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 and Datin Tan.</p> <p>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.</p> <p>GHK is a director of LSSC. He is a person connected to Dato' Goh and Datin Tan. He also has interest in LSH.</p> <p>ECSB is a major shareholder of Eonmetall.</p>
<sup>(1)</sup> LSSB <sup>(1)</sup> LSSC		Sale, purchase and servicing of steel products	-	
<sup>(1)</sup> LSSB	EMI EMT	<sup>(6)</sup> Renting of single storey factory	2,008	<p>Tan Sri Dato' Mohd Desa Bin Pachi is a director of EMT and LSH.</p> <p>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.</p> <p>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.</p> <p>GHK is a director of EMI and EMT. He is a person connected to Dato' Goh and Datin Tan. He also has interest in LSH.</p> <p>ECSB is a major shareholder of Eonmetall.</p>
<sup>(1)</sup> LSSB	EMT	Purchase and servicing of steel products	-	<p>Tan Sri Dato' Mohd Desa Bin Pachi is a director of EMT and LSH.</p> <p>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 and Datin Tan.</p> <p>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.</p> <p>GHK is a director of EMT and LSSC. He is a person connected to Dato' Goh and Datin Tan. He also has interest in LSH.</p> <p>ECSB is a major shareholder of Eonmetall.</p>
<sup>(1)</sup> LSSB			-	
<sup>(1)</sup> LSSB		<sup>(6)</sup> Renting of single storey factory	-	
EMT	<sup>(1)</sup> LSSB	<sup>(2)</sup> Construction of office building & a single storey steel factory	6,950	<p>Tan Sri Dato' Mohd Desa Bin Pachi is a director of EMT and LSH.</p> <p>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 and Datin Tan.</p> <p>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.</p> <p>GHK is a director of EMT and LSSC. He is a person connected to Dato' Goh and Datin Tan. He also has interest in LSH.</p> <p>ECSB is a major shareholder of Eonmetall.</p>

# 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 2022 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 30 May 2022 are as tabulated. The information contained herein, save for the actual value transacted, is extracted from the Circular dated 29 April 2022. (Cont'd)

Provider of goods and services	Recipient of goods and services	Nature of Transaction	Actual value transacted (RM'000)	Related Parties
EMI	EMT Systems Sdn. Bhd. [Formerly known as E Metall Systems Sdn. Bhd.] ("EMTS")	Trading of steel products	-	Dato' Goh is an Executive Director and major shareholder of Eonmetall and Maybulk. He is also a major shareholder of ECSB. Datin Tan is the spouse of Dato' Goh. She is also a major shareholder of ECSB by virtue of her indirect interest through ECSB and Dato' Goh. GHK is an Executive Director of Eonmetall. He is also a director of EMI and EMS. He is the son to Dato' Goh and Datin Tan. GKS is a Non-Independent Non-Executive Director of Eonmetall. He is the brother to Dato' Goh and brother-in-law to Datin Tan. Lim Junliang, Troy is a Non-Independent Non-Executive Director of Malaysian Bulk Carriers Berhad ("Maybulk"). He is the son-in-law to Dato' Goh.
EMS				

EMTS is a customer of the Group and transactions between these identified parties are the norm as these are part of contractual obligations on supply contracts to EMTS.

Following completion of acquisition of entire 100% equity interest in EMTS by Maybulk on 30 January 2023, all transactions between the Group with EMTS effective 1 February 2023 are now classified as RRPT given the presence of common Executive Director and major shareholder in both Eonmetall and Maybulk.

Notes:

- <sup>1</sup> Subsidiaries of LSH
- <sup>2</sup> Projects delayed pending finalisation of negotiations on the project specification as well as terms and conditions of award.
- <sup>3</sup> 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 RM270,922.43. 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.
- <sup>4</sup> 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.
- <sup>5</sup> A weighing machine owned by LSSC at a monthly rental of RM3,000.
- <sup>6</sup> A single storey factory building located at Lot 1596, Mukim 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Daerah Seberang Perai Selatan, Penang measuring approximately 210,000 square feet in area at a monthly rental approximately RM270,000.

# 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 2022.

## PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of the subsidiaries are mainly involved in manufacturing and sales of metalwork, industrial process machinery and equipment and steel products, property and investment holding and others. Further details of the subsidiaries are set out in Note 8 to the financial statements.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries other than the newly additional principal activity of manufacturing and distribution of gloves arises from the newly acquisition of subsidiary during the financial year.

## RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year from continuing operations	19,312,594	(17,860,619)
Loss for the financial year from discontinued operations	(4,360,449)	0
	<u>14,952,145</u>	<u>(17,860,619)</u>
Attributable to:		
Owners of the parent		
- from continuing operations	19,899,180	(17,860,619)
- from discontinued operations	(2,223,829)	0
	<u>17,675,351</u>	<u>(17,860,619)</u>
Non-controlling interests		
- from continuing operations	(586,586)	0
- from discontinued operations	(2,136,620)	0
	<u>(2,723,206)</u>	<u>0</u>
	<u>14,952,145</u>	<u>(17,860,619)</u>

## DIVIDENDS

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

	Company RM
In respect of financial year ended 31 December 2022:	
Interim single-tier dividend of 1.25 sen per ordinary share, paid on 30 December 2022	<u>3,457,099</u>

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

# DIRECTORS' REPORT (Cont'd)

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the foreign currency translation loss amounted to RM192,552 and the realisation of revaluation reserve amounted to RM196,854 taken up in the consolidated statement of changes in equity.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary shares of the Company was increased from 206,807,250 to 279,664,392 by way of issuance of 72,857,142 new ordinary shares pursuant to the private placement undertaken by the Company at an issue price of RM0.49 per ordinary share. For the purpose of accounting, the fair value of RM0.43 per ordinary share as at the date of completion of the acquisition was recorded.

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

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

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIRECTORS

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

Dato' Mohammad Radhi Bin Abdul Razak

(Appointed on 24 February 2022)

(Appointed on 30 May 2022)

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

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

Yusri Suhud

Taufik Aries Budiono

Ng Keng Hoe

Goh Ting Hong #

Tan Kian Chuan #

# Directors of the newly acquired subsidiary, which subsequently being disposed off on 7 February 2023.

# DIRECTORS' REPORT (Cont'd)

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2022 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 1.1.2022	Bought	Sold	Balance as at 31.12.2022

### Shares in the Company

#### Direct interests:

Tan Sri Dato' Mohd Desa Bin Pachi	30,000	0	0	30,000
Yeoh Cheng Chye	50,000	0	0	50,000
Dato' Goh Cheng Huat	32,765,918	237,500	0	33,003,418

[----- Number of ordinary shares -----]				
	Balance as at 1.1.2022	Bought	Sold	Balance as at 31.12.2022

#### Indirect interests:

Dato' Goh Cheng Huat #	84,049,128	0	0	84,049,128
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# Deemed interest through shares held by Eonmetall Corporation Sdn. Bhd. by virtue of Section 8(4) of the Companies Act 2016 in Malaysia.

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.

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

# DIRECTORS' REPORT (Cont'd)

## DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company for the financial year ended 31 December 2022 were as follows:

	Group RM	Company RM
Continuing operations:		
- fees	324,000	324,000
- other emoluments	2,177,046	43,500
	<u>2,501,046</u>	<u>367,500</u>
Discontinued operations:		
- other emoluments	114,194	0
	<u>2,615,240</u>	<u>367,500</u>

## 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 there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the effects arising from:
  - (i) impairment losses on investments in subsidiaries of the Company of RM40,423,434;
  - (ii) impairment losses on contract assets of the Group of RM470,141 and impairment losses on trade and other receivables of the Group and of the Company of RM5,524,608 and RM5,726,191 respectively;
  - (iii) reversal of impairment losses on trade and other receivables of the Group and of the Company of RM1,291,764 and RM5,391,761 respectively;
  - (iv) inventories written down of the Group of RM5,822,962;
  - (v) gain on disposal of assets held of sale of the Group of RM2,098,579;
  - (vi) fair value gain on derivative liability of the Group and of the Company of RM8,423,000 and RM8,423,000 respectively;
  - (vii) fair value gain on guarantee asset of the Group and of the Company of RM16,897,434 and RM16,897,434 respectively; and
  - (viii) impairment loss on goodwill on consolidation of the Group of RM25,320,434.

# DIRECTORS' REPORT (Cont'd)

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

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

- (c) The Directors are not aware of any circumstances:
  - (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
  - (i) there has not arisen any item, transaction or event of a material and unusual nature 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 EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 12 May 2022, the Company had completed the acquisition of 15,300,000 ordinary shares in Lienteh Technology Sdn. Bhd. ('LTSB'), representing 51% equity interest in LTSB from EMT Systems Sdn. Bhd. (F.K.A. E Metal Systems Sdn. Bhd.), Envy Venture Sdn. Bhd., Medical Spring International Health Management (Hong Kong) Co. Limited and Elogistic and Industrial Estate Developer Sdn. Bhd. (collectively known as shareholders of LTSB) for a purchase consideration of RM35,700,000 by way of issuance of 72,857,142 new ordinary shares of the Company at an issue price of RM0.49 per ordinary share. For the purpose of accounting, the fair value of RM0.43 per ordinary share as at the date of completion of the acquisition was recorded.

Pursuant to the private placement of shares undertaken by the Company, EMT Systems Sdn. Bhd. (F.K.A. E Metal Systems Sdn. Bhd.) and Envy Venture Sdn. Bhd. became the substantial shareholders of the Company.

Subsequently on 8 August 2022, the Company had entered into a share sale agreement with shareholders of LTSB for the proposed disposal of 15,300,000 ordinary shares representing its entire 51% equity interest in LTSB to shareholders of LTSB for a cash consideration of RM35,700,000. Accordingly, the assets and liabilities of LTSB are classified as disposal group classified as held for sale and the financial results of LTSB are classified as discontinued operations.

As at the date of this report, the disposal has been completed and LTSB ceased to be the subsidiary of the Company.

# DIRECTORS' REPORT (Cont'd)

## AUDITORS

The auditors, BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206), have expressed their willingness to continue in office.

## AUDITORS' REMUNERATION

Auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2022 were as follows:

	Group RM	Company RM
Continuing operations:		
- statutory audit	294,523	57,500
- other services	6,900	6,900
	301,423	64,400
Discontinued operations:		
- statutory audit	10,500	0
- other services	1,500	0
	12,000	0
	313,423	64,400

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

**Goh Hong Kent**  
Director

Penang  
28 April 2023

**Yeoh Cheng Chye**  
Director

# STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 62 to 140 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 2022 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

**Yeoh Cheng Chye**  
Director

Penang  
28 April 2023

## 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 62 to 140 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 28 April 2023

**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 2022 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 62 to 140.

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 2022, 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 Matters of the Group

##### *Recoverability of trade receivables*

As at 31 December 2022, the Group had trade receivables amounted to RM23,507,185, which were net of impairment losses of RM11,582,157. 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.

### Audit response

Our audit procedures included the following:

- recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- 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;
- inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses;

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

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

## Key Audit Matters (Cont'd)

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

#### *Recoverability of trade receivables (Cont'd)*

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

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

- 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 2022, the net carrying amounts of investments in subsidiaries of RM140,077,649 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.

#### 2. *Recoverability of amounts owing by subsidiaries*

As at 31 December 2022, the Company had amounts owing by subsidiaries amounted to RM43,922,803, which were net of impairment losses of RM13,258,405 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;

# 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. *Recoverability of amounts owing by subsidiaries (Cont'd)*

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

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

- 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.

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.

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

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

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

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

- (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.

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.

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

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

## 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**  
201906000013 (LLP0018825-LCA) & AF 0206  
Chartered Accountants

Penang  
28 April 2023

**Koay Theam Hock**  
02141/04/2025 J  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	<b>182,945,878</b>	180,304,885	<b>0</b>	0
Right-of-use assets	6	<b>5,153,654</b>	783,334	<b>0</b>	0
Investments in subsidiaries	8	<b>0</b>	0	<b>140,077,649</b>	126,900,649
Investments in associates	9	<b>9,326,524</b>	10,382,639	<b>0</b>	0
Trade and other receivables	11	<b>0</b>	65,393	<b>43,922,803</b>	31,635,020
		<b>197,426,056</b>	191,536,251	<b>184,000,452</b>	158,535,669
<b>Current assets</b>					
Inventories	12	<b>187,212,523</b>	186,249,683	<b>0</b>	0
Trade and other receivables	11	<b>104,936,438</b>	116,191,366	<b>1,000</b>	2,172,402
Contract assets	13	<b>4,504,152</b>	1,536,988	<b>0</b>	0
Current tax assets		<b>151,165</b>	445,891	<b>5,115</b>	0
Cash and bank balances	14	<b>16,678,983</b>	14,490,701	<b>219,218</b>	245,832
		<b>313,483,261</b>	318,914,629	<b>225,333</b>	2,418,234
Assets classified as held for sale	15	<b>97,354,563</b>	1,281,285	<b>31,329,571</b>	0
<b>TOTAL ASSETS</b>		<b>608,263,880</b>	511,732,165	<b>215,555,356</b>	160,953,903

# STATEMENTS OF FINANCIAL POSITION (Cont'd)

AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	16	<b>137,425,816</b>	106,097,245	<b>136,935,924</b>	105,607,353
Treasury shares	16(c)	<b>(1,761,139)</b>	(1,761,139)	<b>(1,761,139)</b>	(1,761,139)
Reserves	17	<b>183,831,558</b>	169,805,858	<b>2,280,255</b>	23,597,973
		<b>319,496,235</b>	274,141,964	<b>137,455,040</b>	127,444,187
Non-controlling interests	8(g)	<b>6,346,147</b>	1,052,930	<b>0</b>	0
<b>TOTAL EQUITY</b>		<b>325,842,382</b>	275,194,894	<b>137,455,040</b>	127,444,187
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Trade and other payables	18	<b>0</b>	0	<b>62,808,415</b>	33,167,958
Borrowings	19	<b>11,977,214</b>	31,312,589	<b>0</b>	0
Lease liabilities	6	<b>1,812,811</b>	487,715	<b>0</b>	0
Deferred tax liabilities	10	<b>12,608,895</b>	8,513,989	<b>0</b>	0
		<b>26,398,920</b>	40,314,293	<b>62,808,415</b>	33,167,958
<b>Current liabilities</b>					
Trade and other payables	18	<b>37,009,235</b>	33,922,547	<b>15,290,901</b>	303,653
Derivative liabilities	20	<b>0</b>	103,137	<b>0</b>	0
Borrowings	19	<b>157,820,343</b>	160,223,141	<b>0</b>	0
Lease liabilities	6	<b>3,437,527</b>	334,101	<b>0</b>	0
Current tax liabilities		<b>954,977</b>	1,640,052	<b>0</b>	38,105
		<b>199,222,082</b>	196,222,978	<b>15,290,901</b>	341,758
Liabilities classified as held for sale	15	<b>56,800,496</b>	0	<b>1,000</b>	0
<b>TOTAL LIABILITIES</b>		<b>282,421,498</b>	236,537,271	<b>78,100,316</b>	33,509,716
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>608,263,880</b>	511,732,165	<b>215,555,356</b>	160,953,903

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 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>Continuing operations</b>					
Revenue	21	<b>256,924,541</b>	216,947,424	<b>0</b>	10,000,000
Cost of sales		<b>(199,788,183)</b>	(171,303,192)	<b>0</b>	0
Gross profit		<b>57,136,358</b>	45,644,232	<b>0</b>	10,000,000
Other income		<b>30,903,797</b>	10,775,361	<b>27,219,038</b>	1,605,602
Distribution expenses		<b>(6,329,012)</b>	(5,401,635)	<b>0</b>	0
Administrative expenses		<b>(15,226,643)</b>	(15,480,817)	<b>(1,805,402)</b>	(1,157,939)
Other expenses		<b>(25,349,105)</b>	(931,305)	<b>(38,600,434)</b>	(68,895)
Finance costs	22	<b>(7,849,770)</b>	(5,369,399)	<b>(2,265,040)</b>	(1,201,571)
Net impairment losses on financial assets and contract assets		<b>(4,702,985)</b>	(1,206,551)	<b>(2,157,430)</b>	(2,139,800)
Share of results of associates, net of tax	9(f)	<b>(1,585,924)</b>	1,769,531	<b>0</b>	0
Profit/(Loss) before tax from continuing operations	25	<b>26,996,716</b>	29,799,417	<b>(17,609,268)</b>	7,037,397
Tax expense	26	<b>(7,684,122)</b>	(4,892,979)	<b>(251,351)</b>	(56,273)
Profit/(Loss) for the financial year from continuing operations, net of tax		<b>19,312,594</b>	24,906,438	<b>(17,860,619)</b>	6,981,124
<b>Discontinued operations</b>					
Loss for the financial year from discontinued operations, net of tax		<b>(4,360,449)</b>	0	<b>0</b>	0
Profit/(Loss) for the financial year		<b>14,952,145</b>	24,906,438	<b>(17,860,619)</b>	6,981,124

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
<b>Profit/(Loss) for the financial year</b>		<b>14,952,145</b>	24,906,438	<b>(17,860,619)</b>	6,981,124
<b>Other comprehensive (loss)/income, net of tax:</b>					
<b><u>Continuing operations</u></b>					
<b>Item that may be reclassified subsequently to profit or loss</b>					
Foreign currency translations		<u>(175,603)</u>	<u>528,568</u>	<u>0</u>	<u>0</u>
<b>Total comprehensive income/(loss)</b>		<u><b>14,776,542</b></u>	<u>25,435,006</u>	<u><b>(17,860,619)</b></u>	<u>6,981,124</u>
<b>Profit/(Loss) for the financial year attributable to:</b>					
Owners of the parent					
- continuing operations		<b>19,899,180</b>	24,164,248	<b>(17,860,619)</b>	6,981,124
- discontinued operations		<b>(2,223,829)</b>	0	<b>0</b>	0
		<b>17,675,351</b>	24,164,248	<b>(17,860,619)</b>	6,981,124
Non-controlling interests					
- continuing operations	8(g)	<b>(586,586)</b>	742,190	<b>0</b>	0
- discontinued operations	8(g)	<b>(2,136,620)</b>	0	<b>0</b>	0
		<u><b>(2,723,206)</b></u>	<u>742,190</u>	<u><b>0</b></u>	<u>0</u>
		<u><b>14,952,145</b></u>	<u>24,906,438</u>	<u><b>(17,860,619)</b></u>	<u>6,981,124</u>

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent					
- continuing operations		<b>19,706,628</b>	24,608,294	<b>(17,860,619)</b>	6,981,124
- discontinued operations		<b>(2,223,829)</b>	0	<b>0</b>	0
		<b>17,482,799</b>	24,608,294	<b>(17,860,619)</b>	6,981,124
Non-controlling interests					
- continuing operations	8(g)	<b>(569,637)</b>	826,712	<b>0</b>	0
- discontinued operations	8(g)	<b>(2,136,620)</b>	0	<b>0</b>	0
		<b>(2,706,257)</b>	826,712	<b>0</b>	0
		<b>14,776,542</b>	25,435,006	<b>(17,860,619)</b>	6,981,124
Earnings/(Loss) per ordinary share attributable to owners of the parent (sen):					
Basic and diluted					
- continuing operations	27	<b>7.95</b>	11.86		
- discontinued operations	27	<b>(0.89)</b>	0		
		<b>7.06</b>	11.86		

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022		106,097,245	(1,761,139)	46,904,756	(1,008,676)	123,909,778	274,141,964	1,052,930	275,194,894
Profit/(Loss) for the financial year		0	0	0	0	17,675,351	17,675,351	(2,723,206)	14,952,145
Foreign currency translations		0	0	0	(192,552)	0	(192,552)	16,949	(175,603)
Total comprehensive income		0	0	0	(192,552)	17,675,351	17,482,799	(2,706,257)	14,776,542
<b>Transactions with owners</b>									
Acquisition of a subsidiary	8(e)	0	0	0	0	0	0	7,999,474	7,999,474
Issuance of ordinary shares pursuant to private placement	16	31,328,571	0	0	0	0	31,328,571	0	31,328,571
Dividends paid	28	0	0	0	0	(3,457,099)	(3,457,099)	0	(3,457,099)
Total transactions with owners		31,328,571	0	0	0	(3,457,099)	27,871,472	7,999,474	35,870,946
Realisation of revaluation reserve upon:									
- disposal of revalued properties		0	0	(112,651)	0	112,651	0	0	0
- depreciation of revalued properties		0	0	(196,854)	0	196,854	0	0	0
		0	0	(309,505)	0	309,505	0	0	0
Balance as at 31 December 2022		137,425,816	(1,761,139)	46,595,251	(1,201,228)	138,437,535	319,496,235	6,346,147	325,842,382

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <sup>(Cont'd)</sup>

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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
<b>Transactions with owners</b>									
Disposal of a subsidiary	8(f)	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

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Company	Note	Share capital RM	Treasury shares RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2022		105,607,353	(1,761,139)	23,597,973	127,444,187
Loss for the financial year		0	0	(17,860,619)	(17,860,619)
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive loss		0	0	(17,860,619)	(17,860,619)
<b>Transactions with owners</b>					
Issuance of ordinary shares pursuant to private placement	16	31,328,571	0	0	31,328,571
Dividends paid	28	0	0	(3,457,099)	(3,457,099)
Total transaction with owners		31,328,571	0	(3,457,099)	27,871,472
Balance as at 31 December 2022		136,935,924	(1,761,139)	2,280,255	137,455,040
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
<b>Transaction with owners</b>					
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

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax from:					
Continuing operations		<b>26,996,716</b>	29,799,417	<b>(17,609,268)</b>	7,037,397
Discontinued operations	15(c)	<b>(6,061,148)</b>	0	<b>0</b>	0
Adjustments for:					
Depreciation of:					
- property, plant and equipment	5	<b>10,927,084</b>	8,981,490	<b>0</b>	0
- right-of-use assets	6	<b>3,079,886</b>	475,014	<b>0</b>	0
Fair value loss on derivative financial instruments		<b>0</b>	103,137	<b>0</b>	0
Fair value gain on derivative liability	15(b) (iii)	<b>(8,423,000)</b>	0	<b>(8,423,000)</b>	0
Fair value gain on guarantee asset	15(b) (ii)	<b>(16,897,434)</b>	0	<b>(16,897,434)</b>	0
Loss/(Gain) on disposal of:					
- a subsidiary	8(f)(i)	<b>0</b>	(159,327)	<b>0</b>	68,895
- assets held for sale	15	<b>(2,098,579)</b>	(6,483,884)	<b>0</b>	0
- property, plant and equipment		<b>391,549</b>	(7,997)	<b>0</b>	0
Gain on lease modification		<b>(184,938)</b>	(2,960)	<b>0</b>	0
Impairment losses on:					
- goodwill on consolidation	7(c)	<b>25,320,434</b>	0	<b>0</b>	0
- investments in subsidiaries	8(b)	<b>0</b>	0	<b>15,103,000</b>	0
- trade and other receivables		<b>5,524,608</b>	1,971,983	<b>5,726,191</b>	2,139,800
- disposal group classified as held for sale	15	<b>0</b>	0	<b>25,320,434</b>	0
- contract assets	13(d)	<b>470,141</b>	0	<b>0</b>	0
Interest expense		<b>7,882,831</b>	5,369,399	<b>2,265,040</b>	1,201,571
Interest income		<b>(69,035)</b>	(13,000)	<b>(1,891,602)</b>	(1,485,604)
Inventories written down		<b>5,822,962</b>	511,704	<b>0</b>	0
Property, plant and equipment written off	25	<b>866</b>	62,733	<b>0</b>	0
Reversal of impairment losses on trade and other receivables		<b>(1,291,764)</b>	(765,432)	<b>5,391,761</b>	0
Share of results of associates	9(f)	<b>1,585,924</b>	(1,769,531)	<b>0</b>	0
Unrealised foreign exchange gain		<b>(801,817)</b>	(687,518)	<b>0</b>	(105,000)
Operating profit/(loss) before changes in working capital		<b>52,175,286</b>	37,385,228	<b>(1,798,400)</b>	8,857,059

# STATEMENTS OF

## CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b> (Cont'd)				
Operating profit/(loss) before changes in working capital	<b>52,175,286</b>	37,385,228	<b>(1,798,400)</b>	8,857,059
Decrease/(Increase) in trade and other receivables	<b>9,110,419</b>	(35,719,388)	<b>(7,000)</b>	(2,813,148)
(Increase)/Decrease in contract assets	<b>(3,437,305)</b>	1,122,112	<b>0</b>	0
Increase in inventories	<b>(1,418,072)</b>	(65,719,742)	<b>0</b>	0
(Decrease)/Increase in trade and other payables	<b>(9,822,304)</b>	(11,786,085)	<b>14,987,248</b>	(22,155)
Cash generated from/(used in) operations	<b>46,608,024</b>	(74,717,875)	<b>13,181,848</b>	6,021,756
Tax paid	<b>(4,112,544)</b>	(4,031,828)	<b>(294,571)</b>	(7,421)
Tax refunded	<b>131,677</b>	0	<b>0</b>	0
Net cash from/(used in) operating activities	<b>42,627,157</b>	(78,749,703)	<b>12,887,277</b>	6,014,335

# STATEMENTS OF CASH FLOWS

(Cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		<b>69,035</b>	13,000	<b>0</b>	0
Net cash inflow on disposal of a subsidiary	8(f)(i)	<b>0</b>	3,687,006	<b>0</b>	4,131,000
Net cash inflow on acquisition of a subsidiary	8(e)	<b>628,270</b>	0	<b>0</b>	0
Proceeds from disposal of:					
- assets held for sale		<b>3,041,878</b>	58,800,000	<b>0</b>	0
- property, plant and equipment		<b>5,930,461</b>	8,000	<b>0</b>	0
Purchase of :					
- property, plant and equipment	5	<b>(12,613,746)</b>	(8,720,504)	<b>0</b>	0
- right-of-use assets		<b>(4,542)</b>	0	<b>0</b>	0
Increase in amounts owing by subsidiaries		<b>0</b>	0	<b>(36,832,209)</b>	(14,612,984)
Increase in amounts owing to subsidiaries		<b>0</b>	0	<b>27,375,417</b>	7,273,027
Net cash (used in)/from investing activities		<b>(2,948,644)</b>	53,787,502	<b>(9,456,792)</b>	(3,208,957)

# STATEMENTS OF

## CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividends paid	28	<b>(3,457,099)</b>	(3,055,660)	<b>(3,457,099)</b>	(3,055,660)
Net (decrease)/increase in short-term borrowings		<b>(9,526,943)</b>	45,473,076	<b>0</b>	0
Interest paid		<b>(7,691,105)</b>	(5,324,009)	<b>0</b>	0
Payments of lease liabilities	6	<b>(3,186,153)</b>	(326,100)	<b>0</b>	0
Proceeds from term loans		<b>5,720,000</b>	4,576,000	<b>0</b>	0
Repayments of term loans		<b>(17,014,142)</b>	(15,691,278)	<b>0</b>	0
Net cash (used in)/from financing activities		<b>(35,155,442)</b>	25,652,029	<b>(3,457,099)</b>	(3,055,660)
Net increase/(decrease) in cash and cash equivalents		<b>4,523,071</b>	689,828	<b>(26,614)</b>	(250,282)
Effects of exchange rate changes on cash and cash equivalents		<b>(808,549)</b>	(616,629)	<b>0</b>	0
Cash and cash equivalents at beginning of financial year		<b>3,405,986</b>	3,332,787	<b>245,832</b>	496,114
Cash and cash equivalents at end of financial year	14(c)	<b>7,120,508</b>	3,405,986	<b>219,218</b>	245,832

# STATEMENTS OF CASH FLOWS

(Cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Lease liabilities (Note 6)		Borrowings excluding bank overdrafts (Note 19)	
	2022 RM	2021 RM	2022 RM	2021 RM
Balance as at 1 January	<b>821,816</b>	578,513	<b>180,451,015</b>	146,093,217
Cash flows	<b>(3,186,153)</b>	(326,100)	<b>(20,821,085)</b>	34,357,798
Non-cash flows:				
- additions	<b>6,508,691</b>	555,265	<b>0</b>	0
- lease modification	<b>(3,123,642)</b>	(31,252)	<b>0</b>	0
- unwinding of interest	<b>191,726</b>	45,390	<b>0</b>	0
- acquisition of a subsidiary	<b>4,804,464</b>	0	<b>0</b>	0
- reclassification to disposal group				
classified as held for sale	<b>(766,564)</b>	0	<b>0</b>	0
Balance as at 31 December	<b>5,250,338</b>	821,816	<b>159,629,930</b>	180,451,015

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 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 2022 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 28 April 2023.

## 2. PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of the subsidiaries are mainly involved in manufacturing and sales of metalwork, industrial process machinery and equipment and steel products, property and investment holding and others. Further details of the subsidiaries are set out in Note 8 to the financial statements.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries other than the newly additional principal activity of manufacturing and distribution of gloves arises from the newly acquisition of subsidiary 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 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 2022

## 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 respective notes to the financial statements.

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 asset, goodwill on consolidation, guarantee asset, assets used primarily for corporate purpose and items that cannot be reasonably allocated to individual segment.

Segment liabilities exclude tax liabilities and derivative liability.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 4. OPERATING SEGMENTS (Cont'd)

2022	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Continuing operations Total RM	Discontinued operations RM	Total RM
<b>Revenue</b>						
Total revenue	25,909,688	486,946,863	2,163,943	515,020,494	13,254,990	528,275,484
Inter-segment revenue	(6,280,060)	(250,098,289)	(1,717,604)	(258,095,953)	0	(258,095,953)
Revenue from external customers	19,629,628	236,848,574	446,339	256,924,541	13,254,990	270,179,531
Interest income	1,359	20,378	0	21,737	47,298	69,035
Finance costs	(2,125,300)	(5,339,746)	(384,724)	(7,849,770)	(33,061)	(7,882,831)
Net finance expense	(2,123,941)	(5,319,368)	(384,724)	(7,828,033)	14,237	(7,813,796)
Depreciation of property, plant and equipment	(654,353)	(7,018,052)	(1,930,254)	(9,602,659)	(1,324,425)	(10,927,084)
Depreciation of right-of-use assets	(1,983,539)	(387,343)	(72,448)	(2,443,330)	(636,556)	(3,079,886)
<b>Segment profit/(loss) before tax</b>	<b>3,900,595</b>	<b>32,031,926</b>	<b>(23,088,403)</b>	<b>12,844,118</b>	<b>(6,061,148)</b>	<b>6,782,970</b>
Tax (expense)/income	(1,509,872)	(5,891,596)	(282,654)	(7,684,122)	1,700,699	(5,983,423)
Other non-cash items:						
Gain/(Loss) on disposal of:						
- assets held for sale	0	2,098,579	0	2,098,579	0	2,098,579
- property, plant and equipment	50,997	(28,667)	20,376	42,706	(434,255)	(391,549)
Impairment losses on trade and other receivables	(1,900,448)	(1,966,643)	(1,657,517)	(5,524,608)	0	(5,524,608)
Gain on lease modification	0	0	39,630	39,630	145,308	184,938
Fair value gain of derivative liability	0	0	8,423,000	8,423,000	0	8,423,000
Fair value gain on guarantee asset	0	0	16,897,434	16,897,434	0	16,897,434

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 4. OPERATING SEGMENTS (Cont'd)

2022	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Continuing operations Total RM	Discontinued operations RM	Total RM
Other non-cash items (Cont'd):						
Impairment losses on contract assets	(470,141)	0	0	(470,141)	0	(470,141)
Inventories written down	(15,327)	0	0	(15,327)	(5,807,635)	(5,822,962)
Property, plant and equipment written off	0	(4)	(862)	(866)	0	(866)
Reversal of impairment loss on trade and other receivables	975,459	316,305	0	1,291,764	0	1,291,764
Unrealised foreign exchange gain/(loss)	161,123	146,176	712,905	1,020,204	(218,387)	801,817
Share of results of associates	0	0	(1,585,924)	(1,585,924)	0	(1,585,924)
Additions to non-current assets other than financial instruments, goodwill on consolidation and deferred tax assets	6,855,530	8,086,292	4,185,157	19,126,979	0	19,126,979
<b>Segment assets</b>	<b>115,783,135</b>	<b>263,614,047</b>	<b>131,360,970</b>	<b>510,758,152</b>	<b>74,350,975</b>	<b>585,109,127</b>
<b>Segment liabilities</b>	<b>64,495,760</b>	<b>120,111,322</b>	<b>27,450,048</b>	<b>212,057,130</b>	<b>56,799,496</b>	<b>268,856,626</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 4. OPERATING SEGMENTS (Cont'd)

2021	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
<b>Revenue</b>				
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	35,566,680	181,251,670	129,074	216,947,424
Interest income	410	12,577	13	13,000
Finance costs	(2,223,341)	(2,832,746)	(313,312)	(5,369,399)
Net finance expense	(2,222,931)	(2,820,169)	(313,299)	(5,356,399)
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)
<b>Segment profit before tax</b>	<b>3,074,082</b>	<b>33,422,969</b>	<b>3,670,350</b>	<b>40,167,401</b>
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
Gain on lease modification	686	0	2,274	2,960
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)
Property, plant and equipment written off	0	(62,733)	0	(62,733)
Reversal of impairment losses on trade and other receivables	473,965	291,467	0	765,432
Unrealised foreign exchange gain	487,152	120,198	80,168	687,518
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
<b>Segment assets</b>	<b>119,543,662</b>	<b>242,581,930</b>	<b>149,160,682</b>	<b>511,286,274</b>
<b>Segment liabilities</b>	<b>78,103,045</b>	<b>133,144,013</b>	<b>15,136,172</b>	<b>226,383,230</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 4. OPERATING SEGMENTS (Cont'd)

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

	2022 RM	2021 RM
<b>Profit for the financial year</b>		
Total profit for reportable segments	<b>6,782,970</b>	40,167,401
Adjustment for inter-segmental profits	<b>14,152,598</b>	(10,367,984)
Profit before tax	<b>20,935,568</b>	29,799,417
Tax expense	<b>(5,983,423)</b>	(4,892,979)
Profit for the financial year	<b>14,952,145</b>	24,906,438
<b>Assets</b>		
Segment assets	<b>585,109,127</b>	511,286,274
Goodwill on consolidation	<b>23,002,588</b>	0
Current tax assets	<b>151,165</b>	445,891
Total assets	<b>608,262,880</b>	511,732,165
<b>Liabilities</b>		
Segment liabilities	<b>268,856,626</b>	226,383,230
Deferred tax liabilities	<b>12,608,895</b>	8,513,989
Current tax liabilities	<b>954,977</b>	1,640,052
Total liabilities	<b>282,420,498</b>	236,537,271

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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	
	2022 RM	2021 RM	2022 RM	2021 RM
Malaysia	103,716,107	108,952,529	188,099,532	181,153,612
United States of America	98,890,709	52,782,024	0	0
Singapore	10,914,408	7,018,895	0	0
Europe	8,132,938	5,671,657	0	0
Australia	8,035,622	5,689,565	0	0
Middle East	7,458,815	9,646,297	0	0
Philippines	6,961,358	4,867,806	0	0
Indonesia	4,267,209	3,803,095	0	0
Taiwan	3,097,216	4,994,056	0	0
Sri Lanka	2,587,009	2,123,977	0	0
Myanmar	608,585	183,562	0	0
Africa	388,426	9,073,286	0	0
Others	1,866,139	2,140,675	0	0
	<b>256,924,541</b>	<b>216,947,424</b>	<b>188,099,532</b>	<b>181,153,612</b>

### Major customers

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

	2022 RM	2021 RM	Segment
Customer A	98,890,709	52,790,203	Steel product and trading activity
Customer B	44,521,186	52,782,024	Steel product and trading activity
	<b>143,411,895</b>	<b>105,572,227</b>	

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2022 RM	Additions RM	Acquisition of a subsidiary (Note 8(e)) RM	Disposals RM	Written off RM	Depreciation charge for the financial year RM	Reclassifications RM	Reclassification to disposal group classified as held for sale (Note 15(b)) RM	Balance as at 31.12.2022 RM
<b>Carrying amount</b>									
<u>At valuation</u>									
Freehold land	69,568,715	0	0	0	0	0	0	0	69,568,715
Buildings	43,739,446	0	0	(32,022)	0	(1,173,536)	0	0	42,533,888
<u>At cost</u>									
Buildings	822,829	680,493	0	0	0	(37,745)	1,117,553	0	2,583,130
Plant and machinery, moulds, tools and equipment	46,483,269	7,250,994	36,550,193	(5,952,782)	(862)	(9,301,606)	9,537,075	(29,298,237)	55,268,044
Furniture, fittings, office equipment and computer software	273,656	480,557	152,667	0	(4)	(172,868)	0	(133,702)	600,306
Motor vehicles	972,005	0	11,091	(158,672)	0	(235,466)	0	(9,119)	579,839
Electrical installation and renovation	46,314	27,792	26,414	0	0	(5,863)	0	(22,100)	72,557
Capital work-in-progress	18,398,651	4,173,910	25,702,894	(178,534)	0	0	(10,654,628)	(25,702,894)	11,739,399
	<u>180,304,885</u>	<u>12,613,746</u>	<u>62,443,259</u>	<u>(6,322,010)</u>	<u>(866)</u>	<u>(10,927,084)</u>	<u>0</u>	<u>(55,166,052)</u>	<u>182,945,878</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

[ 2022 ]					
Group	Cost RM	Valuation RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
<b>Carrying amount</b>					
Freehold land	0	69,568,715	0	0	69,568,715
Buildings	2,907,605	45,498,896	(3,269,315)	(20,168)	45,117,018
Plant and machinery, moulds, tools and equipment	129,557,405	0	(69,901,998)	(4,387,363)	55,268,044
Furniture, fittings, office equipment and computer software	5,421,374	0	(4,819,833)	(1,235)	600,306
Motor vehicles	3,201,406	0	(2,621,567)	0	579,839
Electrical installation and renovation	283,196	0	(210,639)	0	72,557
Capital work-in-progress	11,739,399	0	0	0	11,739,399
	<b>153,110,385</b>	<b>115,067,611</b>	<b>(80,823,352)</b>	<b>(4,408,766)</b>	<b>182,945,878</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

Group	Balance as at 1.1.2021 RM	Additions RM	Disposals RM	Disposal of a subsidiary (Note 8(f) (i)) RM	Written off RM	Depreciation charge for the financial year RM	Reclassification to assets held for sale (Note 15) RM	Reclassi- fications RM	Exchange differences RM	Balance as at 31.12.2021 RM
<b>Carrying amount</b>										
<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
	<u>181,917,763</u>	<u>8,720,504</u>	<u>(3)</u>	<u>(8,033)</u>	<u>(62,733)</u>	<u>(8,981,490)</u>	<u>(1,281,285)</u>	<u>0</u>	<u>162</u>	<u>180,304,885</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

	2021				
Group	Cost RM	Valuation RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
<b>Carrying amount</b>					
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
	<u>141,285,955</u>	<u>115,067,611</u>	<u>(71,639,915)</u>	<u>(4,408,766)</u>	<u>180,304,885</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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:

	Group	
	2022 RM	2021 RM
Freehold land	<b>26,200,491</b>	26,200,491
Buildings	<b>33,088,839</b>	33,999,750
	<b>59,289,330</b>	60,200,241

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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 RM113,873,811 (2021: RM113,267,671) 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 2022

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Right-of-use assets

	Balance as at 1.1.2022 RM	Additions RM	Acquisition of a subsidiary (Note 8(e)) RM	Depreciation charge for the financial year RM	Lease modification RM	Reclassification to disposal group classified as held for sale (Note 15(b)) RM	Balance as at 31.12.2022 RM
<b>Carrying amount</b>							
Land	426,177	0	0	(63,927)	297,414	0	659,664
Factory	0	5,950,618	4,491,279	(2,609,618)	(3,239,121)	(626,079)	3,967,079
Hostels	242,282	238,073	0	(259,353)	3,003	0	224,005
Electrical cables and meter	114,875	0	0	(114,875)	0	0	0
Motor vehicle	0	324,542	76,330	(32,113)	0	(65,853)	302,906
	<b>783,334</b>	<b>6,513,233</b>	<b>4,567,609</b>	<b>(3,079,886)</b>	<b>(2,938,704)</b>	<b>(691,932)</b>	<b>5,153,654</b>

	Balance as at 1.1.2021 RM	Additions RM	Disposal of a subsidiary (Note 8(f) (i)) RM	Depreciation charge for the financial year RM	Lease modification RM	Exchange differences RM	Balance as at 31.12.2021 RM
<b>Carrying amount</b>							
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
	<b>35,602,984</b>	<b>555,265</b>	<b>(35,546,058)</b>	<b>(475,014)</b>	<b>(28,292)</b>	<b>674,449</b>	<b>783,334</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Cont'd)

### Lease liabilities

	Balance as at 1.1.2022 RM	Additions RM	Acquisition of a subsidiary (Note 8(e)) RM	Lease payments RM	Interest expense RM	Lease modification RM	Reclassification to disposal group classified as held for sale (Note 15(b)) RM	Balance as at 31.12.2022 RM
<b>Carrying amount</b>								
Land	459,173	0	0	(84,000)	26,417	258,075	0	659,665
Factory	0	5,950,618	4,757,174	(2,668,566)	144,916	(3,384,429)	(743,569)	4,056,144
Hostels	245,131	238,073	0	(269,750)	12,555	2,712	0	228,721
Electrical cables and meter	117,512	0	0	(120,000)	2,488	0	0	0
Motor vehicle	0	320,000	47,290	(43,837)	5,350	0	(22,995)	305,808
	<u>821,816</u>	<u>6,508,691</u>	<u>4,804,464</u>	<u>(3,186,153)</u>	<u>191,726</u>	<u>(3,123,642)</u>	<u>(766,564)</u>	<u>5,250,338</u>

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Cont'd)

### Lease liabilities (Cont'd)

	2022 RM	2021 RM
Represented by:		
Current liabilities	<b>3,437,527</b>	334,101
Non-current liabilities	<b>1,812,811</b>	487,715
	<b>5,250,338</b>	821,816
Lease liabilities owing to financial institutions	<b>305,808</b>	0
Lease liabilities owing to non-financial institutions	<b>4,944,530</b>	821,816
	<b>5,250,338</b>	821,816

- (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:
- |                             |             |
|-----------------------------|-------------|
| Land                        | 9 years     |
| Factory                     | 2 years     |
| Hostels                     | 2 - 3 years |
| Electrical cables and meter | 2 years     |
| Motor vehicle               | 5 years     |
- (d) The Group has certain low-value assets of office equipment of RM20,000 and leases of assets with lease term of twelve (12) months or less. The Group applies the 'short-term lease' and 'lease of low-value assets' exemptions for these leases.
- (e) The Group leases several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

There are no potential future rental payments that are not included in the lease term.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Cont'd)

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

	Group	
	2022 RM	2021 RM
Depreciation charge of right-of-use assets (included in cost of sales, distribution expenses and administrative expenses)	<b>2,443,330</b>	475,014
Depreciation charge of right-of-use assets (included in discontinued operations)	<b>636,556</b>	0
Interest expense on lease liabilities (included in finance costs)	<b>158,665</b>	45,390
Interest expense on lease liabilities (included in discontinued operations)	<b>33,061</b>	0
Gain on lease modifications (included in other income)	<b>(39,630)</b>	(2,960)
Gain on lease modifications (included in discontinued operations)	<b>(145,308)</b>	0
Expense relating to short-term leases (included in cost of sales and administrative expenses)	<b>33,200</b>	20,731
Expense relating to short-term leases and low-value assets (included in discontinued operations)	<b>148,707</b>	0
	<b>3,268,581</b>	538,175

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

	Group	
	2022 RM	2021 RM
Included in net cash flows from operating activities:		
Payment relating to short-term leases and low-value assets	<b>181,907</b>	20,731
Included in net cash flows from investing activities:		
Purchase of right-of-use assets	<b>4,542</b>	0
Included in net cash flows from financing activities:		
Payment of lease liabilities	<b>3,186,153</b>	326,100
Total cash outflows for leases	<b>3,372,602</b>	346,831

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 7. GOODWILL ON CONSOLIDATION

	Group	
	2022 RM	2021 RM
<b>At cost</b>		
Goodwill on consolidation (Note 8(e))	<b>31,426,588</b>	0
Less: Impairment losses	<b>(25,320,434)</b>	0
Less: Transfer to disposal group classified as held for sale (Note 15(b))	<b>(6,106,154)</b>	0
	<b>0</b>	0

- (a) Goodwill is initially recognised at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.
- (b) Goodwill has been fully allocated to the Group's cash-generating unit ('CGU') identified in the operations of a newly acquired subsidiary during the financial year, which is classified under disposal group held for sale.
- (c) Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGU based on its fair value less cost of disposal.

Based on the annual impairment testing performed, an impairment loss of RM25,320,434 was being recognised to bring down the carrying amount to its recoverable amount due to the decline in the business operation of the subsidiary.

## 8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022 RM	2021 RM
Unquoted shares, at cost		
- ordinary shares	<b>62,268,952</b>	62,268,952
- redeemable preference shares	<b>96,880,000</b>	68,600,000
Less: Impairment losses	<b>(19,071,303)</b>	(3,968,303)
	<b>140,077,649</b>	126,900,649

- (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 was 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.

During the financial year, an impairment loss of RM40,423,434 (2021: RMNil) was recognised to bring the carrying amount to their recoverable amount due to the decline in operations of certain subsidiaries which were classified under property, investment holding and others operating segment of the Company, which impairment loss of RM25,320,434 has been classified under disposal group classified as held for sale as disclosed in Note 15 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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
		2022 %	2021 %	
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
Eonmetall Integration Sdn. Bhd. (F.K.A. 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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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
		2022 %	2021 %	
Eonmetall Land Sdn. Bhd.	Malaysia	<b>100</b>	100	Manufacture and distribution of steel products, focusing on cold rolled coils, galvanised coils and flat steel products
Eonmetall Glove Sdn. Bhd.	Malaysia	<b>100</b>	100	Dormant
<b>Subsidiary of Eonchem Biomass Sdn. Bhd.</b>				
Eonmetall Bio-Coal Sdn. Bhd.	Malaysia	<b>100</b>	100	Production of bio-coal and technical services
<b>Subsidiary of Eonmetall International Limited</b>				
PT Eonmetall Investment #	Indonesia	<b>88</b>	88	Dormant
Africa Steel Investment Limited	Malaysia	<b>60</b>	60	Investment holding

# Subsidiary audited by a BDO member firm.

(d) Changes in investments in subsidiaries during the financial year are as follows:

- (i) The Company has subscribed for an additional 150,000 redeemable preference shares in Eonchem Biomass Sdn. Bhd. for a total consideration of RM15,000,000 which was satisfied by way of capitalisation of amount owing by Eonchem Biomass Sdn. Bhd..
- (ii) The Company has subscribed for an additional 3,000 redeemable preference shares in Eonmetall Integration Sdn. Bhd. (F.K.A. 180 Degree Design Sdn. Bhd.) for a total consideration of RM300,000 which was satisfied by way of capitalisation of amount owing by Eonmetall Integration Sdn. Bhd. (F.K.A. 180 Degree Design Sdn. Bhd.).
- (iii) The Company has subscribed for an additional 50,000 redeemable preference shares in Constructor Asia Sdn. Bhd. for a total consideration of RM5,000,000 which was satisfied by way of capitalisation of amount owing by Constructor Asia Sdn. Bhd..
- (iv) The Company has subscribed for an additional 1,900,000 redeemable preference shares in Eonmetall International Limited for a total consideration of RM7,980,000 which was satisfied by way of capitalisation of amount owing by Eonmetall International Limited.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

### (e) Acquisition of Lienteh Technology Sdn. Bhd. ('LTSB')

On 12 May 2022, the Company had completed the acquisition of 15,300,000 ordinary shares in Lienteh Technology Sdn. Bhd. ('LTSB'), representing 51% equity interest in LTSB from EMT Systems Sdn. Bhd. (F.K.A. E Metal Systems Sdn. Bhd.), Envy Venture Sdn. Bhd., Medical Spring International Health Management (Hong Kong) Co. Limited and Elogistic and Industrial Estate Developer Sdn. Bhd. (collectively known as shareholders of LTSB) for a purchase consideration of RM35,700,000 by way of issuance of 72,857,142 new ordinary shares of the Company at an issue price of RM0.49 per ordinary share. For the purpose of accounting, the fair value of RM0.43 per ordinary share as at the date of completion of the acquisition was recorded.

Pursuant to the private placement of shares undertaken by the Company, EMT Systems Sdn. Bhd. (F.K.A. E Metal Systems Sdn. Bhd.) and Envy Venture Sdn. Bhd. became the substantial shareholders of the Company.

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

	RM
Property, plant and equipment	62,443,259
Right-of-use assets	4,567,609
Inventories	15,545,906
Trade and other receivables	5,210,045
Cash and bank balances	3,716,170
Lease liabilities	(4,804,464)
Deferred tax liabilities	(1,700,000)
Derivative liability (Note 8 (e)(i))	(8,424,000)
Trade and other payables	(68,651,068)
Current tax liabilities	(2,000)
Total identifiable net assets	<u>7,901,457</u>

	RM
Purchase consideration settled by way of issuance of shares (Note 16)	31,328,571
Non-controlling interests	7,999,474
Fair value of identifiable net assets	<u>(7,901,457)</u>
Goodwill on consolidation (Note 7)	<u>31,426,588</u>

The effects of the acquisition on cash flows of the Group are as follows:

	RM
Cash and bank balances	3,716,170
Less: Fixed deposit pledged to a licensed bank	<u>(3,087,900)</u>
Cash and cash equivalents of subsidiary acquired (Note 15(e))	628,270
Purchase consideration settled in cash and cash equivalents	<u>0</u>
Net cash inflow on acquisition	<u>628,270</u>

If the acquisition occurred on 1 January 2022, revenue and profit after tax of the Group for the financial year ended would be RM273,588,188 and RM1,309,690 respectively.

### (i) Derivative liability - Call option

Pursuant to the supplemental share sale agreement, the Company had the right to exercise call option granted by shareholders of LTSB within a period of four (4) years from the completion date of the acquisition of LTSB, the remaining 14,700,000 ordinary shares in LTSB, representing the remaining 49% equity interest in LTSB for RM34,300,000.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

(e) Acquisition of Lienteh Technology Sdn. Bhd. ('LTSB') (Cont'd)

(i) Derivative liability - Call option (Cont'd)

The Group adopted the Black-Scholes option pricing model to determine the fair value of the call option. Key assumptions in estimating the fair value include expected underlying share price, risk-free interest rate of 3.71% and expected volatility of 22.80%.

The call option is categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the fair value hierarchy during the financial year.

The fair value reconciliation of call option measured at Level 3 is as follows:

	RM
Balance as at 1 January 2022	0
Upon acquisition of subsidiary	8,424,000
Balance as at 31 December 2022	8,424,000

(f) In the previous financial year:

(i) On 26 March 2021, the Company had disposed off 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 off		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 off		(443,994)	0
Net cash inflows from disposal of subsidiary		3,687,006	4,131,000

(ii) 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

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

	Lienteh Technology Sdn. Bhd. RM	Africa Steel Investment Limited RM	PT Eonmetall Investment RM	Total RM
<b>2022</b>				
NCI percentage of ownership interest and voting interest (%)	49%	40%	12%	
Carrying amount of NCI	<u>5,862,854</u>	<u>276,131</u>	<u>207,162</u>	<u>6,346,147</u>
Loss for the financial year attributable to NCI	<u>(2,136,620)</u>	<u>(583,397)</u>	<u>(3,189)</u>	<u>(2,723,206)</u>
Total comprehensive loss attributable to NCI	<u>(2,136,620)</u>	<u>(538,772)</u>	<u>(30,865)</u>	<u>(2,706,257)</u>
<b>2021</b>				
NCI percentage of ownership interest and voting interest (%)	0%	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>

\* Disposed off in the financial year ended 31 December 2021

(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:

	Lienteh Technology Sdn. Bhd. RM	Africa Steel Investment Limited RM	PT Eonmetall Investment RM
<b>2022</b>			
<b>Assets and liabilities</b>			
Non-current assets	55,857,984	9,084,778	0
Current assets	18,492,991	12,586	2,271,216
Non-current liabilities	(3,857)	0	0
Current liabilities	<u>(62,382,110)</u>	<u>(8,407,037)</u>	<u>(544,870)</u>
Net assets	<u>11,965,008</u>	<u>690,327</u>	<u>1,726,346</u>
<b>Results</b>			
Revenue	13,254,990	0	0
Loss for the financial year	(4,360,449)	(1,458,493)	(26,571)
Total comprehensive loss	<u>(4,360,449)</u>	<u>(1,346,931)</u>	<u>(257,212)</u>
Cash flows used in operating activities	(4,898,411)	(195)	0
Cash flows from investing activities	5,565,825	0	0
Cash flows used in financing activities	<u>(686,532)</u>	<u>0</u>	<u>0</u>
Net (decrease)/increase in cash and cash equivalents	<u>(19,118)</u>	<u>(195)</u>	<u>0</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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)

	Africa Steel Investment Limited RM	PT Eonmetall Investment RM
<b>2021</b>		
<b>Assets and liabilities</b>		
Non-current assets	10,382,639	0
Current assets	12,116	2,570,040
Current liabilities	(8,357,497)	(586,484)
Net assets	<u>2,037,258</u>	<u>1,983,556</u>
<b>Results</b>		
Revenue	0	0
Profit/(Loss) for the financial year	2,084,876	(14,204)
Total comprehensive income	<u>2,083,288</u>	<u>39,975</u>
Cash flows from operating activities	8,613,066	0
Cash flows used in investing activities	<u>(8,613,108)</u>	<u>0</u>
Net decrease in cash and cash equivalents	<u>(42)</u>	<u>0</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 9. INVESTMENTS IN ASSOCIATES

	Group	
	2022 RM	2021 RM
Unquoted shares, at cost	<b>8,289,200</b>	8,832,000
Share of post-acquisition reserves	<b>183,603</b>	1,226,727
Exchange differences	<b>853,721</b>	323,912
	<b>9,326,524</b>	10,382,639

- (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
		2022 %	2021 %	
<b>Associate of Eonmetall International Limited</b>				
Emeida Metal Sdn. Bhd. *	Malaysia	<b>40</b>	40	Dormant
<b>Associate of Eonmetall Land Sdn. Bhd.</b>				
Sinaran Seribumi Sdn. Bhd. *	Malaysia	<b>0</b>	23.81	Property development, land and property investment and general trading
<b>Associate of Africa Steel Investment Limited</b>				
United Steel - Industria Metalica, LDA #	Republic of Angola	<b>30</b>	30	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) On 1 August 2022, Eonmetall Land Sdn. Bhd. ('EML'), a wholly-owned subsidiary of the Company had disposed 1,085,600 ordinary shares, representing 23.81% equity interest in Sinaran Seribumi Sdn. Bhd. ('SSSB') for a cash consideration of RM542,800. Pursuant to the disposal, SSSB had ceased to be an associate of the Company.
- (d) In the previous 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

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

Group	Sinaran Seribumi Sdn. Bhd.		United Steel - Industria Metalica, LDA	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Assets and liabilities</b>				
Non-current assets	0	162,313,979	32,125,925	29,750,511
Current assets	0	3,619,906	46,754,050	43,345,592
Non-current liabilities	0	(60,700,000)	(5,144,111)	(4,204,234)
Current liabilities	0	(105,954,245)	(12,093,754)	(3,729,377)
Net (liabilities)/assets	0	(720,360)	61,642,110	65,162,492
<b>Results</b>				
Revenue	0	319,061	27,955,400	8,882,185
(Loss)/Profit for the financial year	0	(195,606)	(5,286,413)	3,879,154
Total comprehensive (loss)/income	0	(195,606)	(5,286,413)	3,879,154

\* Disposed off during the financial year

(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	
	2022 RM	2021 RM	2022 RM	2021 RM
Share of net assets	0	0	18,492,633	19,548,748
Bargain purchase	0	0	(9,166,109)	(9,166,109)
Carrying amount	0	0	9,326,524	10,382,639
<b>Share of results for the financial year</b>				
Share of (loss)/profit for the financial year	0	0	(1,585,924)	1,769,531
Share of total comprehensive (loss)/income	0	0	(1,585,924)	1,769,531

\* Disposed off during the financial year

(g) The unrecognised share of losses of associates amounted to RM2,360 (2021: RM48,779) in the current financial year. As a result, the accumulated unrecognised share of losses of associates amounted to RM7,308 (2021: RM176,477). 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 2022

## 10. DEFERRED TAX

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

	Group	
	2022 RM	2021 RM
Balance as at 1 January	<b>8,513,989</b>	9,461,109
Recognised in profit or loss (Note 26)	<b>4,094,906</b>	(947,120)
Balance as at 31 December	<b>12,608,895</b>	8,513,989
Presented after appropriate offsetting:		
Deferred tax assets	<b>0</b>	0
Deferred tax liabilities	<b>12,608,895</b>	8,513,989
	<b>12,608,895</b>	8,513,989

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 10. DEFERRED TAX (Cont'd)

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

	Assets		Liabilities		Net	
	2022 RM	2021 RM	2022 RM	2021 RM	2022 RM	2021 RM
Property, plant and equipment	0	0	9,036,927	6,995,039	9,036,927	6,995,039
Revaluation of freehold land and buildings	0	0	6,668,468	6,743,150	6,668,468	6,743,150
Unutilised reinvestment allowances	(3,096,500)	(5,224,200)	0	0	(3,096,500)	(5,224,200)
Tax (assets)/liabilities	(3,096,500)	(5,224,200)	15,705,395	13,738,189	12,608,895	8,513,989
Set off	3,096,500	5,224,200	(3,096,500)	(5,224,200)	0	0
Net tax liabilities	0	0	12,608,895	8,513,989	12,608,895	8,513,989

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 10. DEFERRED TAX (Cont'd)

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

	Property, plant and equipment RM	Revaluation of freehold land and buildings RM	Unutilised reinvestment allowances RM	Total RM
Balance as at 1 January 2022	<b>6,995,039</b>	<b>6,743,150</b>	<b>(5,224,200)</b>	<b>8,513,989</b>
Recognised in profit or loss (Note 26)	<b>2,041,888</b>	<b>(74,682)</b>	<b>2,127,700</b>	<b>4,094,906</b>
Balance as at 31 December 2022	<b>9,036,927</b>	<b>6,668,468</b>	<b>(3,096,500)</b>	<b>12,608,895</b>
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	<b>6,995,039</b>	<b>6,743,150</b>	<b>(5,224,200)</b>	<b>8,513,989</b>

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

	Group	
	2022 RM	2021 RM
Unabsorbed capital allowances	<b>(9,681,000)</b>	(8,588,200)
Unabsorbed tax losses		
- expiring by 31 December 2028	<b>(10,119,100)</b>	(10,269,900)
- expiring by 31 December 2029	<b>(2,507,700)</b>	(2,507,700)
- expiring by 31 December 2030	<b>(1,975,000)</b>	(1,975,000)
- expiring by 31 December 2031	<b>(811,200)</b>	(811,200)
- expiring by 31 December 2032	<b>(977,900)</b>	0
Unutilised reinvestment allowances		
- expiring by 31 December 2025	<b>(1,333,100)</b>	(14,727,600)
- expiring by 31 December 2029	<b>(4,206,000)</b>	(4,206,000)
- expiring by 31 December 2030	<b>(2,550,400)</b>	(2,550,400)
- expiring by 31 December 2031	<b>(4,677,400)</b>	0
	<b>(38,833,000)</b>	(45,636,000)

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 tax authority. Unabsorbed tax losses of the holding company and subsidiaries incorporated in Malaysia can be carried forward up to 10 consecutive years of assessment immediately following the year of assessment under the tax legislation of Inland Revenue Board.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Non-current</b>				
<b>Trade receivables</b>				
Third parties	0	488,625	0	0
Less: Impairment losses - third parties	0	(423,232)	0	0
	<u>0</u>	<u>65,393</u>	<u>0</u>	<u>0</u>
<b>Non-current</b>				
<b>Other receivables</b>				
Amounts owing by subsidiaries	0	0	57,181,208	46,737,397
Less: Impairment losses - amounts owing by subsidiaries	0	0	(13,258,405)	(15,102,377)
	<u>0</u>	<u>0</u>	<u>43,922,803</u>	<u>31,635,020</u>
<b>Non-current trade and other receivables</b>	<u>0</u>	<u>65,393</u>	<u>43,922,803</u>	<u>31,635,020</u>
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	34,425,883	52,673,583	0	0
Amount owing by an associate	566,343	538,062	0	0
Amounts owing by related parties	97,116	434,356	0	0
	<u>35,089,342</u>	<u>53,646,001</u>	<u>0</u>	<u>0</u>
Less: Impairment losses				
- third parties	(11,148,091)	(9,829,026)	0	0
- amount owing by an associate	(390,260)	(25,336)	0	0
- amounts owing by related parties	(43,806)	(42,194)	0	0
	<u>(11,582,157)</u>	<u>(9,896,556)</u>	<u>0</u>	<u>0</u>
	<u>23,507,185</u>	<u>43,749,445</u>	<u>0</u>	<u>0</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Current</b>				
<b>Other receivables</b>	<b>52,748,745</b>	48,542,862	<b>2,947,000</b>	2,940,000
Other receivables	<b>50,041</b>	2,462,793	<b>0</b>	0
Amounts owing by associates	<b>5,842,403</b>	8,850,379	<b>1,000</b>	1,000
Deposits	<b>58,641,189</b>	59,856,034	<b>2,948,000</b>	2,941,000
Less: Impairment losses				
- other receivables	<b>(4,409,482)</b>	(1,601,467)	<b>(2,947,000)</b>	(768,598)
- amounts owing by associates	<b>(17,020)</b>	(12,379)	<b>0</b>	0
- deposits	<b>(207,231)</b>	(32,634)	<b>0</b>	0
	<b>(4,633,733)</b>	(1,646,480)	<b>(2,947,000)</b>	(768,598)
	<b>54,007,456</b>	58,209,554	<b>1,000</b>	2,172,402
<b>Current trade and other receivables (excluding prepayments)</b>	<b>77,514,641</b>	101,958,999	<b>1,000</b>	2,172,402
Prepayments	<b>27,421,797</b>	14,232,367	<b>0</b>	0
	<b>104,936,438</b>	116,191,366	<b>1,000</b>	2,172,402
<b>Total trade and other receivables</b>	<b>104,936,438</b>	116,256,759	<b>43,923,803</b>	33,807,422

- (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 (2021: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Non-trade portion of amounts owing by subsidiaries are unsecured, not payable within the next twelve (12) months and bear interest at a rate of 5.01% (2021: 3.45%) per annum.
- (d) Non-trade portion of 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 RM44,706,463 (2021: RM43,577,141).
- (f) Included in deposits and prepayments of the Group is an amount of RM3,702,600 (2021: RM3,702,600) and RM26,149,986 (2021: RM13,206,803) respectively paid for the acquisition of land. As at the date of this report, the acquisition of land has not been completed.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	<b>69,150,740</b>	86,503,524	<b>43,923,803</b>	31,636,020
United States Dollar	<b>7,825,080</b>	15,242,232	<b>0</b>	2,171,402
Singapore Dollar	<b>340,719</b>	23,783	<b>0</b>	0
Euro Dollar	<b>190,089</b>	246,328	<b>0</b>	0
Pound Sterling	<b>8,013</b>	8,525	<b>0</b>	0
	<b>77,514,641</b>	102,024,392	<b>43,923,803</b>	33,807,422

(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 2022

## 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	Gross carrying amount RM	Impairment RM	Net carrying amount RM
<b>2022</b>			
Current	12,667,265	(4,058)	12,663,207
Past due:			
1 to 60 days	4,255,074	(4,227)	4,250,847
61 to 120 days	995,964	(13,304)	982,660
121 to 240 days	1,118,133	(29,536)	1,088,597
More than 241 days	16,052,906	(11,531,032)	4,521,874
Total	<u>35,089,342</u>	<u>(11,582,157)</u>	<u>23,507,185</u>

Group	Gross carrying amount RM	Impairment RM	Net carrying amount RM
<b>2021</b>			
Current	23,622,140	(59)	23,622,081
Past due:			
1 to 60 days	12,337,702	(53)	12,337,649
61 to 120 days	2,739,753	(1,491)	2,738,262
121 to 240 days	397,614	(2,873)	394,741
More than 241 days	15,037,417	(10,315,312)	4,722,105
Total	<u>54,134,626</u>	<u>(10,319,788)</u>	<u>43,814,838</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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

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

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.

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.

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

	Lifetime ECL	
	2022 RM	2021 RM
<b>Group</b>		
Balance as at 1 January	<b>191,467</b>	132,146
Charge for the financial year	<b>864,008</b>	60,113
Reversal of impairment losses	<b>0</b>	(792)
Balance as at 31 December	<b>1,055,475</b>	191,467

### (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
<b>Group</b>			
Balance as at 1 January 2022	<b>532,738</b>	<b>9,595,583</b>	<b>10,128,321</b>
Charge for the financial year	<b>121,419</b>	<b>1,568,706</b>	<b>1,690,125</b>
Reversal of impairment losses	<b>(489,675)</b>	<b>(802,089)</b>	<b>(1,291,764)</b>
Balance as at 31 December 2022	<b>164,482</b>	<b>10,362,200</b>	<b>10,526,682</b>
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	532,738	9,595,583	10,128,321

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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
<b>Group</b>			
Balance as at 1 January 2022	0	1,646,480	1,646,480
Charge for the financial year	0	2,970,475	2,970,475
Exchange differences	0	16,778	16,778
Balance as at 31 December 2022	0	4,633,733	4,633,733
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
<b>Company</b>			
Balance as at 1 January 2022	0	15,870,975	15,870,975
Charge for the financial year	0	5,726,191	5,726,191
Reversal of impairment losses	0	(5,391,761)	(5,391,761)
Balance as at 31 December 2022	0	16,205,405	16,205,405
<b>Company</b>			
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

(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 2022

## 12. INVENTORIES

	Group	
	2022 RM	2021 RM
<b>At cost</b>		
Raw materials	74,340,211	67,180,245
Work-in-progress	84,211,194	91,731,426
Manufactured inventories	23,200,549	22,992,994
	<b>181,751,954</b>	181,904,665
<b>At net realisable value</b>		
Raw materials	176,389	328,363
Work-in-progress	5,282,448	4,014,923
Manufactured inventories	1,732	1,732
	<b>5,460,569</b>	4,345,018
<b>Total</b>	<b>187,212,523</b>	186,249,683

- (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) During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM153,491,245 (2021: RM112,088,719). The Group has also written down inventories of RM5,822,962 (2021: RM511,704 ) to their net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 13. CONTRACT ASSETS

	Group	
	2022 RM	2021 RM
Aggregate costs incurred to-date	13,015,675	7,774,561
Add: Attributable profits	9,409,418	5,882,427
Less: Impairment loss	(470,141)	0
	21,954,952	13,656,988
Less: Progress billings	(17,450,800)	(12,120,000)
	4,504,152	1,536,988
Represented by:		
Construction contracts	4,504,152	1,536,988

(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:

	2022 RM	2023 RM	Total RM
<b>Group</b>			
31 December 2022	0	4,180,907	4,180,907
31 December 2021	3,243,012	0	3,243,012

(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.

(d) Movements in the impairment allowance for contract assets based on the simplified approach are as follows:

	2022 RM	2021 RM
<b>Group</b>		
Balance as at 1 January	0	0
Charge for the financial year	470,141	0
Balance as at 31 December	470,141	0

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 14. CASH AND BANK BALANCES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	<b>16,678,983</b>	14,490,701	<b>219,218</b>	245,832

(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	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	<b>14,628,577</b>	11,394,092	<b>219,218</b>	245,832
United States Dollar	<b>1,990,553</b>	2,968,111	<b>0</b>	0
Singapore Dollar	<b>26,310</b>	103,704	<b>0</b>	0
Chinese Yuan	<b>0</b>	1,848	<b>0</b>	0
Others	<b>33,543</b>	22,946	<b>0</b>	0
	<b>16,678,983</b>	14,490,701	<b>219,218</b>	245,832

(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	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	<b>16,678,983</b>	14,490,701	<b>219,218</b>	245,832
Less: Bank overdrafts (Note 19)	<b>(10,167,627)</b>	(11,084,715)	<b>0</b>	0
Add: Cash and cash classified as assets held for sale (Note 15(e))	<b>609,152</b>	0	<b>0</b>	0
	<b>7,120,508</b>	3,405,986	<b>219,218</b>	245,832

(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 2022

## 15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

### Assets held for sale

	Group	
	2022 RM	2021 RM
Freehold land (Note 5)	0	1,281,285
Buildings (Note 5)	0	0
	<u>0</u>	<u>1,281,285</u>

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(f) to the financial statements, and accordingly the freehold land under property, plant and equipment was classified as assets held for sale.

The disposal was completed during the financial year and a gain on disposal of RM2,098,579 was recognised as an income in other income.

### Disposal group classified as held for sale

The disposal was completed during the financial year and a gain on disposal of RM2,098,579 was recognised as an income in other income.

	Company	
	2022 RM	2021 RM
<b>Assets</b>		
Subsidiary classified as held for sale		
- Lienteh Technology Sdn. Bhd. *		
(net of impairment of RM25,320,434)	<b>14,432,137</b>	0
Guarantee asset	<b>16,897,434</b>	0
	<u><b>31,329,571</b></u>	<u>0</u>

### Liability

Derivative liability	<u><b>1,000</b></u>	
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\* A Company incorporated in Malaysia and with principal place of business in Malaysia, which principally involved in manufacturing and distribution of gloves. The Company is not audited by BDO PLT or BDO member firm.

(a) As disclosed in Note 8(e) to the financial statements, the Company had completed the acquisition of 15,300,000 ordinary shares in Lienteh Technology Sdn. Bhd. ('LTSB'), representing 51% equity interest in LTSB on 12 May 2022.

Subsequently on 8 August 2022, the Company had entered into a share sale agreement with shareholders of LTSB for the proposed disposal of 15,300,000 ordinary shares representing its entire 51% equity interest in LTSB to shareholders of LTSB for a cash consideration of RM35,700,000. Accordingly, the assets and liabilities of LTSB are classified as disposal group classified as held for sale and the financial results of LTSB are classified as discontinued operations.

The disposal was completed on 7 February 2023 and accordingly LTSB ceased to be the subsidiary of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (Cont'd)

### Disposal group classified as held for sale (Cont'd)

(b) The assets and associated liabilities held for sale as at 31 December 2022 are as follows:

	LTSB RM
<b>Assets held for sale</b>	
Property, plant and equipment	55,166,052
Right-of-use assets	691,932
Goodwill on consolidation (net of impairment of RM25,320,434)	6,106,154
Guarantee asset (Note 15(b)(ii))	16,897,434
Inventories	10,178,176
Trade and other receivables	4,617,763
Cash and bank balances	3,697,052
	<u>97,354,563</u>
<b>Liabilities directly associated with assets held for sale</b>	
Derivative liability (Note 15(b)(iii))	1,000
Trade and other payables	56,032,932
Lease liabilities	766,564
	<u>56,800,496</u>

- (i) Included in the above assets are cash and bank balances of RM3,087,900 held as fixed deposit with a licensed bank with interest bearing at 2.25% per annum and with a maturity period of twelve (12) months and is pledged to a licensed bank for bank guarantee provided to the LTSTB's supplier.
- (ii) Pursuant to the supplemental share sale agreement, the shareholders of LTSTB has provided profit guarantee of RM70,000,000 cumulatively for guarantee period of financial years ended 31 December 2021 to 31 December 2024.

The fair value of guarantee asset was estimated based on the management's best estimation of expected inflow of profit guarantee.

The guarantee asset is categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the fair value hierarchy during the financial year.

The fair value reconciliation of guarantee asset measured at Level 3 is as follows:

	Group and Company RM
Balance as at 1 January 2022	0
Recognised during the financial year	16,897,434
Balance as at 31 December 2022	<u>16,897,434</u>

- (iii) The fair value reconciliation of derivative liability measured at Level 3 is as follows:

	Group and Company RM
Balance as at 1 January 2022	0
Upon acquisition of subsidiary (Note 8(e)(i))	8,424,000
Fair value gain on derivative liability	(8,423,000)
Balance as at 31 December 2022	<u>1,000</u>

The maturity profile of the derivative liability of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is payable on demand or within one (1) year.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (Cont'd)

### Disposal group classified as held for sale (Cont'd)

(c) Analysis of the results of the discontinued operations is as follows:

	LTSB RM
<b>Statement of profit or loss and other comprehensive income</b>	
Revenue	13,254,990
Cost of sales	(21,120,827)
Gross loss	(7,865,837)
Other income	5,073,401
Administrative expenses	(3,235,651)
Finance cost	(33,061)
Loss before tax	(6,061,148)
Taxation	1,700,699
Loss for the financial year	(4,360,449)
Other comprehensive income, net of tax	0
Total comprehensive loss	(4,360,449)

(d) Other than those disclosed elsewhere in the financial statements, loss before tax from discontinued operations is arrived at:

	LTSB RM
After charging:	
Auditors' remuneration:	
- statutory audit	
- current year	10,500
Loss on disposal of property, plant and equipment	434,255
Unrealised foreign exchange loss	218,387
and crediting:	
Interest income from banks	47,298

(e) Analysis of the cash flows of the discontinued operations is as follows:

	LTSB RM
<b>Statement of cash flows</b>	
Net cash used in operating activities	(4,898,411)
Net cash from investing activities	5,565,825
Net cash used in financing activities	(686,532)
Net decrease in cash and cash equivalents	(19,118)
Cash and cash equivalents at date of acquisition (Note 8(e))	628,270
Cash and cash equivalents at end of financial year (Note 14(c))	609,152

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 16. SHARE CAPITAL

	Group			
	2022		2021	
	Number of shares	RM	Number of shares	RM
<b>Issued and fully paid with no par value:</b>				
Balance as at 1 January	206,807,250	106,097,245	206,807,250	106,097,245
Issuance of ordinary shares pursuant to private placement	72,857,142	31,328,571	0	0
Balance as at 31 December	279,664,392	137,425,816	206,807,250	106,097,245

	Company			
	2022		2021	
	Number of shares	RM	Number of shares	RM
<b>Issued and fully paid with no par value:</b>				
Balance as at 1 January	206,807,250	105,607,353	206,807,250	105,607,353
Issuance of ordinary shares pursuant to private placement	72,857,142	31,328,571	0	0
Balance as at 31 December	279,664,392	136,935,924	206,807,250	105,607,353

- (a) During the financial year, the issued and fully paid-up ordinary shares of the Company was increased from 206,807,250 to 279,664,392 by way of issuance of 72,857,142 new ordinary shares for cash pursuant to the private placement undertaken by the Company at an issue price of RM0.43 per ordinary 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 30 May 2022, renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2022		2021	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January/ 31 December	(3,096,600)	(1,761,139)	(3,096,600)	(1,761,139)

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 16. SHARE CAPITAL (Cont'd)

### (c) Treasury shares (Cont'd)

- (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 2022, the number of ordinary shares net of treasury shares is 276,567,792 (2021: 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.

## 17. RESERVES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Non-distributable</b>				
Revaluation reserve	<b>46,595,251</b>	46,904,756	<b>0</b>	0
Exchange translation reserve	<b>(1,201,228)</b>	(1,008,676)	<b>0</b>	0
<b>Distributable</b>				
Retained earnings	<b>138,437,535</b>	123,909,778	<b>2,280,255</b>	23,597,973
	<b>183,831,558</b>	169,805,858	<b>2,280,255</b>	23,597,973

### (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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Non-current</b>				
<b>Other payables</b>				
Amounts owing to subsidiaries	<u>0</u>	<u>0</u>	<u>62,808,415</u>	<u>33,167,958</u>
<b>Current</b>				
<b>Trade payables</b>				
Third parties	<u>9,714,498</u>	<u>17,321,019</u>	<u>0</u>	<u>0</u>
Amounts owing to related parties	<u>12,939</u>	<u>1,929,112</u>	<u>0</u>	<u>0</u>
	<u>9,727,437</u>	<u>19,250,131</u>	<u>0</u>	<u>0</u>
<b>Other payables</b>				
Other payables	<u>22,832,365</u>	<u>10,028,778</u>	<u>14,931,001</u>	<u>17,453</u>
Amount owing to an associate	<u>0</u>	<u>487,379</u>	<u>0</u>	<u>0</u>
Deposit received	<u>53,400</u>	<u>53,400</u>	<u>0</u>	<u>0</u>
Accrued expenses	<u>4,396,033</u>	<u>4,102,859</u>	<u>359,900</u>	<u>286,200</u>
	<u>27,281,798</u>	<u>14,672,416</u>	<u>15,290,901</u>	<u>303,653</u>
<b>Current trade and other payables</b>	<u>37,009,235</u>	<u>33,922,547</u>	<u>15,290,901</u>	<u>303,653</u>
<b>Total trade and other payables</b>	<u>37,009,235</u>	<u>33,922,547</u>	<u>78,099,316</u>	<u>33,471,611</u>

- (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 (2021: 30 to 60 days).
- (c) Non-trade amounts owing to subsidiaries are unsecured, not payable within the next twelve (12) months and bear interest at a rate of 5.01% (2021: 3.45%) per annum.
- (d) In the previous financial year, non-trade amount owing to an associate was unsecured, interest-free and payable within the next twelve (12) months.
- (e) Included in other payables of the Group and of the Company is an amount of RM14,920,519 (2021: RMNil) received for the disposal of a subsidiary.
- (f) In the previous financial year, included in other payables of the Group is an amount of RM337,986 received for the disposal of land.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

(g) Currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	<b>30,137,059</b>	20,368,648	<b>78,099,316</b>	33,471,611
United States Dollar	<b>5,218,404</b>	9,807,949	<b>0</b>	0
Chinese Yuan	<b>1,342,884</b>	3,190,807	<b>0</b>	0
Singapore Dollar	<b>141,727</b>	384,913	<b>0</b>	0
Euro Dollar	<b>169,161</b>	170,230	<b>0</b>	0
	<b>37,009,235</b>	33,922,547	<b>78,099,316</b>	33,471,611

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

## 19. BORROWINGS

	Group	
	2022 RM	2021 RM
<b><u>Non-current</u></b>		
<i>Secured</i>		
Term loans	<b>11,977,214</b>	31,312,589
<b><u>Current</u></b>		
<i>Secured</i>		
Bank overdrafts	<b>10,167,627</b>	11,084,715
Bankers' acceptances	<b>89,113,701</b>	91,054,822
Revolving credits	<b>26,450,000</b>	18,200,000
Term loans	<b>22,628,375</b>	14,587,142
Trust receipts	<b>9,460,640</b>	25,296,462
	<b>157,820,343</b>	160,223,141
<b><u>Total borrowings</u></b>		
<i>Secured</i>	<b>10,167,627</b>	11,084,715
Bank overdrafts (Note 14(c))	<b>89,113,701</b>	91,054,822
Bankers' acceptances	<b>26,450,000</b>	18,200,000
Revolving credits	<b>34,605,589</b>	45,899,731
Term loans	<b>9,460,640</b>	25,296,462
Trust receipts	<b>169,797,557</b>	191,535,730

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 19. BORROWINGS (Cont'd)

- (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) to the financial statements; and
  - (ii) corporate guarantee of RM169,797,558 (2021 RM191,535,730) 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 2022, 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) All borrowings are denominated in Ringgit Malaysia.
- (e) The carrying amounts of the current position of borrowings are reasonable approximation of the fair value due to insignificant impact of discounting.

The carrying amounts of the non-current position of borrowings are reasonable approximation of the fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Fair value of the borrowings 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.

- (f) Information on financial risks of borrowings is disclosed in Note 34 to the financial statements.

## 20. DERIVATIVE LIABILITIES

Group	2022		2021	
	Contract amount RM	Liabilities RM	Contract amount RM	Liabilities RM
Forward currency contract	<u>0</u>	<u>0</u>	<u>11,998,052</u>	<u>103,137</u>

- (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	
	2022 RM	2021 RM
Loss on derivative financial instruments	<u>0</u>	<u>103,137</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 21. REVENUE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Revenue from contracts with customers</b>				
<b>Recognised at a point in time:</b>				
Sale of goods	<b>246,456,436</b>	214,694,536	<b>0</b>	0
<b>Recognised over time:</b>				
Construction contracts revenue	<b>10,468,105</b>	2,252,888	<b>0</b>	0
<i>Other revenue</i>				
Dividend income from subsidiaries	<b>0</b>	0	<b>0</b>	10,000,000
	<b>256,924,541</b>	216,947,424	<b>0</b>	10,000,000

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

(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 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 22. FINANCIAL COSTS

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest expense on:				
- amounts owing to subsidiaries	0	0	2,265,040	1,201,571
- bank overdrafts	536,972	428,713	0	0
- bankers' acceptances	3,603,398	2,662,338	0	0
- lease liabilities	158,665	45,390	0	0
- revolving credits	1,352,531	599,232	0	0
- term loans	1,382,127	1,391,135	0	0
- trust receipts	816,077	242,591	0	0
	<b>7,849,770</b>	<b>5,369,399</b>	<b>2,265,040</b>	<b>1,201,571</b>

## 23. EMPLOYEE BENEFITS

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Wages, salaries, bonuses and incentives	19,855,901	16,814,938	43,500	33,000
Contributions to defined contribution plan	1,488,419	1,370,108	0	0
Social security contributions	191,660	168,617	0	0
Other employee benefits	545,337	451,115	324,000	270,000
	<b>22,081,317</b>	<b>18,804,778</b>	<b>367,500</b>	<b>303,000</b>

## 24. DIRECTORS' REMUNERATION

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Directors of the Company</b>				
<b>Executive:</b>				
Fees	108,000	108,000	108,000	108,000
Other emoluments	2,111,046	2,947,226	13,500	12,500
	<b>2,219,046</b>	<b>3,055,226</b>	<b>121,500</b>	<b>120,500</b>
<b>Non-executive:</b>				
Fees	216,000	162,000	216,000	162,000
Other emoluments	66,000	57,000	30,000	21,000
	<b>282,000</b>	<b>219,000</b>	<b>246,000</b>	<b>183,000</b>
<b>Total Directors' remuneration</b>	<b>2,501,046</b>	<b>3,274,226</b>	<b>367,500</b>	<b>303,500</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 25. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
After charging:				
Auditors' remuneration:				
- statutory audit				
- current year	<b>294,523</b>	227,700	<b>57,500</b>	35,000
- under provision in prior years	<b>21,414</b>	9,004	<b>5,000</b>	2,000
Property, plant and equipment written off	<b>866</b>	62,733	<b>0</b>	0
and crediting:				
Foreign exchange gain:				
- realised	<b>1,240,282</b>	719,830	<b>7,000</b>	15,000
- unrealised	<b>1,020,204</b>	687,518	<b>0</b>	105,000
Gain on disposal of property, plant and equipment	<b>42,706</b>	7,997	<b>0</b>	0
Gain on disposal of assets held for sale	<b>2,098,579</b>	6,483,884	<b>0</b>	0
Government assistance	<b>0</b>	522,270	<b>0</b>	0
Interest income from:				
- banks	<b>21,737</b>	13,000	<b>0</b>	0
- amounts owing by subsidiaries	<b>0</b>	0	<b>1,891,602</b>	1,485,604
Rental income	<b>182,400</b>	840,168	<b>0</b>	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 2022

## 26. TAX EXPENSE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Current tax expense based on profit/ (loss) for the financial year:</b>				
Current year	<b>2,766,057</b>	3,104,247	<b>0</b>	56,273
Under provision in prior years	<b>573,449</b>	40,658	<b>251,351</b>	0
	<b>3,339,506</b>	3,144,905	<b>251,351</b>	56,273
<b>Deferred tax (Note 10):</b>				
Relating to origination and reversal of temporary differences	<b>4,133,389</b>	2,717,439	<b>0</b>	0
Crystallisation of deferred tax liabilities upon:				
- disposal of revalued properties	<b>(12,517)</b>	(2,989,611)	<b>0</b>	0
- depreciation of revalued properties	<b>(62,165)</b>	(73,548)	<b>0</b>	0
Under/(Over) provision in prior years	<b>36,199</b>	(601,400)	<b>0</b>	0
	<b>4,094,906</b>	(947,120)	<b>0</b>	0
Real property gains tax	<b>249,710</b>	2,695,194	<b>0</b>	0
<b>Total tax expense</b>	<b>7,684,122</b>	4,892,979	<b>251,351</b>	56,273

- (a) Malaysian income tax is calculated at the statutory tax rate of twenty-four per centum (24%) (2021: 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 2022

## 26. TAX EXPENSE (Cont'd)

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit/(Loss) before tax	<b>26,996,716</b>	29,799,417	<b>(17,609,268)</b>	7,037,397
Tax at Malaysian statutory tax rate of 24% (2021: 24%)	<b>6,479,200</b>	7,151,900	<b>(4,226,200)</b>	1,689,000
Tax effects in respect of:				
Non-allowable expenses	<b>3,588,212</b>	4,910,971	<b>4,226,200</b>	767,273
Non-taxable income	<b>(1,611,348)</b>	(6,403,644)	<b>0</b>	(2,400,000)
Real property gains tax	<b>249,710</b>	2,695,194	<b>0</b>	0
Deferred tax assets not recognised	<b>523,800</b>	431,000	<b>0</b>	0
Utilisation of previously unrecognised deferred tax assets	<b>(2,155,100)</b>	(3,331,700)	<b>0</b>	0
	<b>7,074,474</b>	5,453,721	<b>0</b>	56,273
Under provision of current tax expense in prior years	<b>573,449</b>	40,658	<b>251,351</b>	0
Under/(Over) provision of deferred tax expense in prior years	<b>36,199</b>	(601,400)	<b>0</b>	0
	<b>7,684,122</b>	4,892,979	<b>251,351</b>	56,273

- (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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 27. EARNINGS/(LOSS) PER ORDINARY SHARE

### (a) Basic

Basic earnings/(loss) per ordinary share for the financial year is calculated by dividing the profit/(loss) 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	
	2022	2021
Profit/(Loss) for the financial year attributable to owners of the parent (RM)		
- continuing operations	19,899,180	24,164,248
- discontinued operations	(2,223,829)	0
	<u>17,675,351</u>	<u>24,164,248</u>
Weighted average number of ordinary shares in issue	<u>250,419,064</u>	<u>203,710,650</u>
Basic earnings/(loss) per ordinary share (sen):		
- continuing operations	7.95	11.86
- discontinued operations	(0.89)	0
	<u>7.06</u>	<u>11.86</u>

### (b) Diluted

Diluted earnings/(loss) 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			
	2022		2021	
	Dividend per share sen	Amount of dividend RM	Dividend per share sen	Amount of dividend RM
In respect of financial year ended 31 December 2022:				
Interim single-tier dividend	1.25	3,457,099	0	0
In respect of financial year ended 31 December 2020:				
Interim single-tier dividend	0	0	1.50	3,055,660
		<u>3,457,099</u>		<u>3,055,660</u>

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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.

### (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	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Associate:</b>				
Sale of goods	0	1,147,291	0	0
<b>Related parties:</b>				
Sale of goods	8,205,310	932,211	0	0
Purchase of goods	1,718,293	2,731,803	0	0
Rental expense	2,912,076	3,700	0	0
<b>Director:</b>				
Purchase of a motor vehicle	0	170,000	0	0
<b>Subsidiaries:</b>				
Dividend income	0	0	0	10,000,000
Interest income	0	0	1,891,602	1,485,604
Interest expense	0	0	2,265,040	1,201,571

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

### (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including 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	
	2022 RM	2021 RM	2022 RM	2021 RM
Fees	324,000	270,000	324,000	270,000
Other emoluments	5,030,653	3,105,877	43,500	33,500
	<b>5,354,653</b>	<b>3,375,877</b>	<b>367,500</b>	<b>303,500</b>

## 30. CAPITAL COMMITMENTS

	Group	
	2022 RM	2021 RM

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

Contracted but not provided for **15,258,500** 18,624,500

## 31. CONTINGENT LIABILITIES

	Company	
	2022 RM	2021 RM

Corporate guarantees given to financial institutions for credit facilities granted to certain subsidiaries and a third party (2021: an associate) **401,778,000** 401,778,000

As at 31 December 2022, the credit facilities utilised by the subsidiaries and a third party (2021: an associate) amounted to RM191,829,172 (2021: RM217,535,730). Subsequent to the end of the reporting date, the corporate guarantee given to a financial institution for credit facility granted and utilised by a third party which amounted to RM26,000,000 and RM22,031,614 respectively has been fully settled and discharged.

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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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. As directed by the new Judge, both parties have filed the Common Chronology of Facts and Executive Summary on 1 July 2022. The hearing has been fixed for 23 March 2023 via Zoom.

The Court has dismissed both summary judgement application and striking out application on 23 March 2023. The case is not set down for full trial and the court will give further directions during the next Case Management on 29 May 2023.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

- (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.

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 May 2022.

Subsequently, the Court has proceeded to direct both parties to file the Defendant's Statement of Claim, Third Party's Defence and the Defendant's Reply to Defence respectively on 9 June 2022, 27 June 2022 and 11 July 2022. To this end, both parties have completed the pleadings of Third Party Proceedings.

During the Case Management on 4 July 2022, the Court informed parties that the trial dates for the Main Action which initially fixed on 26 September 2022 to 29 September 2022 have been vacated and rescheduled to 12 June to 15 June, 26 and 27 June 2023.

The Defendant has filed an application on 16 November 2022 vide Enclosure 78 to transfer the present suit to the High Court in Penang to be tried together and/or to be heard within the Penang Suit. To this end, the filing of affidavits have been exhausted and parties have filed their respective written submission on 12 January 2023. The Hearing for the transfer application is fixed on 19 January 2023.

Pursuant to the transfer application filed by UMHE, the Kuala Lumpur High Court has allowed the application and transferred the admiralty in personam for the case to Penang High Court to be tried and to be heard. The court will give further directions during the next Case Management on 29 May 2023.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 32. MATERIAL LITIGATIONS (Cont'd)

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

On 24 September 2021, EGB 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 EGB 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 EGB or nominee's name.

EGB has on 11 February 2022 and 20 March 2022 served the Originating Summons to Rizhao and EMK accordingly. EGB has on 21 March 2022 files application to extend the Originating Summons for another six (6) months due to on-going Covid-19 lockdown in China for his agent in Shanghai to affirm an affidavit of service before the Consulate of Malaysia. The matter is now fixed for hearing on 31 January 2023.

EMK has the time until 17 April 2023 to file the application for extension of time to file an affidavit in reply. The judge has rescheduled the matter to 10 May 2023 for both the defendants to file the application to extension of time to file an affidavit in reply and deferred the case against EMK to the same date as Case Management.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

- (d) 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 and 15 September 2022, the court has dismissed the summary judgement application filed by XXE. The case is now going for trial and the next trials have been fixed on 20 and 31 March 2023 as well as 7 and 17 April 2023. The trial is on-going and the next trial dates are on 10 July 2023, 1 to 4 August 2023 and 18 August 2023.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

- (e) Xin Xin Engineering Sdn. Bhd. ('XXE') vs Lienteh Technology Sdn. Bhd. ('LTSB')

On 26 November 2021, XXE filed a claim against LTSB, a wholly-owned subsidiary of the Company, for an alleged to be due and owing to XXE arising from a latex glove dipping line for a sum of RM7,545,691. LTSB filed its defence on 28 January 2022.

On 9 September 2022, the court has dismissed the summary judgement application filed by XXE. The court has fixed on 1 to 4 August and 18 August 2023 as well as 22 and 27 September 2023 for trial.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary. On 7 February 2023, LTSB had ceased to be the subsidiary of the Company and accordingly this litigation had been transferred to the latest shareholders of LTSB.

- (f) Lienteh Technology Sdn. Bhd. ('LTSB') vs RJ Technologies Singapore Pte Ltd ('RJTS')

On 26 January 2022, LTSB, a subsidiary of the Company had filed a claim against RJTS for the breach of contract and claiming against the sum of USD1,634,100, its cost of storage and the loss of profit.

RJTS filed a counterclaim against LTSB for the sums of USD12,424,235.20, SGD3,274.20 and RM272,500 for loss and damage as a result of breach of contract by LTSB as well as the costs and interest on the above sum at the rate of 5% per annum until the date of full and final settlement.

The case is now fixed for trial from 10 to 13 October 2023.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary. On 7 February 2023, LTSB had ceased to be the subsidiary of the Company and accordingly this litigation had been transferred to the latest shareholders of LTSB.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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.

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:

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Trade and other payables	18	<b>37,009,235</b>	33,922,547	<b>78,099,316</b>	33,471,611
Borrowings	19	<b>169,797,557</b>	191,535,730	<b>0</b>	0
Lease liabilities	6	<b>5,250,338</b>	821,816	<b>0</b>	0
		<b>212,057,130</b>	226,280,093	<b>78,099,316</b>	33,471,611
Less: Cash and bank balances	14	<b>(16,678,983)</b>	(14,490,701)	<b>(219,218)</b>	(245,832)
Net debt		<b>195,378,147</b>	211,789,392	<b>77,880,098</b>	33,225,779
Total capital		<b>319,496,235</b>	274,141,964	<b>137,455,040</b>	127,444,187
Net debt		<b>195,378,147</b>	211,789,392	<b>77,880,098</b>	33,225,779
Equity		<b>514,874,382</b>	485,931,356	<b>215,335,138</b>	160,669,966
Gearing ratio		<b>38%</b>	44%	<b>36%</b>	21%

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 2022.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group 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

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

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.

#### 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:

	2022		2021	
	RM	% of total	RM	% of total
<b>By countries</b>				
Malaysia	16,688,699	71%	35,959,897	82%
Middle East	1,323,608	6%	1,908,912	5%
Singapore	1,143,957	5%	23,783	*
Africa	1,118,652	5%	1,785,232	4%
Australia	1,051,550	4%	1,773,612	4%
United States of America	916,672	4%	0	0%
Philippines	804,555	3%	217,003	*
Sri Lanka	170,022	1%	696,312	2%
Indonesia	9,787	*	1,255,935	3%
Others	279,683	1%	194,152	*
	<b>23,507,185</b>	<b>100%</b>	<b>43,814,838</b>	<b>100%</b>
<b>By industry sectors</b>				
Steel product and trading activity	16,479,970	70%	24,116,124	55%
Machinery and equipment	7,027,215	30%	19,698,714	45%
	<b>23,507,185</b>	<b>100%</b>	<b>43,814,838</b>	<b>100%</b>

\* Amount less than 1%.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

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

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

At the end of the reporting period, approximately:

- (i) 51% (2021: 68%) of the trade receivables of the Group were due from two (2) (2021: three (3)) major customers who are located in Malaysia.
- (ii) Nil (2021: 1%) of the receivables of the Group were due from an associate and several related parties whilst approximate 100% (2021: 94%) of the receivables of the Company were balances with its subsidiaries.

### (b) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that the Group will encounter difficulty in meeting their financial obligations due to the shortage of funds.

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

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

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

Group	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
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### 2022

#### Financial liabilities

Trade and other payables	37,009,235	0	0	37,009,235
Lease liabilities	3,444,805	1,546,217	420,000	5,411,022
Borrowings	167,452,701	12,780,081	0	180,232,782
Total undiscounted financial liabilities	<u>207,906,741</u>	<u>14,326,298</u>	<u>420,000</u>	<u>222,653,039</u>

### 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>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

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

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

Company	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
<b>2022</b>				
<b>Financial liabilities</b>				
Trade and other payables	15,290,901	66,011,643	0	81,302,544
Financial guarantees	191,829,172	0	0	191,829,172
Total undiscounted financial liabilities	207,120,073	66,011,643	0	273,131,716
<b>2021</b>				
<b>Financial liabilities</b>				
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	217,839,383	34,312,252	0	252,151,635

### (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
<b>2021</b>			
United States Dollar	Within one (1) year	2,847,000	11,998,052

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

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

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

#### 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	
		2022 RM	2021 RM
<b>Profit after tax</b>			
USD/RM	- strengthen by 5% (2021: 5%)	<b>174,695</b>	319,291
	- weaken by 5% (2021: 5%)	<b>(174,695)</b>	(319,291)
CNY/RM	- strengthen by 5% (2021: 5%)	<b>(51,030)</b>	(121,180)
	- weaken by 5% (2021: 5%)	<b>51,030</b>	121,180

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

### (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	
		2022 RM	2021 RM
<b>Profit after tax</b>			
Increase by 0.1% (2021: 0.1%)		<b>(129,046)</b>	(145,567)
Decrease by 0.1% (2021: 0.1%)		<b>129,046</b>	145,567

		Company	
		2022 RM	2021 RM
<b>(Loss)/Profit after tax</b>			
Increase by 0.1% (2021: 0.1%)		<b>(13,356)</b>	(1,165)
Decrease by 0.1% (2021: 0.1%)		<b>13,356</b>	1,165

No sensitivity analysis for fixed rate instruments was prepared as the change in market interest rate at the end of the reporting period would not affect profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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
<b>2022</b>									
<b>Fixed rate</b>									
Lease liabilities	6	3.73	3,437,527	1,074,677	122,387	128,385	116,516	370,846	5,250,338
<b>Floating rates</b>									
Bank overdrafts	19	6.94	10,167,627	0	0	0	0	0	10,167,627
Bankers' acceptances	19	4.60	89,113,701	0	0	0	0	0	89,113,701
Revolving credits	19	6.38	26,450,000	0	0	0	0	0	26,450,000
Term loans	19	5.55	22,628,375	5,548,643	2,857,143	2,857,143	714,285	0	34,605,589
Trust receipts	19	4.38	9,460,640	0	0	0	0	0	9,460,640

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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):

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
<b>2021</b>									
<b>Fixed rate</b>									
Lease liabilities	6	5.42	334,101	147,318	65,034	69,114	73,449	132,800	821,816
<b>Floating rates</b>									
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 2022

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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
<b>2022</b>									
<b>Floating rates</b>									
Amounts owing by subsidiaries	11	5.01	0	0	1,643,085	42,279,718	0	0	43,922,803
Amounts owing to subsidiaries	18	5.01	0	62,808,415	0	0	0	0	62,808,415
<b>2021</b>									
<b>Floating rates</b>									
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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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	
	2022 RM	2021 RM
<b>Profit after tax</b>		
Increase by 5% (2021: 5%)	<b>1,938,828</b>	1,862,574
Decrease by 5% (2021: 5%)	<b>(1,938,828)</b>	(1,862,574)

## 35. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 12 May 2022, the Company had completed the acquisition of 15,300,000 ordinary shares in Lienteh Technology Sdn. Bhd. ('LTSB'), representing 51% equity interest in LTSB from EMT Systems Sdn. Bhd. (F.K.A. E Metal Systems Sdn. Bhd.), Envy Venture Sdn. Bhd., Medical Spring International Health Management (Hong Kong) Co. Limited and Elogistic and Industrial Estate Developer Sdn. Bhd. (collectively known as shareholders of LTSB) for a purchase consideration of RM35,700,000 by way of issuance of 72,857,142 new ordinary shares of the Company at an issue price of RM0.49 per ordinary share. For the purpose of accounting, the fair value of RM0.43 per ordinary share as at the date of completion of the acquisition was recorded.

Persuant to the private placement of shares undertaken by the Company, EMT Systems Sdn. Bhd. (F.K.A. E Metal Systems Sdn. Bhd.) and Envy Venture Sdn. Bhd. became the substantial shareholders of the Company.

Subsequently on 8 August 2022, the Company had entered into a share sale agreement with shareholders of LTSB for the proposed disposal of 15,300,000 ordinary shares representing its entire 51% equity interest in LTSB to shareholders of LTSB for a cash consideration of RM35,700,000. Accordingly, the assets and liabilities of LTSB are classified as disposal group classified as held for sale and the financial results of LTSB are classified as discontinued operations.

As at the date of this report, the disposal has been completed and LTSB ceased to be the subsidiary of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2022

## 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
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

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

### 36.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint</i>	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 2022 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	22 yrs	39,180	A factory building is erected on the adjoining parcels of the land	37,696
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.	30 June 2019 / 08 August 2000	Freehold	22 yrs	11,160		
Eonmetall Industries Sdn Bhd						
GM 653, Lot 20024, Lot 384 Mukim 12, Seberang Perai Selatan, Penang.	30 June 2019 / 30 October 2012	Freehold	11 yrs	3,178	Vacant land	519
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	17 yrs	116	Single storey terrace house / Residential premise for factory workers	237
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	17 yrs	116	Single storey terrace house / Residential premise for factory workers	237
Eonsteel Sdn Bhd						
Lot No. 387, Mukim 12, Seberang Perai Selatan, Penang.	30 June 2019 / 19 May 2009	Freehold	14 yrs	66,791	Single storey detached factory	56,384
Eonchem Biomass Sdn Bhd						
Lot No. 20123, Lot No. 20124, Mukim 12, Seberang Perai Selatan, Penang.	30 June 2019 / 19 November 2013	Freehold	10 yrs	30,680	Single storey detached factory and single storey warehouse	19,991

# ANALYSIS OF SHAREHOLDINGS

## Analysis of Shareholdings as at 4 April 2023

Total number of issued shares : 279,664,392 (inclusive 3,096,600 treasury shares)

Class of share : Ordinary shares

Voting rights : One vote for every ordinary share held

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	54	2.31	2,371	0.00
100 - 1,000	421	18.03	169,850	0.06
1,001 - 10,000	1,058	45.31	5,955,896	2.13
10,001 - 100,000	638	27.32	22,411,873	8.02
100,001 - less than 5% of issued shares	161	6.90	113,129,928	40.45
13,985,219 - 5% and above of issued shares	3	0.13	137,994,474	49.34
TOTAL	2,335	100.00	279,664,392	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	30.39	-	-
2	Dato' Goh Cheng Huat	36,128,918	13.07	<sup>(i)</sup> 84,049,128	30.39
3	Datin Tan Pak Say	-	-	<sup>(ii)</sup> 120,178,046	43.46
4	Chuah Theong Yee	21,179,428	7.66	-	-

\* Exclusive 3,096,600 treasury shares.

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

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

## Directors' Shareholdings

The interest of the Directors based on the Register of Directors' Shareholdings of the Company is as follows:

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares	%*	No. of Shares	%*
1	Tan Sri Dato' Mohd Desa bin Pachi	30,000	0.01	-	-
2	Yeoh Cheng Chye	50,000	0.02	-	-
3	Dato' Goh Cheng Huat	36,128,918	13.07	<sup>(i)</sup> 84,049,128	30.39
4	Goh Hong Kent	-	-	-	-
5	Dato' Wahab Bin Hamid	-	-	-	-
6	Chan Theng Sung	180,000	0.07	-	-
7	Dato' Mohammad Radhi Bin Abdul Razak	-	-	-	-
8	Tang Yin Kham	-	-	-	-
9	Goh Kee Seng	-	-	-	-

\* Exclusive 3,096,600 treasury shares.

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

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

# ANALYSIS OF SHAREHOLDINGS (Cont'd)

## Thirty Largest Shareholders as at 4 April 2023

	Name	No. of Shares	% of Issued Share Capital
1	EONMETALL CORPORATION SDN BHD	42,049,128	15.20
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR GOH CHENG HUAT (SMART)	32,765,918	11.85
3	CHUAH THEONG YEE	21,179,428	7.66
4	EONMETALL CORPORATION SDN BHD	21,000,000	7.59
5	EONMETALL CORPORATION SDN BHD	21,000,000	7.59
6	TAN ENG HOCK	9,759,200	3.53
7	GOH LI LI	9,052,471	3.27
8	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHANG MIOW SIN	5,362,300	1.94
9	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOONG WEI KUONG	4,841,000	1.75
10	JANAKI @ MALLIKA A/P PALANIAPPAN	4,000,000	1.45
11	KASI A/L K L PALANIAPPAN	4,000,000	1.45
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH CHENG HUAT	3,363,000	1.22
13	ELOGISTIC AND INDUSTRIAL ESTATE DEVELOPER SDN BHD	2,729,743	0.99
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIONG HUI YEE (8068671)	2,646,600	0.96
15	CHONG TOH WEE	2,220,000	0.80
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY AN NA (7001107)	2,000,000	0.72
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIET A/C-R ES)	2,000,000	0.72
18	TAN CHENG ENG	1,889,800	0.68
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN YEW HING (7000829)	1,842,000	0.67
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP HENG SANG (7005721)	1,750,000	0.63
21	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHENG ENG	1,691,500	0.61
22	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOH CHOH PIAU (M&A)	1,620,100	0.59
23	HOR LEE CHEN	1,582,000	0.57
24	WUAN SWEE MAY	1,412,500	0.51
25	LOH CHOON HONG	1,335,100	0.48
26	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH CHIT SOON	1,270,000	0.46
27	CHIN KIM LEE	1,233,400	0.45
28	CHIN KOK TIAN	1,195,400	0.43
29	LIM KIAN WAT	1,142,500	0.41
30	LEE KEE NIAN	1,053,000	0.38
		<b>208,986,088</b>	<b>75.56</b>

# NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting ("**20th AGM**") of **EONMETALL GROUP BERHAD** ("**the Company**") will be held virtually at 12th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor and entirely via Remote Participation and Electronic Voting ("**RPEV**") facilities through meeting platform at <https://meeting.boardroomlimited.my> on Wednesday, 31 May 2023 at 2.00 pm or at any adjournment thereof for the following purposes:

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of Directors and Auditors thereon.
2. To re-elect the following Directors retiring in accordance with Clause 103 of the Company's Constitution:
  - (a) Tan Sri Dato' Mohd Desa Bin Pachi; **Ordinary Resolution 1**
  - (b) Dato' Wahab Bin Hamid; and **Ordinary Resolution 2**
  - (c) Mr Goh Kee Seng **Ordinary Resolution 3**
3. To re-elect Dato' Mohammad Radhi Bin Abdul Razak, the Director retiring in accordance with Clause 110 of the Company's Constitution. **Ordinary Resolution 4**
4. To approve the payment of Directors' Fees of the Group totaling RM324,000 for the financial year ended 31 December 2022. **Ordinary Resolution 5**
5. To approve the payment of benefits payable to the Directors of the Company up to an aggregate amount of approximately RM70,000 for the period from 1 June 2023 until the conclusion of the next AGM of the Company. **Ordinary Resolution 6**
6. To re-appoint BDO PLT as auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

### AS SPECIAL BUSINESS

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

7. **WAIVER OF PRE-EMPTIVE RIGHTS UNDER SECTION 85 OF THE COMPANIES ACT 2016** **Ordinary Resolution 8**  
 "THAT pursuant to Section 85 of the Companies Act 2016 read together with Clause 65 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights over (a) all new shares in the Company, (b) all options offered or to be offered pursuant to the Company's Employees Share Option Scheme and (c) any offers, agreements, rights, options or other convertible securities of whatever kind in respect of any new shares in the Company AND THAT such new shares when issued, shall rank pari passu equally to the existing issued shares of the Company."
8. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 9**  
 "THAT contingent upon the passing of Ordinary Resolution 8 and subject always to the Companies Act 2016 ("**the Act**"), the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approvals of the relevant government or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to allot and issue shares in the Company at any time, at such price, upon such terms and conditions, for such purposes and to such person or persons, as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the issued share capital (excluding treasury shares) of the Company for the time being.

AND THAT the Directors are also empowered to obtain the approval from the Bursa Securities for the listing and quotation for the additional shares to be issued and THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares."

# NOTICE OF TWENTIETH ANNUAL GENERAL MEETING (Cont'd)

## 9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")** Ordinary Resolution 10

"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 28 April 2023, 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."

## 10. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")** Ordinary Resolution 11

"THAT subject to the Act, the provisions of the Company's Constitution, the MMLR of Bursa Securities and any other relevant authority or approval for the time being in force or as may be amended from time to time, the Directors of the Company be and are hereby authorised to make purchases of the Company's shares as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that:

- (a) the aggregate number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued shares of the Company at any point in time of the said purchase(s);
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained earnings of the Company at the time of purchase; and
- (c) the authority conferred by this resolution shall continue to be in force until:
  - (i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
  - (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
  - (iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting,

whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

THAT upon completion of the purchase by the Company of its own ordinary shares, the Directors of the Company be and are hereby authorised to deal with the ordinary shares purchased in their absolute discretion in the following manner:

- (a) cancel all the ordinary shares so purchased; and/or
- (b) retain the ordinary shares so purchased as treasury shares; and/or
- (c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary (including executing all such documents as may be required) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Directors may in their discretion deem necessary and to do all such acts and things as the Directors may deem fit and expedient in the best interests of the Company."

# NOTICE OF TWENTIETH ANNUAL GENERAL MEETING (Cont'd)

## 11. RETENTION AS INDEPENDENT NON-EXECUTIVE DIRECTOR

## Ordinary Resolution 12

"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."

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, 28 April 2023

### Notes:

### Appointment of Proxy

1. The 20th AGM will be held entirely via Remote Participation and Electronic Voting ("RPEV") facilities through meeting platform at <https://meeting.boardroomlimited.my>. Kindly refer to the Administrative Guide for the 20th AGM in order to register, participate and vote remotely via the RPEV facilities.
2. The online meeting platform is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the chairman of the meeting to be present at the main venue of the meeting. Shareholders / proxies from the public **WILL NOT BE ALLOWED** to be physically present. Shareholders who wish to participate in the 20th AGM will have to register online and attend remotely. Kindly read and follow the procedures in the Administrative Guide for the 20th AGM in order to participate remotely.
3. A proxy may but need not be a member.
4. The instrument appointing a proxy must be deposited / submitted via the following ways not less than 48 hours before the time set for holding the 20th AGM or at any adjournment thereof:-
  - (i) By hardcopy form  
The Form of Proxy must be deposited at the registered office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia.
  - (ii) By electronic form  
The Form of Proxy can be electronically submitted through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>. Please refer to the Administrative Guide for the procedures on electronics lodgement of Form of Proxy.
5. A member entitled to attend, participate, speak and vote is entitled to appoint not more than 2 proxies to attend, participate, speak and vote instead of him. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
6. 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.
7. If the appointor is a corporation, the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 23 May 2023 (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 TWENTIETH 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 2022. 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 ("NC") 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.

**Tan Sri Dato' Mohd Desa Bin Pachi** and **Dato' Wahab Bin Hamid** are INEDs. **Mr Goh Kee Seng** is Non-INED. Both Tan Sri Dato' Mohd Desa and Dato' Wahab have fulfilled the requirements on independence as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). All retiring Directors have demonstrated their objectivity and commitment through proactive engagements at meetings of the Board and Board Committees (as applicable) held during the financial year by sharing valuable, relevant, independent and impartial (as applicable) insights, views and opinions on issues tabled for discussion. They have exercised due care and carried out their professional duties proficiently and effectively throughout their tenure as Directors of the Company.

#### 2. Ordinary Resolution 4:

The profile of the retiring Director is set out under Profile of Directors in the Annual Report 2022. **Dato' Mohammad Radhi Bin Abdul Razak** is an INED of the Company and was appointed to the Board on 30 May 2022. Given notice of his tenure, the Board approved the recommendation from the NC he should give opportunity to contribute to the Company and supports his re-election.

All four (4) retiring Directors do not have any conflict of interest with the Company and the Group save as disclosed in the audited financial statements and had also abstained from deliberation and decision-making on their re-election.

#### 3. Ordinary Resolution 5: Directors' fees

The Directors' fees have been reviewed by the Remuneration Committee ("RC") and the Board which considered the fees are in the best interest of the Company and in accordance with the remuneration framework. The amount also includes a contingency sum to cater to unforeseen circumstances such as the appointment of any additional Director and/or for the formation of additional Board Committees. In the event the proposed amount is insufficient, approval will be sought at the next AGM for the shortfall.

#### 4. Ordinary Resolution 6: Directors' Benefits

The Directors' benefits payable to the Directors have been reviewed by the RC and the Board, which recognises that the benefits payable are in the best interest of the Company. The benefits payable comprises of meeting day allowances and is calculated based on the number of days scheduled for meetings of the Board and Board Committees (collectively, the Audit Committee, NC and RC). It also included contingency to account for additional unscheduled meeting days. In the event the proposed amount is insufficient, approval will be sought at the next AGM for the shortfall.

#### 5. Ordinary Resolution 8: Waiver of the pre-emptive rights under Section 85 of the Companies Act 2016

Pursuant to Section 85 of the Act read together with Clause 65 of the Company's Constitution, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other convertible securities. In order for the Board to issue (a) all new shares in the Company, (b) all options offered or to be offered pursuant to the Company's Employees Share Option Scheme ("ESOS Options") and (c) any offers, agreements, rights, options or other convertible securities of whatever kind in respect of any new shares in the Company free of pre-emptive rights, such pre-emptive rights must be waived. The Special Resolution, if passed, will exclude the shareholders' pre-emptive rights over all new shares in the Company, ESOS Options and any offers, agreements, rights, options or other convertible securities of whatever kind in the Company.

#### 6. Ordinary Resolution 9: Power 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.

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 30 May 2022 and which will lapse at the conclusion of the Twentieth AGM. The renewal of this General Mandate will provide flexibility to the Company for any possible fundraising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

At this juncture, there is no decision to issue new shares but the Directors consider it desirable to have the flexibility permitted to respond to market developments and to enable allotments to take place to finance business opportunities without making a pre-emptive offer to existing shareholders. If there should be a decision to issue new shares after the General Mandate is obtained, the Company will make announcement in respect thereof.

#### 7. Ordinary Resolution 10: 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 existing recurrent related party transactions under the Proposed Shareholders' Mandate pursuant to the provisions of the MMLR 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 28 April 2023 for further information.

#### 8. Ordinary Resolution 11: 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 28 April 2023 for further information.

#### 9. Ordinary Resolution 12: 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 2022.

### Statement Accompanying Notice of Annual General Meeting

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

As at the date of this notice, no individual is standing for election as a Director at the forthcoming Twentieth Annual General Meeting of the Company.

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# 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 Twentieth Annual General Meeting ("20th AGM") of the Company, to be held virtually at 12th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor and entirely via Remote Participation and Electronic Voting ("RPEV") facilities through meeting platform at <https://meeting.boardroomlimited.my> on Wednesday, 31 May 2023 at 2.00 pm or at any adjournment thereof.

Please indicate with an "x" in the appropriate space(s) provided below on how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at \*his/her discretion.

ORDINARY RESOLUTION ("OR")	OR1	OR2	OR3	OR4	OR5	OR6	OR7	OR8	OR9	OR10	OR11	OR12
FOR												
AGAINST												

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

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

\* Strike out whichever is not desired.

## Notes : Appointment of Proxy

- The 20th AGM would be held entirely via RPEV facilities through meeting platform at <https://meeting.boardroomlimited.my>. Kindly refer to the Administrative Guide for the 20th AGM in order to register, participate and vote remotely via the RPEV facilities.
- The online meeting platform is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the chairman of the meeting to be present at the main venue of the meeting. Shareholders / proxies from the public WILL NOT BE ALLOWED to be physically present. Shareholders who wish to participate in the 20th AGM will have to register online and attend remotely. Kindly read and follow the procedures in the Administrative Guide for the 20th AGM in order to participate remotely.
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- If the appointor is a corporation, the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 23 May 2023 (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 20th AGM of the Company and any adjournment thereof.



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Affix  
Stamp

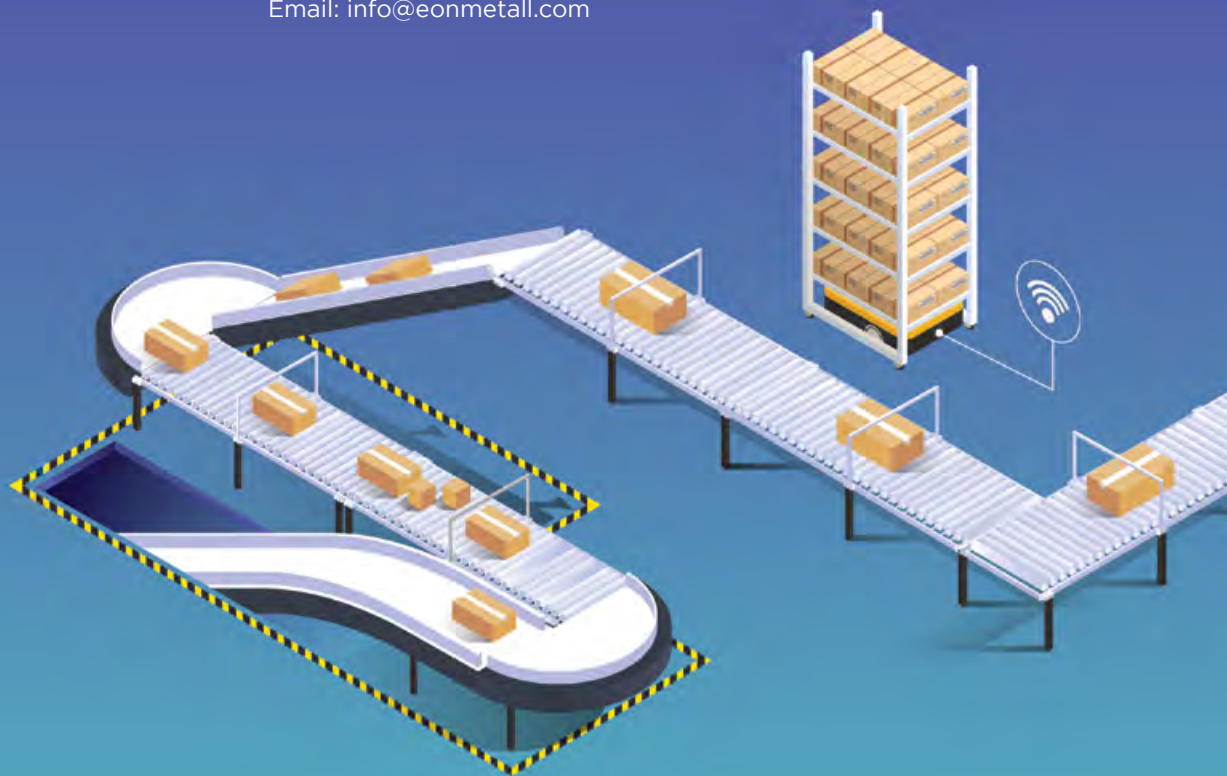
The Company Secretaries  
**EONMETALL GROUP BERHAD**  
Registration No. 200301029197 (631617-D)  
170-09-01, Livingston Tower  
Jalan Argyll, 10050 George Town  
Pulau Pinang, Malaysia

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## **EONMETALL GROUP BERHAD**

Registration No. 200301029197 (631617-D)

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Tel: +604 582 8323 Fax: +604 582 1525  
Email: [info@eonmetall.com](mailto:info@eonmetall.com)



[www.eonmetall.com](http://www.eonmetall.com)