
# ALCOM GROUP BERHAD

Registration No. 201701047083 (1261259-V)

## ANNUAL REPORT 2019

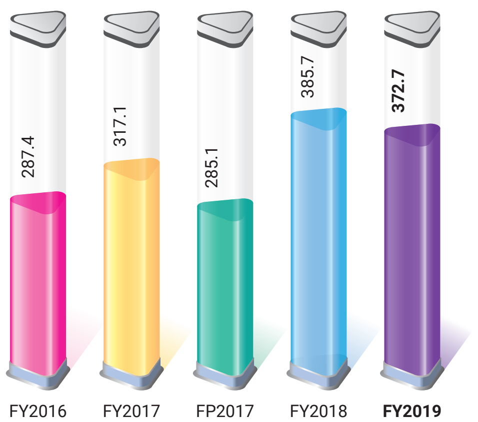
alcom

60 Years of Excellence in Aluminium products

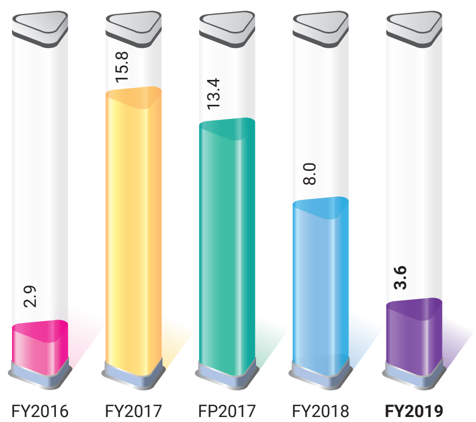
# FIVE-YEAR GROUP
# **FINANCIAL HIGHLIGHTS**

| | Aluminium Company of Malaysia Berhad | | | Alcom Group Berhad | |
|---|---|---|---|---|---|
| | Financial Year Ended ("FY") 31 March | | 9-month Financial Period Ended ("FP") 31 December | FY 31 December | |
| | 2016 | 2017 | 2017 | 2018 | 2019 |
| Revenue (RM'Million) | 287.4 | 317.1 | 285.1 | 385.7 | **372.7** |
| Profit from Ordinary Activities Before Tax (RM'Million) | 2.9 | 15.8 | 13.4 | 8.0 | **3.6** |
| Net Profit Attributable to Shareholders (RM'Million) | 1.8 | 11.6 | 9.7 | 3.4 | **0.3** |
| Earnings Before Interest, Taxes, Depreciation and Amortisation (RM'Million) | 17.6 | 24.9 | 20.5 | 19.5 | **19.4** |
| Shareholders' Equity (RM'Million) | 164.6 | 176.3 | 118.3 | 122.4 | **122.1** |
| Total Assets (RM'Million) | 209.7 | 223.5 | 242.3 | 332.7 | **374.0** |
| Earnings Per Share (Sen) | 1.37 | 8.78 | 7.24 | 2.56 | **0.24** |
| Net Assets Per Share (RM) | 1.24 | 1.33 | 0.89 | 0.91 | **0.91** |

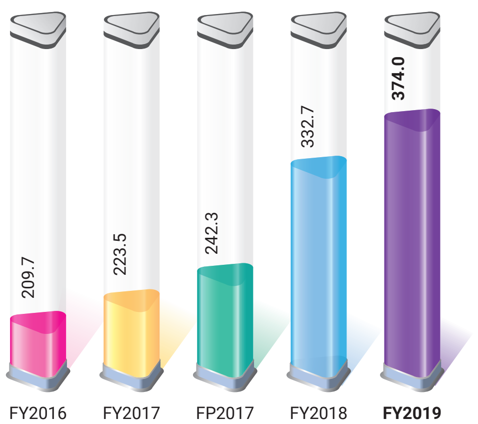
**REVENUE**
(RM'Million)



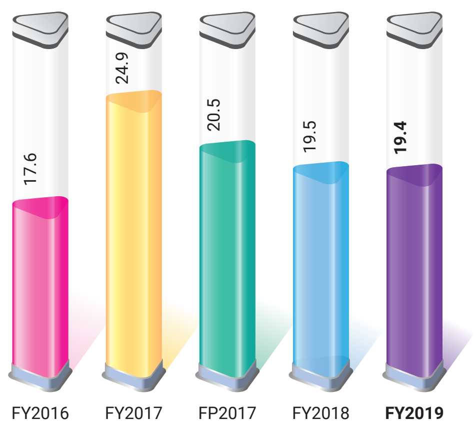

**PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX**
(RM'Million)




**TOTAL ASSETS**
(RM'Million)




**EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION**
(RM'Million)



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# CORPORATE **INFORMATION**

## BOARD OF DIRECTORS

**Dato' Seri Subahan Bin Kamal**
*Chairman/Independent Non-Executive Director*

**Heon Chee Shyong**
*President cum Chief Executive Officer*

**Yeoh Jin Hoe**
*Executive Director*

**Dato' Eng Kim Liong**
*Executive Director*

**Ang Loo Leong**
*Executive Director*

**Wong Choon Shein**
*Independent Non-Executive Director*

**Lam Voon Kean**
*Independent Non-Executive Director*

**Marc Francis Yeoh Min Chang**
*Alternate Director to Yeoh Jin Hoe*

## AUDIT & RISK MANAGEMENT COMMITTEE

Lam Voon Kean *(Chairperson)*
Dato' Seri Subahan Bin Kamal
Wong Choon Shein

## NOMINATION COMMITTEE

Wong Choon Shein *(Chairperson)*
Dato' Seri Subahan Bin Kamal
Lam Voon Kean

## REMUNERATION COMMITTEE

Lam Voon Kean *(Chairperson)*
Dato' Seri Subahan Bin Kamal
Wong Choon Shein

## COMPANY SECRETARIES

Tan Bee Keng
SSM PC No. 201908002597
(MAICSA 0856474)

Teh Yi Ting
SSM PC No. 201908001859
(MAICSA 7068250)

## AUDITORS

**KPMG PLT**
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T : +603-7721 3388
F : +603-7721 3399
E : info@kpmg.com.my

## SHARE REGISTRAR

**Tricor Investor & Issuing House Services Sdn Bhd**
**(Registration No. 197101000970 (11324-H))**
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
T : +603-2783 9299
F : +603-2783 9222
E : is.enquiry@my.tricorglobal.com
W : www.tricorglobal.com

**Tricor Customer Service Centre**
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

## REGISTERED OFFICE

No. 3, Persiaran Waja
Bukit Raja Industrial Estate
41050 Klang
Selangor Darul Ehsan, Malaysia
T : +603-3346 6262
F : +603-3341 2793

## PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
HSBC Amanah Malaysia Berhad
OCBC Bank (Malaysia) Berhad
AmBank (M) Berhad
Affin Bank Berhad
Malayan Banking Berhad
Citibank Berhad
Alliance Islamic Bank Berhad

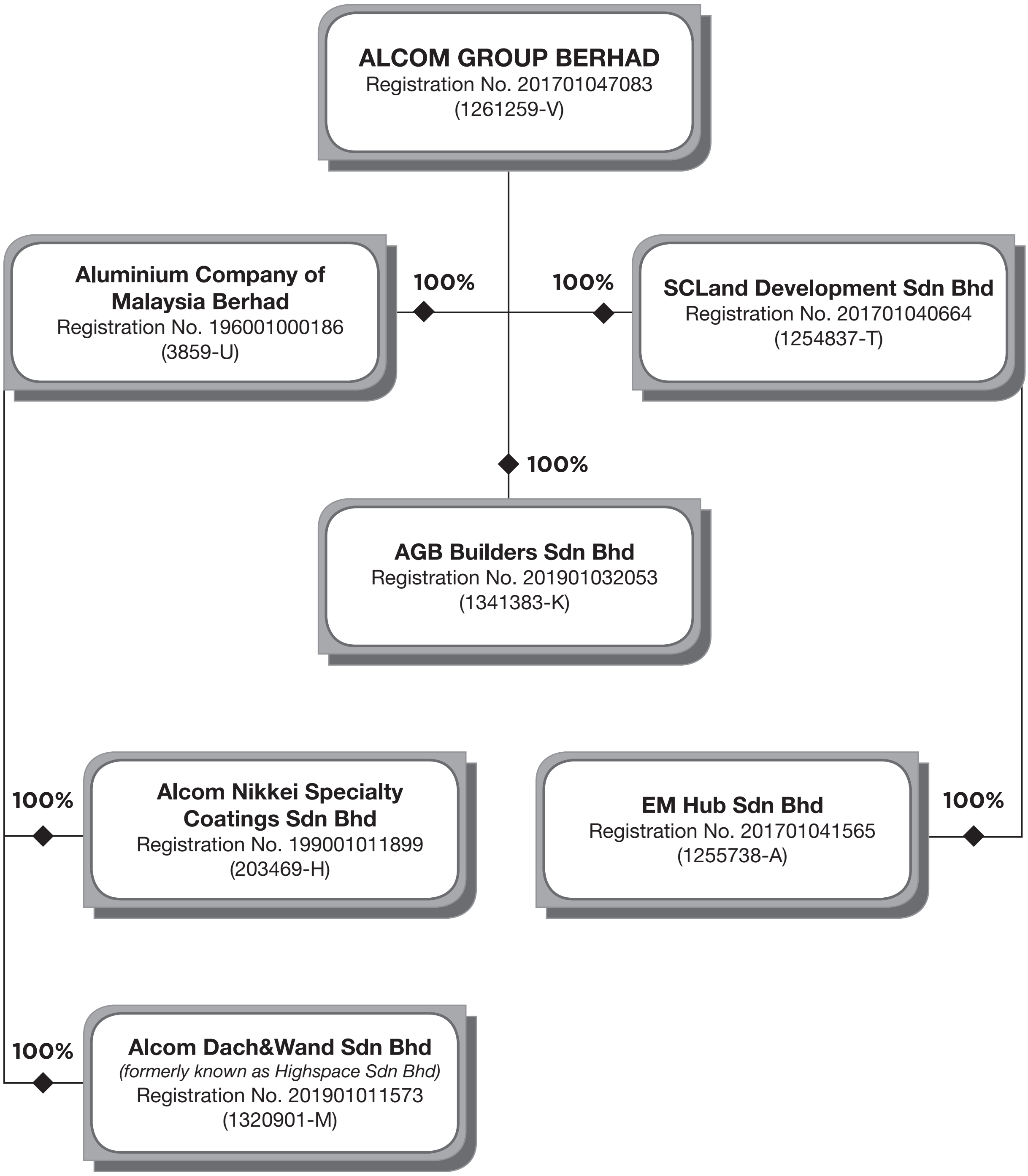
## STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Name : ALCOM
Stock Code : 2674
Sector : Industrial Products & Services
Sub-Sector : Metals

## WEBSITE

www.alcom.com.my

# GROUP **STRUCTURE**



# GROUP INFORMATION

## MANUFACTURING SEGMENT

*MANUFACTURING PLANTS & CORPORATE OFFICES*

**Aluminium Company of Malaysia Berhad**
No. 3, Persiaran Waja
Bukit Raja Industrial Estate
41050 Klang
P.O. Box 233
41720 Klang
Selangor Darul Ehsan, Malaysia
T : +603-3346 6262
F : +603-3341 2793

**Alcom Nikkei Specialty Coatings Sdn Bhd**
No. 3, Persiaran Waja
Bukit Raja Industrial Estate
41050 Klang
P.O. Box 79
41720 Klang
Selangor Darul Ehsan, Malaysia
T : +603-3342 2234
F : +603-3342 2203

*PRODUCTS MANUFACTURED*

**Aluminium Specialty Products**
Tread Plate, Flat Sheet, Coils,
Stucco Embossed Sheet/Coils,
Painted Sheet/Coils,
Cladding Sheet and Capacitor Coils

**Aluminium Roofing Products**
Corrugated Sheet 'PAYUNG' – 7C/11C,
Roofing Coils and Industrial Profile
Roofing Sheets '7P'/'Alrib'/'Comspan'
in Plain/Painted/Stucco-Embossed

**Aluminium Foil Products**
Bare Finstock, Coated Finstock, Cable Foil,
Plain Foil and Diaphragm (Lacquered) Foil

*SALES ENQUIRIES*

marketing@alcom.com.my

## PROPERTY DEVELOPMENT SEGMENT

*SALES GALLERY & CORPORATE OFFICE*

**SCLand Development Sdn Bhd**
**EM Hub Sdn Bhd**
R18, Wisma SCland
Emporis Kota Damansara
Persiaran Surian
47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T : +603-6419 9888
+603-6419 9333
F : +603-6419 9666

*PROJECT*

EMHub
(6-Storey Ramp-Up Commerce Hub)

*SALES ENQUIRIES*

sales@scland.com.my

## CONSTRUCTION SEGMENT

*CORPORATE OFFICES*

**Alcom Dach&Wand Sdn Bhd**
No. 2, Pusat Perniagaan Bestari
Jalan Permata 1B/KS09
Taman Perindustrian Air Hitam
42000 Klang
Selangor Darul Ehsan, Malaysia
T : +603-3123 1353
F : +603-3123 1311

*PRINCIPAL ACTIVITIES*

Supply and installation of roofing products and cladding systems

*SALES ENQUIRIES*

dachwand@alcom-dw.com

**AGB Builders Sdn Bhd**
Office Suite No. T1-17-01
8trium Tower
Bandar Sri Damansara
52200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
T : +603-6280 6666
F : +603-6280 6336

*PRINCIPAL ACTIVITY*

Construction of buildings

*SALES ENQUIRIES*

enquiry@agb.builders

# PROFILE OF **DIRECTORS**

## DATO' SERI SUBAHAN BIN KAMAL

*Chairman/ Independent Non-Executive Director*
*Malaysian, Male, Aged 54*

Dato' Seri Subahan bin Kamal was appointed to the Board of Directors ("Board") of Alcom Group Berhad ("AGB") as Independent Non-Executive Chairman on 9 August 2018. He was re-designated as Senior Independent Non-Executive Director of AGB on 28 August 2019. He is a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of AGB.

He holds a Bachelor of Science (Hons) Degree in Finance and Minor in Economics from Southern Illinois University at Carbondale, Illinois, United States of America. He is a member of the Malaysian Insurance Institute.

He started his employment career with Bank Rakyat Corporate Planning Department in 1989 and left to join the civil service sector in 1994. He served as Private Secretary to the Parliamentary Secretary, Ministry of Finance (1994 to 1995), Senior Private Secretary to the Deputy Minister of Finance (1995 to 1998) and Senior Private Secretary to the Deputy Minister of Human Resource (1999). In 1999, he left the civil sector to start his business in construction. He has several businesses involved in constructions, training and education, property development, project management and logistics. He also has very strong relationships with the Government agencies and authorities.

He is the President of the Malaysian Hockey Confederation; Deputy President of Football Association of Malaysia; a member of Curriculum Advisory Board, Universiti Teknologi MARA, Malaysia; and Chairman of Wawasan Qi Group; and Member of Advisory Board, Quest International University Perak. He was the President of Football Association of Selangor from 2016 to 2018 and the Manager of Malaysian National Football Team from 2009 to 2013. Currently, he is the Manager of the Malaysian U23 National Football Team and also the President of Petaling Jaya City Football Club.

He is the Independent Non-Executive Chairman of Can-One Berhad which is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and an Independent Non-Executive Director of The New Straits Times Press (Malaysia) Berhad, a subsidiary of Media Prima Berhad which is listed on the Main Market of Bursa Securities. He is also an Executive Director of Gagasan Nadi Cergas Berhad, which is listed on the ACE Market of Bursa Securities.

He does not have any family relationship with any Director and/or major shareholder of AGB.

## HEON CHEE SHYONG

*President cum Chief Executive Officer*
*Malaysian, Male, Aged 52*

Heon Chee Shyong was appointed to the Board of AGB as President cum Chief Executive Officer ("CEO") on 9 August 2018. He joined Aluminium Company of Malaysia Berhad ("ALCOM") as Managing Director on November 2014 and remained as its President cum CEO after an internal reorganisation in 2018 when the listing status of ALCOM was transferred to AGB.

He graduated with the Bachelor of Civil Engineering (Hons) and Bachelor of Commerce – Management from the University of Wollongong, Australia. He also completed General Manager Program from Australian Graduate School of Management (AGSM) at University of New South Wales.

He started his career with NS BlueScope Lysaght (Malaysia) Sdn. Bhd. (formerly known as BHP Steel Building Products Sdn. Bhd.) in 1991. Since then, he had accumulated 22 years of working experience within the NS BlueScope Steel group holding numerous key leadership roles. He has extensive experience in Sales and Marketing.

In 1999, he was made Vice President – Supply Chain: where he played a major role in heading 5 key departments – Procurement, Inventory Management, Production Planning, Logistics and Customer Service. In 2003, he was seconded as President, to an associate company within the NS BlueScope Steel group: NS BlueScope Lysaght (Sarawak) Sdn. Bhd.. During this time, he helped to put in place proper system and structure which successfully turned around the company. Later in 2007, he was posted back to NS BlueScope Lysaght (Malaysia) Sdn. Bhd. as President/Director overseeing the entire Malaysian operation. He also served as President/Director of NS BlueScope Lysaght Malaysia, Singapore and Brunei operations overseeing 7 businesses across the region taking leadership roles on strategic business development and building functional leadership team across the various business units.

He is the Immediate Past Chairman of Aluminium Manufacturers Group of Malaysia (FMM – AMGM) after serving for 4 years. He is currently serving as the Deputy Chairman of AMGM.

He does not have any family relationship with any Director and/or major shareholder of AGB. He has no directorship in other public companies and listed issuers.

# PROFILE OF **DIRECTORS**

## YEOH JIN HOE

*Executive Director*
*Malaysian, Male, Aged 73*

Yeoh Jin Hoe was appointed to the Board of AGB on 9 August 2018. He joined ALCOM as Executive Director on September 2016 and remained as its Executive Director after an internal reorganisation in 2018 when the listing status of ALCOM was transferred to AGB.

He has extensive experience in the manufacturing and trading industries. He founded several companies involved in the manufacturing sector. These companies are principally involved in the manufacture and sale of branded mattresses and other sleep related products; food products such as instant noodles and food seasonings; and distribution of sanitary wares, ironmongery and builders' hardware.

He was the former Managing Director of Can-One Berhad ("Can-One"), a company listed on the Main Market of Bursa Securities, and a major shareholder of Can-One. He relinquished his aforesaid position in Can-One in 2012 when he became a major shareholder of Kian Joo Can Factory Berhad ("Kian Joo") and was appointed Group Managing Director of Kian Joo. He remained on the Board of Can-One as a Non-Independent Non-Executive Director. He is also the Group Managing Director of Kian Joo's subsidiary company, Box-Pak (Malaysia) Bhd. ("Box-Pak"), which is listed on the Main Market of Bursa Securities.

He is a major shareholder of AGB. He is the father of Alternate Director, Marc Francis Yeoh Min Chang.

## DATO' ENG KIM LIONG

*Executive Director*
*Malaysian, Male, Aged 55*

Dato' Eng Kim Liong was appointed to the Board of AGB as Executive Director on 9 August 2018.

He has over 30 years experience in property investment and mechanical and electrical trades. He is the co-founder of SCland Sdn. Bhd., a property investment and development company with projects in Klang Valley, Selangor, Pahang and Sabah.

Prior to SCland Sdn. Bhd., he specialised in the provision of mechanical and electrical works to property developers with customers in East and West Malaysia.

He is a major shareholder of AGB. He does not have any family relationship with any Director and/or major shareholder of AGB. He has no directorship in other public companies and listed issuers.

## ANG LOO LEONG

*Executive Director*
*Malaysian, Male, Aged 55*

Ang Loo Leong was appointed to the Board of AGB as Executive Director on 9 August 2018. He holds a Diploma in Building.

He has over 31 years experience in the construction industry, having served in several reputable construction companies involved in large scale construction projects in Klang Valley and Kota Kinabalu, Sabah.

He is a major shareholder of AGB. He does not have any family relationship with any Director and/or major shareholder of AGB. He has no directorship in other public companies and listed issuers.

# PROFILE OF **DIRECTORS**

## WONG CHOON SHEIN

*Independent Non-Executive Director*
*Malaysian, Male, Aged 69*

Wong Choon Shein was appointed to the Board of AGB on 9 August 2018. He is the Chairperson of the Nomination Committee and a member of the Audit and Risk Management Committee and Remuneration Committee of AGB.

He has over 41 years of experience and knowledge in international trade and wide networking with major global players in the building and construction industry. He was the founder and Managing Director of Buildtrend Group, a major building materials and architectural products distributor of global brands (like ROCA, TOTO, Villeroy and Boch) and contractor. In July 1994, after divesting Buildtrend Group to Hong Leong Malaysia, he assumed the position of Group Managing Director, Building Materials Division of Hong Leong Industries Berhad until 1996. Home Expo, the first one-stop home renovation and decoration centre in Malaysia, was launched by him in 1999.

He has several business ventures in the building and construction industry in Malaysia, Singapore and Australia. He is also the ASEAN Business Development Director for BSC Group Hong Kong, a building materials and interior contracting group with business activities in Hong Kong, China and Macau.

He is a Non-Independent Non-Executive Director of OCB Berhad which is listed on the Main Market of Bursa Securities.

He does not have any family relationship with any Director and/or major shareholder of AGB.

## LAM VOON KEAN

*Independent Non-Executive Director*
*Malaysian, Female, Aged 67*

Lam Voon Kean was appointed to the Board of AGB on 9 August 2018. She is the Chairperson of the Audit and Risk Management Committee, and Remuneration Committee, and a member of the Nomination Committee of AGB. She is a member of the Malaysian Institute of Accountants ("MIA") and Malaysian Institute of Certified Public Accountants ("MICPA").

She joined KPMG Penang in 1974 as an articled student and qualified as a Certified Public Accountant in 1981. She was one of the senior audit managers of KPMG Penang and acted as the engagement manager for various audit engagements and also for assignments relating to the listing of shares on the Malaysian Stock Exchange and was involved in the review and preparation of profit and cash flow forecasts and projections.

In 1994, she left KPMG Penang and joined M&C Services Sdn. Bhd. (now known as Boardroom Corporate Services Sdn. Bhd.) and was promoted to Executive Director managing a suite of business solutions and services for public listed companies, private companies, and branches of multi-national companies.

She was the Managing Director of Boardroom Corporate Services (Penang) Sdn. Bhd. ("Boardroom") until her retirement in 2011 and acted as consultant to Boardroom for a year in 2012.

She is an Independent Non-Executive Director of Asia File Corporation Bhd., Globetronics Technology Berhad, RGB International Bhd. and Tambun Indah Land Berhad, which are all listed on the Main Market of Bursa Securities.

She does not have any family relationship with any Director and/or major shareholder of AGB.

# PROFILE OF **DIRECTORS**

## MARC FRANCIS YEOH MIN CHANG

*Alternate Director to Yeoh Jin Hoe*
*Malaysian, Male, Aged 35*

Marc Francis Yeoh Min Chang was appointed as Alternate Director to Yeoh Jin Hoe on 9 August 2018. He holds a Bachelor of Science degree in Electrical and Electronic Engineering (Magna cum Laude) from Marquette University, United States of America and a Master of Business Administration in Finance from University of Southern Queensland, Australia.

He is the Group Managing Director of Can-One Berhad, a company listed on the Main Market of Bursa Securities. Prior to this, he was Can-One Berhad's Chief Operating Officer cum Executive Director. From 2007 to 2010, he was with Axiata Group Berhad group of companies serving in various senior positions abroad.

He is the son of Yeoh Jin Hoe, the Executive Director and major shareholder of AGB.

*Additional Information:*

1. *None of the Directors has conflict of interest with AGB.*
2. *None of the Directors:*
   (i) *has been convicted of any offence within the past 5 years; or*
   (ii) *was publicly sanctioned or imposed with penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.*
3. *Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement on page 40 of this Annual Report.*

# PROFILE OF
# KEY SENIOR MANAGEMENT

## DATO' LIM CHEE KHOON

*Managing Director of wholly-owned subsidiary, SCLand Development Sdn Bhd ("SDSB")*
*Malaysian, Male, Aged 53*

Dato' Lim Chee Khoon was appointed as Managing Director of SDSB on 1 January 2018. He holds a Bachelor of Science (Hons) degree from Universiti Sains Malaysia. He began his career with the Lion Group in 1990 where he managed numerous large development projects in Malacca. He has accumulated 30 years of experience in property development and project management and was the founder of SCland Sdn. Bhd., a property investment and development company where he managed all its projects in Klang Valley, Selangor, Pahang and Sabah. Prior to SCland Sdn. Bhd., he was the Chief Executive Officer of C P Land Sdn. Bhd., a property development company.

He is a major shareholder of AGB.

## BERNARD WILLIAM A/L WILLIAM G. GOMEZ

*Director, Finance of wholly-owned subsidiary, Aluminium Company of Malaysia Berhad ("ALCOM")*
*Malaysian, Male, Aged 57*

Bernard joined ALCOM in December 2010 as Chief Financial Officer and was later re-designated to Director, Finance in October 2012. He completed his professional qualification in England as a Chartered Management Accountant in 1991 and is a member of the Malaysian Institute of Accountants ("MIA"). Prior to ALCOM, he had accumulated over 25 years of finance-related experience in various entities including multi-national companies and a public listed entity, holding senior finance positions.

## CHONG KHAI MAN

*Director, Sales & Marketing of wholly-owned subsidiary, ALCOM*
*Malaysian, Male, Aged 53*

Eric Chong Khai Man joined ALCOM in July 1995 as a Sales Executive and was appointed as the Director, Sales & Marketing in April 2014. He completed the Chartered Institute of Marketing Program and holds a Masters of Business Administration (Marketing) from St. George University International in 2002. He was elected as Member of the Chartered Institute of Marketing (UK) in 2002 and achieved the status of Chartered Marketer in 2003.

He has accumulated over 24 years of sales and marketing experience with ALCOM, mainly in respect of the export markets. His experience also includes 7 years of exposure to building materials with a large listed group of companies in Malaysia, prior to joining ALCOM. He had previously undergone a 1-month full-time training experience in Japan under the Association for Overseas Technical Scholarship ("AOTS") of Japan. Following the experience, he has a good grasp of the Japanese business culture.

# PROFILE OF
# KEY SENIOR MANAGEMENT

## TAE IL SEO

*Director, Plant of wholly-owned subsidiary, ALCOM*
*Korean, Male, Aged 69*

Tae-Il Seo joined ALCOM as Director, Plant in May 2017. He graduated from the University of Ulsan, Korea with a Bachelor in Materials Engineering, majoring in Metallurgical Engineering. He began his career as a Metallurgical Engineer in 1976 with Aluminium Company of Korea Ltd (within the Hyundai Group, Korea) during which time, he was selected for technical training at Nippon Light Metal, Japan and Kaiser Chemical Corporation in the United States of America. He has over 40 years of aluminium related experience and has held key senior positions as Plant Manager of Novelis, Korea as well as Works Manager of ALCOM from 2004 to 2008.

He has also attended senior level courses at Ulsan CEO Academy, organised by Chambers of Commerce of Ulsan, the Samsung CEO Academy organised by Samsung and has also participated in CEO Forum organised by the University of Ulsan and Business Culture School organised by Kyungsang (Media) Newspaper. In addition, Tae-Il Seo has held teaching positions as a Professor in the School of Material Science and Engineering at the University of Ulsan as well as a Specialist in the Korean Institute of Industrial Technology.

*Additional Information:*

1. *None of the Key Senior Management personnel has family relationship with any Director and/or major shareholder of AGB.*
2. *None of the Key Senior Management personnel has conflict of interest with AGB.*
3. *None of the Key Senior Management personnel holds directorship in public companies and listed issuers.*
4. *None of the Key Senior Management personnel:*
   - *(i) has been convicted of any offence within the past 5 years; or*
   - *(ii) was publicly sanctioned or imposed with penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.*

# MANAGEMENT DISCUSSION **AND ANALYSIS**

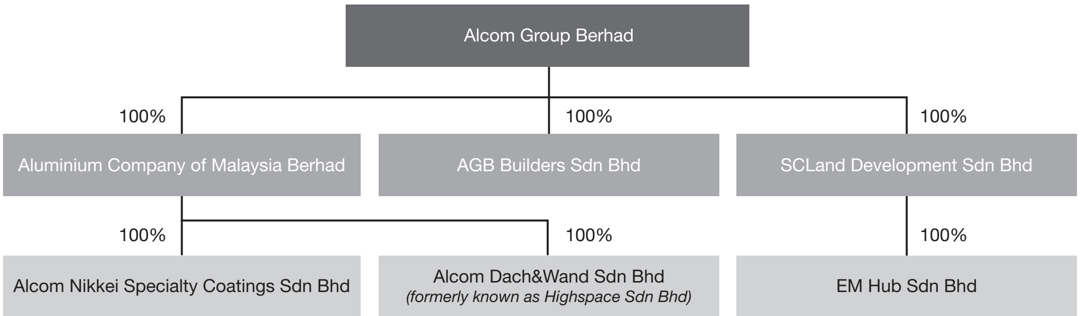
## *INTRODUCTION*

The following Management Discussion and Analysis ("MD&A") provides an analysis of the financial performance of Alcom Group Berhad ("AGB" or "the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2019 ("FY2019") which should be read in conjunction with the audited financial statements of the Group and of the Company as set out in pages 58 to 126.

This MD&A is the responsibility of the Management. The Audit and Risk Management Committee and the Board of Directors have reviewed and approved this MD&A for inclusion in the Annual Report for FY2019.

## *OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS*

The Group structure is as follows:-




The Group organises its principal activities into 4 business segments as follows:-

1) Manufacturing Segment
2) Property Development Segment
3) Construction Segment
4) Investment Holding Segment

**Manufacturing Segment**

This segment comprises 2 entities i.e. Aluminium Company of Malaysia Berhad ("ALCOM") and Alcom Nikkei Specialty Coatings Sdn Bhd ("ANSC") which is a wholly-owned subsidiary of ALCOM. The manufacturing segment is also collectively known as ALCOM/ ANSC. ALCOM is a well-established aluminium manufacturer having been in operation for 60 years in the manufacturing of aluminium sheets and coils. It supplies rolled aluminium products within Malaysia as well as to Asia and Europe. The key product categories manufactured by ALCOM are fin stock, roofing products, heavy gauge foil and specialties whilst ANSC produces the coated fin product. Approximately a quarter of the total shipment volumes of ALCOM/ANSC are supplied to the domestic market while the remainder is exported.

**Property Development Segment**

The property development segment of the Group, SCLand Development Sdn Bhd ("SCLD") focuses on property development. SCLD's wholly-owned subsidiary, EM Hub Sdn Bhd was established in November 2017 to develop its maiden property project, a Ramp-up Commerce Hub with a hybrid 3-in-1 space for showrooms, offices and storage, located at Kota Damansara, Selangor.

**Construction Segment**

This segment comprises AGB Builders Sdn Bhd ("AGB Builders") and Alcom Dach&Wand Sdn Bhd (formerly known as Highspace Sdn Bhd) ("AD&W"). AGB Builders was incorporated in September 2019 as a wholly-owned subsidiary of AGB. The principal activity of AGB Builders is construction of buildings. AD&W is engaged in the business of supply and installation of roof and cladding systems, and steel structure construction. It was acquired by ALCOM in October 2019 to complement its business growth in the roofing product category.

**Investment Holding Segment**

AGB is the sole company within this segment. It is the holding company comprising 3 direct wholly-owned subsidiaries i.e. ALCOM, AGB Builders and SCLD. AGB is the only company in the Group that is listed on the Main Market of Bursa Malaysia Securities Berhad.

# MANAGEMENT DISCUSSION **AND ANALYSIS**

## *FINANCIAL PERFORMANCE*

Summary of the consolidated results by segments for FY2019 and Financial Year 2018 ("FY2018") were as follows:-

| Consolidated Summary Results by Segments | Manufacturing | Property Development | Construction | Investment Holding | Elimination | Group of Companies | Manufacturing | Property Development | Investment Holding | Elimination | Group of Companies |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - Statement of Profit or Loss | Financial Year 2019 | | | | | | Financial Year 2018 | | | | |
| | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil |
| Revenue | **344.12** | **24.89** | **3.64** | **2.69** | **(2.69)** | **372.65** | 385.70 | – | – | – | 385.70 |
| Profit/(Loss) Before Tax | **8.24** | **(3.19)** | **0.14** | **1.62** | **(3.17)** | **3.64** | 15.21 | (6.48) | (0.76) | – | 7.97 |
| Tax Expense/(Credit) | **2.66** | **0.59** | **0.07** | **-** | **-** | **3.32** | 5.11 | (0.58) | – | – | 4.53 |
| Profit/(Loss) After Tax | **5.58** | **(3.78)** | **0.07** | **1.62** | **(3.17)** | **0.32** | 10.10 | (5.90) | (0.76) | – | 3.44 |

| - Statement of Financial Position | As At 31 December 2019 | | | | | | As At 31 December 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil | RM Mil |
| Total Assets | **259.63** | **149.83** | **8.40** | **105.61** | **(149.46)** | **374.01** | 256.73 | 111.33 | 102.17 | (137.49) | 332.74 |
| Total Liabilities | **128.24** | **159.54** | **6.84** | **2.58** | **(45.33)** | **251.87** | 127.64 | 117.24 | 0.77 | (35.33) | 210.32 |
| Equity | **131.39** | **(9.71)** | **1.56** | **103.03** | **(104.13)** | **122.14** | 129.09 | (5.91) | 101.40 | (102.16) | 122.42 |

### Revenue

The revenue achieved by the Group for FY2019 of RM372.65 million declined by approximately 3% compared to FY2018 revenue of RM385.70 million. The manufacturing segment of the Group recorded a revenue in FY2019 of RM344.12 million and revenue of RM28.53 million arose from the segments of property development and construction. The FY2018 revenue of the Group was entirely contributed by the manufacturing segment.

For the manufacturing segment, there was a RM41.58 million decline in revenue for FY2019 when compared to FY2018's revenue of RM385.70 million. This approximate 11% reduction was attributable to a lower shipment volume of 3% and a change in the sales product mix, coupled with lower average base metal costs of approximately 15%. The decline in shipment volume was mainly the result of reduced demand largely from the Thailand market which was partially offset by higher shipments to the United States ("US"). The overall export portion of the total sales revenue was approximately 77%. The sales volume of Coated Fin product which has the highest selling price per metric ton, was lower in FY2019 compared to FY2018, offset partially by an increase in sales volumes for the specialty product category. The revenue result recorded was net of a weaker Ringgit Malaysia vis-à-vis the US Dollar currency in FY2019 versus FY2018; the ringgit was on average approximately 3% weaker.

The property development and construction segments recorded revenues for FY2019 of RM24.89 million and RM3.64 million respectively. For the property development segment, this revenue was generated from its maiden EMHub project ("EMHub") which began recognising revenue from the second quarter of FY2019 whilst the construction segment began generating revenue in the fourth quarter of FY2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *FINANCIAL PERFORMANCE (continued)*

**Profit Before Tax**

The manufacturing segment's profit before tax reduced by 46% in FY2019 compared to FY2018 as a result of a lower shipment volume coupled with a change in the product mix, namely from lower shipment of its highest contribution generating product viz Coated Fin. The profit before tax was also impacted negatively by a metal price lag loss in FY2019 compared to a metal price lag gain attained in FY2018. These, together with higher freight costs, direct costs and higher usage of external rerolls to supplement in-house production, net of a lower melt loss had impacted the contribution generated for FY2019. In addition, there were higher repairs & maintenance costs and depreciation charges. These were partially offset by lower legal & professional fees, lower provisions for slow moving inventories, customer complaints and staff bonuses.

The property development segment's improved result was attributable to the commencement of profit recognition for the EMHub Project in the second quarter of FY2019 net of higher financing costs whilst the construction segment, whose operations within the Group began in the fourth quarter of FY2019, recorded a profit before tax of RM0.14 million. The investment holding segment comprising the sole company, AGB, registered a profit before tax of RM1.62 million. This result included dividends income of RM2.69 million from ALCOM, one of its wholly-owned subsidiaries within the manufacturing segment. This inter-segment dividend payment was eliminated for consolidation purposes together with the amortisation of intangible assets in relation to the acquisition of AD&W, net of capitalisation of borrowing cost for assets under construction. The total elimination amount was RM3.17 million.

**Tax Expense**

The effective tax rate of the Group for FY2019 was much higher than the statutory tax rate due to non-deductibility of certain expenses namely professional fees and stamp duties paid for securing additional bank facilities as well as interest expense on a loan obtained to finance a non-trade transaction.

**Total Assets**

Total assets of the Group increased by approximately RM41 million in FY2019 as compared to FY2018. Of this increase, approximately RM39 million was attributable from the property development segment resulting mainly from the increase in development costs of the EMHub project under progress with additional work done in FY2019. There was also an increase in accounts receivables and the segment ended with a higher cash balance.

The Group's total assets' increase was also contributed with the introduction of the construction segment's 2 new entities of AD&W and AGB Builders. The acquisition of AD&W also resulted in goodwill of RM2.29 being recognised in the Group. Additionally, in the manufacturing segment, there were investments in new assets and higher inventory holding net of lower trade receivables.

**Total Liabilities**

The increase in total liabilities in FY2019 compared to FY2018 of approximately RM42 million was largely attributable to the property development segment due to increased borrowings, higher payables and contract liabilities. The introduction of the construction segment into the Group also contributed partially to this increase.

**Capital Expenditure**

The Group incurred RM17.81 million for the new acquisition and replacement of property, plant and equipment in FY2019 as compared to RM10.60 million incurred in FY2018. These expenditures in both financial years were mainly incurred by the manufacturing segment.

**Dividend Policy**

The Group is committed to protecting shareholders' interests and creating sustainable value. Any dividend payout will be dependent on the Group's level of cash and retained earnings, its prospects of financial performance as well as projected obligations. This chosen dividend policy has thus far aided in the Group's business growth without affecting its planned strategic direction.

## *REVIEW OF OPERATING ACTIVITIES*

This review focuses on the Group's manufacturing and property development segments that account for 92% and 7% respectively of the Group's revenue in FY2019. The Group's construction segment was introduced into the Group toward the fourth quarter of FY2019 and a review of its activities will be covered in the Financial Year 2020 Annual Report.

# MANAGEMENT DISCUSSION AND ANALYSIS

***REVIEW OF OPERATING ACTIVITIES (continued)***

## MANUFACTURING

### Overview

FY2019 was a very challenging year for a majority of countries and companies worldwide. The manufacturing industry was acutely impacted as the world's Gross Domestic Product growth rate slowed to its slowest pace since the global financial crisis of 2007-08. The trade tension between China and US affected the economies of all the countries where our customers are located. The commodity price of aluminium was on a downward trend in FY2018 but was relatively stable throughout FY2019. Domestically, the market in FY2019 was much slower than in FY2018 with most customers having reduced demand for ALCOM/ANSC's products and correspondingly reporting overall lower sales volumes. With a slowing domestic market, export volumes increased marginally in FY2019 to approximately 75.7%. Overall shipment volume was 3% lower and similarly, Conversion Premium was approximately 2.6% lower compared to the last financial year. Despite a very challenging market and sacrificing some volumes, a slightly higher overall average selling price compared to FY2018 was registered. Total operating costs for FY2019 was lower than FY2018 albeit most of these costs were fixed costs.

### Commercial

Overall shipment in FY2019 was marginally lower by 3% compared to FY2018 despite a very challenging year for most economies globally. Most of the countries in which our customers are based reported a very challenging year with slower sales in FY2019. An increasing number of customers are rationalising their workforce as well as their supply chain to lower their cost.

With the ongoing trade tensions, there were excess capacities from Chinese suppliers which resulted in very stiff competition in most markets outside the US. This affected sales and margins across all markets and products. On a positive note, ALCOM was able to penetrate the building and construction market in the US with some volume. The approval process in ensuring ALCOM/ANSC's material is qualified by potential customers in the US is very tedious and long. While it is a great opportunity for ALCOM/ANSC to capture some market share in the US, this is anticipated to be a long journey. Most customers are still hopeful that the trade tension will result in their businesses continuing their purchases from Chinese suppliers at very low prices.

ANSC's coated fin remained a well sought after product among the top global air-conditioner manufacturers. Stiff competition from Chinese suppliers have brought the prices down substantially. In some markets and segments, the prices were down as much as 30%. With a very strong and reputable brand, ALCOM/ ANSC's prices were kept intact for most of FY2019 which resulted in the need to sacrifice some volumes from less favourable markets. Coated fin continues to be an aggressively competed product in the aluminium supply arena because it is a high value added segment. Consequently, coated fin shipment volume was lower by 11.4% in FY2019 compared to FY2018.

The building and construction industry retracted quite substantially with most developers (residential, commercial and industrial) being cautious with new launches and hence, projects were scarce during FY2019. Most owners of private industrial projects were conscious of cost and looking for cheaper alternatives.

Government projects including the Light Rail Transit ("LRT") and Mass Rapid Transit ("MRT") were scaled back in size and investment value. ALCOM's domestic sales for roofing and specialties were impacted by the slowdown in the market. However, exports to the US compensated for the lower domestic volume in these industries. Even though the market was slow, ALCOM/ANSC maintained its focus and efforts on high impact projects such as coastal areas and corrosive environment, where aluminium remains a superior product. During FY2019, increased efforts were placed on promoting and educating the market on the intrinsic value of aluminium over other competing materials.

### Customers

ALCOM/ANSC is a major player in the fin stock product category and supplies to most of the leading manufacturers in the air-conditioner market across Asia and Europe. Some of ALCOM/ANSC's other product categories supply to the industries of building and construction, packaging, cables and others. The fin stock category has been successfully qualified by some of the air-conditioner manufacturers in the US, but commercial supply is still pending at this stage. Nevertheless, ALCOM has supplied to the building and construction industry in the US.

### Costs

Direct Costs – Overall direct costs in FY2019 was higher than in FY2018 by 1.1%. The increase was largely due to higher charges for electricity and gas. Direct labour costs, on the other hand, was flat against FY2018. Cost saving initiatives in FY2019 were successfully implemented namely with paint, gas, dross reclaim and other operational supplies which contributed positively in minimising the overall direct costs incurred.

# MANAGEMENT DISCUSSION AND ANALYSIS

***REVIEW OF OPERATING ACTIVITIES (continued)***

**MANUFACTURING (continued)**

**Costs (continued)**

Period Costs – This was marginally higher in FY2019 compared to FY2018 by 1.3% due mainly to higher repair and maintenance costs.

Total Operating Costs – This was marginally lower in FY2019 as compared to FY2018 by 0.3% contributed mainly from lower provision for customer complaints.

**Manufacturing Operations**

Delivery Performance for FY2019 was at 76.3%, down from 81.7% in FY2018. This was largely attributable to a major corrosion issue with old piping on the water cooling system that affected the casting output of aluminium coils at 1 of the casting lines.

Plant recovery continued to improve from 68.8% in FY2018 to 69.2% in FY2019. This was a record high achievement since the recovery tracking was initiated. The recovery trend is looking positive and the focus is to make further improvements in this area as every percentage recovery gained, improves profitability.

The manufacturing team embarked on Total Productive Maintenance ("TPM") initiative since the last quarter of FY2018 to optimise productivity. This initiative had set in motion the engagement and involvement of employees in proactive and preventive maintenance. Noteworthy improvements achieved were as follows:

- Reduction of coil change time at Coater Line 2 by 23%. Led to increased productivity.
- Increase in line speed on foil slitter (T2) by 29%. Led to increased productivity.
- Void defects improved by 43%. Led to improved quality and productivity.

More importantly, the creation of a culture of accountability by engaging the workforce in improvements has been initiated. Changing the culture of ALCOM/ANSC for the better is definitely a long and challenging journey but the end result will be worthwhile and rewarding for both the employees and for ALCOM/ANSC.

**Human Capital**

Talent acquisition and retention have been the key focus in FY2019 since there is an ageing workforce and this is being managed as part of the business risks and sustainability. Leadership Development programs across ALCOM/ANSC have been rolled out at all levels with the aim of nurturing a talent pool by equipping them for their career progression.

Continuing with the Group's environmental sustainability journey, a team of ALCOM/ANSC employees volunteered themselves for a Mangrove Tree Planting program at Tanjong Karang, Selangor to further this initiative of saving the coastal area from erosion that began 6 years ago by ALCOM/ANSC.

**Anticipated Risks**

The year 2019 caught many off guard especially with the unprecedented move of tariffs levied by the US with its trading partners. The escalation of the trade war between the US and China had brought struggles to manufacturers globally but the risk is expected to be somewhat limited in 2020. ALCOM/ANSC is not expecting further escalation of the existing trade tensions between US and China that will have any new impact on sales.

The emergence of COVID-19 aggressively spreading around the world has affected the livelihood of many people. The World Health Organisation has classified the situation as a pandemic and the consequences are far more serious than anticipated. Many countries had closed their borders and limit business activities as a containment measure. At the point of writing this statement, the number of new cases and deaths are still surging daily.

ALCOM/ANSC's workforce is as vulnerable as any other operating business. As this is unprecedented and given the severity of the situation, an internal Emergency Response Team has been triggered to continuously review the internal procedures in ensuring that the appropriate response to protect employees is initiated.

On the business front, it is believed that ALCOM/ANSC's export volume for the first half of 2020 will be affected by the Movement Control Order announced by the Malaysian Government. Additionally, selected customers' operations in Europe and Asia are also in a lockdown state. The jury is still out as to how serious this pandemic will be.

Pricing in the emerging markets are expected to be tough with a high level of competition. Conversely, increased levels of export shipments together with the strengthening of the Ringgit Malaysia may impact profitability. Malaysia is currently enjoying preferential tariff under the Free Trade Agreement with India. Notwithstanding this ALCOM/ANSC is monitoring the development of policies in India where there is a growing drive for "Made in India" products.

# MANAGEMENT DISCUSSION **AND ANALYSIS**

***REVIEW OF OPERATING ACTIVITIES (continued)***

**MANUFACTURING (continued)**

**Anticipated Risks (continued)**

The rising utility costs (electricity and gas) is a concern that has been raised through various channels to the Government. Active mitigation by improving productivity and cost saving initiatives have been implemented.

As part of the risk mitigating process, there is continuous reviewing/monitoring of business risks and options to minimise risk and improve the business outcome.

**Impairment Review**

A review of all ALCOM/ANSC's assets revealed that they are well utilised without any need of impairment at the present moment.

**Forward-looking statement**

ALCOM/ANSC was initially bullish with 2020 and was expecting recovery in certain economies where it has a market presence. However, since COVID-19, most economists have revised their forecast downwards several times as the situation continues to worsen. Again, at the point of writing this statement, this tragedy is unprecedented and nobody knows exactly when the world will be able to overcome this pandemic.

Despite all that is happening and the potential impact of COVID-19, ALCOM/ANSC chooses to be cautiously optimistic with its outlook, remaining focused on the emerging economies around Southeast Asia even though the competition is expected to be aggressive as other parts of the world are decelerating or maintaining at lower than average growth rate. These emerging economies are expected to continue to expand once the dust of COVID-19 has settled. ALCOM/ANSC is expanding its market share in North Asia and employing a defensive strategy for South Asia and Europe, being hopeful that it will make some consistent progress in North America towards the second half of 2020.

The Core Values that drive the manufacturing team remain the same – Passion, Speed and Seamlessness. ALCOM/ANSC's theme for 2020 is "Empowering Leadership" – this will be achieved by actively engaging the workforce and empowering them to perform and deliver to the best of their ability in order to realise positive changes.

**PROPERTY DEVELOPMENT**

**Overview**

The property development segment embarked on its maiden EMHub project in the year 2017. Built on a 9.4-acre of leasehold industrial land in Kota Damansara, Selangor, EMHub comprises 2 blocks of stratified 6 storey ramp-up buildings. EMHub is the first-of-its-kind in Malaysia comprising of 468 units, accessible by a drive-up ramp of 6 storeys. This allows vehicles to park at the doorstep of each unit to cater for loading and unloading. EMHub is a gated and guarded strata development with basement parking and 24-hour security services.

Located within the thriving community of Kota Damansara along Persiaran Surian, the development is well connected by a network of highways such as the New Klang Valley Expressway (NKVE), Damansara-Puchong Expressway (LDP) and SPRINT Highway thus connecting EMHub to the greater Kuala Lumpur and beyond. The soon-to-be-completed Damansara-Shah Alam Elevated Expressway (DASH) will further enhance this connectivity. The MRT 1 line which connects Sungai Buloh to Kajang has numerous station stops within this vicinity with the nearest stop being the Kota Damansara MRT Station which is 1km away, whereas the to-be-built future Teknologi MRT Station is a mere 300 meters from EMHub.

Kota Damansara also boasts a highly matured community with many neighbouring educational and healthcare facilities such as Segi College, Sri KDU, UniKL and Thomson Medical Center along with Dataran Sunway which is the current main commercial district. Also located adjacent to EMHub, is the recently-opened Emporis, a mixed development consisting of 2 blocks of Service Apartments, an Office Tower and Retail Shops.

The EMHub project is divided into 2 phases. The 1st phase which is Hub1, was launched in fourth quarter of FY2018 and has already recorded a revenue of RM25 million with a take-up rate of approximately 45%. On site physical work is progressing on schedule with approximately 15% of work completed as at 31 December 2019. The entire project is expected to be completed by the end of 2022.

***REVIEW OF OPERATING ACTIVITIES (continued)***

**PROPERTY DEVELOPMENT (continued)**

**Forward-looking Statement**

The year 2020 will be a very challenging year for the business environment and the property sector is no exception. Recognising the difficult times faced by the business communities at large, Bank Negara Malaysia made 3 consecutive revisions to the Overnight Policy Rate (“OPR”), thus reducing the OPR from 3.0% to 2.0%. The move to cut the OPR rate was in response to a weakening economic outlook caused by declining economic activities and the global outbreak of the COVID-19 virus.

The industrial property segment in Malaysia outperformed its peers like the residential and commercial segments, largely due to the growth in Small & Medium Enterprise (“SME”) businesses and the increase of e-commerce trade worldwide. The increase in the demand for industrial properties from the SME, logistic related companies and discerning investors augurs well for the EMHub project. Its inherent product design is flexible and able to accommodate a variety of businesses. This is further enhanced by its drive-up ramp design that allows not only cars, but lorries to enter the building, drive up to their designated floor, load or unload their goods before exiting. Each unit has a 6-meter high floor-to-ceiling height with a mezzanine floor and is suitable to be used as a showroom, storage space or even as an office.

Navigating through this challenging economic environment, the adoption of a more personal engagement with prospective leads generated from aggressive and targeted digital marketing campaigns will potentially convert into sales. Conventional marketing activities like participation in road shows and hosting private previews will continue to be organised to create market and brand awareness. All these efforts are expected to yield favourable results in driving the sales for EMHub.

# SUSTAINABILITY **REPORT**

## *ABOUT THIS REPORT*

The Alcom Group Berhad's group of companies ("the Group") is pleased to present the Sustainability Report for the Financial Year 2019 ("FY2019"). This report describes the Group's commitment to integrate sustainable practices into its business strategies and policies whilst adopting best practices to establish a holistic approach that addresses the needs of internal and external stakeholders.

## *REFERENCES AND GUIDELINES*

This report has been prepared in accordance to the Sustainability Reporting Guide (2018) Second Edition issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

## *COVERAGE*

This report focuses on the Group's manufacturing and property development segments that accounted for 92% and 7% respectively of the Group's revenue in FY2019. The Group's construction segment, which was introduced into the Group toward the fourth quarter of FY2019 has been excluded from this report. Information from this segment will be included in the sustainability report of financial year 2020 onwards.

## *REPORTING PERIOD*

This report covers the Group's sustainability performance from 1 January 2019 to 31 December 2019.

## *ASSURANCE*

The Group with its robust structure have sought and relied upon internal assurance for this reporting period.

## *GOVERNANCE AND SUSTAINABILITY*

Sustainability has always been an integral part of the Group's operations and is therefore, strongly embedded within the culture of the Group. The Audit and Risk Management Committee ("ARMC") provides oversight and supervision of the sustainability initiatives and makes appropriate recommendations to the Board of Directors ("Board") of Alcom Group Berhad. Assisting the ARMC are 2 Risk Management Working Groups ("RMWG"), 1 group that represents the manufacturing segment and the other group that represents the property development segment.

The table below illustrates the Group's Sustainability Governance Structure:

| STRUCTURE | ROLES AND RESPONSIBILITIES |
|---|---|
| Board of Directors | • Oversees the Group's sustainability initiatives<br>• Reviews and approves sustainability strategies and policies<br>• Endorses the proposed sustainability initiatives<br>• Addresses material sustainability matters |
| Risk Management Working Group (comprising Senior Management) | • Develops sustainability policies and implements sustainability related strategies, policies and initiatives<br>• Reports sustainability plans and progress to the Board on a quarterly basis<br>• Reviews and approves sustainability internal guidelines |
| Sustainability Officer | • Reports to the RMWG on the progress of the sustainability initiatives<br>• Develops sustainability related guidance documents for internal use<br>• Collects and monitors data to evaluate sustainability progress |

## *MANUFACTURING SEGMENT*

The Group's manufacturing segment's business units comprise Aluminium Company of Malaysia Berhad ("ALCOM") and Alcom Nikkei Specialty Coatings Sdn Bhd ("ANSC"), collectively known as ALCOM/ANSC. These 2 business units that manufacture fin stock, roofing products, heavy gauge foil, specialties and coated finstocks operate from a 29.97-acre site in Bukit Raja Industrial Estate, Klang, Selangor.

**Certifications**

The manufacturing segment's management systems are certified with:

- Quality Management System, ISO 9001 : 2016
- Environmental Management System, ISO 14001 : 2015
- Occupational Health and Safety Accreditation System OHSAS 18001 : 2007

ALCOM/ANSC is in the process of upgrading its OHSAS 18001 : 2007 to ISO 45001 : 2018. Efforts and improvements are being undertaken during this transition period for full compliance which is expected by the third quarter of 2020.

The products' certification are:

- Aluminium and Aluminium Alloys – Sheets and Coiled Sheets – Specification, MS 2040 : 2007

ALCOM/ANSC's commitment towards Environment, Occupational Health, Safety and Quality ("EHSQ") is comprehensively spelt out within its EHSQ Policy.

**Environment, Occupational Health, Safety and Quality Policy**

ALCOM/ANSC is dedicated to adding value to its stakeholders, especially customers, employees, shareholders and neighbouring communities through excellence in environmental, occupational health, safety and quality management.

In particular, it strives for the continual improvement in its operations and business practices to:

- achieve zero occupational injury and illness through prevention and risk reduction;
- minimise impact on the environment by reducing the use of natural resources, protecting the environment, preventing pollution and contributing to the well-being of neighbouring communities; and
- enhance the quality and benefits of products and services throughout their life cycle, including increased recycling initiatives.

ALCOM/ANSC is passionate in adhering to its guiding principles as all employees are cognisant of their expectations which include the following:

- comply with all EHSQ regulatory requirements, ALCOM/ANSC's own internal standards and other applicable requirements;
- create an atmosphere where all employees, contractors and visitors are made to be consciously aware of their own health and safety including looking out for those around them;
- measure performance, review procedures and maintain equipment;
- to establish challenging objectives and targets to continually improve the effectiveness of its management systems;
- commit to customer satisfaction; driven by understanding customer needs and exceeding their expectations;
- build collaborative relationships with key suppliers, customers and neighbouring communities;
- challenge each other to rise above the status quo, fostering continual improvements and innovations;
- pro-actively seek to increase aluminium recycling content; and
- celebrate successes and accomplishments.

This policy is based on ALCOM/ANSC's values and concerted efforts will continue to bring sustainable growth and reinforce its high performance culture.

***MANUFACTURING SEGMENT (continued)***

**Stakeholder Engagement**

ALCOM/ANSC acknowledges that stakeholders play a vital role in the success of its business. Stakeholders are assessed based on ALCOM/ANSC's business dependency and influence in order to determine their significance to its business operations.


It is imperative for ALCOM/ANSC to anticipate potential risks or issues that may arise from stakeholders. An assessment review of the stakeholders' engagement was conducted in 2019 to determine the relevance and appropriateness of the issues.

The table below depicts the interests and expectations of each of the stakeholder group, the type of engagement by which ALCOM/ANSC addresses its interests and the frequency of each of those engagement types.

| No. | Stakeholder | Engagement Issues | Type of engagement | Frequency |
|---|---|---|---|---|
| 1 | Employees | Career development and ongoing communication | - Performance Appraisals<br>- Town Hall Meetings | - Annually<br>- Quarterly |
| | | Occupational safety and health ("OSH") | - OSH Committee Meeting<br>- Internal Training | - Monthly<br>- Periodically |
| 2 | Government/ Regulatory Authorities | Legal compliance | - License<br>- Certifications | - Periodically |
| 3 | Media | Business updates | - Communications | - Ad hoc |
| 4 | Community | Community engagements | - Donations<br>- Blood Donations<br>- Gotong Royong | - Ad Hoc<br>- Annually<br>- Annually |
| 5 | Industrial peers | Industry Stewardship | - Meetings | - Periodically |
| 6 | Customers | Products/services transparency | - Visits<br>- Meetings | - Ad Hoc<br>- Ad Hoc |

***MANUFACTURING SEGMENT (continued)***

**Stakeholder Engagement (continued)**

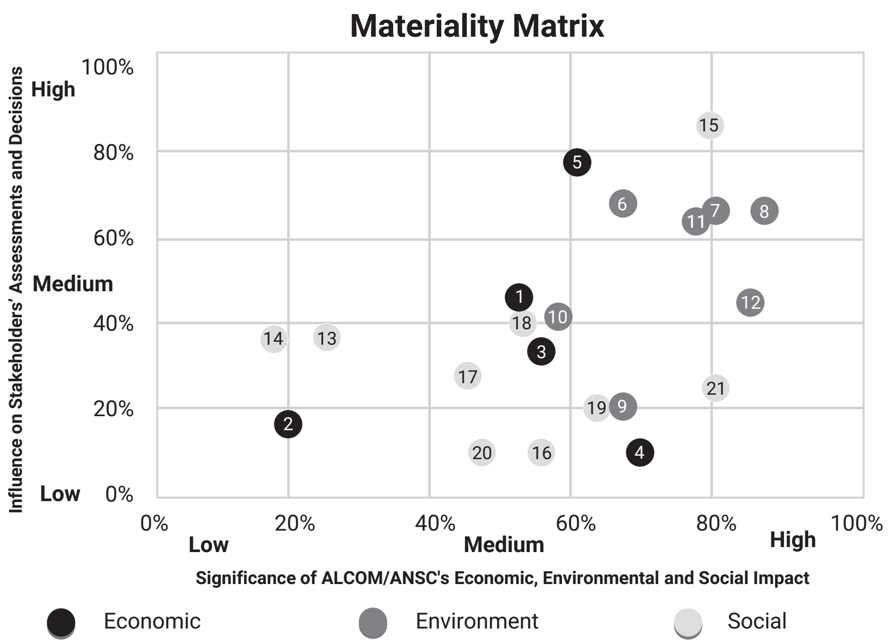
| No. | Stakeholder | Engagement Issues | Type of engagement | Frequency |
|---|---|---|---|---|
| 7 | Investors | Business outlook, return on investment | - Web site<br>- Bursa Securities Announcements<br>- AGM | - Quarterly<br>- Ongoing<br><br>- Annually |
| 8 | Board and ARMC | Business outlook, compliance, return on investment | - Meetings | - Quarterly |
| 9 | Trade Union | Welfare, collective agreement, safety | - Meetings | - Periodically |
| 10 | Suppliers | Green procurement, value for money | - Supplier Assessment | - Annually |
| 11 | Academic & Scientific Community | New technology | - Ongoing | - Ongoing |

**Materiality Assessment**

Materiality assessment has been conducted to prioritise materially significant matters that have a high impact on the business of ALCOM/ANSC from an economic, environmental and social perspective.

Materiality assessment reviews involving senior management representing all functional groups were held in 2019. A total of 68 themes were identified as being relevant and applicable to ALCOM/ANSC's business and its stakeholders.

A summary of the final assessment is depicted in the chart and the table below:



# SUSTAINABILITY **REPORT**

| Materiality Matters | | Sustainability Themes |
|---|---|---|
| High Materiality | 5 | Emissions |
| | 6 | Waste and effluent |
| | 7 | Water |
| | 8 | Energy |
| | 11 | Materials |
| | 15 | Occupational Safety and Health |
| Medium/Low Materiality | 1 | Procurement practices |
| | 3 | Indirect economic impact |
| | 4 | Climate-related financial risks and opportunities |
| | 9 | Supply Chain (Environmental) |
| | 10 | Product and Services Responsibility (Environmental) |
| | 12 | Compliance (Environmental) |
| | 16 | Anti-competitive behaviour |
| | 18 | Labour practices |
| | 19 | Product and Services Responsibility (Social) |
| | 21 | Compliance (Social) |
| Not Material | 2 | Community investment |
| | 13 | Diversity |
| | 14 | Human Rights |
| | 17 | Anti-corruption |
| | 20 | Supply Chain (Social) |

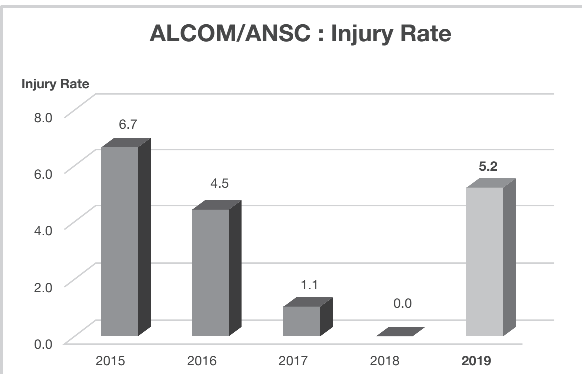
Throughout 2019, there were no significant changes to the business model or operating boundaries. As such, the material concerns continue to be indicative of ALCOM/ANSC's journey to strengthen the manufacturing segment's sustainability performance.

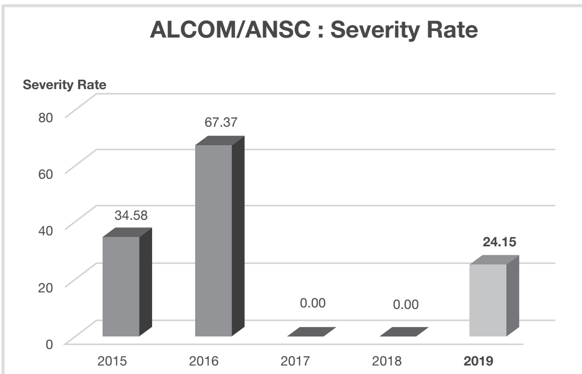
## *SUSTAINABILITY PROGRESS*

### Occupational Safety and Health

ALCOM/ANSC believes that workplace safety is essential to the sustainability of its business and is committed to protect the health, safety and welfare of all its stakeholders including employees, suppliers, shareholders, contractors and customers.

The Injury Rate per 1 million man hours is used as per the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004 as per the chart below. While it was an injury free year in 2018, there were however 2 incidents in 2019. The first accident involved an employee whose left tip of his little finger was crushed during the installation of tip table for a startup work at 1 of the Casting Lines. Another accident involved the 4 feet fall of a maintenance helper as he was descending from a portable ladder. Both accidents have been investigated, root cause analysis have been identified and corrective actions have been put in place to prevent any recurrence. In ALCOM/ANSC's internal reporting, injury and day lost rate are based on 200,000 man hours.



# SUSTAINABILITY **REPORT**

## *SUSTAINABILITY PROGRESS (continued)*

### Occupational Safety and Health (continued)

Besides traditional Environment, Health and Safety ("EHS") activities, ALCOM/ANSC has established a **Serious Injury & Fatality ("SIF") Process**. Within this Process, both management and employees are involved in assessing daily routine processes and to identify any potential risk of injury. The risks are analysed and evaluated and all high risk items are identified for improvements. All improvement items are managed daily. Improvement initiatives are validated through actual implementation on site. The process also involves departmental reviews with the EHS team.

ALCOM/ANSC continually tracks the **Behavioral Accident Prevention Process ® ("BAPP")** using a **Behavioral Based Safety Process ("BBS")**. Observations on co-workers are conducted during their routine daily activities to identify safe and at risk behaviour that may lead to injury. Observers will convey their appreciation to the observee for 'Safe' behaviours displayed and will correct them for any 'At Risk' behaviour observed. 'Safe' and 'At Risk' behavioural data are collected and analysed to determine focus areas to reduce 'At risk' behaviours.

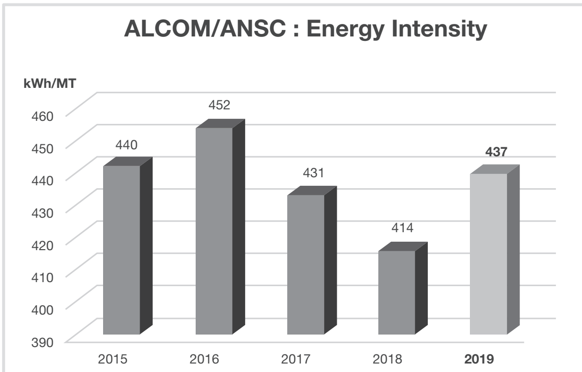
ALCOM/ANSC acknowledges that training and awareness is a vital process to maintain an injury free working environment. In 2019 an average of 10.8 hours per employee of related safety training hours was conducted. The training included competency based requirements based on high risk severity classification.

Training was organised both as in-house training and through participation in public training. The safety related training were:

- Authorised Entrant And Standby Person For Confined Space
- Authorised Gas Tester And Entry Supervisor For Confined Space
- Awareness On ISO 14001:2015 Training
- BBS New Observer Training
- Chlorine Training
- Crane Recertification
- Forklift Recertification
- Hearing Conservation Program
- Lock-Out Tag-Out
- Machine Guarding
- Radiation Protection Safety
- Working Safely at Height

### Energy

Electrical energy intensity was 32% of the annual overall energy consumption. It will always be a major challenge from a cost perspective in ALCOM/ANSC's operations. In 2019, the Intensity increased by 6% to 437 kilowatt hour per metric tons ("kWh/MT") due to a 8% reduction of process throughput material although there was a 2% reduction of electricity consumption (in kWh) as compared to 2018.

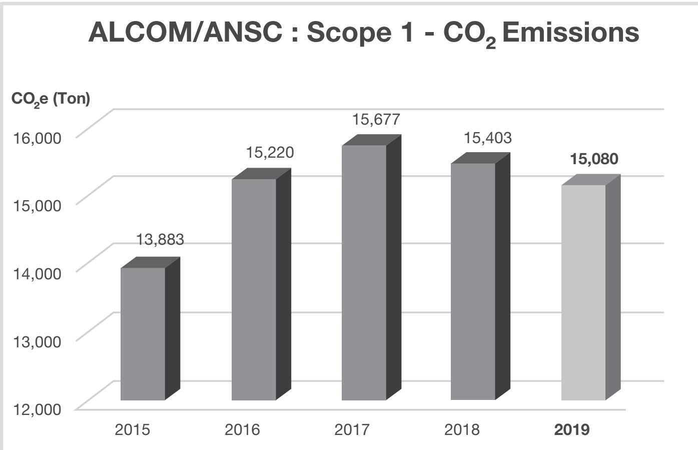


### *SUSTAINABILITY PROGRESS (continued)*

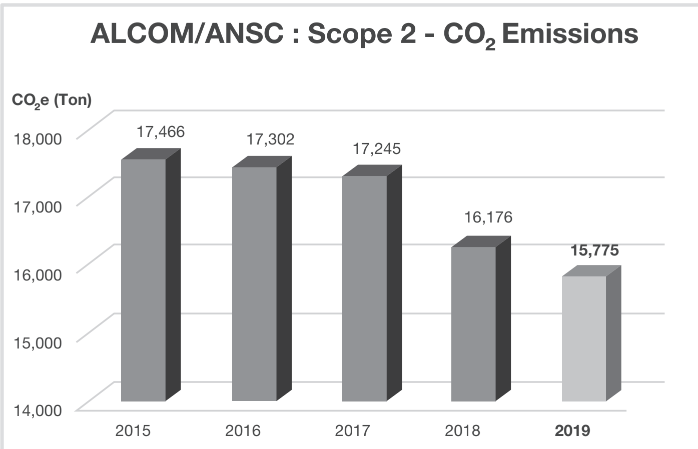
**Emissions**

Greenhouse Gas ("GHG") emissions monitoring are made based on *Intergovernmental Panel On Climate Change ("IPCC")* guidelines.

In 2019, Scope 1 – Carbon Dioxide ("$CO_2$") emissions from Direct Sources registered a 2.1% reduction as compared to 2018. Consumption reduction was reported for Natural Gas and Diesel due to lower production volumes by 2.0% and 6.2% respectively.



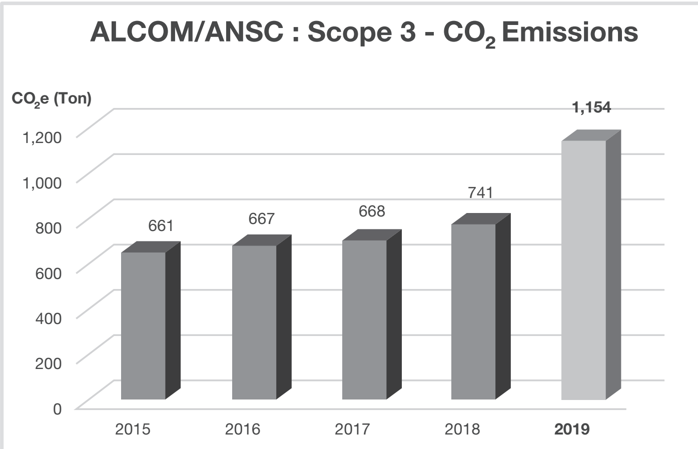

In 2019, Scope 2 – $CO_2$ emissions from Indirect Sources reported a 2.5% reduction as compared to 2018 and was historically the highest year-on-year reduction recorded. The electricity consumption was reported as being at the lowest level in the past 5 years.



## *SUSTAINABILITY PROGRESS (continued)*

### Emissions (continued)

Expanding ALCOM/ANSC's customer base to export markets generally makes good business sense. However, this initiative has an impact to Scope 3 – $CO_2$ emissions. 2019 registered the highest $CO_2$ emissions recorded from transportation. There was a 56% increase in $CO_2$ emissions reported from Ocean Vessels transportation as compared to 2018, and highest $CO_2$ emissions generated from Air Freight. In 2019, average distance for transportation increased by 42% as compared to the average of 2015 ~ 2017.




### Particulate Matters Emissions

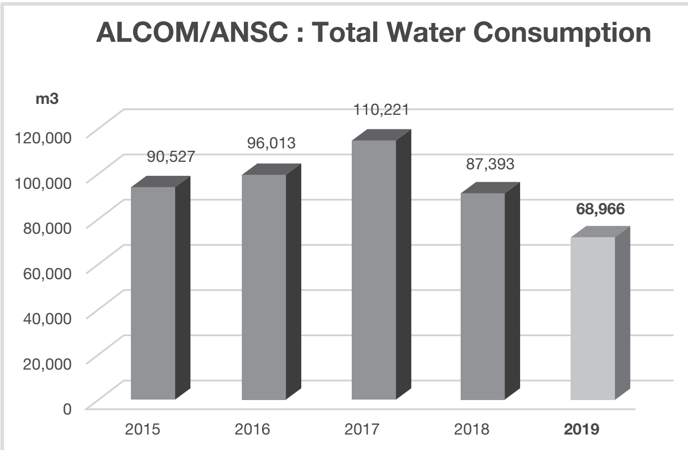
ALCOM has installed the online Continuous Emission Monitoring System (CEMS) as required by Environmental Quality (Clean Air) Regulations. 3 units were installed in September 2019.

Total emissions report would be made available in the year 2020 report onwards.

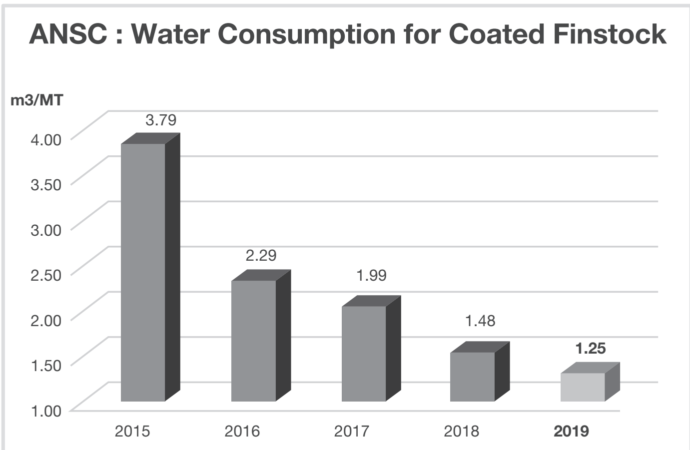
## *SUSTAINABILITY PROGRESS (continued)*

**Water**

As reported in the sustainability statement of 2017, works to rectify leakages were undertaken in late 2017. In 2019, additional underground aging pipes were replaced and this aided in the reduction of total water consumption in 2019. Consumption was lower by 21% as compared to 2018 and 37% as compared to 2017. This was the lowest registered water consumption over a 5 year period as depicted in the graph below and the lowest recorded in 15 years.



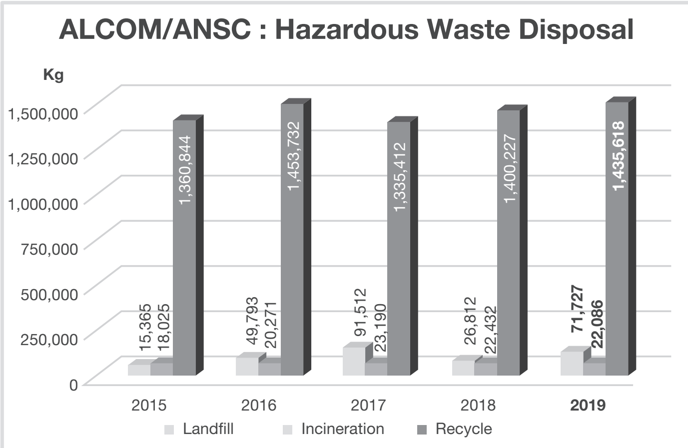

One of the main uses of water in ANSC is for the production process of the coated finstock product. In this process, water is used to clean the aluminium surface and to mix component for coating materials. ANSC uses 100% water based coating materials where the water is thoroughly filtered; this filtration process is sensitive and requires frequent care and maintenance. 2019 recorded the lowest water consumption for coated finstock in 15 years.

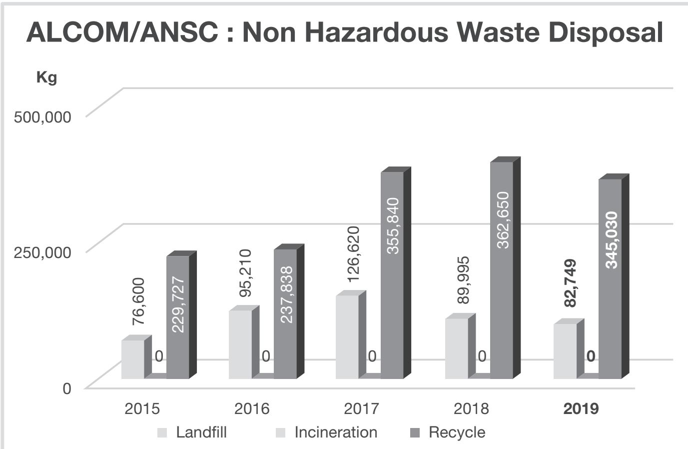


## *SUSTAINABILITY PROGRESS (continued)*

### Waste and Effluent

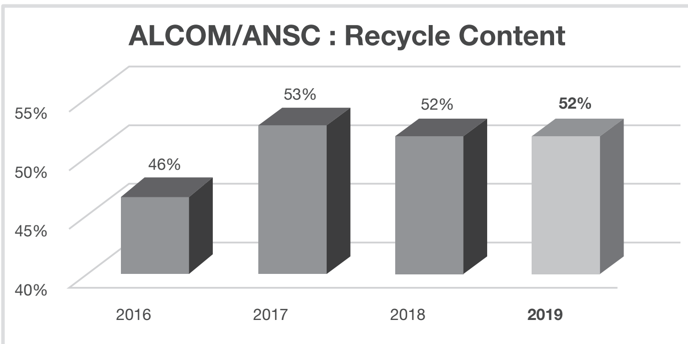
ALCOM/ANSC reduced carbon footprint by improving its recycling percentage of waste. In 2019, there was a 21% increase of landfill waste due to unplanned furnaces repairs. However, ALCOM/ANSC maintained recycling of more than 90% of its waste.




### Material

ALCOM/ANSC maintains more than 50% of recycled contents in its raw material component as part of its efforts to produce low-carbon aluminium. Initiated in 2016, finding alternatives to raw metal source has always been challenging in order not to compromise on the quality and credibility of our products.



## *PROPERTY DEVELOPMENT SEGMENT*

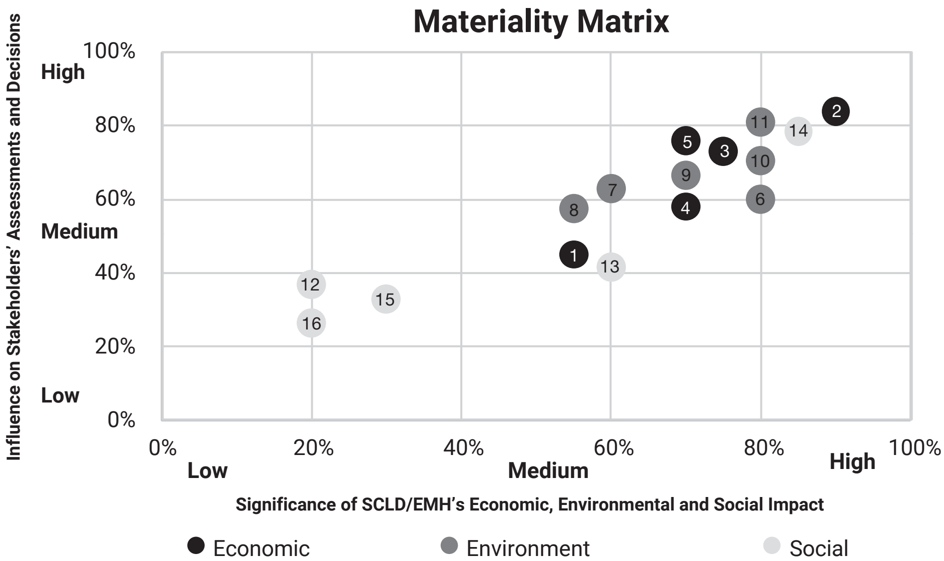
The Group's property development segment's business units comprise SCLand Development Sdn Bhd ("SCLD") and its wholly-owned subsidiary, EM Hub Sdn Bhd ("EMH") which was established in November 2017 to develop its maiden property project at Kota Damansara, Selangor ("EMHub").

The property development segment's vision is to build sustainable development projects with a positive emphasis on environmental, economic and social impact for the present and future generations. In 2019, it has established its materiality matrix to reflect sustainability matters that are relevant to its property development business and stakeholders' interests. The segment views the high impact themes of the business to include product and service responsibility, affordable product pricing and workplace safety and health as important factors in determining its organisational values. It will continue to identify material sustainability matters that need to be managed and included in its sustainability disclosures for communication with internal and external stakeholders.

### Materiality Assessment

Materiality assessment has been conducted to prioritise materially significant matters that have a high impact on the business of SCLD and EMH from an economic, environmental and social perspective.

A summary of the final assessment is depicted in the chart and the table below:




| Materiality Matters | Sustainability Themes | |
|---|---|---|
| High Materiality | 2 | Affordable Price Product |
| | 3 | Development Connectivity |
| | 4 | Sustainable Construction |
| | 5 | Regulatory Development |
| | 6 | Greenery Loss |
| | 7 | Energy Efficiency |
| | 8 | Construction Noise |
| | 9 | Environmental Compliance |
| | 10 | Carbon Emission of Development |
| | 11 | Product & Services Responsibility |
| | 14 | Workplace Safety and Health |
| Medium/Low Materiality | 1 | Digital Marketing |
| | 12 | Workforce Diversity |
| | 13 | Traffic Management in Construction |
| | 15 | Presence of Foreign Workers |
| | 16 | Community Engagement |

## *PROPERTY DEVELOPMENT SEGMENT (continued)*

**Economic**

The property development segment aims to sustain its business growth and support the domestic economy by ensuring that their selling prices of its properties are set at a reasonable level and within the market's affordability. EMHub engaged the services of a real estate specialist, Savills Malaysia, to conduct a study of the property market and perform a price competitive analysis of the surrounding property in Kota Damansara. The results of the study revealed that EMHub's selling price was set within the market norm for that locality.

**Environmental**

Environmental issues have become increasingly integrated into international trade and markets. Consumers worldwide are demanding environmentally friendly products. Therefore, EMHub is subject to an independent quality assessment by GreenRE and QLASSIC. Its achievement can be accredited through the provisional award of GreenRE Bronze Certification. A final certificate will be issued upon the project's completion. The property development segment believes that setting high environmental stewardship through sustainable green initiatives and high standard quality will create a sustainable value chain that meets stakeholders' expectations. For 2019, there were no fines nor non-monetary sanctions for non-compliance with environmental laws and regulations.

**Social**

Social contribution has become an important element in the business strategy of growing an organisation. The property development segment within the Group is committed to talents and skills development of its workforce. For 2019, it increased its investment in training employees to enhance their daily work tasks and achieve business goals. In addition, this has also built greater employee awareness of industry trends and has enabled them to achieve success in their careers. A nominated senior personnel has also attended training programs related to the green building subject. The knowledge acquired from the training has been shared with other related employees within the property development segment to elevate their skills and capabilities. This has provided them the opportunity to initiate and implement numerous actions that contribute toward an environmentally conscious society.

## *ENVIRONMENTAL SUSTAINABILITY ACTIVITY*

In line with the Group's environmental sustainability commitment, on 6th July 2019, a team of 22 employees from various departments participated in the Mangrove Tree Planting Program at Hutan Simpan Banjar Utara Tambahan, Bagan Sungai Kajang, Tanjong Karang, Selangor in collaboration with the Selangor State Forest Department. This activity was a continuation of previous joint efforts with the forestry department to save our shoreline from aggressive erosion.

*Employees doing their part to save the Earth*

***ENVIRONMENTAL SUSTAINABILITY ACTIVITY (continued)***

Mangrove plants have proven to provide the marine environment with many benefits; apart from serving as wave breakers, mangrove swamps are fertile ground for a great variety of life including endangered and threatened species. It also helps to hold soil during periods of heavy precipitation thus stabilising shoreline sediments. The Group believes that this will contribute positively toward the preservation of the environment for future generations. This activity also helped foster a greater camaraderie spirit among our employees. The team activity was very successful with a total of 500 mangrove trees being planted.

*After a successful hard day's work of planting 500 mangrove trees*

This Report is made in accordance with a resolution of the Board dated 13 May 2020.

# CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board of Directors ("Board") of Alcom Group Berhad ("AGB" or "the Company") is fully committed to the principles and recommendations of the Malaysian Code on Corporate Governance ("MCCG"). This ensures that the best practices of corporate governance including accountability and transparency are adhered to by the Company to achieve long-term financial performance and growth as the Board is mindful of its accountability to the shareholders and various stakeholders of the Company.

The Board is pleased to report to the shareholders on the Company's application of the 3 key principles of the MCCG during the financial year 2019 ("FY2019"):

(a) Board leadership and effectiveness;
(b) Effective audit and risk management; and
(c) Integrity in corporate reporting and meaningful relationship with stakeholders.

## *PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS*

**Clear Roles and Responsibilities of the Board**

The Board's role is to provide stewardship of the Group and direction for Management. The Board is collectively responsible and accountable to the Company's stakeholders for the long term success of the Group. The Board is guided by the Board Charter which outlines the role, composition and responsibilities of the Board with regard to matters that are specifically reserved for the Board as well as those which the Board may delegate to the relevant Board Committees.

The Board provides overall strategic guidance, effective oversight on the governance and management of the business affairs of the Group. The responsibilities of the Board include:

(i) Ensuring that the Group's goals are clearly established, the necessary resources are in place for the Group to meet its objectives and that a strategic plan, which promotes long-term value creation and includes strategies on economic, environmental, safety and health, social and governance consideration underpinning sustainability, are in place to achieve them;

(ii) Establishing policies for strengthening the performance of the Group including ensuring that Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;

(iii) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed. This includes ensuring the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard its assets;

(iv) Appointing the Managing Director/Chief Executive Officer/Executive Director, including setting the relevant terms and objectives and where necessary, terminating his/her employment with the Group;

(v) Ensuring that the Group has appropriate business risk management framework and corporate governance framework, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;

(vi) Appointing board committees to address specific issues, considering recommendations of the various board committees and discussing problems and reservations arising from these committees' deliberations and reports;

(vii) Ensuring that the statutory accounts of the Company and Group are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;

(viii) Ensuring that there is in place an appropriate succession plan for members of the Board and senior management;

(ix) Ensuring that the Group adheres to high standards of ethics and corporate behaviour in accordance with the Group's Code of Conduct including transparency in the conduct of business. Directors are required to comply with the Directors' Code of Best Practice;

# CORPORATE GOVERNANCE
# OVERVIEW STATEMENT

## *PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)*

### Clear Roles and Responsibilities of the Board (continued)

The Board provides overall strategic guidance, effective oversight on the governance and management of the business affairs of the Group. The responsibilities of the Board include: (continued)

(x) Reviewing the Board Charter periodically and making it available publicly on the Company's website including the Terms of Reference ("TOR") which deals with the respective committees e.g. Remuneration Committee's TOR in respect of its authority and duties that are disclosed in the Company's website;

(xi) Ensuring that there is in place an appropriate corporate disclosure policy and procedure which leverage on information technology for effective dissemination of information, to ensure comprehensive, accurate and timely disclosures; and

(xii) Ensuring that there is in place an appropriate investor relations and communications policy which encourages shareholders' participation at general meetings and promotes effective communication and proactive engagements with shareholders.

The Board also reviews the principal risks arising from all aspects of the Group's businesses that have significant impact on operations to ensure that there are systems in place to effectively monitor and manage these risks.

### Roles of the Chairman and the President cum Chief Executive Officer

There is a clear and distinct division of responsibilities between the Chairman and President cum Chief Executive Officer ("CEO") to ensure that there is an appropriate balance of power and role, responsibility and accountability at Board level.

The Chairman is responsible for the smooth running of the Board and encourages active participation by Board members and provides reasonable time for discussion of issues raised at meetings. Decisions reached at Board meetings reflect the consensus of the whole Board and not the views of any individual or group.

The President cum CEO is primarily responsible for the day-to-day operations of the Company, which includes implementation of policies and strategies adopted by the Board. The President cum CEO is also responsible for communicating matters relating to the financial results, market conditions and other developments to the Board. His knowledge of the Group's affairs contributes significantly towards the attainment of the Group's goals and objectives.

### Board Charter

The Board adopts a Board Charter, which outlines the composition of the Board together with the roles and responsibilities of the Board, the Chairman, the Managing Director/CEO, the Independent Non-Executive Directors, Non-Independent Non-Executive Directors and the Company Secretaries. The contents include the Schedule of Matters Reserved for Collective Decision of the Board.

The Board Charter will be subjected to periodical review cum updates by the Board whenever deemed necessary. The Board Charter is available for reference on the Company's website at www.alcom.com.my.

### Code of Conduct and Ethics

The Board is guided by both the Directors' Code of Best Practice in the Board Charter and the Code of Ethics established by the Companies Commission of Malaysia for Company Directors. The Code of Ethics sets out the principles in relation to sincerity, integrity, responsibility and corporate social responsibility. The Code of Ethics is formulated to enhance the standard of corporate governance and corporate behaviour of Directors based on trustworthiness and values that can be accepted, and to uphold the spirit of responsibility and social responsibility in line with legislation, regulations and guidelines for administering the Group.

The Group has also in place the Code of Conduct which outlines the expectations for employees executing their duties in an ethical manner. In order to maintain the Group's reputation, it is important for all to be aware and understand the tenets of the Code of Conduct and adhere accordingly. To achieve this purpose, a mandatory training module that outlines what the Code of Conduct means and its expectation from the employees has been developed and conducted for new employees and interns during the induction programmes.

A whistle-blowing procedure also forms part of the Group's Code of Conduct to provide an avenue for employees/public to report/complain of any wrongdoing by any employee of the Group, or any breach or suspected breach of any laws or standards in a safe and confidential manner.

***PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)***

**Code of Conduct and Ethics (continued)**

The Group is also in the midst of preparing a more comprehensive anti-corruption policies, procedures and controls as per the issued guidelines by the Governance, Integrity and Anti-Corruption Centre to minimise the Group's exposure to corporate liability as provided under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act, 2018 which will come into force on 1 June 2020.

Understanding of and adherence to the Code of Conduct and anti-corruption policies will help ensure that the Group remains a highly regarded organisation that is admired by customers, employees, shareholders, suppliers and communities worldwide.

**Strategies Promoting Sustainability**

The Board is committed to sustainable operations. Striving to become a truly sustainable enterprise also means an unwavering focus on what the Board sees as the foundation of being a sustainable company, through the following various initiatives that deal with strategy for sustainability:

- operating ethically and responsibly to meet the expectation of our stakeholders – shareholders, customers, employees, regulators, consumers and non-governmental organisations.

- being stewards of the environment; by helping to reduce carbon footprint and energy use. Our concerns for environmental issues extend beyond our facility to those of our stakeholders.

- protecting the health and safety of our people; our primary concern is for the health and safety of our employees. Our Group also looks into developing our people to enhance their skills and expertise.

- contribution to the communities where we operate; an essential hallmark of our Group is the commitment to give back to the community. Our Group has begun community engagement programs near our facility and has contributed positively to the communities in which we operate.

The initiatives taken in FY2019 are set out in the Sustainability Report in pages 18 to 30 of this Annual Report.

**Access to Information and Advice**

Prior to Board meetings, all Directors receive notices of meetings together with the full set of Board papers containing information relevant to the businesses prior to the scheduled Board and Board Committee meetings. Reports include key result areas, operational profitability and performance review statements, human resource developments, environment, occupational health and safety, business plans, successions, strategies, as well as proposed announcements and releases comprising quarterly and year-end financial results to Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board papers are issued to each Director at least 5 working days before each meeting.

Management reports presented to the Board during the Board meetings in FY2019 included the following information:

- Environment, Health & Safety ("EHS") Performance Review
- Financial Review
- Plant Operations: Productivity and Quality
- Commercial Review: Market and Customers' Activities
- Operations Review
- Strategic Activities Updates
- Balanced Scorecards
- Development on human resources
- Legal and Regulatory Updates
- Information Systems Updates
- Overall Market Outlook/Challenges
- Property Segment Progress Updates
- Forecasts and Annual Budget

The Board has unrestricted access to and interaction with the Senior Management on issues under their respective purview. Where necessary, Senior Management will be invited to attend Board and Board Committee meetings to report and update on areas of business within their responsibility so as to provide Board members insights to the business and to clarify issues raised by Board members in relation to the Group's operations. Board members are encouraged to share their views and insight in the course of deliberations and discussions.

## *PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)*

**Access to Information and Advice (continued)**

All Board members have direct access to the advice and services of the Company Secretaries for the purpose of the Board's affairs and the business. The Company Secretaries are responsible for ensuring that the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretaries keep the Board members updated on new requirements, guidelines and rulings issued by the relevant regulatory authorities, as and when it arises.

**Composition of the Board**

The Board currently comprises an Independent Non-Executive Chairman, 2 Independent Non-Executive Directors, a President cum CEO, 3 Executive Directors, and an Alternate Director. The Chairman has never held any prior executive positions in the Group. The Directors bring to the Board a wide range of skills and experience in fields such as commerce, finance, audit, manufacturing, property development, construction and engineering as well as knowledge of the aluminium business.

Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Securities stipulates that at least 2 Directors or 1/3 of its Board members, whichever is higher, must be made up of Independent Non-Executive Directors. The Board balance is achieved with the presence of 3 Independent Non-Executive Directors. Collectively, they ensure that plans and strategies proposed by the Management are fully discussed and examined, taking into account the long-term interests of all shareholders and stakeholders of the Company including employees, customers, suppliers and the local community in which the Group conducts its businesses.

**Board Committees**

For the effective functioning of the Board, the Board is assisted by Board Committees, namely the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee. The Board Committees operate within clearly defined terms of reference. All these Committees are wholly made up of Independent Non-Executive Directors of the Board. Management and third parties are invited to attend or are co-opted to such Committees as and when required. In addition, special committees are formed for specific purposes, as and when required. Reports of proceedings and outcome of the various Committee meetings are submitted to the Board.

**A. Audit and Risk Management Committee**

The composition and activities of the Audit and Risk Management Committee ("ARMC") during FY2019 are set out in the ARMC Report on pages 46 and 47 of this Annual Report.

**B. Remuneration Committee**

The Remuneration Committee ("RC") of AGB composes entirely of Independent Non-Executive Directors. They are currently:

Lam Voon Kean *(Chairperson)*
Dato' Seri Subahan bin Kamal *(Member)*
Wong Choon Shein *(Member)*

The RC's primary responsibility is to review and recommend the remuneration policy and framework for the Directors of the Company, with the objective of attracting and retaining Directors. The terms of reference of the RC and the Directors' Remuneration Policy are available on the Company's website at www.alcom.com.my.

The RC held 2 meetings in FY2019 and full attendance of its members were recorded at both meetings.

***PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)***

**Board Committees (continued)**

**B. Remuneration Committee (continued)**

Remunerations paid or payable or otherwise made available to all the Directors of AGB who have served during FY2019 were as follows:

| | Executive Directors | | Alternate Director | Non-Executive Directors | | | |
|---|---|---|---|---|---|---|---|
| | Heon Chee Shyong | Yeoh Jin Hoe | Marc Francis Yeoh Min Chang [4] | Dato' Seri Subahan bin Kamal | Wong Choon Shein | Lam Voon Kean | TOTAL |
| **Group** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Fees | – | – | – | 108 | 96 | 96 | 300 |
| Salaries | 900 | 240 | 264 | – | – | – | 1,404 |
| Bonuses | 599 | 80 | 88 | – | – | – | 767 |
| Statutory contributions [1] | 225 | 48 | 45 | – | – | – | 318 |
| Emoluments [2] | – | – | – | 6 | 6 | 7 | 19 |
| Benefits-in-kind [3] | 28 | – | – | – | – | – | 28 |
| **Total** | **1,752** | **368** | **397** | **114** | **102** | **103** | **2,836** |
| **Company** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Fees | – | – | – | 108 | 96 | 96 | 300 |
| Salaries | – | – | – | – | – | – | – |
| Bonuses | – | – | – | – | – | – | – |
| Statutory contributions [1] | – | – | – | – | – | – | – |
| Emoluments [2] | – | – | – | 6 | 6 | 7 | 19 |
| Benefits-in-kind [3] | – | – | – | – | – | – | – |
| **Total** | **–** | **–** | **–** | **114** | **102** | **103** | **319** |

*Notes:*
*(1) Statutory contributions comprised EPF, SOCSO and EIS.*
*(2) Emoluments comprised attendance allowance and other allowances.*
*(3) Benefits-in-kind comprised provision of company motor vehicle, petrol expenses, driver, medical reimbursement, insurance and phone bill.*
*(4) Alternate Director to Executive Director, Yeoh Jin Hoe and Director of subsidiary company, Alcom Nikkei Specialty Coatings Sdn Bhd.*

*Executive Directors of AGB, Dato' Eng Kim Liong and Ang Loo Leong did not receive any remuneration from the Company nor the Group during FY2019.*

***PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)***

**Board Committees (continued)**

**B. Remuneration Committee (continued)**

The number of Directors of AGB who served during FY2019 whose total remuneration falls within the following bands, were as follows:

| Range of Remuneration | Number of Directors |
|---|---|
| **Non-Executive Directors** | |
| Between RM100,001 – RM150,000 | 3 |
| **Executive Directors** | |
| Between RM350,001 – RM400,000 | 2 |
| Between RM1,750,001 – RM1,800,000 | 1 |

The remuneration package for the Executive Directors and Non-Executive Directors includes some or all of the following elements:-

**(i) Basic Salary**

The basic salary for the Executive Directors takes into account the performance of the individual as well as the prevailing market salary rate for similar jobs in a selected group of comparable companies.

**(ii) Fees**

Fees payable are subject to shareholders' approval at the Annual General Meeting ("AGM"). Attendance allowances for Board meetings and Board Committees meetings are paid to the Non-Executive Directors.

**(iii) Bonus Scheme**

The Group operates a bonus scheme for all employees including Executive Directors based on performance of the Group along with an assessment of the individual's performance.

**(iv) Benefits-in-Kind**

The Group's motor vehicle, petrol expenses, driver, hand-phones, club memberships and medical reimbursement are made available as benefits-in-kind to the Executive Directors, wherever appropriate.

In determining the remuneration packages of the Group's Senior Management personnel, factors that were taken into consideration included their individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talents. On the disclosure of the remuneration of the top 5 Senior Management personnel, the Board is of the view that it would not be in its interest to make such disclosure on a named basis because of the competitive nature of the human resource market and to support the Group's efforts to attract and retain executive talent.

***PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)***

**Board Committees (continued)**

**B. Remuneration Committee (continued)**

The remuneration of the top 5 Senior Management personnel of the Group (comprising remuneration received and/or receivable from the Company and its subsidiaries) during FY2019 are categorised as follows:

| Senior Management personnel | Group (RM'000) | Company (RM'000) |
|---|---|---|
| Salaries | 2,250 | – |
| Bonuses | 502 | – |
| Statutory contributions (1) | 270 | – |
| Benefits-in-kind (2) | 152 | – |
| Retirement benefit | – | – |
| **Total** | **3,174** | **–** |

*Notes:*
(1) *Statutory contributions comprised EPF, SOCSO and EIS.*
(2) *Benefits-in-kind comprised provision of company motor vehicle, petrol expenses, insurance and phone bill.*

The number of top 5 Senior Management personnel of the Group whose total remuneration falls within the following bands in FY2019, were as follows:

| Remuneration Range | Number of Senior Management personnel |
|---|---|
| Between RM450,001 – RM500,000 | 1 |
| Between RM500,001 – RM550,000 | 1 |
| Between RM550,001 – RM600,000 | 1 |
| Between RM700,001 – RM750,000 | 1 |
| Between RM850,001 – RM900,000 | 1 |

**C. Nomination Committee**

The Nomination Committee ("NC") of AGB is entirely made up of Independent Non-Executive Directors. They are currently:

Wong Choon Shein *(Chairperson)*
Dato' Seri Subahan bin Kamal *(Member)*
Lam Voon Kean *(Member)*

The NC is charged with the responsibility of overseeing the selection and assessment of Directors. The terms of reference of the NC are available on the Company's website at www.alcom.com.my.

During FY2019, the NC held 1 meeting and full attendance of its members were recorded at the meeting.

A summary of the key activities undertaken by the NC in the discharge of its duties for FY2019 were as follows:

(i) Assessed and reviewed the independence of the Independent Directors and their tenure of service as Independent Directors of the Company;

(ii) Evaluated each individual Director to assess the Director's calibre and ability to understand the requirements, risk and management of the Group's business; his/her contribution and performance; his/her character, integrity and professional conduct in dealing with conflict of interest situations; his/her ability to critically challenge and ask the right questions; his/her commitment and due diligence, his/her confidence to stand up for a point of view; his/her interaction at meetings and his/her training records for the current year under review;

## *PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)*

**Board Committees (continued)**

**C. Nomination Committee (continued)**

A summary of the key activities undertaken by the NC in the discharge of its duties for FY2019 were as follows: (continued)

(iii) Evaluated the Board and the Board Committees to assess their mix, composition, size, roles, responsibilities as well as their activities, communications and effectiveness for the current year under review;

(iv) Discussed and reviewed Bursa Securities' letter dated 16 October 2019 in respect of the key observations on Corporate Governance ("CG") Reports and CG Overview Statements of listed issuers;

(v) Recommended to the Board to increase the number of Board members from 7 to 8 by appointing an additional Independent Non-Executive Director in year 2020. In doing so, half of the Board of AGB will be made up of Independent Directors in line with Practice 4.1 of the MCCG;

(vi) Agreed to draw up a policy in relation to Board gender diversity for recommendation to the Board in 2020;

(vii) Recommended the demerger of the ARMC and establishment of a stand-alone Risk Management Committee distinct from the Audit Committee in line with Step Up Practice 9.3 of the MCCG, subject to the appointment of the additional Independent Non-Executive Director; and

(viii) Endorsed the re-election of Directors, Lam Voon Kean and Wong Choon Shein who will be up for retirement pursuant to Clause 82 of the Constitution of the Company at the close of the Second Annual General Meeting ("AGM") of the Company to be held in June 2020.

The NC, after having conducted the abovementioned evaluation and assessment in November 2019, concluded that:

(i) the Independent Directors of the Company, viz., Dato' Seri Subahan bin Kamal, Wong Choon Shein and Lam Voon Kean, continued to demonstrate conduct and behaviour that are essential indicators of their independence and each of them continues to fulfill the definition and criteria of independence as set out in the MMLR of Bursa Securities.

(ii) each Director has the requisite competence, calibre to serve on the Board and Board Committee(s) and had demonstrated his commitment to the Group in terms of time, participation and dialogue during the current year under review.

(iii) the Board and the Board Committees' composition were adequate in number and there is a right mix of skills and knowledge on the Board as well as the Board Committees. Their respective responsibilities were well defined and set out in the Board Charter. The criteria in the MMLR of Bursa Securities that at least 1 of the members of the ARMC must be a member of the Malaysian Institute of Accountants or a person approved under the MMLR of Bursa Securities is met. The Practices set out in the MCCG pertaining to the composition of the ARMC have also been adopted.

The Board members unanimously concurred with the above conclusions of the NC.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## *PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)*

**Assessment on Independence of Director**

The Board, through the NC had on 27 November 2019, conducted an assessment on the independence of the Independent Directors of the Board, using the Self-Assessment Independence Checklist. The Board has determined, from the annual assessment carried out, that all the 3 Independent Non-Executive Directors, who had served on the Board during FY2019 had remained objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees.

**Tenure of Independent Directors**

The Company has implemented a cumulative 9 year-term limit for Independent Directors. The Board Charter has adopted Practice 4.2 of the MCCG to seek shareholders' approval annually in the event the Board desires to retain, as an independent director, a person who has served in that capacity for cumulatively more than 9 years but no more than 12 years. After 9 years, such independent director may continue to serve on the Board subject to his re-designation as a non-independent director of the Company.

**Appointments and Re-elections to the Board**

The NC is empowered to identify and recommend candidates for new appointments to the Board. In this process, the NC takes into cognisance, the following criteria:

(i) Size, composition, mix of skills, experience, age, cultural background, gender, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board and the Group.

(ii) The candidate's skills, knowledge, expertise and experience, character, professionalism, integrity and, in the case of a candidate for the position of Independent Non-Executive Director, the independence as defined in the MMLR of Bursa Securities to bring about independence and objectivity in judgement on issues considered and hence, the ability to discharge responsibilities as expected from an Independent Non-Executive Director.

(iii) The candidate's understanding of the Group's businesses and activities; and factors that promote boardroom diversity, including gender diversity and other qualities of the Board.

Clause 82 of the Constitution provides that an election of Directors shall take place each year and at every AGM of the Company, one-third (1/3) of the Directors for the time being shall retire from office provided always that all Directors shall retire from office at least once in every 3 years but shall be eligible for re-election.

A Director seeking re-election or re-appointment shall abstain from all deliberations regarding his/her re-election or re-appointment to the Board.

Directors, Lam Voon Kean and Wong Choon Shein will be up for retirement at the conclusion of the Second AGM of the Company to be held in June 2020 pursuant to Clause 82 of the Constitution and have offered themselves for re-election at the said AGM.

The Board members had, at the Board meeting on 27 November 2019 with Lam Voon Kean and Wong Choon Shein abstaining, endorsed both the aforesaid Directors for re-election at the Second AGM of the Company to be held in June 2020.

**Gender Diversity Policy**

In November 2019, the NC agreed to come up with a proposed Board Diversity Policy for the Board's consideration and approval. The Board in February 2020 adopted the proposed Board Diversity Policy. The said Policy stipulates, among other things, that the NC will consider the benefit of all aspects of diversity in order to maintain an appropriate range and balance of skills, experience and background on the Board. In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

The Company therefore aims to appoint and/or maintain at least 1 woman participation on the Board and will work towards having appropriate age and ethnic diversity in the Board.

**Meetings and Time Commitment**

The Board meets on scheduled basis at least 4 times a year on a quarterly basis, with additional meetings convened, when necessary, to consider urgent proposals or matters that require the Board's attention. The President cum CEO, the Managing Director of a subsidiary and Director, Finance attend the meetings to report on the performance of their respective segments/departments to enable the Board members to discharge their duties and responsibilities.

## *PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)*

**Meetings and Time Commitment (continued)**

During FY2019, 4 Board meetings detailed below were held and full attendance of the Directors were recorded at all the meetings:

| Date of Meeting | Time | Venue |
|---|---|---|
| 27 February 2019 | 12.25 p.m. | Persiaran Surian, Petaling Jaya |
| 29 May 2019 | 12.30 p.m. | Tropicana Golf & Country Resort Club, Petaling Jaya |
| 28 August 2019 | 11.30 a.m. | Persiaran Surian, Petaling Jaya |
| 27 November 2019 | 12.20 p.m. | ALCOM, Bukit Raja, Klang |

To ensure that Directors have sufficient time to fulfil their roles and responsibilities effectively, 1 criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold more than 5 directorships in public listed companies (as prescribed under Paragraph 15.06 of the MMLR of Bursa Securities).

The Directors also made time to attend appropriate external training programs to equip themselves further with the knowledge to discharge their duties more effectively and to keep abreast of latest developments in the marketplace. The training programs/seminars/dialogues attended by the Directors of the Company during FY2019, were as follows:

| Director | Topics of Programs/Seminars/Dialogues | Date |
|---|---|---|
| Dato' Seri Subahan Bin Kamal | Directors' Dialogue with Jonathan Labrey on Integrated Reporting | 11 September 2019 |
| | Board of Directors' Workshop | 26 September 2019 |
| | Introduction to the Malaysian Anti-Corruption Commission (Amendment) Act 2018 | 24 October 2019 |
| Heon Chee Shyong | HSBC Asian Business Forum 2019: Capitalising on the Waves of Change | 28 January 2019 |
| Yeoh Jin Hoe | Excise Duty on Sugar-Sweetened Beverages | 26 July 2019 |
| Dato' Eng Kim Liong | Directors' Dialogue with Jonathan Labrey on Integrated Reporting | 11 September 2019 |
| Ang Loo Leong | Directors' Dialogue with Jonathan Labrey on Integrated Reporting | 11 September 2019 |
| Wong Choon Shein | Case Study Workshop for Independent Directors: "Independent Directors – Towards Boardroom Excellence" | 18 April 2019 |
| | The Convergence of Digitisation and Sustainability | 23 August 2019 |
| Lam Voon Kean | Sustainability Reporting Workshop for Practitioners (Preparers of Sustainability Statement/Report) | 4 and 5 March 2019 |
| | MFRS Application and Implementation Committee Awareness Programme | 23 September 2019 |
| | MFRS 16, Leases Seminar | 24 October 2019 |
| | Audit Oversight Board Conversation with Audit Committees | 8 November 2019 |

# CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

## *PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT*

**Suitability and Independence of External Auditors**

The Board through the ARMC, maintains a transparent and professional relationship with the Group's External Auditors. The ARMC meets with the External Auditors at least twice a year to discuss their audit plans and audit findings in relation to the Group's financial statements. The ARMC has private sessions with the External Auditors without the presence of the Management to discuss the audit findings and any other observations they may have during the audit process. An assurance is provided by the External Auditors via their report to the ARMC, confirming their independence through the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirements.

The External Auditors are also invited to the AGM of the Company and are available to answer shareholders' queries on the conduct of the statutory audit.

**Sound Risk Management Framework**

The ARMC assists the Board by providing an objective review of the effectiveness and efficiency of the Group's internal control, risk management and governance framework. The Group has in place an ongoing risk management process of identifying, evaluating, monitoring and managing the principal risks that the Group faced as it seeks to meet its business objectives. This process is embedded as well as entrenched into the Group's management systems, culture, people, strategy, policies, structures, processes and procedures over its 5 decades of operations. Senior Managers, who are heads of departments and report directly to the President cum CEO are required to conduct periodical reviews of their own Risks Register and thereafter sign-off on a quarterly basis via Certification to the President cum CEO and Director, Finance that all risks and matters under their direct purview have been reviewed and actions have been taken to address any risks gaps.

**Internal Audit Function**

The internal audit function are set out on pages 46 and 47 of this Annual Report.

The key features of the Risk Management Framework are set out in the Directors' Statement on Risk Management and Internal Controls as presented on pages 48 to 51 of this Annual Report.

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

**Compliance with Applicable Financial Reporting Standards**

The Board is committed to present a balanced, accurate and meaningful assessment of the Group's financial position and prospects in the public disclosure of its financial results. These results are presented through the quarterly financial results, audited financial statements and Annual Reports. The Board, assisted by the ARMC, oversees the financial reporting of the Group. The ARMC reviews the Group's annual financial statements and quarterly financial results and appropriateness of the Group's accounting policies and changes to these policies, as and when they come into force, to ensure that the Group's financial reporting complies with all applicable accounting standards and regulatory requirements.

**Statement of Directors' Responsibility for Preparation of the Financial Statements**

As required by the Companies Act 2016, the Directors have taken care to ensure that the financial statements give a true and fair view of the state of affairs of the Group as at the end of the accounting period and of the Group's statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the period then ended. The Directors ensure that the financial statements are prepared in accordance with the Accounting Standards approved by the Malaysian Accounting Standards Board and comply with the provisions of the Companies Act 2016 and reasonable, prudent judgements and estimates have been made. In the preparation of the financial statements for FY2019, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates on reasonable basis;
- ensured that applicable accounting standards have been adhered to; and
- ensured that the financial statements were prepared as an on-going concern basis

The Directors ensure that proper accounting records are kept to disclose with reasonable accuracy, at any time, the financial position of the Group. They are generally responsible to take such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

## *PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (continued)*

**Corporate Disclosure Policy**

The Board acknowledges that timely, complete and accurate disclosure is important to an orderly and fair market for the trading of securities. The Company is guided by the Corporate Disclosure Guide issued by Bursa Securities and the Board adheres strictly to the disclosure requirements to provide investors and the public with accurate and complete information on a timely basis. The Board ensures that confidential information is handled properly by authorised personnel to avoid leakage and improper use of such information.

While the Board endeavours to keep all its shareholders as much informed as possible, the Company always complies with the legal and regulatory framework governing the release of materials and price-sensitive information.

**Effective Communication and Proactive Engagement**

The Company recognises the importance of communication with its shareholders. The President cum CEO and the Director, Finance when necessary would hold discussions with the press, analysts and shareholders. During such discussions, the Group's performance, strategic plans for the future and other major developments are explained.

However, any information that may be regarded as sensitive and material to the Company is only to be released publicly and communicated to all its stakeholders simultaneously, usually through a press release or regulatory filing such as the release of financial results to Bursa Securities on quarterly, annual and ad-hoc basis; after review and approval by the Board.

The Company's website at www.alcom.com.my also provides easy access to the investors and general public on up-to-date corporate announcements, quarterly financial results, annual reports and where appropriate, circulars, press releases and other information pertaining to the Company.

Whilst the Company has 2 large corporate shareholders, the interests of minority shareholders are fairly represented by its Independent Non-Executive Directors.

Shareholders and other interested parties may communicate or direct its concerns either to the attention of Dato' Seri Subahan bin Kamal, who is the Chairman of the Board and also the Senior Independent Non-Executive Director, or to the attention of Lam Voon Kean, who is the Chairperson of the ARMC and also an Independent Non-Executive Director.

**Shareholders' Participation at General Meeting**

The Board regards the AGM and other general meetings as an opportunity to communicate directly with shareholders and stakeholders and encourages attendance and participation in dialogue. The Board reports on the progress and performance of the Group to shareholders at each AGM. At such meetings, shareholders have the opportunity to raise questions to the Directors present at the meeting.

Notice of the AGM and related papers thereto are sent to the shareholders at least 28 days before the meeting to facilitate easy review by the shareholders. In respect of items on special business, the notice of meeting will be accompanied by a full explanation of the effects of the proposed resolution.

Each shareholder can vote in person or by appointing a proxy to attend and vote on his/her/its behalf. Separate issues are tabled in separate resolutions at general meetings, voting is carried systematically and motions carried through are properly recorded. Shareholders shall have the option to submit to the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("TIIH"), their proxy forms either in hard copy form or by electronic form via TIIH Online pursuant to Clause 76 of the Constitution of the Company.

In accordance with Paragraph 8.29A(1) of the MMLR of Bursa Securities, poll voting will be carried out at the Second AGM of the Company to be held in June 2020.

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

The Company is committed in providing accurate and complete information on a timely basis. Such information is disseminated through various disclosures and announcements made to Bursa Securities through the quarterly financial results, audited financial statements and Annual Reports.

# CORPORATE GOVERNANCE
# OVERVIEW STATEMENT

## *PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (continued)*

**Leverage on Information Technology for Effective Dissemination of Information (continued)**

This Annual Report, Circular to Shareholders, Notice of AGM and other AGM related documents will be made available on the Company's website at www.alcom.com.my or shareholders may request for the printed copy of the same from the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd. A notification in respect of the availability of the aforesaid documents will be sent via email to shareholders with email address and via ordinary mail to the other shareholders.

The Company's website at www.alcom.com.my also facilitates effective dissemination of latest and up-to-date information pertaining to the Company to the investors and general public.

## *COMPLIANCE WITH MCCG*

The Board considers that the Company has complied and applied the key principles of the MCCG throughout FY2019 except for the below where the explanations for departure are disclosed in the Corporate Governance Report:

Practice 4.1: At least half of the Board comprises independent directors.

Practice 7.2: The Board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

The Board has reviewed and approved this Corporate Governance Overview Statement by way of a resolution of the Board dated 13 May 2020. The Board is satisfied that this Corporate Governance Overview Statement provides the information necessary to enable shareholders to evaluate how the MCCG has been applied and obligations are fulfilled under the MCCG and the MMLR of Bursa Securities throughout FY2019, save for the exceptions as disclosed above. This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report, which is made available online at www.alcom.com.my.

# ADDITIONAL COMPLIANCE **INFORMATION**

## *AUDIT AND NON-AUDIT FEES PAID/PAYABLE*

During the financial year ended 31 December 2019, the amount of audit and non-audit fees paid/payable by the Group and the Company to the External Auditors, KPMG PLT for services rendered to the Company and its subsidiaries were as follows:

| Type of fees | Group RM'000 | Company RM'000 |
|---|---|---|
| Audit fees | 272 | 45 |
| Non-audit fees | 6 | 6 |

## *MATERIAL CONTRACTS*

Saved as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests which subsisted at the end of the financial year ended 31 December 2019 or, if not then subsisting, which were entered into since the end of the previous financial year.

**Recurrent Related Party Transactions**

At the First Annual General Meeting of the Company held on 29 May 2019, the Company had obtained shareholders' mandate to allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature ("RRPTs") which were necessary for the day-to-day operations of the Group and in the ordinary course of business, with related parties.

The aforesaid mandate will lapse at the conclusion of the forthcoming Second Annual General Meeting of the Company.

In accordance with Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, details of the RRPTs conducted during the financial year ended 31 December 2019 pursuant to the aforesaid shareholders' mandate are as follows:

| Provider of products/ services | Recipient of products/ services | Nature of Transaction | Actual value transacted from 29 May 2019 up to 31 December 2019 (RM'000) | Interested Related Party |
|---|---|---|---|---|
| Aluminium Company of Malaysia Berhad ("ALCOM") | Can-One Berhad ("Can-One") and its subsidiaries (excluding Kian Joo Group) | Sale of aluminium sheets and aluminium foil products | 460 | Towerpack Sdn. Bhd. (1)<br>Yeoh Jin Hoe (2)<br>Marc Francis Yeoh Min Chang (3) |
| ALCOM | Kian Joo Can Factory Berhad ("Kian Joo") and its subsidiaries ("Kian Joo Group") | Sale of aluminium sheets and aluminium foil products | 627 | |

# ADDITIONAL COMPLIANCE **INFORMATION**

## *MATERIAL CONTRACTS (continued)*

### Recurrent Related Party Transactions (continued)

*Notes:*

(1) *Towerpack Sdn. Bhd. is a major shareholder of AGB.*

(2) *Yeoh Jin Hoe, the Executive Director of AGB, has an indirect equity interest in 42,531,698 AGB Shares representing 31.66% of the total number of issued AGB Shares held by Towerpack Sdn. Bhd. by virtue of Section 8(4) of the Act. He is also a Director of Can-One and a major shareholder of Can-One, holding 7,505,700 ordinary shares in Can-One ("Can-One Shares") representing 3.91% of the total number of issued Can-One Shares and has an indirect equity interest over 45,592,981 Can-One Shares representing 23.73% of the total number of issued Can-One Shares held by Eller Axis Sdn Bhd by virtue of Section 8(4) of the Act. He is also the Group Managing Director of Kian Joo, a wholly-owned subsidiary of Can-One.*

(3) *Marc Francis Yeoh Min Chang ("Marc Yeoh") is the son of Yeoh Jin Hoe and is his Alternate Director. Marc Yeoh is the Group Managing Director of Can-One and he holds 343,100 Can-One Shares representing 0.18% of the total number of issued Can-One Shares.*

# AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

The Board of Directors of Alcom Group Berhad ("AGB") is pleased to present the Audit and Risk Management Committee ("ARMC") Report for the financial year 2019 ("FY2019"). The ARMC of AGB was established on 9 August 2018 and its terms of reference is available on the Company's website at www.alcom.com.my.

The primary objective of the ARMC is to assist and support the Board of Directors of the Company ("Board") in fulfilling its fiduciary responsibilities to ensure good corporate governance. The ARMC is responsible for assessing the risk and control environment, overseeing financial reporting and evaluating the management and audit processes as well as supervising the sustainability initiatives within Alcom Group Berhad group of companies ("the Group").

## *COMPOSITION AND MEETINGS*

The ARMC of AGB is wholly made up of Independent Non-Executive Directors. The composition of the ARMC are currently:

Lam Voon Kean *(Chairperson)*
Dato' Seri Subahan bin Kamal *(Member)*
Wong Choon Shein *(Member)*

During FY2019, 4 ARMC meetings were held and full attendance of the Directors were recorded at all the meetings.

The profile of the ARMC members can be found on pages 5 and 7 of this Annual Report.

The other members of the Board and the Director, Finance also attended all the above meetings upon invitation by the ARMC. The Group's External Auditors also attended 2 of the ARMC meetings which were held on 27 February 2019 and 27 November 2019. As in the past years, the ARMC members also had private sessions in the said meetings with the External Auditors without the presence of the President cum Chief Executive Officer, Executive Directors and members of the Management to discuss audit findings and any other observations that they may have noted during the audit process.

The Company Secretaries who are also the Secretaries to the ARMC attended all the ARMC meetings during FY2019.

## *SUMMARY OF ACTIVITIES*

The ARMC carried out its duties in accordance with the Summary of Terms of Reference as listed below during FY2019 with its key responsibilities listed as follows:-

- Overseeing financial reporting and practices;
- Review and approve the Internal and External Audit scope and plans;
- Receive the audit report of the Group prepared by the Internal Auditors and External Auditors and findings by the aforesaid Auditors and Management's responses thereon;
- Review the quarterly announcements on interim financial results and the audited financial statements for the financial year ended 31 December 2018 of the Group and the Company prior to submission to the Board for consideration and approval;
- Reviewing conflict of interest situations and recurrent related parties transactions entered into by the Group and the disclosure of such transactions in the Annual Report and circular to shareholders to ensure compliance with Bursa Malaysia Securities Berhad's Main Market Listing Requirements;
- Discussing with the Management and the External Auditors on developments in respect of the Malaysian Financial Reporting Standards and Companies Act 2016 applicable to the financial statements of the Group and of the Company for FY2019 and their judgment of the items that may affect the financial statements;
- Providing oversight, direction and counsel to the Group's risk management and control process; and
- Evaluating the management and audit processes within the Group.

# AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

## *INTERNAL AUDIT FUNCTION*

The Company has outsourced its internal audit function to a competent third party service provider, Finfield Corporate Services Sdn Bhd, an independent consulting firm which performs the internal audit function for the Group.

Internal audit performs the role of promoting an efficient and effective control environment through independent and objective internal control reviews, education and business process consultation. The areas to be covered by the audit are selected on a rotational basis, with core risk areas being subject to more regular audit than those outside the defined core risk areas.

A risk-based approach is adopted in the planning and conduct of audits which is consistent with the Group's established risk-based framework in identifying, designing, implementing and monitoring of risks process and control systems.

The ARMC reviews the scope of the intended audit and approves the audit plan before the actual audit takes place. The findings of the internal audit work done are reported directly to the ARMC. The scope of the Internal Auditors covers the audits of all units and operations of the Group including the various computer application systems of the Group. Besides the scheduled audits, the Internal Auditors also conduct ad hoc fact based investigation audit, as and when a need arises. The final reports from the Internal Auditors were directly forwarded to the ARMC.

Key observations and opportunities for improvements identified were also presented to the ARMC for the Management to revert with responses to mitigate gaps, if any are identified.

A summary of the main activities of the internal audit function during FY2019 is presented in the Directors' Statement on Risk Management and Internal Control. The Group incurred a total fee of RM48,000 for the internal audit services rendered by the third party service provider during FY2019.

This Report is made in accordance with a resolution of the Board dated 13 May 2020.

# DIRECTORS' STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

## *INTRODUCTION*

The Board of Directors of Alcom Group Berhad ("AGB" or "the Company") recognises the importance of a sound system of risk management and internal controls in AGB group of companies ("the Group") to safeguard shareholders' investments, stakeholders' interests and the Group's assets.

This Statement stipulates the nature and key elements of the system of risk management and internal controls that the Group had in place for the financial year ended 31 December 2019 ("FY2019") and is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). It is guided by the principles and best practices relating to internal controls as stipulated in the Malaysian Code on Corporate Governance 2017.

The Board is pleased to provide the following Statement that has been prepared accordingly.

## *ROLES AND RESPONSIBILITIES*

**Board of Directors**

The Board is responsible and accountable for the Group's system of risk management and internal controls and ensures the reliability and integrity of the financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with all laws and regulations.

The Board has established an appropriate control environment and risk management framework for reviewing the adequacy and integrity of the system to continuously sustain and promote an effective governance structure within the Group.

The risk management and system of internal controls, no matter how well conceived and operated, can only manage rather than eliminate the risk of business failures. The system in place can provide only reasonable and not absolute assurance against material misstatements or loss.

**Audit and Risk Management Committee**

Board Committees such as the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee are established by the Board and they are governed by clearly defined terms of reference and authority for areas within their scope.

The Audit and Risk Management Committee which comprises entirely Independent Non-Executive Directors, assists the Board in:

- discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company and each of its subsidiaries;
- establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors;
- evaluating the quality of the audits performed by the Internal Auditors and External Auditors;
- providing assurance that the financial information presented by the Management is relevant, balanced, reliable and timely;
- overseeing compliance with laws and regulations and observance of a proper code of conduct;
- determining the quality, adequacy and effectiveness of the Group's control environment;
- identifying, evaluating, monitoring and managing the Group's risk management strategy, processes and principal risks to ensure that the Group establishes and maintains a sound system of risk management and internal controls to safeguard shareholders' investment and the Group's assets; and
- oversight responsibilities in relation to the Group's sustainability policies and practices.

## *RISK MANAGEMENT FRAMEWORK*

The Group has in place an ongoing risk management process of identifying, analysing, evaluating, monitoring and managing the principal risks that the Group faces as it seeks to meet its business objectives. This process is embedded into the Group's management systems, culture, people, strategy, policies, structures, processes and procedures.

**Manufacturing Segment**

In FY2019, on a quarterly basis, all Unit/Section Leads, Managers and Departmental Heads reviewed and provided signed certifications of assurance that weaknesses in controls and risks identified during the review were adequately addressed.

For selected departments where the perceived risk is higher, all staff in those departments were involved in providing similar signed certifications of assurance. These written assurances were provided after they conducted reviews within their own areas of accountability.

# DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## *RISK MANAGEMENT FRAMEWORK (continued)*

**Manufacturing Segment (continued)**

In addition, the President cum Chief Executive Officer would quarterly review the risk specific to each functional area together with the respective departmental heads to mitigate and manage both internal and external risks and uncertainties that may affect the manufacturing segment. The risk profile is established during these sessions facilitated by the Risk Management Working Group. Risks identified are assessed, categorised and rated based on the criteria set out to determine the appropriate risk response actions. The business risk is managed in a rapidly changing business environment with the following objectives:

- ensuring the continuity of supply of products to customers without disruption;
- safeguarding the assets and reputation;
- preserving the safety and health of the employees;
- protecting the interest of all stakeholders;
- ensuring compliance with internal policies and procedures as well as all applicable laws and regulations; and
- promoting an effective risk awareness culture.

For all operating and capital expenditures approved in the annual budget, spending is authorised based on predetermined levels set within the delegation of authority matrix. All requisitions and contracts are subject to prior reviews and approval before execution.

**Property Development Segment**

Senior Management of this segment is responsible to identify and manage business risks faced by this segment in order to ensure business operations are under control and targets achieved. A Risk Management Working Group was formed in early 2019. This working group has performed quarterly reviews to identify, assess and manage the risks faced by this segment with planned actions. This working group also raises issues of concern and provides feedback for Management's action on a timely manner.

Senior Management has identified the principal risks and mitigation measures as follows:

- **Project Cost Monitoring**

  The potential risk of project cost overrun is mitigated by closely monitoring the project's progress and budgetary control by the Project Team and the Project's Quantity Surveyor.

- **Property Market Outlook**

  Slow economic growth and soft consumer sentiment have affected the general demand for properties. The versatility of EM Hub's product in that it can be used as a showroom, office and warehousing/storage stands in good stead amidst this current challenging environment. The increase in demand in warehouse spaces in line with the increased e-commerce transactions also bodes well for EM Hub.

  EM Hub has actively participated in property road shows and exhibitions in the Klang Valley. The Marketing team has developed an innovative incentive plan to market EM Hub's product and will be increasing its marketing promotions and publicity at the appropriate time.

## *INTERNAL AUDIT*

The Board acknowledges the importance of internal audit function and has outsourced its internal audit function to an independent and competent third party service provider as part of its efforts to provide an adequate and effective system of internal control. The internal audit function is executed as per the annual audit plan approved by the Audit and Risk Management Committee.

The internal audit adopts a risk-based approach in developing its audit plan and addresses core auditable areas of the Group based on their risk profile.

Internal audit provides the Board, through the Audit and Risk Management Committee, with an independent opinion on the processes, risk exposures and system of internal controls of the Group. The internal audit function has a clear line of reporting to the Audit and Risk Management Committee and its performance is reviewed annually. Therefore, the internal audit function is independent of the operational and management activities they audit. The Internal Auditors review the existing system of internal controls and provides the Audit and Risk Management Committee with much of the assurance it requires regarding the adequacy and the effectiveness of the risk management process in place to identify, manage and control the proper conduct of business within the Group. The Internal Auditors also provide useful advice on control assurance activities and opportunities for improvement to the existing system of internal controls in place and propose corrective actions to eliminate shortcomings or deficiencies.

# DIRECTORS' STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

### *INTERNAL AUDIT (continued)*

The Audit and Risk Management Committee reviews and approves the scope of the internal audit. The results of the audit findings and recommendations for improvements are reported to the Audit and Risk Management Committee as well as to the Board on a timely basis. The respective Senior Management is responsible to ensure that recommended corrective actions are implemented within a reasonable time frame. Follow-up audits are conducted to ensure the shortcomings or deficiencies have been addressed accordingly.

During the financial year under review, the Internal Auditors performed reviews on the following selected areas of the manufacturing and property development segments to assess the adequacy and effectiveness of the system of internal controls and to ensure compliance with its policies and procedures:

**Manufacturing business**

- Management information system ("MIS") function with focus on:
    - o MIS set up and structure
    - o Reliability and efficiency of the MIS

- Payroll management function with focus on:
    - o Payroll computation and payment
    - o Overtime
    - o Payment to non-existent employees

**Property development business**

- Property development function with focus on:
    - o Development progress
    - o Development expenditure
    - o Compliance with laws and regulations

- Payroll management function with focus on:
    - o Payroll computation and payment
    - o Overtime
    - o Payment to non-existent employees

Based on the internal audit reviews carried out above, none of the matters highlighted for improvement that were noted by the Internal Auditors had resulted in any material loss, contingency or uncertainty that would require disclosure in this Annual Report. The Board continually takes measures to strengthen the control environment.

The Internal Auditors tabled the Internal Audit Plan for both the manufacturing and property development segments for Financial Year 2020 in the November 2019 Audit and Risk Management Committee meeting. This plan was reviewed and approved by the Audit and Risk Management Committee.

### *KEY ELEMENTS OF THE INTERNAL CONTROL ENVIRONMENT*

The current system of internal controls and risk management of the Group includes the following key elements:

- various Board Committees are chaired by the Independent Non-Executive Directors to oversee, monitor and review the Group's and Management's performances;
- an organisational structure with clearly defined roles and responsibilities with a hierarchical structure of reporting lines and accountability;
- setting annual plans that are in line with the Group's strategic direction;
- development of specific action plans to drive the achievement of various initiatives in line with the annual plans;
- weekly, monthly and ad hoc meetings consisting of departmental meetings, various cross functional meetings and head of departments' meetings for review and resolution of issues as well as to measure and monitor performance achievements;
- annual performance appraisals which are linked to the annual agreed performance targets with both quantitative and qualitative criteria to raise individual performance;
- structured training program for employees to maintain high standards on safety, code of conduct and to upgrade the competency levels of their respective professions;
- terms of reference and delegation of responsibilities to committees of the Board and business operating units, including proper authorisation for all aspects and levels of the business within the Group;
- regular board meetings to set the Group's goals and objectives, review business operations, to approve significant transactions as well as to approve releases of quarterly and annual financial results;
- documentation and regular update of risk management and internal controls' policies and procedures as set out in the standard operating policies and procedural manuals. These manuals include credit, quality, safety, health and environment;
- quarterly certification for the manufacturing segment by various levels of employees and representation letters by the Management to the Board on assurances of risk management, internal controls and compliance; and
- a whistle-blowing procedure is in place that forms part of the Group's Code of Conduct. This provides an avenue for employees/public to report/ complain of any wrongdoing by any employee of the Group, or any breach or suspected breach of any laws or standards in a safe and confidential manner.

These serve to reaffirm that the risk management and control framework is embedded into the culture, processes and structures of the Group.

# DIRECTORS' STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

## *CONTROL ASSURANCE OVER FINANCIAL REPORTING*

The Management continues its practice of making periodical representations as well as certifications to the Board. These representations serve as a commitment of management assurance on risk management and that the systems of internal controls are in place to ensure financial reporting accuracy.

During FY2019, the Board has received these assurances from the President cum Chief Executive Officer and Director, Finance that the Group's risk management and systems of internal controls are operating adequately in all material aspects based on the framework adopted by the Group.

## *REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS*

As required by Paragraph 15.23 of the MMLR of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for FY2019, and reported to the Board that nothing has come to their attention that cause them to believe that the Statement intended to be included in the Annual Report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

## *CONCLUSION*

The Board's ongoing focus on effective risk oversight has been critical to setting the tone and culture towards effective risk management and internal controls in the Group. The Board is of the view that the system of internal controls and risk management are in place for the current financial year under review, and up to the approval of this Statement, is sufficient to safeguard the Group's assets, as well as the shareholders' investments, stakeholders' interests and the Group's assets.

This Statement is made in accordance with a resolution of the Board dated 13 May 2020.

# RESPONSIBILITY STATEMENT **BY THE BOARD OF DIRECTORS**

In the course of preparing the annual financial statements of the Group and of the Company, the Directors are collectively responsible for ensuring that these financial statements are drawn up in accordance with the requirements of the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

It is the responsibility of the Directors to ensure that the financial statements present a true and fair view of the state of affairs of the Group and of the Company for the financial year ended 31 December 2019 and of the results of the business and cash flows of the Group and of the Company for the financial year ended 31 December 2019.

In preparing the financial statements for the financial year ended 31 December 2019, the Directors have applied appropriate and relevant accounting policies consistently and in accordance with the applicable accounting standards and made judgements and estimates that are reasonable and fair.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept which enable the financial statements to be prepared with reasonable accuracy.

This Statement is made in accordance with a resolution of the Board dated 13 May 2020.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

## *PRINCIPAL ACTIVITIES*

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year other than the diversification of the principal activities to include construction activities.

## *SUBSIDIARIES*

The details of the subsidiaries are disclosed in Note 5 to the financial statements.

## *RESULTS*

| | Group | Company |
|---|---|---|
| | RM'000 | RM'000 |
| Profit for the year attributable to: | | |
| Owners of the Company | **323** | **1,623** |

## *RESERVES AND PROVISIONS*

There were no material transfers to or from reserves and provisions during the financial year under review.

## *DIVIDEND*

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

## *DIRECTORS OF THE COMPANY*

Directors who served during the financial year until the date of this report are:

Heon Chee Shyong
Yeoh Jin Hoe
Wong Choon Shein
Dato' Eng Kim Liong
Ang Loo Leong
Dato' Seri Subahan Bin Kamal
Lam Voon Kean
Marc Francis Yeoh Min Chang (Alternate Director to Yeoh Jin Hoe)

# DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

## *DIRECTORS OF SUBSIDIARIES*

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served in the subsidiaries during the financial year and up to the date of this report are as follows:

| | Aluminium Company of Malaysia Berhad | Alcom Nikkei Specialty Coatings Sdn. Bhd. | Alcom Dach&Wand Sdn. Bhd. | SCLand Development Sdn. Bhd. | EM Hub Sdn. Bhd. | AGB Builders Sdn. Bhd. |
|---|---|---|---|---|---|---|
| Heon Chee Shyong | ✓ | ✓ | ✓ (i) | | | |
| Yeoh Jin Hoe | ✓ | | | ✓ | ✓ | ✓ (ii) |
| Dato' Eng Kim Liong | | | | ✓ | ✓ | |
| Ang Loo Leong | | | | ✓ | ✓ | ✓ (ii) |
| Marc Francis Yeoh Min Chang | ✓ (*) | ✓ | | | | |
| Dato' Lim Chee Khoon | | | | ✓ | ✓ | |
| Dato' Yong How Choong | | | | | | ✓ (ii) |
| Keith Christopher Yeoh Min Kit | ✓ | ✓ | ✓ (i) | ✓ | ✓ | ✓ (ii) |
| Shaun Patrick Yeoh Min Jin | | ✓ | ✓ (i) | | | ✓ (iii) |
| Bernard William A/L William G. Gomez | | ✓ | | | | |
| James Lim Cheong Sing | | | ✓ (iv) | | | |
| Yee Po Wai | | | ✓ (iv) | | | |
| Yap Kian Mun | | | ✓ (v) | | | |

(i) Appointed on 25 September 2019
(ii) Appointed on 6 September 2019
(iii) Appointed on 6 September 2019 (as Alternate Director to Yeoh Jin Hoe)
(iv) Appointed on 24 April 2019
(v) First Director, resigned on 24 April 2019
(*) Alternate Director to Yeoh Jin Hoe

### *DIRECTORS' INTERESTS IN SHARES*

The interests and deemed interest in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the end of the financial year (including the interests of spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' shareholdings are as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 1.1.2019** | **Bought** | **Sold** | **At 31.12.2019** |
| **Deemed interest in the Company** | | | | |
| Yeoh Jin Hoe | 38,638,998 | – | – | 38,638,998 |
| Dato' Eng Kim Liong | 39,675,554 | – | – | 39,675,554 |
| Ang Loo Leong | 39,675,554 | – | – | 39,675,554 |

By virtue of their indirect interests of more than 20% in the shares of the Company, Yeoh Jin Hoe, Dato' Eng Kim Liong and Ang Loo Leong are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office as at 31 December 2019 had any interest in the ordinary shares of the Company and its related corporations during the financial year.

### *DIRECTORS' BENEFITS*

Since the end of the previous financial period, no Director of the Company has received nor become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) 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 certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 32 to the financial statements.

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

### *ISSUE OF SHARES AND DEBENTURES*

There were no changes in the issued and paid-up capital of the Company and no debentures were issued during the financial year.

### *OPTIONS GRANTED OVER UNISSUED SHARES*

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

# DIRECTORS' **REPORT**
FOR THE YEAR ENDED 31 DECEMBER 2019

### *INDEMNITY AND INSURANCE COSTS*

The Directors and officers of the Group and the Company are covered by Directors and Officers Liability Insurance ("D&O Insurance") for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The total amount of D&O Insurance effected for the Directors and Officers of the Group was RM6,000,000. The insurance premium for the D&O Insurance paid during the financial year amounted to RM10,781. There was no indemnity given to or insurance effected for the auditors of the Company.

### *OTHER STATUTORY INFORMATION*

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

### *SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR*

The significant events during the financial year are disclosed in Note 33 to the financial statements.

### *SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR END*

The significant event subsequent to the financial year end is disclosed in Note 35 to the financial statements.

### *AUDITORS*

The auditors, KPMG PLT have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 24 to the financial statements.

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

**Yeoh Jin Hoe**
Director

**Heon Chee Shyong**
Director

Date: 13 May 2020

# STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 3 | **79,074** | 67,090 | **–** | – |
| Intangible assets | 4 | **3,440** | 1,248 | **–** | – |
| Investment in subsidiaries | 5 | **–** | – | **102,917** | 102,167 |
| Deferred tax assets | 6 | **810** | 810 | **–** | – |
| Trade receivables | 7 | **–** | 461 | **–** | – |
| **Total non-current assets** | | **83,324** | 69,609 | **102,917** | 102,167 |
| Inventories | 8 | **182,673** | 174,368 | **–** | – |
| Contract costs | 9 | **24,496** | – | **–** | – |
| Contract assets | 10 | **925** | – | **–** | – |
| Trade receivables | 7 | **24,198** | 41,150 | **–** | – |
| Other receivables and prepayments | 11 | **4,332** | 6,599 | **2,687** | 1 |
| Amounts due from a related company | | **21** | – | **–** | – |
| Tax recoverable | | **1,774** | 335 | **–** | – |
| Derivative financial instruments | 12 | **334** | 447 | **–** | – |
| Bank balances | 13 | **51,929** | 40,232 | **10** | 5 |
| **Total current assets** | | **290,682** | 263,131 | **2,697** | 6 |
| **Total assets** | | **374,006** | 332,740 | **105,614** | 102,173 |
| **Equity** | | | | | |
| Share capital | | **104,778** | 104,778 | **104,778** | 104,778 |
| Retained earnings/ (Accumulated losses) | | **17,360** | 17,643 | **(1,749)** | (3,372) |
| **Total equity** | 14 | **122,138** | 122,421 | **103,029** | 101,406 |

# STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2019

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Liabilities** | | | | | |
| Loans and borrowings | 15 | **107,787** | 139,932 | **–** | – |
| Provision for gratuity scheme | 16 | **4,277** | 4,142 | **–** | – |
| Lease liabilities | | **1,299** | – | **–** | – |
| Deferred tax liabilities | 6 | **3,051** | 3,488 | **–** | – |
| **Total non-current liabilities** | | **116,414** | 147,562 | **–** | – |
| Trade payables | 17 | **41,321** | 39,019 | **–** | – |
| Other payables and accruals | 18 | **26,332** | 15,255 | **566** | 366 |
| Loans and borrowings | 15 | **43,265** | 6,928 | **–** | – |
| Contract liabilities | 10 | **22,728** | – | **–** | – |
| Amount due to a subsidiary | 19 | **–** | – | **2,019** | 401 |
| Derivative financial instruments | 12 | **–** | 4 | **–** | – |
| Lease liabilities | | **1,100** | – | **–** | – |
| Provision for taxation | | **708** | 1,551 | **–** | – |
| **Total current liabilities** | | **135,454** | 62,757 | **2,585** | 767 |
| **Total liabilities** | | **251,868** | 210,319 | **2,585** | 767 |
| **Total equity and liabilities** | | **374,006** | 332,740 | **105,614** | 102,173 |

The notes on pages 68 to 126 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS
# AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 1.1.2019 to 31.12.2019 RM'000 | 1.1.2018 to 31.12.2018 RM'000 | 1.1.2019 to 31.12.2019 RM'000 | 22.12.2017 to 31.12.2018 RM'000 |
| Revenue | 20 | **372,653** | 385,703 | **2,687** | – |
| Other operating income | 21 | **1,237** | 778 | **–** | – |
| Changes in inventories of raw materials, work-in-progress and finished goods | | **4,692** | 1,102 | **–** | – |
| Raw materials and consumables used | | **(255,816)** | (285,666) | **–** | – |
| Property development and construction costs | | **(22,271)** | – | **–** | – |
| Staff costs | 22 | **(35,892)** | (36,391) | **(543)** | (452) |
| Utilities and fuel | | **(22,437)** | (21,893) | **–** | – |
| Depreciation of: | | | | | |
| - property, plant and equipment | | **(8,464)** | (7,793) | **–** | – |
| - right-of-use assets | | **(1,285)** | – | **–** | – |
| Amortisation of intangible assets | | **(901)** | (473) | **–** | – |
| Rental of premises | | **–** | (66) | **–** | – |
| Upkeep, repairs and maintenance of assets | | **(9,806)** | (8,294) | **–** | – |
| Allowance of inventory writedown | | **(70)** | (302) | **–** | – |
| Environmental costs | | **(434)** | (462) | **–** | – |
| Interest expenses | 23 | **(6,099)** | (3,537) | **–** | – |
| Other operating expenses | | **(11,469)** | (14,734) | **(521)** | (309) |
| **Profit/(loss) before tax** | 24 | **3,638** | 7,972 | **1,623** | (761) |
| Tax expense | 25 | **(3,315)** | (4,535) | **–** | – |
| **Profit/(loss) for the year/period** | | **323** | 3,437 | **1,623** | (761) |
| **Other comprehensive expense, net of tax** | | | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | | | |
| Actuarial loss on gratuity scheme | | **(690)** | – | **–** | – |
| Taxation relating to the actuarial loss on gratuity scheme | | **166** | – | **–** | – |
| Other comprehensive expense for the year, net of tax | | **(524)** | – | **–** | – |
| **Total comprehensive (expense)/ income for the year/period** | | **(201)** | 3,437 | **1,623** | (761) |

# STATEMENTS OF PROFIT OR LOSS **AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 1.1.2019 to 31.12.2019 RM'000 | 1.1.2018 to 31.12.2018 RM'000 | 1.1.2019 to 31.12.2019 RM'000 | 22.12.2017 to 31.12.2018 RM'000 |
| **Profit/(loss) for the year/ period attributable to owners of the Company** | | **323** | 3,437 | **1,623** | (761) |
| **Total comprehensive (expense)/income for the year/period attributable to owners of the Company** | | **(201)** | 3,437 | **1,623** | (761) |
| **Basic earnings per ordinary share (sen)** | 26 | **0.24** | 2.56 | | |

The notes on pages 68 to 126 are an integral part of these financial statements.

# STATEMENTS OF **CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Group | | | |
|---|---|---|---|---|
| | **Share capital RM'000** | **Treasury shares RM'000** | **Retained earnings RM'000** | **Total equity RM'000** |
| **At 1 January 2018** | 100,123 | (1,091) | 19,238 | 118,270 |
| Profit for the financial year | – | – | 3,437 | 3,437 |
| **Total comprehensive income for the financial year** | – | – | 3,437 | 3,437 |
| Disposal of treasury shares | – | 1,091 | (377) | 714 |
| Internal reorganisation | 4,655 | – | (4,655) | – |
| **Total transactions with owners** | 4,655 | 1,091 | (5,032) | 714 |
| **At 31 December 2018** | 104,778 | – | 17,643 | 122,421 |
| Adjustment on initial application of MFRS 16, net of tax | – | – | (82) | (82) |
| **At 1 January 2019, as restated** | **104,778** | **–** | **17,561** | **122,339** |
| Profit for the financial year | **–** | **–** | **323** | **323** |
| Actuarial loss on gratuity scheme, net of tax | **–** | **–** | **(524)** | **(524)** |
| **Total comprehensive expense for the financial year** | **–** | **–** | **(201)** | **(201)** |
| **At 31 December 2019** | **104,778** | **–** | **17,360** | **122,138** |
| | Note 14.1 | Note 14.2 | | |

# STATEMENTS OF **CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Company | | | |
|---|---|---|---|---|
| | **Share capital RM'000** | **Treasury shares RM'000** | **Accumulated losses RM'000** | **Total equity RM'000** |
| **At 22 December 2017 (date of incorporation)** | * | – | – | * |
| Loss for the financial period | – | – | (761) | (761) |
| **Loss/total comprehensive expense for the period** | – | – | (761) | (761) |
| Internal reorganisation | 104,778 | – | (2,611) | 102,167 |
| **Total transactions with owners of the Company** | 104,778 | – | (2,611) | 102,167 |
| **At 31 December 2018/ 1 January 2019** | **104,778** | **–** | **(3,372)** | **101,406** |
| Profit for the financial year | **–** | **–** | **1,623** | **1,623** |
| **Profit/total comprehensive income for the year** | **–** | **–** | **1,623** | **1,623** |
| **At 31 December 2019** | **104,778** | **–** | **(1,749)** | **103,029** |
| | Note 14.1 | | | |

* Denotes RM2

The notes on pages 68 to 126 are an integral part of these financial statements.

# STATEMENTS OF **CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | Group 1.1.2019 to 31.12.2019 RM'000 | Group 1.1.2018 to 31.12.2018 RM'000 | Company 1.1.2019 to 31.12.2019 RM'000 | Company 22.12.2017 to 31.12.2018 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit/(loss) before tax: | | **3,638** | 7,972 | **1,623** | (761) |
| *Adjustments for:* | | | | | |
| Allowance for inventory writedown | | **70** | 302 | **–** | – |
| Amortisation of intangible assets | | **901** | 473 | **–** | – |
| Bad debts written off | | **21** | – | **–** | – |
| Depreciation of: | | | | | |
| - property, plant and equipment | | **8,480** | 7,793 | **–** | – |
| - right-of-use assets | | **1,285** | – | **–** | – |
| Dividend income | | **–** | – | **(2,687)** | – |
| Gain on disposal of property, plant and equipment | | **(34)** | (135) | **–** | – |
| Interest expense | | **6,099** | 3,537 | **–** | – |
| Interest expense on lease liabilities | | **138** | – | **–** | – |
| Interest income | | **(1,111)** | (312) | **–** | – |
| Net fair value loss on currency forwards | | **109** | 373 | **–** | – |
| Property, plant and equipment written off | | **16** | 8 | **–** | – |
| Provision for gratuity scheme | | **438** | 456 | **–** | – |
| (Reversal of)/allowance for doubtful debts | | **(3)** | 156 | **–** | – |
| Reversal of impairment loss on property, plant and equipment | | **(7)** | – | **–** | – |
| Unrealised foreign exchange gain | | **(11)** | (232) | **–** | – |
| **Operating profit/(loss) before changes in working capital** | | **20,029** | 20,391 | **(1,064)** | (761) |
| Changes in working capital: | | | | | |
| Inventories | | **(8,375)** | (104,329) | **–** | – |
| Receivables | | **19,197** | 14,219 | **1** | (1) |
| Payables | | **13,436** | 11,555 | **200** | 366 |
| Contract assets | | **(925)** | – | **–** | – |
| Contract cost | | **(24,496)** | – | **–** | – |
| Contract liabilities | | **22,728** | – | **–** | – |
| Subsidiary | | **–** | – | **1,618** | 401 |
| Related companies | | **(21)** | – | **–** | – |
| **Cash generated from/(used in) operations** | | **41,573** | (58,164) | **755** | 5 |
| Gratuity paid | | **(837)** | (777) | **–** | – |
| Tax paid | | **(6,014)** | (6,849) | **–** | – |
| **Net cash from/(used in) operating activities** | | **34,722** | (65,790) | **755** | 5 |

# STATEMENTS OF **CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | Group 1.1.2019 to 31.12.2019 RM'000 | Group 1.1.2018 to 31.12.2018 RM'000 | Company 1.1.2019 to 31.12.2019 RM'000 | Company 22.12.2017 to 31.12.2018 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | |
| Purchase of: | | | | | |
| - property, plant and equipment | (ii) | **(17,720)** | (10,598) | **–** | – |
| - intangible assets | | **(3,093)** | (35) | **–** | – |
| Proceeds from disposal of property, plant and equipment | | **97** | 144 | **–** | – |
| Interest income received | | **1,104** | 305 | **–** | – |
| Investment in a subsidiary | | **–** | – | **(750)** | – |
| **Net cash used in investing activities** | | **(19,612)** | (10,184) | **(750)** | – |
| **Cash flows from financing activities** | | | | | |
| Changes in deposit pledged | | **(44)** | (1,104) | **–** | – |
| Proceeds from: | | | | | |
| - borrowings | | **4,192** | 75,814 | **–** | – |
| - disposal of treasury shares | | **–** | 714 | **–** | – |
| Payment of lease liabilities | | **(1,240)** | – | **–** | – |
| Interest paid | | **(6,789)** | (5,671) | **–** | – |
| **Net cash (used in)/from financing activities** | | **(3,881)** | 69,753 | **–** | – |
| **Net increase/(decrease) in cash and cash equivalents** | | **11,229** | (6,221) | **5** | 5 |
| Foreign exchange differences | | **424** | (534) | **–** | – |
| **Cash and cash equivalents at beginning of the financial year/period** | | **39,128** | 45,883 | **5** | – |
| **Cash and cash equivalents at end of the financial year/period** | | **50,781** | 39,128 | **10** | 5 |

# STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

**Notes to statements of cash flows**

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| Deposits placed with licensed banks | | **5,881** | 1,336 | **–** | – |
| Cash at banks | | **46,048** | 38,896 | **10** | 5 |
| | 13 | **51,929** | 40,232 | **10** | 5 |
| Less: Pledged deposit | 13 | **(1,148)** | (1,104) | **–** | – |
| | | **50,781** | 39,128 | **10** | 5 |

(ii) Acquisition of property, plant and equipment

| | Note | Group 2019 RM'000 | Group 2018 RM'000 |
|---|---|---|---|
| Acquisition of property, plant and equipment | 3 | **17,720** | 11,216 |
| Financed by way of hire purchase arrangements | | **–** | (618) |
| Cash payment on purchase of property, plant and equipment | | **17,720** | 10,598 |

(iii) Non-cash transaction

**Investing activities**

During the financial year, RM682,000 (2018: NIL) of interest cost of the Group has been capitalised into additions to the projects-in-progress. Capitalisation rate applied to determine interest cost to be capitalised is 5.3%.

**Notes to statements of cash flows (continued)**

(iv) Reconciliation of movements of liabilities to cash flows arising from financing activities:

| | Group | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | At 1.1.2018 RM'000 | Addition of new lease RM'000 | Net changes from financing cash flows RM'000 | At 31.12.2018 RM'000 | Adjustment on initial application of MFRS 16 RM'000 | At 1.1.2019 RM'000 | Additions of new leases RM'000 | Net changes from financing cash flows RM'000 | At 31.12.2019 RM'000 |
| Term loans | 69,432 | – | 73,000 | 142,432 | – | **142,432** | **–** | **(27,939)** | **114,493** |
| Hire purchase liabilities | – | 618 | (85) | 533 | – | **533** | **–** | **(116)** | **417** |
| Revolving credits | – | – | 2,945 | 2,945 | – | **2,945** | **–** | **32,373** | **35,318** |
| Corporate credit card facility from a financial institution | 996 | – | (46) | 950 | – | **950** | **–** | **(126)** | **824** |
| Lease liabilities | – | – | – | – | 2,013 | **2,013** | **1,626** | **(1,240)** | **2,399** |
| Total liabilities from financing activities | 70,428 | 618 | 75,814 | 146,860 | 2,013 | **148,873** | **1,626** | **2,952** | **153,451** |

The notes on pages 68 to 126 are an integral part of these financial statements.

# NOTES TO THE **FINANCIAL STATEMENTS**

Alcom Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

**Principal place of business/Registered office**
No. 3, Persiaran Waja
Bukit Raja Industrial Estate
41050 Klang
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year other than the diversification of the principal activities to include construction activities.

The financial statements were authorised for issue by the Board of Directors on 13 May 2020.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020***

- Amendments to MFRS 3, *Business Combinations – Definition of a Business**
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts**

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022***

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

## 1. *BASIS OF PREPARATION (continued)*

### (a) Statement of compliance (continued)

***MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments, except for those marked as (“*”) which are not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments is not expected to have any material financial impact to the current period financial statements of the Group and the Company.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Group’s and the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of these financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

i) Note 4 – Intangible assets;
ii) Note 6 – Deferred tax assets;
iii) Note 8 – Inventories; and
iv) Note 20 – Revenue.

## *2. SIGNIFICANT ACCOUNTING POLICIES*

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there is a change to the accounting policy applied to lease contracts entered into by the Group as compared to those applied in the previous financial statements. The impact arising from the change is disclosed in Note 34.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of consolidation (continued)

#### (iii) Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

#### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (b) Affiliated companies

Affiliated companies are companies in which certain Directors of the Group have interests or are also Directors of those companies.

### (c) Foreign currency

**Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

## 2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (d) Financial instruments

#### (i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Financial instrument categories and subsequent measurement

***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

***(a) Amortised cost***

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

***(b) Fair value through profit or loss***

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(l)(i)).

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Financial instruments (continued)

#### (ii) Financial instrument categories and subsequent measurement (continued)

***Financial liabilities***

***(a) Fair value through profit or loss***

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group or the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

***(b) Amortised cost***

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

## *2. SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (d) Financial instruments (continued)

#### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (e) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repairs and maintenance are recognised as expenses in the profit or loss during the financial period in which they are incurred.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other operating income” and “other operating expenses” respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## 2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (e) Property, plant and equipment (continued)

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction (projects-in-progress) are not depreciated until the assets are ready for their intended use.

Leasehold land is amortised over lease tenure of 99 years. The estimated useful lives for the current and comparative years are as follows:

| | |
|---|---|
| Buildings | 33 years |
| Plant and machinery | 5 - 25 years |
| Equipment and vehicle | 3 - 10 years |
| Renovation | 5 years |

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

### (f) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

**Current financial year**

#### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

## 2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (f) Leases (continued)

**Current financial year (continued)**

**(i) Definition of a lease (continued)**

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

**(ii) Recognition and initial measurement**

**As a lessee**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Leases (continued)

**Current financial year (continued)**

**(iii) Subsequent measurement**

**As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Previous financial year**

**(i) Finance lease**

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

**(ii) Operating lease**

Leases, where the Group or the Company did not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

## 2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (g) Intangible assets

#### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

#### (ii) Other intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

#### (iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

#### (iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative years are as follows:

| | |
|---|---|
| Software | 3 – 5 years |

Construction contracts are amortised over time using output method. The output method is assessed by reference to surveys of work performed/completion of the physical proportion of contract work.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

### (h) Inventories

#### (i) Trading and manufacturing inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate allocation of direct labour and production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (h) Inventories (continued)

#### (ii) Properties under development

Property under development comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Property development costs are classified as current at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle of 4 to 5 years.

When the financial development and construction activities have commenced, the financial outcome of the development revenue will be recognised for the development unit sold and determined by reference to the stage of completion of the development activity at the balance sheet date.

Costs of properties under development not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

### (i) Contract assets/(liabilities)

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

### (j) Contract cost

#### (i) Incremental cost of obtaining a contract

The Group recognises incremental costs of obtaining contracts when the Group expects to recover these costs.

#### (ii) Cost to fulfil a contract

The Group recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit or loss.

When the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

## 2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposit and bank overdraft.

### (l) Impairment

#### (i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

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

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery of amounts due.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Impairment (continued)

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior years are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### (m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

## 2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (m) Equity instruments (continued)

#### (iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

### (n) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

#### (iii) Defined benefit plan

The Group's net obligation in respect of defined benefit retirement plans arises from its subsidiaries for long-term and post-employment benefits, such as pension, severance pay, service pay and other benefits.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

## 2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (n) Employee benefits (continued)

#### (iii) Defined benefit plan (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the year as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### (o) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### (p) Revenue and other income

#### (i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;
(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

## *2. SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (p) Revenue and other income (continued)

#### (ii) Revenue from property development

The sale of properties under construction is recognised over time. The revenue is recognised over time commencing upon the Group enters into agreements with its customers.

Revenue recognised over time is based on the stage of completion of units sold measured by reference to the proportion of the cost of properties under development incurred for works performed to date bear to the estimated total cost of properties under development.

#### (iii) Revenue from construction contracts

The revenue from construction contracts is recognised over time commencing upon the Group enters into agreements with its customers.

Revenue recognised over time is based on:-

(a) Output method, which is assessed by reference to surveys of work performed/completion of the physical proportion of contract work.

(b) Input method, which is assessed by reference to the proportion that contract costs incurred for work performed to-date to the estimated total contract costs.

#### (iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

### (q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial year.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (s) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

### (t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the President cum Chief Executive Officer, the Managing Director and Executive Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

## 2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

### (u) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (v) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## 3. *PROPERTY, PLANT AND EQUIPMENT*

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Leasehold land RM'000** | **Buildings RM'000** | **Plant and machinery RM'000** | **Equipment and vehicle RM'000** | **Renovation RM'000** | **Projects-in-progress RM'000** | **Right-of-use assets (Note 3.1) RM'000** | **Total RM'000** |
| ***Cost*** | | | | | | | | |
| At 1 January 2018 | 20,380 | 30,736 | 275,600 | 11,967 | – | 6,222 | – | 344,905 |
| Additions | – | – | 4,530 | 1,251 | 2,233 | 3,202 | – | 11,216 |
| Disposals | – | – | (49) | (637) | – | – | – | (686) |
| Written-off | – | – | (13) | (4) | – | – | – | (17) |
| Reclassifications | – | – | 2,377 | – | – | (2,377) | – | – |
| At 31 December 2018 | 20,380 | 30,736 | 282,445 | 12,577 | 2,233 | 7,047 | – | 355,418 |
| Adjustment on initial application of MFRS 16 | (20,380) | – | – | – | – | – | 22,311 | 1,931 |
| At 1 January 2019, as restated | **–** | **30,736** | **282,445** | **12,577** | **2,233** | **7,047** | **22,311** | **357,349** |
| Additions | **–** | **–** | **3,250** | **234** | **13** | **14,905** | **1,488** | **19,890** |
| Disposals | **–** | **–** | **(2,226)** | **(135)** | **–** | **–** | **–** | **(2,361)** |
| Written-off | **–** | **(531)** | **(3,098)** | **(604)** | **–** | **–** | **–** | **(4,233)** |
| Reclassifications | **–** | **12,578** | **9,045** | **71** | **–** | **(21,694)** | **–** | **–** |
| At 31 December 2019 | **–** | **42,783** | **289,416** | **12,143** | **2,246** | **258** | **23,799** | **370,645** |

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Leasehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Equipment and vehicle RM'000 | Renovation RM'000 | Projects-in-progress RM'000 | Right-of-use assets (Note 3.1) RM'000 | Total RM'000 |
| ***Depreciation and impairment loss*** | | | | | | | | |
| At 1 January 2018 | | | | | | | | |
| Accumulated depreciation | 7,031 | 24,025 | 239,847 | 9,500 | – | – | – | 280,403 |
| Accumulated impairment loss | – | – | 818 | – | – | – | – | 818 |
| | 7,031 | 24,025 | 240,665 | 9,500 | – | – | – | 281,221 |
| Depreciation for the year | 190 | 806 | 5,648 | 1,112 | 37 | – | – | 7,793 |
| Disposals | – | – | (40) | (637) | – | – | – | (677) |
| Written-off | – | – | (5) | (4) | – | – | – | (9) |
| At 31 December 2018 | | | | | | | | |
| Accumulated depreciation | 7,221 | 24,831 | 245,450 | 9,971 | 37 | – | – | 287,510 |
| Accumulated impairment loss | – | – | 818 | – | – | – | – | 818 |
| | 7,221 | 24,831 | 246,268 | 9,971 | 37 | – | – | 288,328 |
| Adjustment on initial application of MFRS 16 | (7,221) | – | – | – | – | – | 7,221 | – |
| At 1 January 2019, as restated | | | | | | | | |
| Accumulated depreciation | **–** | **24,831** | **245,450** | **9,971** | **37** | **–** | **7,221** | **287,510** |
| Accumulated impairment loss | **–** | **–** | **818** | **–** | **–** | **–** | **–** | **818** |
| | **–** | **24,831** | **246,268** | **9,971** | **37** | **–** | **7,221** | **288,328** |
| Depreciation for the year | **–** | **808** | **6,111** | **1,113** | **448** | **–** | **1,285** | **9,765** |
| Disposals | **–** | **–** | **(2,173)** | **(125)** | **–** | **–** | **–** | **(2,298)** |
| Written-off | **–** | **(532)** | **(3,082)** | **(603)** | **–** | **–** | **–** | **(4,217)** |
| Reversal of impairment loss | **–** | **–** | **(7)** | **–** | **–** | **–** | **–** | **(7)** |
| At 31 December 2019 | | | | | | | | |
| Accumulated depreciation | **–** | **25,107** | **246,306** | **10,356** | **485** | **–** | **8,506** | **290,760** |
| Accumulated impairment loss | **–** | **–** | **811** | **–** | **–** | **–** | **–** | **811** |
| | **–** | **25,107** | **247,117** | **10,356** | **485** | **–** | **8,506** | **291,571** |
| ***Carrying amounts*** | | | | | | | | |
| At 1 January 2018 | 13,349 | 6,711 | 34,935 | 2,467 | – | 6,222 | – | 63,684 |
| At 31 December 2018 | 13,159 | 5,905 | 36,177 | 2,606 | 2,196 | 7,047 | – | 67,090 |
| At 31 December 2019 | **–** | **17,676** | **42,299** | **1,787** | **1,761** | **258** | **15,293** | **79,074** |

## 3. *PROPERTY, PLANT AND EQUIPMENT (continued)*

3.1 Right-of-use assets

| | Group | | | | |
|---|---|---|---|---|---|
| | **Leasehold land RM'000** | **Accommodation RM'000** | **Equipment RM'000** | **Vehicles RM'000** | **Total RM'000** |
| ***Cost*** | | | | | |
| At 1 January 2019 | **20,380** | **630** | **169** | **1,132** | **22,311** |
| Additions | **–** | **891** | **566** | **31** | **1,488** |
| At 31 December 2019 | **20,380** | **1,521** | **735** | **1,163** | **23,799** |
| ***Accumulated depreciation*** | | | | | |
| At 1 January 2019 | **7,221** | **–** | **–** | **–** | **7,221** |
| Depreciation for the year | **189** | **408** | **200** | **488** | **1,285** |
| At 31 December 2019 | **7,410** | **408** | **200** | **488** | **8,506** |
| ***Carrying amounts*** | | | | | |
| At 1 January 2019 | **13,159** | **630** | **169** | **1,132** | **15,090** |
| At 31 December 2019 | **12,970** | **1,113** | **535** | **675** | **15,293** |

The Group leases office buildings with an initial lease term of a year to three years. There are options to renew for up to three years after the initial period. Where applicable, the Group seeks to include extension options in new lease to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the renewal options. The Group reassesses whether it is reasonably certain to exercise the options if there are significant events or significant changes in circumstances within its control.

Leasehold land is pledged to secure loan facilities granted to the Group (see Note 15.1).

3.2 As at 31 December 2019, the net carrying amount of equipment and vehicle under hire purchase arrangements was RM460,000 (2018: RM602,000).

3.3 During the financial year, RM682,000 (2018: NIL) of interest cost has been capitalised into additions to the projects-in-progress. Capitalisation rate applied to determine interest cost to be capitalised is 5.3%.

3.4 During the financial year, RM16,000 (2018: NIL) of depreciation was recognised in property development and construction costs.

## 4. *INTANGIBLE ASSETS*

| | Group | | | | |
|---|---|---|---|---|---|
| | **Goodwill RM'000** | **Construction contracts RM'000** | **Software RM'000** | **Projects-in-progress RM'000** | **Total RM'000** |
| ***Cost*** | | | | | |
| At 1 January 2018 | – | – | 2,283 | 718 | 3,001 |
| Additions | – | – | 35 | – | 35 |
| Reclassifications | – | – | 115 | (115) | – |
| Reclassifications to other payables | – | – | – | (473) | (473) |
| At 31 December 2018/ 1 January 2019 | **–** | **–** | **2,433** | **130** | **2,563** |
| Additions | **2,293** | **713** | **87** | **–** | **3,093** |
| At 31 December 2019 | **2,293** | **713** | **2,520** | **130** | **5,656** |
| ***Amortisation*** | | | | | |
| At 1 January 2018 | – | – | 842 | – | 842 |
| Amortisation for the year | – | – | 473 | – | 473 |
| At 31 December 2018/ 1 January 2019 | **–** | **–** | **1,315** | **–** | **1,315** |
| Amortisation for the year | **–** | **404** | **497** | **–** | **901** |
| At 31 December 2019 | **–** | **404** | **1,812** | **–** | **2,216** |
| ***Carrying amounts*** | | | | | |
| At 1 January 2018 | – | – | 1,441 | 718 | 2,159 |
| At 31 December 2018/ 1 January 2019 | **–** | **–** | **1,118** | **130** | **1,248** |
| At 31 December 2019 | **2,293** | **309** | **708** | **130** | **3,440** |

4.1 The recoverable amount of cash generating unit ("CGU" i.e. Alcom Dach&Wand Sdn. Bhd.) was based on its value in use which was estimated based on the present value of the future cash flows expected to be derived from the CGU. The recoverable amount of the CGU was estimated to be higher than the carrying amount of goodwill, hence no impairment was required.

4.2 Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit and was based on the following key assumptions:

- Revenue was projected averagely at RM18,000,000 per annum in the 5-years business plan from the years 2020 to 2024 based on future contracts to be secured.

- The discount rate used by the Group is 10% and applied when discounting the future cash flows.

## 5. INVESTMENT IN SUBSIDIARIES

| | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|
| Unquoted shares, at cost | **102,917** | 102,167 |

Details of the subsidiaries are as follows:

| Name of entity | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest 2019 % | Effective ownership interest and voting interest 2018 % |
|---|---|---|---|---|
| Aluminium Company of Malaysia Berhad | Malaysia | Manufacturing and trading of aluminium sheet and foil products | **100** | 100 |
| *and its subsidiaries* | | | | |
| Alcom Nikkei Specialty Coatings Sdn. Bhd. | Malaysia | Manufacturing and trading of precoated aluminium finstocks for use in air conditioners | **100** | 100 |
| Alcom Dach&Wand Sdn. Bhd.* | Malaysia | Supply and installation of roof and cladding systems, and steel structure construction | **100** | – |
| SCLand Development Sdn. Bhd. | Malaysia | Investment holding | **100** | 100 |
| *and its subsidiary* | | | | |
| EM Hub Sdn. Bhd. | Malaysia | Property development activities | **100** | 100 |
| AGB Builders Sdn. Bhd.# | Malaysia | Building and construction business | **100** | – |

* *Subsidiary acquired on 9 October 2019.*
\# *Subsidiary incorporated on 6 September 2019.*

## 6. DEFERRED TAX ASSETS/(LIABILITIES)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net | |
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Plant and equipment | **–** | – | **(8,847)** | (8,570) | **(8,847)** | (8,570) |
| Right-of-use assets | **–** | – | **(1,751)** | – | **(1,751)** | – |
| Provisions | **4,964** | 5,411 | **(177)** | (177) | **4,787** | 5,234 |
| Lease liabilities | **1,802** | – | **–** | – | **1,802** | – |
| Tax loss carry forwards | **658** | 658 | **–** | – | **658** | 658 |
| Unabsorbed capital allowances | **1,110** | – | **–** | – | **1,110** | – |
| Tax assets/(liabilities) | **8,534** | 6,069 | **(10,775)** | (8,747) | **(2,241)** | (2,678) |
| Set off of tax | **(7,724)** | (5,259) | **7,724** | 5,259 | **–** | – |
| Net tax assets/(liabilities) | **810** | 810 | **(3,051)** | (3,488) | **(2,241)** | (2,678) |

Deferred tax has not been recognised for the following items (stated at gross):

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Other deductible temporary differences | **2,755** | – |

Deferred tax assets have been recognised in respect of these items to the extent it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

## 7. TRADE RECEIVABLES

| | | Group | |
|---|---|---|---|
| | Note | 2019 RM'000 | 2018 RM'000 |
| **Non-current** | | | |
| Trade receivables | | **–** | 461 |
| **Current** | | | |
| Trade receivables | 7.1 | **24,001** | 40,540 |
| Companies that a substantial shareholder of the Company has interest | 7.2 | **197** | 610 |
| | | **24,198** | 41,150 |
| | | **24,198** | 41,611 |

## 7. TRADE RECEIVABLES (continued)

7.1 Credit terms of trade receivables of the Group range from 7 days to 90 days (2018: 7 days to 90 days).

The Group has entered into a non-recourse receivables financing agreement with a financial institution where the rights for collection and significantly all the risks and rewards over the receivables under the financing agreement have been transferred to the financial institution. As at the end of the financial year, a total of RM29,360,000 (2018: NIL) of the Group has been derecognised from the trade receivables balance.

7.2 The trade balances due from companies that a substantial shareholder has interest have credit terms ranging from 30 to 60 days (2018: 30 to 60 days).

## 8. INVENTORIES

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| Trading and manufacturing inventories | **73,668** | 68,976 |
| Properties under development | **109,005** | 105,392 |
| | **182,673** | 174,368 |

8.1 Trading and manufacturing inventories

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| **Metal inventories** | | |
| Raw materials | **16,241** | 5,381 |
| Work-in-progress | **25,214** | 30,604 |
| Finished goods | **21,204** | 22,769 |
| | **62,659** | 58,754 |
| **Non metal inventories** | | |
| Operating supplies and spare parts | **11,009** | 10,222 |
| | **73,668** | 68,976 |
| Recognised in profit or loss: | | |
| Inventories recognised in profit or loss | **329,525** | 362,568 |
| Allowance of inventories writedown | **70** | 302 |

## *8. INVENTORIES (continued)*

8.2 Properties under development

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| **Properties under development** | | |
| At beginning of the year: | | |
| Land cost | **94,988** | – |
| Development costs | **10,404** | – |
| | **105,392** | – |
| Land cost: | | |
| Costs incurred during the year | **104** | 94,988 |
| Transfer to contract cost | **(23,259)** | – |
| | **(23,155)** | 94,988 |
| Development costs: | | |
| Costs incurred during the year | **39,529** | 10,404 |
| Transfer to contract cost | **(12,761)** | – |
| | **26,768** | 10,404 |
| At year end: | | |
| Land cost | **71,833** | 94,988 |
| Development costs | **37,172** | 10,404 |
| | **109,005** | 105,392 |

## *8. INVENTORIES (continued)*

8.3 Estimation uncertainty and critical judgements

The Group estimates revenue and budgeted costs for property development projects based on the following key assumptions:

- Revenue on development projects has been projected based on the estimated market selling price of the units;
- The property development costs have been projected based on prevailing cost of construction and such costs are reviewed on an on going basis.

Any revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

8.4 During the financial year, RM2,794,000 (2018: RM2,467,000) of interest cost has been capitalised to the development costs. Capitalisation rate applied to determine interest cost to be capitalised is 5.3%.

8.5 Leasehold land is pledged to secure loan facilities granted to the Group (see Note 15.1).

## *9. CONTRACT COSTS*

| | **Group** |
|---|---|
| | **2019** |
| | **RM'000** |
| Cost to obtain a contract | **3,219** |
| Cost to fulfil a contract | **21,277** |
| | **24,496** |

Cost to obtain a contract primarily comprises incremental sales commission fees paid to intermediaries as a result of obtaining contracts. The capitalised sales commission fees are expensed to profit or loss over time based on the percentage of completion.

There were no contract costs for the financial year ended 2018.

## *10. CONTRACT ASSETS/(LIABILITIES)*

| | Group 2019 RM'000 |
|---|---|
| **Contract assets** | |
| At 1 January | **–** |
| Net revenue recognised during the financial year | **3,642** |
| Net progress billings during the financial year | **(2,717)** |
| At 31 December | **925** |

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date.

There were no contract assets for the financial year ended 2018.

| | Group 2019 RM'000 |
|---|---|
| **Contract liabilities** | |
| At 1 January | **–** |
| Net progress billing during the financial year | **47,619** |
| Net revenue recognised during the financial year | **(24,891)** |
| At 31 December | **22,728** |

The contract liabilities primarily relate to the advance consideration received from customers where invoice or progress billings were issued in advance.

There were no contract liabilities for the financial year ended 2018.

## *11. OTHER RECEIVABLES AND PREPAYMENTS*

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000** | **2019 RM'000** | **2018 RM'000** |
| Dividend receivable | **–** | – | **2,687** | – |
| Other receivables | **1,981** | 4,426 | **–** | – |
| Advance payment to suppliers | **838** | 961 | **–** | 1 |
| Prepayments | **1,117** | 660 | **–** | – |
| Deposits | **338** | 478 | **–** | – |
| Staff advances | **58** | 74 | **–** | – |
| | **4,332** | 6,599 | **2,687** | 1 |

Included in other receivables of the Group are Goods and Services Tax receivables approximately of RM1,486,000 (2018: RM4,392,000).

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | <--------------- 2019 --------------> | | | <--------------- 2018 ---------------> | | |
| | Nominal value RM'000 | Assets RM'000 | Liabilities RM'000 | Nominal value RM'000 | Assets RM'000 | Liabilities RM'000 |
| Derivatives held for trading at fair value through profit or loss | | | | | | |
| - Forward exchange contracts (Note a) | **34,340** | **327** | **–** | 51,298 | 447 | – |
| - Forward exchange contracts (Note b) | **(14,675)** | **7** | **–** | (7,586) | – | (4) |

**Forward foreign exchange contracts**

Aside from using natural hedges, the Group enters into forward foreign currency exchange contracts with licensed banks to limit its exposure on foreign currency receivables and payables.

Note (a)
Under the forward contracts - receivables, the currency to be received is Ringgit Malaysia and the currency to be paid is US Dollar. The maturity period of the contracts ranges between 1 month to 3 months (2018: 1 month to 3 months).

Note (b)
Under the forward contracts - payables, the currency to be paid is Ringgit Malaysia and the currency to be received is US Dollar. The maturity period of the contracts ranges within 1 month (2018: 1 month).

The fair value gain or loss of the forward foreign exchange contracts of the Group which has been recognised at the reporting date was a surplus net position of RM334,000 (2018: RM443,000).

## 13. BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Deposits placed with licensed banks | **5,881** | 1,336 | **–** | – |
| Bank balances | **46,048** | 38,896 | **10** | 5 |
| | **51,929** | 40,232 | **10** | 5 |

Included in deposits placed with licensed banks of the Group is RM1,148,000 (2018: RM1,104,000) pledged for bank facilities granted to the Group (see Note 15.1).

The range of interest rates on year end deposit placements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 % | 2018 % | 2019 % | 2018 % |
| Deposits placed with licensed banks | **2.95 - 3.98** | 3.20 | **–** | – |

## 14. CAPITAL AND RESERVES

14.1 Share capital

| | Group | | | |
|---|---|---|---|---|
| | Number of shares 2019 '000 | Amount 2019 RM'000 | Number of shares 2018 '000 | Amount 2018 RM'000 |
| Issued and fully paid shares | | | | |
| At beginning of year | **134,331** | **104,778** | 134,331 | 100,123 |
| Internal reorganisation | **–** | **–** | – | 4,655 |
| At the end of the financial year | **134,331** | **104,778** | 134,331 | 104,778 |

| | Company | | | |
|---|---|---|---|---|
| | Number of shares 2019 '000 | Amount 2019 RM'000 | Number of shares 2018 '000 | Amount 2018 RM'000 |
| Issued and fully paid shares | | | | |
| At beginning of year/ date of incorporation | **134,331** | **104,778** | * | # |
| Internal reorganisation | **–** | **–** | 134,331 | 104,778 |
| At the end of the financial year/period | **134,331** | **104,778** | 134,331 | 104,778 |

* Denotes 2
\# Denotes RM2

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

14.2 Treasury shares

Shares re-purchased are being held as treasury shares as allowed under Section 127(6) of the Companies Act 2016. Treasury shares have no right to voting, dividends and participation in other distribution.

In the previous financial year ended 31 December 2018, pursuant to the Internal Reorganisation, the remaining balance of 1,000,000 treasury shares were sold in the open market prior to the Share Exchange. The average resale price of the treasury shares was approximately RM0.71 per share.

## 15. LOANS AND BORROWINGS

| | Group | |
|---|---|---|
| | **2019** **RM'000** | **2018** **RM'000** |
| **Non-current** | | |
| Secured: | | |
| Term loans | **107,492** | 139,515 |
| Hire purchase liabilities | **295** | 417 |
| | **107,787** | 139,932 |
| **Current** | | |
| Secured: | | |
| Term loans | **7,001** | 2,917 |
| Hire purchase liabilities | **122** | 116 |
| Revolving credits | **35,318** | 2,945 |
| Unsecured: | | |
| Corporate credit card facility from a financial institution | **824** | 950 |
| | **43,265** | 6,928 |
| | **151,052** | 146,860 |

15.1 The tenures of the term loans are for a period of 6 years and 12 years. Term loans and revolving credits are secured by the Group's leasehold industrial land (see Note 3.1), land in property development costs (see Note 8.5) and pledged deposits (see Note 13).

15.2 Hire purchase liabilities are payable as follows:

| | Group | | |
|---|---|---|---|
| | **Future minimum lease payments 2018 RM'000** | **Interest 2018 RM'000** | **Present value of minimum lease payments 2018 RM'000** |
| Less than one year | 137 | 21 | 116 |
| Between one and five years | 448 | 31 | 417 |
| | 585 | 52 | 533 |

## 16. *PROVISION FOR GRATUITY SCHEME*

The movements in the present value of unfunded obligations are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| Defined benefit gratuity scheme | | |
| At beginning of financial year | **4,810** | 5,131 |
| Charged to the profit or loss: | | |
| current service cost | **208** | 216 |
| interest cost | **230** | 240 |
| | **438** | 456 |
| Credited to other comprehensive income: | | |
| Actuarial gain arising from: | | |
| - Demographic assumptions | **2** | – |
| - Financial assumptions | **205** | – |
| - Experience adjustments | **483** | – |
| | **690** | – |
| Gratuity paid | **(837)** | (777) |
| At the end of financial year | **5,101** | 4,810 |
| Reflected in the statements of financial position as: | | |
| Non-current | **4,277** | 4,142 |
| Current (Note 18) | **824** | 668 |
| | **5,101** | 4,810 |

The principal actuarial assumptions used in respect of the defined benefit gratuity scheme are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **%** | **%** |
| Discount rate | **4.2** | 5.0 |
| Expected average rate of salary increases | **5.0** | 5.0 |

The Group operates an unfunded final salary defined benefit gratuity scheme for its employees. Independent actuaries value the scheme using the projected unit credit actuarial cost method.

The discount rate used is based on investment grade private debt securities with tenure approximating the tenure of gratuity liability. The salary growth takes into account market factor such as inflation rate.

The defined benefit plan exposes the Group to financial risks such as interest rates and future salary incremental rates risk.

### *16. PROVISION FOR GRATUITY SCHEME (continued)*

The sensitivity of the defined benefit obligation to changes in the weighted principal actuarial assumptions is as follows:

| | Group | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Discount rate - 1% | | |
| - effect an increase of | **282** | 263 |
| Discount rate + 1% | | |
| - effect a decrease of | **(254)** | (238) |
| Salary increment rate - 1% | | |
| - effect a decrease of | **(231)** | (263) |
| Salary increment rate + 1% | | |
| - effect an increase of | **251** | 285 |

The above sensitivity analysis considers a change of each principal assumption in isolation.

### *17. TRADE PAYABLES*

| | Group | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Trade payables | **39,665** | 36,961 |
| Trade related accruals | **1,656** | 2,058 |
| | **41,321** | 39,019 |

The credit terms of trade payables granted to the Group range from 7 days to 90 days (2018: 7 days to 90 days).

### *18. OTHER PAYABLES AND ACCRUALS*

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000** | **2019 RM'000** | **2018 RM'000** |
| Payroll related accruals | | | | |
| - salaries, benefits and allowances | **5,106** | 6,655 | **403** | 208 |
| - provision for gratuity scheme (Note 16) | **824** | 668 | **–** | – |
| Other accrual and sundry payables | **20,402** | 7,932 | **163** | 158 |
| | **26,332** | 15,255 | **566** | 366 |

Included in other accrual and sundry payables are refundable excess payments from purchasers for progress billings of approximately RM3,787,000 (2018: NIL) and construction costs accrued for the work completed of approximately RM4,730,000 (2018: NIL).

## 19. AMOUNT DUE TO A SUBSIDIARY

The non-trade balance due to a subsidiary is unsecured, interest free and has no fixed term of repayment.

## 20. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** | **1.1.2019 to 31.12.2019 RM'000** | **22.12.2017 to 31.12.2018 RM'000** |
| **Aluminium products** | | | | |
| Sales of manufactured goods | **344,010** | 385,542 | **–** | – |
| Sales of scrap | **110** | 161 | **–** | – |
| **Property development and construction** | | | | |
| Sales of properties | **24,891** | – | **–** | – |
| Sales from construction contracts | **3,642** | – | **–** | – |
| **Investment holding** | | | | |
| Dividend income | **–** | – | **2,687** | – |
| | **372,653** | 385,703 | **2,687** | – |

20.1 Disaggregation of revenue by geographical markets are disclosed in Note 27.1 to the financial statements.

20.2 Revenue from sales of aluminium products is recognised upon goods are delivered and accepted by the customers at their premises or recognised upon the control of the goods have transferred to the customers. Payment terms for revenue from customers of aluminium products range from 7 days to 90 days (2018: 7 days to 90 days) from invoice date.

20.3 Revenue from sales of properties is recognised over time using input method, assessed by reference to the proportion that contract costs incurred for work performed to-date to the estimated total contract costs. Payment terms for revenue from property development activities are from 14 days from invoice date. The Group is required to fulfil warranty obligation over a defect liability period of twelve months upon delivery of vacant possession of the development unit to the customers.

20.4 Revenue from sales of construction contracts is recognised over time using output method. The output method is assessed by reference to surveys of work performed/completion of the physical proportion of contract work. Payment terms for revenue from customers ranges from 30 days to 45 days from the date of interim certificate. The Group is required to fulfil warranty obligation over a defect liability period of twenty-four months from the date of completion.

## 20. REVENUE (continued)

20.5 Significant judgements and assumptions arising from revenue recognition

The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

- For revenue recognised over time using the cost incurred method, the Group measured the performance of work done by comparing the actual costs incurred with the estimated total costs required to complete the work. Significant judgements are required to estimate the total contract costs to complete. In making these estimates, management relied on professionals' estimates and also on past experience of completed developed properties. A change in the estimates will directly affect the revenue to be recognised.

- For revenue recognised in respect of contracts with customers who are not supported by end-financiers, the Group has assessed and determined that collectibility of the consideration from these customers is probable. In making this judgement, the Group has considered the likelihood and trend of collections from these customers.

## 21. OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** |
| Interest income from financial institutions | **74** | – |
| Interest income on short-term deposits | **882** | 312 |
| Interest income from customers | **155** | – |
| Gain on disposal of property, plant and equipment | **34** | 135 |
| Miscellaneous income | **92** | 331 |
| | **1,237** | 778 |

## 22. STAFF COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** | **1.1.2019 to 31.12.2019 RM'000** | **22.12.2017 to 31.12.2018 RM'000** |
| Wages, salaries and bonus | **31,056** | 31,647 | **497** | 410 |
| Defined contribution retirement plan | **3,886** | 3,670 | **42** | 39 |
| Defined benefit gratuity scheme | **438** | 456 | **–** | – |
| Other employee benefits | **512** | 618 | **4** | 3 |
| | **35,892** | 36,391 | **543** | 452 |

## 23. INTEREST EXPENSES

| | Group | |
|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** |
| Interest expense of financial liabilities that are not at fair value through profit or loss: | | |
| - term loans | **4,876** | 3,436 |
| - revolving credits | **720** | 77 |
| - receivables financing | **289** | – |
| - trade lines | **192** | – |
| - hire purchase liabilities | **21** | 20 |
| - overdraft | **1** | 4 |
| | **6,099** | 3,537 |

## 24. PROFIT/(LOSS) BEFORE TAX

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** | **1.1.2019 to 31.12.2019 RM'000** | **22.12.2017 to 31.12.2018 RM'000** |
| **Profit/(loss) before tax is arrived at after charging/(crediting):** | | | | |
| Auditors' remuneration | | | | |
| - Audit fees | **272** | 220 | **45** | 40 |
| - Non-audit fees | **6** | 5 | **6** | 5 |
| Allowance for inventory writedown | **70** | 302 | **–** | – |
| Amortisation of intangible assets | **901** | 473 | **–** | – |
| Bad debts written off | **21** | – | **–** | – |
| Depreciation of: | | | | |
| - property, plant and equipment | **8,480** | 7,793 | **–** | – |
| - right-of-use assets | **1,285** | – | **–** | – |
| Gain on foreign exchange | | | | |
| - realised | **(81)** | (290) | **–** | – |
| - unrealised | **(11)** | (232) | **–** | – |
| Gain on disposal of property, plant and equipment | **(34)** | (135) | **–** | – |
| Hire of machinery and equipment | **10** | 638 | **–** | – |
| Interest expense | **6,099** | 3,537 | **–** | – |
| Interest expense on lease liabilities | **138** | – | **–** | – |
| Interest income | **(1,111)** | (312) | **–** | – |
| Net fair value loss on currency forwards | **109** | 373 | **–** | – |
| Property, plant and equipment written off | **16** | 8 | **–** | – |
| Provision for gratuity scheme | **438** | 456 | **–** | – |
| (Reversal of)/allowance for doubtful debts | **(3)** | 156 | **–** | – |
| Reversal of impairment of property, plant and equipment | **(7)** | – | **–** | – |

## 25. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** | **1.1.2019 to 31.12.2019 RM'000** | **22.12.2017 to 31.12.2018 RM'000** |
| **Current tax expense** | | | | |
| Current year | **3,697** | 5,769 | **–** | – |
| Under provision in prior year | **55** | – | **–** | – |
| Total current tax recognised in profit or loss | **3,752** | 5,769 | **–** | – |
| **Deferred tax expense** | | | | |
| Origination and reversal of temporary differences | **(406)** | (1,234) | **–** | – |
| Over provision in prior year | **(31)** | – | **–** | – |
| Total deferred tax recognised in profit or loss | **(437)** | (1,234) | **–** | – |
| Total tax expense | **3,315** | 4,535 | **–** | – |
| **Reconciliation of tax expense** | | | | |
| Profit/(loss) before tax | **3,638** | 7,972 | **1,623** | (761) |
| Income tax calculated using Malaysian tax rate of 24% | **873** | 1,913 | **389** | (183) |
| Non-deductible expenses | **1,656** | 2,686 | **256** | 183 |
| Income not subject to tax | **(162)** | (10) | **(645)** | – |
| Double deduction claims | **(38)** | (54) | **–** | – |
| Effect of deferred tax assets not recognised | **962** | – | **–** | – |
| Under provision in prior year | **24** | – | **–** | – |
| | **3,315** | 4,535 | **–** | – |

## 26. *EARNINGS PER ORDINARY SHARE*

Basic earnings per share is calculated by dividing the Group's net profit attributable to the owners of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares purchased by the Company and held as treasury shares.

| | Group | |
|---|---|---|
| | **1.1.2019 to 31.12.2019** | **1.1.2018 to 31.12.2018** |
| Net profit attributable to shareholders (RM'000) | **323** | 3,437 |
| Weighted average number of ordinary shares in issue ('000) | **134,331** | 134,331 |
| Basic earnings per ordinary share (sen) | **0.24** | 2.56 |

*Weighted average number of ordinary shares*

| | Group | |
|---|---|---|
| | **2019 '000** | **2018 '000** |
| Weighted average number of ordinary shares at 31 December | **134,331** | 134,331 |

*Diluted earnings per ordinary share*

There is no dilution in earnings per ordinary share as there is no potential diluted ordinary shares in the current year and previous financial year.

## 27. *OPERATING SEGMENTS*

Segmental reporting have four reportable segments as reported below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") reviews internal management reports on regular basis. The following summary describes the operations in each of the Group's reportable segments:

i) Manufacturing - manufacturing and trading of aluminium products

ii) Property development - development of commercial properties

iii) Construction - property construction works and supply and installation of roofing systems

iv) Investment holding

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the CODM. 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.

## 27. OPERATING SEGMENTS (continued)

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment asset and liability.

Segment capital expenditure is the total costs incurred during the financial year to acquire property, plant and equipment.

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Manufacturing RM'000 | Property development RM'000 | Construction RM'000 | Investment holding RM'000 | Elimination RM'000 | Total RM'000 |
| **1.1.2019 to 31.12.2019** | | | | | | |
| **Segment profit/(loss)** | **18,704** | **1,533** | **208** | **1,623** | **(2,654)** | **19,414** |
| *Included in the measure of segment profit/(loss) are:* | | | | | | |
| Revenue from external customers | **344,120** | **24,891** | **3,642** | **2,687** | **(2,687)** | **372,653** |
| Allowance of inventory writedown | **(70)** | **–** | **–** | **–** | **–** | **(70)** |
| Reversal of impairment of property, plant and equipment | **7** | **–** | **–** | **–** | **–** | **7** |
| **1.1.2018 to 31.12.2018** | | | | | | |
| **Segment profit/(loss)** | 25,429 | (5,205) | – | (761) | – | 19,463 |
| *Included in the measure of segment profit/(loss) are:* | | | | | | |
| Revenue from external customers | 385,703 | – | – | – | – | 385,703 |
| Allowance of inventory writedown | (302) | – | – | – | – | (302) |

## *27. OPERATING SEGMENTS (continued)*

27.1 Geographical segments

All non-current assets of the Group are located in Malaysia, being the Group's country of domicile. The breakdown of the Group's external revenues based on the geographical location of the external customers and major customers are as follows:

| | Group | |
|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** |
| **Revenue** | | |
| Malaysia | **107,368** | 93,968 |
| Thailand | **54,866** | 83,487 |
| India | **91,274** | 96,975 |
| Asia (excludes Malaysia, Thailand and India) | **17,167** | 17,986 |
| Europe | **62,445** | 53,985 |
| Middle East | **16,408** | 27,668 |
| Others | **23,125** | 11,634 |
| | **372,653** | 385,703 |

Included in sales to Malaysia customers are sales to customers in the Licensed Manufacturing Warehouse and Free Trade Zone areas amounting to RM8,763,000 (2018: RM9,297,000).

27.2 Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

| | Group | |
|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** |
| Customer A | **62,196** | 53,195 |
| Customer B | **54,135** | 47,704 |

## 28. *FINANCIAL INSTRUMENTS*

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2019 categorised as follows:

(a) Fair value through profit or loss - Designated upon initial recognition ("FVTPL"); and
(b) Amortised cost ("AC").

| | Group | | |
|---|---|---|---|
| | **Carrying amount RM'000** | **FVTPL RM'000** | **AC RM'000** |
| **2019** | | | |
| **Financial assets/(liabilities)** | | | |
| Trade receivables | **24,198** | **–** | **24,198** |
| Other receivables (excluding prepayments and advance payment to suppliers) | **2,377** | **–** | **2,377** |
| Amount due from a related company | **21** | **–** | **21** |
| Bank balances | **51,929** | **–** | **51,929** |
| Derivative financial instruments | **334** | **334** | **–** |
| Trade payables | **(41,321)** | **–** | **(41,321)** |
| Other payables and accruals (excluding provision for gratuity scheme) | **(25,508)** | **–** | **(25,508)** |
| Loans and borrowings | **(151,052)** | **–** | **(151,052)** |
| | **(139,022)** | **334** | **(139,356)** |

| | Company | | |
|---|---|---|---|
| | **Carrying amount RM'000** | **FVTPL RM'000** | **AC RM'000** |
| **2019** | | | |
| **Financial assets/(liabilities)** | | | |
| Other receivables (excluding prepayments and advance payment to suppliers) | **2,687** | **–** | **2,687** |
| Bank balances | **10** | **–** | **10** |
| Amount due to a subsidiary | **(2,019)** | **–** | **(2,019)** |
| Other payables and accruals (excluding provision for gratuity scheme) | **(566)** | **–** | **(566)** |
| | **112** | **–** | **112** |

## *28. FINANCIAL INSTRUMENTS (continued)*

28.1 Categories of financial instruments (continued)

| | Group | | |
|---|---|---|---|
| | **Carrying amount RM'000** | **FVTPL RM'000** | **AC RM'000** |
| **2018** | | | |
| **Financial assets/(liabilities)** | | | |
| Trade receivables | 41,611 | – | 41,611 |
| Other receivables (excluding prepayments and advance payment to suppliers) | 4,978 | – | 4,978 |
| Bank balances | 40,232 | – | 40,232 |
| Derivative financial instruments | 443 | 443 | – |
| Trade payables | (39,019) | – | (39,019) |
| Other payables and accruals (excluding provision for gratuity scheme) | (14,587) | – | (14,587) |
| Loans and borrowings | (146,860) | – | (146,860) |
| | (113,202) | 443 | (113,645) |

| | Company | | |
|---|---|---|---|
| | **Carrying amount RM'000** | **FVTPL RM'000** | **AC RM'000** |
| **2018** | | | |
| **Financial assets/(liabilities)** | | | |
| Bank balances | 5 | – | 5 |
| Other payables and accruals (excluding provision for gratuity scheme) | (366) | – | (366) |
| Amount due to a subsidiary | (401) | – | (401) |
| | (762) | – | (762) |

28.2 Net gain and losses arising from financial instruments

| | Group | |
|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** |
| Net gain/(losses) on: | | |
| - Financial assets at fair value through profit or loss: | | |
| - Designated upon initial recognition ("DUIR") | **(109)** | (373) |
| - Financial assets at amortised cost | **940** | 614 |
| - Financial liabilities measured at amortised cost | **(5,854)** | (3,473) |
| | **(5,023)** | (3,232) |

## 28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

28.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from individual characteristics of each customer, other receivables and bank balances. The Company's exposure to credit risk arises principally from its bank balances.

**Trade receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risks are minimised by credit evaluations performed on customers requiring credit term.

For trade receivables under property development segment, credit risks are minimised by securing purchases whom primarily obtain financing from banks and financial institutions.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous period.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statements of financial position.

## *28. FINANCIAL INSTRUMENTS (continued)*

28.4 Credit risk (continued)

**Trade receivables (continued)**

*Concentration of credit risk*

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| Malaysia | **11,312** | 11,891 |
| Thailand | **2,284** | 2,656 |
| India | **5,308** | 16,640 |
| Asia (excludes Malaysia, Thailand and India) | **1,187** | 1,267 |
| Europe | **1,058** | 3,496 |
| Middle East | **2,731** | 1,078 |
| Others | **318** | 4,583 |
| | **24,198** | 41,611 |

*Recognition and measurement of impairment loss*

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days. The Group's debt recovery process is that any invoices above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales management team. Invoices which are past due 90 days will be considered as credit impaired.

The Group uses an allowance matrix to measure Expected Credit Losses ("ECLs") of trade receivables. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

## *28. FINANCIAL INSTRUMENTS (continued)*

28.4 Credit risk (continued)

**Trade receivables (continued)**

*Recognition and measurement of impairment loss (continued)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2019 which are grouped together as they are expected to have similar risk nature.

| | Group | | |
|---|---|---|---|
| | **Gross carrying amount RM'000** | **Loss allowance RM'000** | **Net balance RM'000** |
| **2019** | | | |
| Current (not past due) | **18,192** | **(7)** | **18,185** |
| 1-30 days past due | **5,339** | **(2)** | **5,337** |
| 31-60 days past due | **661** | **(5)** | **656** |
| 61-90 days past due | **20** | **–** | **20** |
| More than 90 days past due | **139** | **(139)** | **–** |
| | **24,351** | **(153)** | **24,198** |
| **2018** | | | |
| Current (not past due) | 34,214 | (6) | 34,208 |
| 1-30 days past due | 7,367 | – | 7,367 |
| 31-60 days past due | 14 | – | 14 |
| 61-90 days past due | 22 | – | 22 |
| More than 90 days past due | 150 | (150) | – |
| | 41,767 | (156) | 41,611 |

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

| | Group | | |
|---|---|---|---|
| | Trade receivables | | |
| | **Lifetime ECL RM'000** | **Credit impaired RM'000** | **Total RM'000** |
| **Balance at 1 January 2018** | – | – | – |
| Net remeasurement of loss allowance | – | 156 | 156 |
| **Balance at 31 December 2018/1 January 2019** | **–** | **156** | **156** |
| Net remeasurement of loss allowance | **–** | **(3)** | **(3)** |
| **Balance at 31 December 2019** | **–** | **153** | **153** |

## *28. FINANCIAL INSTRUMENTS (continued)*

28.4 Credit risk (continued)

**Bank balances**

The bank balances are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that no loss allowance is necessary.

**Other receivables**

Credit risks on other receivables are mainly arising from deposits, staff advances and other receivables.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

As at the end of the reporting period, the Group does not consider it necessary to recognise any allowance for impairment losses.

28.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group has a net current assets of RM155,228,000 as at 31 December 2019. The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure that the preparation of the financial statement on a going concern basis is dependent on the ability of the Group to generate sufficient cash flows from its operations, obtaining support from its banks and creditors to finance its operation and achieving profitable operations to ensure that it will have sufficient liquidity to meet its liabilities as and when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## 28. *FINANCIAL INSTRUMENTS (continued)*

28.5 Liquidity risk (continued)

***Maturity analysis***

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount RM'000 | Contractual interest rate | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
| **2019** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Term loans | 114,493 | 5.30% - 5.54% | 143,415 | 19,158 | 26,189 | 58,849 | 39,219 |
| Hire purchase liabilities | 417 | 2.31% - 2.34% | 448 | 138 | 138 | 172 | – |
| Revolving credits | 35,318 | 5.25 - 5.38% | 35,379 | 35,379 | – | – | – |
| Corporate credit card facility from a financial institution | 824 | – | 824 | 824 | – | – | – |
| Lease liabilities | 2,399 | 5.30% - 6.00% | 2,657 | 1,228 | 643 | 655 | 131 |
| Trade and other payables | 66,829 | – | 66,829 | 66,829 | – | – | – |
| | 220,280 | | 249,552 | 123,556 | 26,970 | 59,676 | 39,350 |
| *Derivative financial liabilities* | | | | | | | |
| Forward exchange contracts (gross settled): | | | | | | | |
| Outflow | – | – | 19,331 | 19,331 | – | – | – |
| Inflow | (334) | – | (19,665) | (19,665) | – | – | – |
| | (334) | | (334) | (334) | – | – | – |

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount RM'000 | Contractual interest rate | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
| *Non-derivative financial liabilities* | | | | | | | |
| Corporate guarantees | – | – | 233,000 | 233,000 | – | – | – |
| Other payables and accruals | 566 | – | 566 | 566 | – | – | – |
| Amount due to a subsidiary | 2,019 | – | 2,019 | 2,019 | – | – | – |
| | 2,585 | | 235,585 | 235,585 | – | – | – |

## 28. *FINANCIAL INSTRUMENTS (continued)*

28.5 Liquidity risk (continued)

***Maturity analysis (continued)***

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (continued):

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Carrying amount RM'000** | **Contractual interest rate** | **Contractual cash flows RM'000** | **Under 1 year RM'000** | **1 - 2 years RM'000** | **2 - 5 years RM'000** | **More than 5 years RM'000** |
| **2018** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Term loans | 142,432 | 5.33% - 5.72% | 187,600 | 10,735 | 20,476 | 95,026 | 61,363 |
| Hire purchase liabilities | 533 | 2.31% - 2.34% | 586 | 138 | 138 | 310 | – |
| Revolving credits | 2,945 | 5.33% | 2,950 | 2,950 | – | – | – |
| Corporate credit card facility from a financial institution | 950 | – | 950 | 950 | – | – | – |
| Trade and other payables | 53,606 | – | 53,606 | 53,606 | – | – | – |
| | 200,466 | | 245,692 | 68,379 | 20,614 | 95,336 | 61,363 |
| *Derivative financial liabilities* | | | | | | | |
| Forward exchange contracts (gross settled): | | | | | | | |
| Outflow | 4 | – | 50,855 | 50,855 | – | – | – |
| Inflow | (447) | – | (51,298) | (51,298) | – | – | – |
| | (443) | | (443) | (443) | – | – | – |

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Carrying amount RM'000** | **Contractual interest rate** | **Contractual cash flows RM'000** | **Under 1 year RM'000** | **1 - 2 years RM'000** | **2 - 5 years RM'000** | **More than 5 years RM'000** |
| *Non-derivative financial liabilities* | | | | | | | |
| Corporate guarantees | – | – | 208,000 | 208,000 | – | – | – |
| Other payables and accruals | 366 | – | 366 | 366 | – | – | – |
| Amount due to a subsidiary | 401 | – | 401 | 401 | – | – | – |
| | 767 | | 208,767 | 208,767 | – | – | – |

## 28. FINANCIAL INSTRUMENTS (continued)

28.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

28.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily US Dollar ("USD"), Singapore Dollar ("SGD") and Japanese Yen ("JPY").

*Risk management objectives, policies and processes for managing the risk*

The Group enters into currency forwards in the normal course of business to manage its exposure against foreign currency fluctuations on transactions denominated in foreign currencies. In general, the Group's policy is to enter into currency forwards for anticipated sales and purchases in foreign currencies.

*Exposure to foreign currency risk*

The Group's main exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| | Group<br>Denominated in | | | |
|---|---|---|---|---|
| | **USD**<br>**RM'000** | **SGD**<br>**RM'000** | **JPY**<br>**RM'000** | **Others**<br>**RM'000** |
| **2019** | | | | |
| Trade and other receivables | **12,968** | **27** | **–** | **14** |
| Trade and other payables | **(14,313)** | **(46)** | **(26)** | **(23)** |
| Bank balances | **20,333** | **742** | **–** | **–** |
| Derivative financial instruments | **(19,665)** | **–** | **–** | **–** |
| **Exposure in the statements of financial position** | **(677)** | **723** | **(26)** | **(9)** |
| **2018** | | | | |
| Trade and other receivables | 29,899 | 106 | – | – |
| Trade and other payables | (19,518) | (5) | – | (62) |
| Bank balances | 28,305 | 30 | – | – |
| Derivative financial instruments | (43,712) | – | – | – |
| **Exposure in the statements of financial position** | (5,026) | 131 | – | (62) |

## *28. FINANCIAL INSTRUMENTS (continued)*

28.6 Market risk (continued)

28.6.1 Currency risk (continued)

*Exposure to foreign currency risk (continued)*

*Currency risk sensitivity analysis*

A 10% (2018: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variance that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

| | **Group** | |
|---|---|---|
| | **Profit or (loss)** | |
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** |
| USD | **51** | 382 |
| SGD | **(55)** | (10) |
| JPY | **2** | – |
| Others | **1** | 5 |

A 10% (2018: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

28.6.2 Interest rate risk

The Group's fixed rate financial assets and borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

In managing interest rate risk, the Group maintains a balanced portfolio of fixed and floating rate instruments. All interest rate exposures are monitored and managed by the Group on a regular basis.

## 28. FINANCIAL INSTRUMENTS (continued)

28.6 Market risk (continued)

28.6.2 Interest rate risk (continued)

*Exposure to interest rate risk*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| **Fixed rate instruments** | | |
| Financial assets | **5,881** | 1,336 |
| Financial liabilities | **(417)** | (533) |
| **Floating rate instruments** | | |
| Financial liabilities | **(149,811)** | (145,377) |

*Interest rate risk sensitivity analysis*

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") (31.12.2018: 100bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Group Profit or (loss) | | | |
|---|---|---|---|---|
| | 1.1.2019 to 31.12.2019 | | 1.1.2018 to 31.12.2018 | |
| | 100 bp increase RM'000 | 100 bp decrease RM'000 | 100 bp increase RM'000 | 100 bp decrease RM'000 |
| **Floating rate instruments** | | | | |
| Cash flow sensitivity (net) | **(1,139)** | **1,139** | (1,105) | 1,105 |

## 28. *FINANCIAL INSTRUMENTS (continued)*

28.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of the floating rate amount due to a subsidiary is approximate at fair value as they are subject to a variable interest rate which in turn approximate the current market interest rates for similar loans at the end of the reporting period.

The table below analyses financial instruments carried at fair value.

| | Group | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | RM'000 | RM'000 |
| **2019** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Derivative financial instruments | **–** | **334** | **–** | **334** | **–** | **–** | **–** | **–** | **334** | **334** |
| **2018** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Non-current trade receivables | – | – | – | – | – | – | 477 | 477 | 477 | 461 |
| Derivative financial instruments | – | 447 | – | 447 | – | – | – | – | 447 | 447 |
| | – | 447 | – | 447 | – | – | 477 | 477 | 924 | 908 |
| **Financial liabilities** | | | | | | | | | | |
| Derivative financial instruments | – | (4) | – | (4) | – | – | – | – | (4) | (4) |

There are no financial instruments not carried at fair value.

## 28. *FINANCIAL INSTRUMENTS (continued)*

28.7 Fair value information (continued)

**Level 2 fair value**

*Derivative financial liabilities*

The fair value of forward exchange contracts are based on market price obtained from licensed financed institution.

*Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The market rate of interest is determined by reference to similar borrowing arrangements and lease agreements.

*Transfer between Level 1, Level 2 and Level 3 fair values*

There has been no transfer between Level 1, Level 2 and Level 3 fair values during the financial year (2018: No transfer in either directions).

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The valuation techniques in determining the fair values disclosed in Level 3 for the financial instruments not carried at fair value is discounted cash flow.

## 29. *CAPITAL MANAGEMENT*

The objectives of the Group and the Company when managing capital are to safeguard the ability of the Group and the Company to continue as going concerns and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group and the Company may adjust the amount of dividend payment, return capital to shareholders and/or issue new shares.

The Group is also required to comply with various financial covenants based on debt service coverage ratio, net gearing ratio and the Group's net tangible assets position. The Group is in compliance with these financial covenants as at 31 December 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## *30. CAPITAL COMMITMENTS*

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| **Authorised capital expenditure commitments** | | |
| *Property, plant and equipment not provided for in the financial statements are as follows:* | | |
| Contracted but not provided for | **1,578** | 3,836 |

## *31. CONTINGENT LIABILITIES*

| | Company | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Guarantees given by the Company to financial institutions in respect of banking facilities granted to subsidiaries | **233,000** | 208,000 |

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantee are not probable.

## *32. RELATED PARTIES*

32.1 Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group and the Company have related party relationship with its subsidiaries, related companies, companies that a substantial shareholder of the Company has interest, companies that certain directors of the Company have interest and key management personnel.

## 32. *RELATED PARTIES (continued)*

32.2 Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below.

| | Group | |
|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** |
| **Income** | | |
| *Transactions with companies that a substantial shareholder of the Company has interest* | | |
| Sale of finished goods to: | | |
| - Aik Joo Can Factory Sdn. Berhad | **999** | 820 |
| - AJCan Sdn. Bhd. | **106** | – |
| - Kian Joo Can Factory Berhad | **1,256** | 1,544 |
| - KJ Can (Selangor) Sdn. Bhd. | **571** | 257 |
| - Federal Metal Printing Factory, Sdn. Berhad | **54** | 164 |
| **Expenditure** | | |
| *Transactions with companies that certain directors of the Company and in a subsidiary have interest* | | |
| Rental of premises | | |
| - Suri Puri Sdn. Bhd. | **215** | 42 |
| - Newstar Ventures Sdn. Bhd. | **127** | 24 |
| - RDS Properties Sdn. Bhd. | **21** | – |
| *Transactions with companies that certain directors of a subsidiary have interest* | | |
| Dach&Wand Sdn. Bhd. | | |
| - Salaries and wages | **21** | – |
| - Acquisition of plant and equipment | **506** | – |

| | Company | |
|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **22.12.2017 to 31.12.2018 RM'000** |
| **Income** | | |
| *Transactions with Aluminium Company of Malaysia Berhad, a subsidiary* | | |
| Dividend income | **2,687** | – |

## *32. RELATED PARTIES (continued)*

32.3 Key management personnel compensation

The key management personnel compensations are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2019 to 31.12.2019 RM'000** | **1.1.2018 to 31.12.2018 RM'000** | **1.1.2019 to 31.12.2019 RM'000** | **22.12.2017 to 31.12.2018 RM'000** |
| Directors of the Company: | | | | |
| - fees | **300** | 263 | **300** | 119 |
| - salaries, bonuses and other remunerations | **2,508** | 2,785 | **19** | 11 |
| - estimated monetary value of benefits-in-kind | **28** | 28 | **–** | – |
| | **2,836** | 3,076 | **319** | 130 |
| Other directors of the Group entities: | | | | |
| - fees | **–** | 58 | **–** | – |
| - salaries, bonuses and other remunerations | **2,207** | 2,646 | **–** | – |
| - estimated monetary value of benefits-in-kind | **35** | 32 | **–** | – |
| | **2,242** | 2,736 | **–** | – |
| Other key management personnel: | | | | |
| - salaries, bonuses and other remunerations | **2,806** | 3,265 | **–** | 449 |
| - estimated monetary value of benefits-in-kind | **126** | 206 | **–** | – |
| | **2,932** | 3,471 | **–** | 449 |
| | **8,010** | 9,283 | **319** | 579 |

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. Key management personnel include the Directors and certain members of senior management of the Group and of the Company.

## 33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

33.1 Incorporation of a wholly-owned subsidiary

On 6 September 2019, the Company incorporated a wholly-owned subsidiary, known as AGB Builders Sdn. Bhd. ("AGB Builders") with an issued share capital of RM1,000 comprising 1,000 ordinary shares.

On 22 November 2019, AGB Builders increased its issued share capital from RM1,000 to RM750,000 by way of issuance of 749,000 new ordinary shares for cash totalling RM749,000.

33.2 Acquisition of Alcom Dach&Wand Sdn. Bhd. (formerly known as Highspace Sdn. Bhd.)

On 9 October 2019, Aluminium Company of Malaysia Berhad, a wholly-owned subsidiary of the Company, acquired one (1) ordinary share, representing 100% of the issued share capital of Alcom Dach&Wand Sdn. Bhd. ("ADW"), for a total cash consideration of RM3 million.

On 25 October 2019, ADW increased its issued share capital from RM1 to RM750,000 by way of issuance of 749,999 new ordinary shares for cash totalling RM749,999.

The assets acquired and liabilities assumed at the acquisition date was not material, hence no disclosure is made.

## 34. SIGNIFICANT CHANGE IN ACCOUNTING POLICY

34.1 Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

34.2 As a lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 5.72%. Right-of-use assets are measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

## 34. SIGNIFICANT CHANGE IN ACCOUNTING POLICY (continued)

34.3 Impacts on financial statements

Since the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period comparatives.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

| | Group<br>RM'000 |
|---|---|
| Operating lease commitments at 31 December 2018 | 2,166 |
| Discounted using the discounted borrowing rate at 1 January 2019 | **2,013** |
| Lease liabilities recognised at 1 January 2019 | **2,013** |

## 35. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR END

The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world including Malaysia. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts.

The Group and the Company consider that the effects related to this outbreak to be a non-adjusting event as it was not a condition that existed as at 31 December 2019, the end of the reporting period. Accordingly, the current conditions arising from this outbreak do not have an impact on the carrying amounts reported for the financial year ended 31 December 2019.

As at the date of the financial statements are authorised for issuance, the Covid-19 situation is still evolving and unpredictable. As a result, at this juncture, it is not practicable for the Group and the Company to estimate the financial effect of Covid-19 for the financial year ending 31 December 2020. The Group and the Company are actively monitoring and managing its operations to minimise any impact that may arise from Covid-19.

# STATEMENT BY **DIRECTORS**

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 58 to 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

**Yeoh Jin Hoe**
Director

**Heon Chee Shyong**
Director

Date: 13 May 2020

# STATUTORY **DECLARATION**

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Bernard William A/L William G. Gomez**, the Officer primarily responsible for the financial management of Alcom Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 58 to 126 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Bernard William A/L William G. Gomez**, NRIC: 620820-10-6239, MIA CA 21076 at Klang in the State of Selangor on 13 May 2020.

**Bernard William A/L William G. Gomez**

Before me:

**NADZRUL AZALI BIN ABDUL AZIZ**
**(No. B548)**
Commissioner for Oaths
Klang, Selangor

# INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF ALCOM GROUP BERHAD [REGISTRATION NO. 201701047083 (1261259-V)]
(INCORPORATED IN MALAYSIA)

## *REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS*

### Opinion

We have audited the financial statements of Alcom Group Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

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

### Key Audit Matters

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

### The key audit matter of the Group

### Costing and valuation of metal inventories

Refer to the accounting policy on Note 2(h)(i) and Note 8.1 to the financial statements.

At 31 December 2019, the Group held RM62,659,000 of metal inventories. The cost of metal inventories is stated at the lower of cost and net realisable value. Metal inventories comprise the raw materials, work-in-progress, and finished goods. In the case of work-in-progress and finished goods, cost includes an appropriate allocation of direct labour and production overhead costs. Costing and valuation of metal inventories have been identified as a key audit matter for the Group because of the fluctuation in aluminium prices may affect the determination of the carrying amounts of the metal inventories at year end.

**How the matter was addressed in our audit**

Our audit procedures performed in this area included, among others:

i) We have assessed the appropriateness of the Group's costing methodology by considering the relevant inputs are properly taken into account to arrive at the carrying amount of the metal inventories. This includes determining the appropriateness of the basis and processes used by the Group in allocating the direct labour and overhead costs to arrive at the carrying amounts of metal inventories as at year end;

ii) We checked the cost of raw materials input by comparing to suppliers' invoices on a sampling basis;

iii) We also evaluated how the Group determined the net realisable value of finished goods inventories by testing to the selling prices.

We have determined that there are no key audit matters in the audit of the financial statements of the Company to communicate in our auditors' report.

**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 Annual Report 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 Annual Report and, in doing so, consider whether the Annual Report 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 the Annual Report, 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

# INDEPENDENT
# AUDITORS' REPORT
TO THE MEMBERS OF ALCOM GROUP BERHAD [REGISTRATION NO. 201701047083 (1261259-V)]
(INCORPORATED IN MALAYSIA)

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

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

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

i) 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.

ii) 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.

iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv) 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.

v) 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 gives a true and fair view.

vi) 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.

# INDEPENDENT
# AUDITORS' REPORT

TO THE MEMBERS OF ALCOM GROUP BERHAD [REGISTRATION NO. 201701047083 (1261259-V)]
(INCORPORATED IN MALAYSIA)

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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

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

**Other Matter**

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.

**KPMG PLT**
(LLP0010081-LCA & AF 0758)
Chartered Accountants

**Chan Kam Chiew**
Approval Number: 02055/06/2020 J
Chartered Accountant

Petaling Jaya

Date: 13 May 2020

# PROPERTIES **HELD BY THE GROUP**

AS AT 31 DECEMBER 2019

| Location | Description | Tenure | Land Area | Age of Building (years) | Net Book Value | Year of revaluation |
|---|---|---|---|---|---|---|
| No. 3, Persiaran Waja<br>Bukit Raja Industrial Estate<br>41050 Klang<br>Selangor Darul Ehsan<br>Malaysia | Factory and Office Building | 99 years leasehold expiring in year 2088 | 29.97 acres | 38 years | RM30.7 million | 1985 |
| H.S.(D) 321493 PT 13131<br>(formerly held under<br>H.S.(D) 242971 PT 10568<br>& H.S.(D) 242972 PT 10570)<br>Pekan Baru Sungai Buloh<br>District of Petaling<br>State of Selangor | Vacant industrial land | 99 years leasehold expiring in year 2107 | 9.4 acres | N/A | RM92.1 million | N/A |

# ANALYSIS OF **SHAREHOLDINGS**
AS AT 30 APRIL 2020

| | | |
|---|---|---|
| Total number of issued shares | : | 134,330,850 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | One (1) vote per ordinary share |

## *ANALYSIS BY SIZE OF SHAREHOLDINGS*

| Size of shareholdings | No. of shareholders | % | No. of shares held | % |
|---|---|---|---|---|
| Less than 100 shares | 286 | 7.97 | 4,902 | * |
| 100 to 1,000 shares | 722 | 20.13 | 525,198 | 0.39 |
| 1,001 to 10,000 shares | 1,809 | 50.45 | 8,813,892 | 6.56 |
| 10,001 to 100,000 shares | 692 | 19.30 | 20,440,856 | 15.22 |
| 100,001 to 6,716,541 shares | 75 | 2.09 | 22,338,750 | 16.63 |
| 6,716,542 shares and above | 2 | 0.06 | 82,207,252 | 61.20 |
| **Total** | **3,586** | **100.00** | **134,330,850** | **100.00** |

*Note:*
** Negligible*

## *SUBSTANTIAL SHAREHOLDERS*
(According to the Register of Substantial Shareholders)

| Name | Direct No. of shares held | Direct % | Indirect No. of shares held | Indirect % | Total No. of shares held | Total % |
|---|---|---|---|---|---|---|
| Towerpack Sdn. Bhd. | 42,531,698 | 31.66 | – | – | 42,531,698 | 31.66 |
| Yeoh Jin Hoe | – | – | 42,531,698 [(a)] | 31.66 [(a)] | 42,531,698 | 31.66 |
| SCland Holdings Sdn. Bhd. | 39,675,554 | 29.54 | – | – | 39,675,554 | 29.54 |
| Standout Success Sdn. Bhd. | – | – | 39,675,554 [(b)] | 29.54 [(b)] | 39,675,554 | 29.54 |
| SCland Sdn. Bhd. | – | – | 39,675,554 [(b)] | 29.54 [(b)] | 39,675,554 | 29.54 |
| RDS Properties Sdn. Bhd. | – | – | 39,675,554 [(b)] | 29.54 [(b)] | 39,675,554 | 29.54 |
| Dato' Lim Chee Khoon | – | – | 39,675,554 [(b)] | 29.54 [(b)] | 39,675,554 | 29.54 |
| Dato' Eng Kim Liong | – | – | 39,675,554 [(b)] | 29.54 [(b)] | 39,675,554 | 29.54 |
| Dato' Yong How Choong | – | – | 39,675,554 [(b)] | 29.54 [(b)] | 39,675,554 | 29.54 |
| Kam Choo Keng | – | – | 39,675,554 [(b)] | 29.54 [(b)] | 39,675,554 | 29.54 |
| Ang Loo Leong | – | – | 39,675,554 [(b)] | 29.54 [(b)] | 39,675,554 | 29.54 |

*Notes:*
[(a)] *Deemed interest by virtue of his shareholding in Towerpack Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016.*
[(b)] *Indirect interest through shares held by SCland Holdings Sdn. Bhd.*

# ANALYSIS OF **SHAREHOLDINGS**
AS AT 30 APRIL 2020

## *DIRECTORS' SHAREHOLDINGS*
(According to the Register of Directors' Shareholdings)

| Name | Direct No. of shares held | Direct % | Indirect No. of shares held | Indirect % | Total No. of shares held | Total % |
|---|---|---|---|---|---|---|
| Dato' Seri Subahan bin Kamal | – | – | – | – | – | – |
| Heon Chee Shyong | – | – | – | – | – | – |
| Yeoh Jin Hoe | – | – | 42,531,698 [(a)] | 31.66 [(a)] | 42,531,698 | 31.66 |
| Dato' Eng Kim Liong | – | – | 39,675,554 [(b)] | 29.54 [(b)] | 39,675,554 | 29.54 |
| Ang Loo Leong | – | – | 39,675,554 [(b)] | 29.54 [(b)] | 39,675,554 | 29.54 |
| Wong Choon Shein | – | – | – | – | – | – |
| Lam Voon Kean | – | – | – | – | – | – |
| Marc Francis Yeoh Min Chang | – | – | – | – | – | – |

*Notes:*
[(a)] *Deemed interest by virtue of his shareholding in Towerpack Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016.*
[(b)] *Indirect interest through shares held by SCland Holdings Sdn. Bhd.*

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# ANALYSIS OF **SHAREHOLDINGS**
AS AT 30 APRIL 2020

### *LIST OF THIRTY (30) LARGEST SHAREHOLDERS*
(According to the Record of Depositors)

| No. | Name | No. of shares held | % |
|---|---|---|---|
| 1. | Towerpack Sdn. Bhd. | 42,531,698 | 31.66 |
| 2. | SCland Holdings Sdn. Bhd. | 39,675,554 | 29.54 |
| 3. | Tan Han Chuan | 4,205,600 | 3.13 |
| 4. | HLIB Nominees (Tempatan) Sdn. Bhd.<br>*- Pledged Securities Account for Taipanmatics Sdn. Bhd. (MG0170-199)* | 1,085,000 | 0.81 |
| 5. | Choy Cheng Choong | 921,800 | 0.69 |
| 6. | Toh Ying Choo | 800,000 | 0.60 |
| 7. | Addeen Consultancy & Management Sdn. Bhd. | 715,600 | 0.53 |
| 8. | Tan Lee Hwa | 705,000 | 0.52 |
| 9. | Soh Tik Siew | 589,000 | 0.44 |
| 10. | Chee See Giap @ Sin Chien | 493,500 | 0.37 |
| 11. | Ng Beng Lay | 480,000 | 0.36 |
| 12. | Tang Yet Siong @ Tang Yik Siong | 439,500 | 0.33 |
| 13. | Chai Niew Sew | 419,300 | 0.31 |
| 14. | Worldwide Emergency Assistance (Malaysia) Sdn. Bhd. | 414,000 | 0.31 |
| 15. | Yeoh Beng Hooi | 390,000 | 0.29 |
| 16. | Loh Loon Teik Sdn. Bhd. | 380,000 | 0.28 |
| 17. | RHB Nominees (Tempatan) Sdn. Bhd.<br>*- OSK Trustees Berhad for The Divine Vision Trust* | 369,000 | 0.27 |
| 18. | Ooi Chun Hua | 325,000 | 0.24 |
| 19. | Khor Tang Boey | 322,000 | 0.24 |
| 20. | Ong Chooi Ewe | 318,300 | 0.24 |
| 21. | Lim Seng Qwee | 310,000 | 0.23 |
| 22. | Public Invest Nominees (Asing) Sdn. Bhd.<br>*- Exempt An for Phillip Securities Pte. Ltd. (Clients)* | 294,000 | 0.22 |
| 23. | Kenanga Nominees (Asing) Sdn Bhd<br>*- Exempt An for Phillip Securities Pte. Ltd. (Client Account)* | 280,000 | 0.21 |
| 24. | Chong Kok Fah | 231,000 | 0.17 |
| 25. | Yuen Thui Yang | 220,000 | 0.16 |
| 26. | HLIB Nominees (Tempatan) Sdn. Bhd.<br>*- Pledged Securities Account for Cheong Pooi Leong (MG0127-199)* | 215,000 | 0.16 |
| 27. | Leau Kim Pun @ Liau Kim Pun | 211,900 | 0.16 |
| 28. | Matang Holdings Berhad | 211,000 | 0.16 |
| 29. | Teh Hin Lee | 206,000 | 0.15 |
| 30. | Geoffrey Lim Fung Keong | 205,900 | 0.15 |
| | **Total** | **97,964,652** | **72.93** |

# NOTICE OF
# ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Second Annual General Meeting ("AGM") of Alcom Group Berhad ("the Company") will be conducted fully virtual and live-streamed from the broadcast venue at the Board Room, R-05-17 (Level 5), Wisma SCland, Emporis Kota Damansara, Persiaran Surian, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia ("Broadcast Venue") on Tuesday, 23 June 2020 at 10.00 a.m. for the following purposes:-

## *AGENDA*

**AS ORDINARY BUSINESS**

1. To lay before the meeting, the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2019 and the Reports of the Directors and Auditors thereon. **Please refer to Note C of this Agenda**

2. To re-elect the following directors who retire pursuant to Clause 82 of the Company's Constitution:

   a. Wong Choon Shein **Resolution 1**
   b. Lam Voon Kean **Resolution 2**

3. To approve the payment of Directors' Fees amounting to RM300,000 and payment of benefits of up to RM50,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ending 31 December 2020. **Resolution 3**

4. To re-appoint KPMG PLT as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix the Auditors' remuneration. **Resolution 4**

**AS SPECIAL BUSINESS**

5. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

   **Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016** **Resolution 5**

   "THAT subject to the Companies Act 2016, the Constitution of the Company and the approvals of the relevant governmental and/or regulatory authorities, if applicable, the Board of Directors of the Company ("Board") be and is hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company at any time at such issue price which is at a not more than a ten per centum (10%) discount to the 5-day volume weighted average market price of the shares of the Company immediately before the relevant price fixing date to such Qualified Placee(s) as the Board may in its absolute discretion deem fit or appropriate, provided that the aggregate number of shares issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares in the Company for the time being (excluding treasury shares), and upon such other additional terms and conditions (if any) to be determined by the Board. For the purposes of this resolution, "Qualified Placee(s)" shall refer to persons who are not (in accordance with Paragraph 6.04(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) (a) a director, major shareholder or chief executive of the Company or a holding company of the Company (if applicable), or person(s) connected with such director, major shareholder or chief executive; or (b) nominee corporations, unless the names of the ultimate beneficiaries are disclosed. Qualified Placees shall also be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007;

   THAT such authority if/when passed shall constitute an authority for the issue of shares with prior shareholders' approval in a general meeting of the precise terms and conditions of the issue;

THAT such authority shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it shall lapse, unless by 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 of the Company in a general meeting,

whichever occurs first;

AND THAT the Board be and is empowered to apply for and obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."

6. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

**Proposed renewal of authority for the Company to purchase its own shares** **Resolution 6**

"THAT subject to compliance with the Companies Act 2016, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), provisions of the Company's Constitution and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company as may be determined by the Board of Directors of the Company ("Board") from time to time through Bursa Securities upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company, provided that:

(i) the aggregate number of shares to be purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares in the Company as at the date of the share buy-back;

(ii) an aggregate amount of the funds not exceeding the retained profits of the Company as at the date of the share buy-back, be utilised by the Company for the purchase of its own shares; and

(iii) the shares of the Company to be purchased may be cancelled, retained as treasury shares, distributed as dividends or resold on Bursa Securities, or a combination of any of the above, at the absolute discretion of the Board;

AND THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it shall lapse, unless by 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 of the Company in a general meeting,

# NOTICE OF
# ANNUAL GENERAL MEETING

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

AND FURTHER THAT the Board be and is hereby authorised to do all such acts and things and to take all such steps as it deems fit, necessary, expedient and/or appropriate in order to complete and give full effect to the purchase by the Company of its own shares with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

**Proposed renewal of mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature** **Resolution 7**

"THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature as set out in Section 2.4 of Part B of the Company's Circular to Shareholders dated 21 May 2020 provided that:

(i) such transactions are necessary for the day-to-day operations of the Company and/or its subsidiaries and are carried out in the ordinary course of business on normal commercial terms and on terms not more favourable to the parties with which such recurrent transactions are to be entered into than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) the mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the mandate during the financial year;

AND THAT the mandate conferred by this resolution shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the Meeting, the authority is renewed; or

(ii) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier;

AND FURTHER THAT the Board of Directors of the Company be and is hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as it may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution."

# NOTICE OF
# ANNUAL GENERAL MEETING

8. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and/or the Companies Act 2016.

By Order of the Board of Directors

**TAN BEE KENG**
SSM PC No. 201908002597
(MAICSA 0856474)

**TEH YI TING**
SSM PC No. 201908001859
(MAICSA 7068250)
Company Secretaries

Bukit Raja, Klang
Malaysia
21 May 2020

*Notes:*

***(A) GENERAL MEETING RECORD OF DEPOSITORS***

*Only a depositor whose name appears on the General Meeting Record of Depositors as at 16 June 2020 shall be entitled to participate at the Second AGM of the Company or appoint proxy(ies) to participate and vote in his/her stead.*

***(B) MODE OF MEETING AND PROXY***

*(i) The venue of the Second AGM of the Company is strictly a Broadcast Venue as the conduct of the Second AGM of the Company will be fully virtual and live-streamed. The Broadcast Venue is also 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.*

*Members will not be allowed to attend the Second AGM of the Company in person at the Broadcast Venue on the day of the Meeting.*

*Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the Second AGM of the Company via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor" or "TIIH") through its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for the Second AGM.*

*(ii) A member of the Company entitled to participate at the Second AGM of the Company is entitled to appoint not more than 2 proxies of his/her own choice to participate in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints more than 1 proxy, the member shall specify the proportion of his/her shareholding to be represented by each proxy, failing which, the appointment shall be invalid.*

*(iii) Where a member of the Company is an Authorised Nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to participate at the Second AGM of the Company. Where a member of the Company is an Exempt Authorised Nominee ("EAN") which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("Omnibus Account"), such EAN may appoint multiple proxies in respect of each Omnibus Account it holds. In both cases, such appointment shall be invalid unless the Authorised Nominee or EAN specifies the proportion of its shareholdings to be represented by each proxy it has appointed.*

*(iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or signed by 2 authorised officers or its attorney duly authorised in writing. Any alteration to the instrument appointing a proxy must be initialled.*

*(v) A member who has appointed a proxy or attorney or authorised representative to attend, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online Please follow the Procedures for RPV in the Administrative Details for the Second AGM.*

***(B) MODE OF MEETING AND PROXY*** **(continued)**

*(vi) The appointment of a proxy may be made in hard copy form or by electronic form and must be deposited with/received by the Company's Share Registrar, Tricor, not less than 48 hours before the time appointed for holding the Second AGM of the Company or any adjournment thereof, and in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, otherwise the person so named shall not be entitled to vote in respect thereof.*

*(vii) In the case of an appointment made in hard copy form, the Proxy Form, together with the power of attorney (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited with Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.*

*(viii) In the case of appointment by electronic form, the Proxy Form must be electronically lodged with the Company's Share Registrar, Tricor via TIIH Online at https://tiih.online (applicable to individual shareholders only). Please refer to the Administrative Details for the Second AGM on the procedures for electronic lodgement of proxy form via TIIH Online.*

***(C) AUDITED FINANCIAL STATEMENTS***

*This agenda item is meant for discussion only as under the provision of Section 340(1) of the Companies Act 2016, the audited financial statements do not require a formal approval of the members. Hence, this item will not be put forward for voting.*

***(D) POLL VOTING***

*Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all the Resolutions set out in this Notice will be put to the vote by way of poll. Independent Scrutineers will be appointed to verify the results of the poll.*

***(E) PERSONAL DATA PRIVACY***

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the forthcoming Second AGM of the Company and/or any adjournment thereof, a member of the Company:*

*(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");*

*(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and*

*(iii) agrees that the member will indemnify the Company in respect of any penalties, claims, demands, losses and damages as a result of the member's breach of warranty.*

***(F) EXPLANATORY NOTES ON SPECIAL BUSINESS***

***Ordinary Resolution 5 – Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016***

*As part of the initiatives by Bursa Securities to aid and facilitate listed issuers in sustaining their business or easing their compliance with Bursa Securities' rules, amid the unprecedented uncertainty surrounding the recovery of the COVID-19 outbreak and Movement Control Order imposed by the Government, Bursa Securities had vide its letter dated 16 April 2020 allowed, as an interim measure, a listed issuer to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of new securities.*

# NOTICE OF ANNUAL GENERAL MEETING

***(F)*** ***EXPLANATORY NOTES ON SPECIAL BUSINESS*** **(continued)**

***Ordinary Resolution 5 – Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016*** **(continued)**

*Ordinary Resolution 5 proposed, if passed, will give a mandate to the Board of Directors of the Company ("Board"), from the date of the forthcoming Second AGM of the Company, to allot and issue ordinary shares of the Company at any time at such issue price which is at a not more than a 10% discount to the 5-day volume weighted average market price of the shares of the Company immediately before the relevant price fixing date, to such Qualified Placee(s) as the Board may in its absolute discretion, consider to be in the interest of the Company and upon such other additional terms and conditions (if any) to be determined by the Board, without having to convene a general meeting provided that the aggregate number of shares issued pursuant to this resolution does not exceed 20% of the total number of issued shares in the Company for the time being ("Mandate"). The Mandate from the shareholders will be effective immediately upon passing of the Ordinary Resolution and shall continue to be in force until:*

*(i) the conclusion of the next AGM of the Company; 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 of the Company in a general meeting,*

*whichever occurs first.*

*The Mandate will provide flexibility to the Company to raise more capital expeditiously and efficiently during this challenging time, to meet its funding requirements including but not limited to working capital, operational expenditures, future investment(s), and/or acquisition(s).*

*The Board, having considered the current and prospective financial position, needs and capacity of the Group, is of the opinion that the Mandate is in the best interests of the Company and its shareholders.*

*As at the date of this notice, no new ordinary shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM of the Company held on 29 May 2019. Hence, no proceeds were raised.*

***Ordinary Resolution 6 – Proposed renewal of authority for the Company to purchase its own shares***

*Ordinary Resolution 6 proposed, if passed, will renew the authority for the Company to purchase through Bursa Securities such number of ordinary shares in the Company up to an aggregate amount not exceeding 10% of the total number of issued shares in the Company. The renewed authority from the shareholders will be effective immediately upon passing of the Ordinary Resolution and shall continue to be in force until:*

*(i) the conclusion of the next AGM of the Company; 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 of the Company in a general meeting,*

*whichever occurs first.*

*For further information, please refer to Share Buy-Back Statement dated 21 May 2020 which is made available together with the Company's Annual Report 2019 at https://alcom.com.my/main/investor/.*

***Ordinary Resolution 7 – Proposed renewal of mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature ("RRPTs")***

*Ordinary Resolution 7 proposed, if passed, will renew the mandate for the Company and its subsidiaries to enter into the RRPTs with Can-One Berhad and/or its subsidiary companies, as set out in Section 2.4 of Part B of the Circular to Shareholders dated 21 May 2020.*

*The aforesaid mandate from shareholders is on an annual basis and subject to renewal at the next AGM of the Company.*

*For further information, please refer to the Circular to Shareholders dated 21 May 2020 which is made available together with the Company's Annual Report 2019 at https://alcom.com.my/main/investor/.*

# ADMINISTRATIVE **DETAILS**
## FOR THE SECOND ANNUAL GENERAL MEETING

| | | |
|---|---|---|
| Date of AGM | : | Tuesday, 23 June 2020 |
| Time of AGM | : | 10.00 a.m. |
| Broadcast Venue | : | Board Room, R-05-17 (Level 5)<br>Wisma SCland<br>Emporis Kota Damansara<br>Persiaran Surian<br>47810 Petaling Jaya<br>Selangor Darul Ehsan<br>Malaysia |

### *MODE OF MEETING*

In view of the COVID-19 outbreak and having regard for the well-being and safety of our shareholders, the Second AGM will be conducted entirely through live streaming from the Broadcast Venue. This is in line with the Guidance Notes on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020.

The Broadcast Venue 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 **WILL NOT BE ALLOWED** to attend the Second AGM in person at the Broadcast Venue on the day of the meeting.

### *REMOTE PARTICIPATION AND VOTING FACILITIES ("RPV")*

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the Second AGM using RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor" or "TIIH") via its TIIH Online website at https://tiih.online.

Shareholders who appoint proxies to participate via RPV in the Second AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Sunday, 21 June 2020 at 10.00 a.m.**

Corporate representatives of corporate shareholders must deposit their original certificate of appointment of corporate representative to Tricor not later than **Sunday, 21 June 2020 at 10.00 a.m.** to participate via RPV in the Second AGM.

Attorneys appointed by power of attorney are to deposit their power of attorney with Tricor not later than **Sunday, 21 June 2020 at 10.00 a.m.** to participate via RPV in the Second AGM.

A shareholder who has appointed a proxy or attorney or authorised representative to attend, speak and vote at the Second AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online.

As the Second AGM is a fully virtual AGM, shareholders who are unable to participate in the AGM may appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.

# ADMINISTRATIVE **DETAILS**
FOR THE SECOND ANNUAL GENERAL MEETING

### *PROCEDURES FOR RPV*

Shareholders/proxies/corporate representatives/attorneys who wish to participate the Second AGM remotely using the RPV are to follow the requirements and procedures as summarised below:

| | Procedure | Action |
|---|---|---|
| **BEFORE THE AGM DAY** | | |
| (a) | Register as a user with TIIH Online | • Using your computer, access the website at https://tiih.online. Register as a user under the “e-Services”. Refer to the tutorial guide posted on the homepage for assistance.<br>• If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online. |
| (b) | Submit your request | • **Registration is open from 10.00 a.m. Thursday, 21 May 2020 up to 10.00 a.m. Sunday, 21 June 2020**.<br>• Login with your user ID and password and select the corporate event: “**(REGISTRATION) ALCOM 2ND AGM**”.<br>• Read and agree to the Terms & Conditions and confirm the Declaration.<br>• Select “Register for Remote Participation and Voting”.<br>• Review your registration and proceed to register.<br>• System will send an e-mail to notify that your registration for remote participation is received and will be verified.<br>• After verification of your registration against the General Meeting Record of Depositors as at 16 June 2020, the system will send you an e-mail to approve or reject your registration for remote participation. |
| **ON THE DAY OF THE AGM** | | |
| (c) | Login to TIIH Online | • Login with your user ID and password for remote participation at the Second AGM at any time from **9.40 a.m.** i.e. 20 minutes before the commencement of the AGM on **Tuesday, 23 June 2020 at 10.00 a.m.**. |
| (d) | Participate through Live Streaming | • Select the corporate event: “**(LIVE STREAM MEETING) ALCOM 2ND AGM**” to engage in the proceedings of the Second AGM remotely.<br>• If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will endeavor to respond to questions submitted by remote participants during the Second AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting. |
| (e) | Online Remote Voting | • Voting session commences **from 10.00 a.m. on Tuesday, 23 June 2020** until a time when the Chairman announces the completion of the voting session of the Second AGM.<br>• Select the corporate event: “**(REMOTE VOTING) ALCOM 2ND AGM**”.<br>• Read and agree to the Terms & Conditions and confirm the Declaration.<br>• Select the CDS account that represents your shareholdings.<br>• Indicate your votes for the resolutions that are tabled for voting.<br>• Confirm and submit your votes. |
| (f) | End of remote participation | • Upon the announcement by the Chairman on the closure of the Second AGM, the live streaming will end. |

# ADMINISTRATIVE **DETAILS**
FOR THE SECOND ANNUAL GENERAL MEETING

**Note to users of the RPV facilities:**

1. Should your application to join the meeting be approved, we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

## *ELECTRONIC LODGEMENT OF PROXY FORM*

The procedures to lodge your Proxy Form electronically via Tricor's **TIIH Online** website are summarised below:

| | Procedure | Action |
|---|---|---|
| a | Register as a User with TIIH Online | • Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance.<br>• If you are already a user with TIIH Online, you are not required to register again. |
| b | Proceed with submission of Proxy Form | • After the release of the Notice of the Second AGM by the Company, login with your user name (i.e. email address) and password.<br>• Select the corporate event: "Submission of Proxy Form".<br>• Read and agree to the Terms & Conditions and confirm the Declaration.<br>• Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.<br>• Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy.<br>• Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.<br>• Review and confirm your proxy(s) appointment.<br>• Print proxy form for your record. |

## *PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS*

Shareholders may submit questions for the Board in advance of the Second AGM via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to login, pose questions and submit electronically no later than **Sunday, 21 June 2020 at 10.00 a.m.**. The Board will endeavor to answer the questions received at the AGM.

## *NO DOOR GIFT/FOOD VOUCHER*

There will be no distribution of door gifts or food vouchers for the Second AGM since the meeting is being conducted on a fully virtual basis.

Alcom Group Berhad would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

# ADMINISTRATIVE **DETAILS**
FOR THE SECOND ANNUAL GENERAL MEETING

### *ENQUIRY*

If you have any enquiry on the above, please contact the following persons during office hours on Mondays to Fridays from 8.30 a.m. to 5.30 p.m. (except on public holidays):

**Tricor Investor & Issuing House Services Sdn Bhd**

| | | |
|---|---|---|
| General Line | : | +603-2783 9299 |
| Fax Number | : | +603-2783 9222 |
| Email | : | is.enquiry@my.tricorglobal.com |

Contact persons

| | | |
|---|---|---|
| Mr. Cheng Kang Shaun | : | +603-2783 9241 (Kang.Shaun.Cheng@my.tricorglobal.com) |
| Mr. Eric Low | : | +603-2783 9267 (Eric.Low@my.tricorglobal.com) |
| Mr. Sazali Bin Husin | : | +603-2783 9280 (Sazali@my.tricorglobal.com) |

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# PROXY **FORM**

**ALCOM GROUP BERHAD**
[Registration No. 201701047083 (1261259-V)]

I/We, ____________________ (NRIC/Company No. ____________________)
*(Full Name in Block Letters)*

of ____________________
*(Address)*

and telephone no./email address ____________________ being a member/members of Alcom Group Berhad (the "Company"), hereby appoint:

| Full Name (in Block Letters) | NRIC/Passport No. | No. of Shares | % of Shareholdings |
|---|---|---|---|
| | | | |

and

| Full Name (in Block Letters) | NRIC/Passport No. | No. of Shares | % of Shareholdings |
|---|---|---|---|
| | | | |

or failing him/her, THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Second Annual General Meeting ("AGM") of the Company, to be conducted fully virtual and live-streamed from the broadcast venue at the Board Room, R-05-17 (Level 5), Wisma SCland, Emporis Kota Damansara, Persiaran Surian, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia ("Broadcast Venue") on Tuesday, 23 June 2020 at 10.00 a.m. or at any adjournment thereof. *I/We indicate with an 'X' in the spaces below how *I/we wish *my/our vote to be cast.

| Resolution | Ordinary Business | For | Against |
|---|---|---|---|
| 1 | Re-election of Wong Choon Shein as Director | | |
| 2 | Re-election of Lam Voon Kean as Director | | |
| 3 | Approval of payment of Directors' Fees amounting to RM300,000 and payment of benefits of up to RM50,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ending 31 December 2020 | | |
| 4 | Re-appointment of KPMG PLT as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix the Auditors' remuneration | | |
| | **Special Business** | | |
| 5 | Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 | | |
| 6 | Proposed renewal of authority for the Company to purchase its own shares | | |
| 7 | Proposed renewal of mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature | | |

Subject to the abovestated voting instructions, *my/our proxy may vote or abstain from voting on any resolutions as he/she/they may think fit.

| | |
|---|---|
| If appointment of proxy is under hand :<br><br>____________________<br>Signed by *individual member/officer or attorney of member/authorised nominee of ____________________<br>____________________ *(beneficial owner)* | No. of shares held:<br>____________________<br>Securities Account No. :<br>____________________<br>*(CDS Account No.) (Compulsory)*<br>Date: |
| If appointment of proxy is under seal :<br>The Common Seal of ____________________ was hereto affixed in accordance with its Constitution in the presence of:<br><br>____________ ____________<br>Director Director/Secretary<br>In its capacity as *member/attorney of member/authorised nominee of<br>____________________ *(beneficial owner)* | Seal:<br>No. of shares held:<br>____________________<br>Securities Account No. :<br>____________________<br>*(CDS Account No.) (Compulsory)*<br>Date: |

Signed this ____________ day of ____________ , 2020.

**Strike out whichever is not desired.*
*[Unless otherwise instructed, the proxy may vote as he/she thinks fit.]*

*Notes:*

*(i) Only a depositor whose name appears on the General Meeting Record of Depositors as at 16 June 2020 shall be entitled to participate the Second AGM of the Company or appoint proxy(ies) to participate and vote in his/her stead.*

*(ii) The venue of the Second AGM of the Company is strictly a Broadcast Venue as the conduct of the Second AGM of the Company will be fully virtual and live-streamed. The Broadcast Venue is also 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.*

*(iii) Members will not be allowed to attend the Second AGM of the Company in person at the Broadcast Venue on the day of the Meeting.*

*(iv) Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the Second AGM of the Company via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor" or "TIIH") through its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for the Second AGM.*

*(v) A member of the Company entitled to participate at the Second AGM of the Company is entitled to appoint not more than 2 proxies of his/her own choice to participate in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints more than 1 proxy, the member shall specify the proportion of his/her shareholding to be represented by each proxy, failing which, the appointment shall be invalid.*

*Notes: (continued)*

*(vi) Where a member of the Company is an Authorised Nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to participate at the Second AGM of the Company. Where a member of the Company is an Exempt Authorised Nominee ("EAN") which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("Omnibus Account"), such EAN may appoint multiple proxies in respect of each Omnibus Account it holds. In both cases, such appointment shall be invalid unless the Authorised Nominee or EAN specifies the proportion of its shareholdings to be represented by each proxy it has appointed.*

*(vii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or signed by 2 authorised officers or its attorney duly authorised in writing. Any alteration to the instrument appointing a proxy must be initialled.*

*(viii) A member who has appointed a proxy or attorney or authorised representative to attend, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online Please follow the Procedures for RPV in the Administrative Details for the Second AGM.*

*(ix) The appointment of a proxy may be made in hard copy form or by electronic form and must be deposited with/received by the Company's Share Registrar, Tricor, not less than 48 hours before the time appointed for holding the Second AGM of the Company or any adjournment thereof, and in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, otherwise the person so named shall not be entitled to vote in respect thereof.*

*(x) In the case of an appointment made in hard copy form, the Proxy Form, together with the power of attorney (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited with Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.*

*(xi) In the case of appointment by electronic form, the Proxy Form must be electronically lodged with the Company's Share Registrar, Tricor via TIIH Online at https://tiih.online (applicable to individual shareholders only). Please refer to the Administrative Details for the Second AGM on the procedure for electronic lodgement of proxy form via TIIH Online.*

*(xii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions will be put to the vote by way of poll. Independent Scrutineers will be appointed to verify the results of the poll.*

*(xiii) By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the Personal Data Privacy terms set out in the Notice of the Second AGM of the Company dated 21 May 2020.*

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AFFIX
STAMP

The Share Registrar
**TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD**
[Registration No. 197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A
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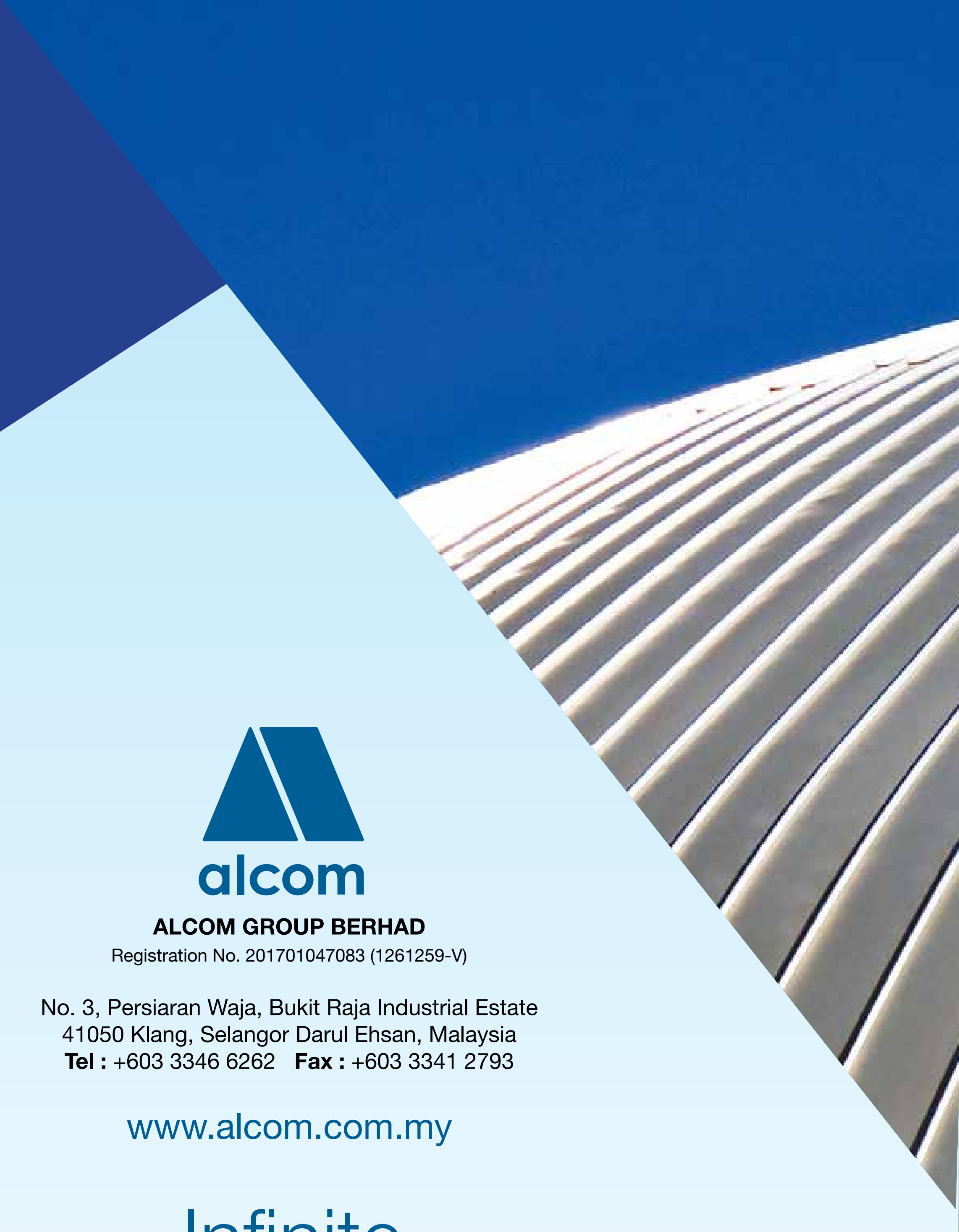

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No. 3, Persiaran Waja, Bukit Raja Industrial Estate
41050 Klang, Selangor Darul Ehsan, Malaysia
**Tel :** +603 3346 6262 **Fax :** +603 3341 2793

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