



ANNUAL REPORT 2018



FACILITIES

FURNACES



Eight (8) units of melting furnaces, each of 25 metric tonnes capacity, linked to heat regenerating burner systems and magnetic stirrer that can both enhance energy conservation and increase productivity and one (1) unit of 30 metric tonnes hydraulically tilting holding furnace for better control of melt temperature hence improving product quality and productivity.

CASTING FACILITIES



Four (4) units of fully automated vertical direct chilled hydraulic controlled casting system.

HOMOGENISE FURNACES



Five (5) units of 35 metric tonnes homogenising furnaces with three (3) units of air cooling booths.

IN-LINE DEGASSER



In-line degasser to remove dissolved hydrogen in molten aluminium hence improving the aluminium billets quality.

WAGSTAFF AIRSLIP MOLD



Aluminium billets cast with Wagstaff "Airslip" billet casting mould system have a shallow molten metal sump and a thin-shield, uniform-grained composition that is beneficial to the extrusion process.



VISION

**TO BE A RENOWNED INTERNATIONAL
PLAYER AND A TRUSTWORTHY
PARTNER IN ALUMINIUM BILLETS
INDUSTRY**



MISSION

WE CONTINUALLY SUPPORT OUR CUSTOMERS' SUCCESS BY
WORKING CLOSELY WITH THEM TO ENHANCE THEIR PRODUCTS
AND PROCESS CHALLENGES.

WE BUILD OUR REPUTATION BY PROVIDING RELIABLE QUALITY
BILLETS, ON TIME DELIVERIES AND BUILDING LASTING
RELATIONSHIPS WITH CUSTOMERS.



Reliable



Quality



Services



On-time
Deliveries



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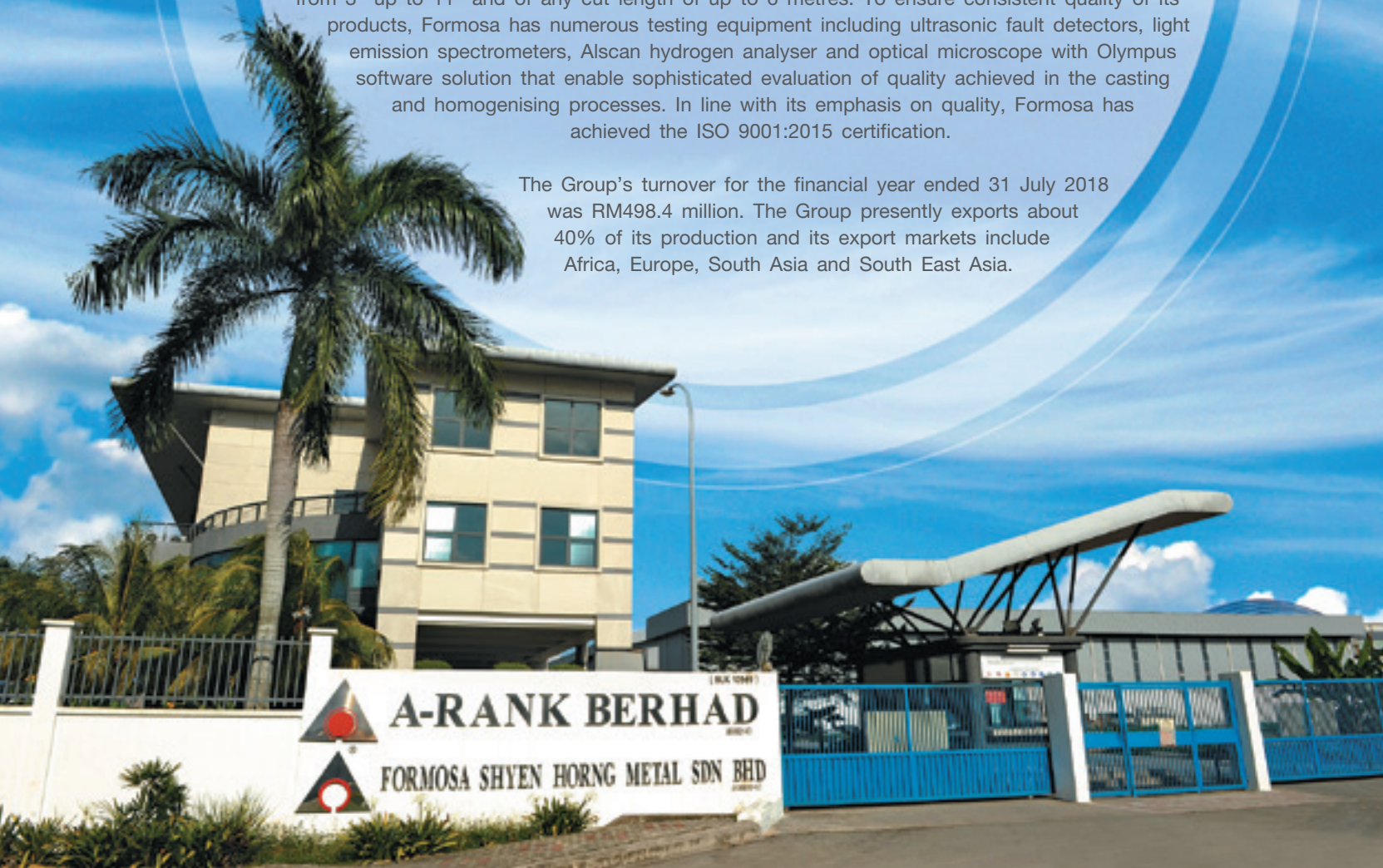
for more information
www.arank.com.my

CORPORATE PROFILE

A-Rank Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad and has been a public listed company since 11 May 2005. A-Rank Berhad through its wholly-owned subsidiary, Formosa Shyen Horng Metal Sdn Bhd (“Formosa”), is principally involved in the manufacturing and marketing of aluminium billets which remains the core focus of the Group since its inception. The Group is the largest aluminium remelt plant and supplier of secondary aluminium billets in Malaysia. We are also one of Asia’s leading suppliers of secondary aluminium extrusion billets.

Formosa commenced operations in 1998 with an initial annual installed capacity of 12,000 metric tonnes and has registered consistent and impressive growth. Currently, Formosa has an installed capacity of 132,000 metric tonnes per annum. Formosa’s integrated facilities include Wagstaff “Airsip” billet casting mould system, melting furnaces with regenerating burners and magnetic stirrer, tilting holding furnace and fully automated vertical direct chilled hydraulic-controlled casting systems from Australia, filters, in-line degassing machines, homogenising furnaces and cooling booths, and automated billet-sawing machines. Sizes of billets manufactured range in diameters from 3” up to 11” and of any cut length of up to 6 metres. To ensure consistent quality of its products, Formosa has numerous testing equipment including ultrasonic fault detectors, light emission spectrometers, Alscan hydrogen analyser and optical microscope with Olympus software solution that enable sophisticated evaluation of quality achieved in the casting and homogenising processes. In line with its emphasis on quality, Formosa has achieved the ISO 9001:2015 certification.

The Group’s turnover for the financial year ended 31 July 2018 was RM498.4 million. The Group presently exports about 40% of its production and its export markets include Africa, Europe, South Asia and South East Asia.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of A-Rank Berhad (“the Company”) will be held at Ujong Pandang Room, Staffield Country Resort, Batu 13, Jalan Seremban-Kuala Lumpur (Country Road), 71700 Mantin, Negeri Sembilan Darul Khusus on Wednesday, 12 December 2018 at 10.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 July 2018 together with the Reports of the Directors and Auditors thereon. **[Please see Note 2]**
2. To approve the payment of a first and final single tier dividend of 3.25 sen per ordinary share in respect of the financial year ended 31 July 2018. **(Resolution 1)**
3. To approve the payment of Directors’ fees of RM226,000 for the financial year ended 31 July 2018. **(Resolution 2)**
(Please see Note 3)
4. To approve the payment of Directors’ benefits of up to RM51,000 for the period from 12 December 2018 until the next Annual General Meeting of the Company to be held in 2019. **(Resolution 3)**
[Please see Note 3]
5. To re-elect the following Directors who retire in accordance with Article 112 of the Articles of Association of the Company: **[Please see Note 4]**
 - a) Dr Leong Chik Weng **(Resolution 4)**
 - b) Mr Gan Choon Sun **(Resolution 5)**
6. To re-elect Ms Leow Vinzie, the Director who retires in accordance with Article 117 of the Company’s Articles of Association. **(Resolution 6)**
(Please see Note 4)
7. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**
[Please see Note 5]

AS SPECIAL BUSINESS

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

8. **Ordinary Resolutions**
Continuance in Office as Independent Directors **[Please see Note 6]**

“THAT approval be and is hereby given for Dato’ Shahrir Bin Abdul Jalil who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.” **(Resolution 8)**

“THAT approval be and is hereby given for Tuan Haji Ahmed Azhar Bin Abdullah who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.” **(Resolution 9)**

NOTICE OF ANNUAL GENERAL MEETING

8. Ordinary Resolutions

Continuance in Office as Independent Directors (Continued)

“THAT, subject to the passing of Resolution 4, approval be and is hereby given for Dr Leong Chik Weng who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.”

(Resolution 10)

“THAT approval be and is hereby given for Mr Wong Tze Kai who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.”

(Resolution 11)

9. Ordinary Resolution

Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016

[Please see Note 7]

“THAT subject always to the Companies Act 2016 (“Act”), the Articles of Association of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of the relevant governmental/regulatory authorities (if any), the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Securities AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting.”

(Resolution 12)

10. Ordinary Resolution

Proposed Bonus Issue of up to 51,452,800 new ordinary shares in A-Rank Berhad (“Company”) (“Bonus Shares”) on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares in the Company held on an entitlement date to be determined later (“Entitlement Date”) (“Proposed Bonus Issue”)

[Please see Note 8]

“THAT subject to the approval-in-principle of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing and quotation of up to 51,452,800 Bonus Shares to be issued hereunder, authority be and is hereby given to the Board of Directors of A-Rank (“Board”) to allot and issue up to 51,452,800 Bonus Shares, to be credited as fully paid-up, on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares held by shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business at 5.00 p.m. on the Entitlement Date (“Entitled Shareholders”).

(Resolution 13)

THAT the Board be and is hereby empowered and authorised to allot and issue the Bonus Shares to the Entitled Shareholders on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares held in the Company on the Entitlement Date, and to deal with any fractional entitlements in such manner as the Board may in its absolute discretion deem fit and expedient in the best interest of the Company.

THAT the Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respect with the then existing issued and paid-up shares, save and except that the Bonus Shares shall not be entitled to any dividend, right, allotment and/or other distribution which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of the allotment of the Bonus Shares.

NOTICE OF ANNUAL GENERAL MEETING

10. Ordinary Resolution

Proposed Bonus Issue of up to 51,452,800 new ordinary shares in A-Rank Berhad (“Company”) (“Bonus Shares”) on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares in the Company held on an entitlement date to be determined later (“Entitlement Date”) (“Proposed Bonus Issue”) (Continued)

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Bonus Issue with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or permitted by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give effect to the Proposed Bonus Issue.”

11. Ordinary Resolution

Proposed Renewal of Shareholders’ Mandate for the Company and/or its Subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature

[Please see Note 9]

“THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries (“Group”) to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.2, Part B of the Circular to Shareholders dated 8 November 2018, provided that such arrangements and/or transactions which are necessary for the Group’s day-to-day operations are undertaken in the ordinary course of business, at arm’s length basis, on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company (hereinafter referred to as the “Proposed RRPT Mandate”).

(Resolution 14)

THAT the Proposed RRPT Mandate shall only continue to be in full force until:

- a) 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 said AGM, such authority is renewed;
- b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (“Act”) (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed RRPT Mandate.”

12. Ordinary Resolution

Proposed Diversification of the principal activities of A-Rank Berhad and its subsidiaries (“A-Rank Group”) to include Property Development

[Please see Note 10]

“THAT subject to the approvals being obtained from all relevant authorities and/or parties, where required, approval be and is hereby given to the Company and its subsidiaries (“Group”) to diversify its principal activities to include property development (“Proposed Diversification”).

(Resolution 15)

AND THAT the Directors of the Company be and are hereby authorised to act for and on behalf of the Group to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient or in the best interest of the Group with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take such steps and do all acts and things in any manners they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Diversification.”

NOTICE OF ANNUAL GENERAL MEETING

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

BY ORDER OF THE BOARD

WONG WAI FOONG (MAICSA 7001358)

NG BEE LIAN (MAICSA 7041392)

YAP SIT LEE (MAICSA 7028098)

Company Secretaries

Kuala Lumpur

8 November 2018

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Annual General Meeting to be held on 12 December 2018, the first and final single tier dividend of 3.25 sen per ordinary share in respect of the financial year ended 31 July 2018 will be paid on 27 December 2018 to Depositors whose names appear in the Record of Depositors on 17 December 2018.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- a) shares transferred into the depositor's securities account before 4.00 p.m. on 17 December 2018 in respect of transfers; and
- b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Notes:

1. APPOINTMENT OF PROXY

- a) A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak in the meeting.
- b) A member of the Company who is entitled to attend and vote at the meeting shall not appoint more than two (2) proxies to attend at the same meeting except where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- c) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- d) Where a member or the authorised nominee appoints two (2) proxies or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

NOTICE OF ANNUAL GENERAL MEETING

1. APPOINTMENT OF PROXY (CONTINUED)

- e) The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation under its common seal, or the hand of its attorney duly authorised.
- f) The instrument appointing a proxy must be deposited at the registered office of the Company located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.
- g) Only members whose names appear in the Record of Depositors as at 30 November 2018 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only. They do not require shareholders' approval and hence, will not be put forward for voting by shareholders of the Company.

3. PAYMENT OF DIRECTORS' FEES AND BENEFITS

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the Directors and any benefits payable to the Directors shall be approved at a general meeting.

The proposed Resolutions 2 and 3 are to facilitate the payment of Directors' fees and benefits to the Directors.

The proposed Resolution 3 for the Directors' benefits (being meeting allowances) are calculated based on the current Board of Directors ("Board") size and the number of scheduled Board meetings for the period from 12 December 2018 up to 2019 Annual General Meeting of the Company. Each member of the Board of the Company will be paid meeting allowance of RM1,000 per Board meeting for their attendance.

In the event the proposed amount of Directors' benefits are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for the shortfall.

4. RE-ELECTION OF DIRECTORS

Dr Leong Chik Weng, Mr Gan Choon Sun and Ms Leow Vinzie are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Annual General Meeting.

The Board has through the Nomination Committee, considered the assessment of the said Directors and agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors.

The Board has also through the Nomination Committee conducted an assessment on Dr Leong Chik Weng's independence and is satisfied that he has complied with the criteria on independence as prescribed by the Listing Requirements of Bursa Securities.

5. RE-APPOINTMENT OF AUDITORS

The Board has through the Audit Committee, considered the re-appointment of Messrs BDO as Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table the re-appointment of Messrs BDO at the forthcoming Annual General Meeting, included an assessment of the Auditors' independence and objectivity, caliber and quality process/performance.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES TO SPECIAL BUSINESS

6. CONTINUATION IN OFFICE AS INDEPENDENT DIRECTORS

Pursuant to the Malaysian Code of Corporate Governance, it is recommended that approval of shareholders be sought in the event the Company intends to retain an Independent Director who has served in that capacity for more than nine (9) years.

Dato' Shahrir Bin Abdul Jalil, Tuan Haji Ahmed Azhar Bin Abdullah, Dr Leong Chik Weng were appointed to the Board on 11 March 2005 as Independent Directors and Mr Wong Tze Kai was appointed to the Board on 19 September 2008 as an Independent Director. They have therefore served on the Board for more than nine (9) years.

The Board has through the Nomination Committee, assessed the independence of Dato' Shahrir Bin Abdul Jalil, Tuan Haji Ahmed Azhar Bin Abdullah, Dr Leong Chik Weng and Mr Wong Tze Kai and recommended them to continue to act as Independent Directors of the Company based on the following justifications:

- a) they have fulfilled the criteria under the definition on Independent Director as stated in the Listing Requirements of Bursa Securities and, therefore, were able to bring independent and objective judgement to the Board;
- b) their experiences in the legal and/or financial matters, business and other relevant sectors enable them to provide the Board, as the case may be, with pertinent expertise, skills and competence;
- c) they have been with the Group for many years and therefore understand the Group's business operations which enable them to contribute actively and effectively during deliberations or discussions at Board meetings;
- d) their long tenure had neither impaired nor compromised their independent judgement. They are free from any benefit or other relationships which would interfere with their exercise of independent judgements;
- e) they provided effective check and balance in the proceeding of the Board and the Board Committees;
- f) they exhibited high commitment and devoted sufficient time which testifies to their dedication in discharging the responsibilities as Independent Directors of the Company; and
- g) they had met with the attendance requirements for Board Meetings pursuant to the Listing Requirements of Bursa Securities. During the financial year under review, they had each attended all the Board meetings held.

The proposed Resolutions 8, 9, 10 and 11, if passed, will enable Dato' Shahrir Bin Abdul Jalil, Tuan Haji Ahmed Azhar Bin Abdullah, Dr Leong Chik Weng and Mr Wong Tze Kai to continue to act as Independent Directors of the Company.

NOTICE OF ANNUAL GENERAL MEETING

7. AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

The proposed Resolution 12 is the renewal of the mandate obtained from the members at the last Annual General Meeting. As at the date of this Notice, the Company did not allot any shares pursuant to the mandate granted to the Directors at the previous Annual General Meeting held on 8 December 2017 as there were no requirements for such fund raising activities.

The proposed Resolution 12, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s) at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier.

8. PROPOSED BONUS ISSUE OF SHARES

The proposed Resolution 13, if passed, will allow the Board of the Company to allot and issue up to 51,452,800 Bonus Shares, to be credited as fully paid-up, on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares in the Company held on an entitlement date to be determined later, subject to the approval-in-principle of Bursa Securities for the listing and quotation of up to 51,452,800 Bonus Shares.

Please refer to the Circular to Shareholders dated 8 November 2018 for further information.

9. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE COMPANY AND/OR ITS SUBSIDIARIES TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The proposed Resolution 14, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions made on an arm's length basis and on normal commercial terms which are not detrimental to the interest of the minority shareholders.

Please refer to the Circular to Shareholders dated 8 November 2018 for further information.

10. PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF A-RANK BERHAD AND ITS SUBSIDIARIES ("A-RANK GROUP") TO INCLUDE PROPERTY DEVELOPMENT

The proposed Resolution 15, if passed, will allow A-Rank Group to diversify its principal activities to include property development.

Please refer to the Circular to Shareholders dated 8 November 2018 for further information.

CORPORATE INFORMATION



BOARD OF DIRECTORS

Dato' Shahrir Bin Abdul Jalil

Independent Non-Executive Director – Chairman

Tan Wan Lay

Managing Director

Dr Leong Chik Weng

Independent Non-Executive Director

Gan Choon Sun

Executive Director

Datuk Leow Chong Howa

Non-Independent Non-Executive Director

Tuan Haji Ahmed Azhar Bin Abdullah

Senior Independent Non-Executive Director

Wong Tze Kai

Independent Non-Executive Director

Leow Vinzie

Non-Independent Non-Executive Director

(Appointed on 28 March 2018)

AUDIT COMMITTEE

Chairman

Tuan Haji Ahmed Azhar Bin Abdullah

Members

Dr Leong Chik Weng

Wong Tze Kai

NOMINATION COMMITTEE

Chairman

Tuan Haji Ahmed Azhar Bin Abdullah

Members

Dr Leong Chik Weng

Wong Tze Kai

REMUNERATION COMMITTEE

Chairman

Wong Tze Kai

Members

Datuk Leow Chong Howa

Tuan Haji Ahmed Azhar Bin Abdullah

Dr Leong Chik Weng

ESOS COMMITTEE

Chairman

Tuan Haji Ahmed Azhar Bin Abdullah

Members

Gan Choon Sun

Leow Vinzie

AUDITORS

BDO (Firm No: 0206)

Chartered Accountants

Level 8, BDO @ Menara CenTARa

360, Jalan Tuanku Abdul Rahman

50100 Kuala Lumpur

COMPANY SECRETARIES

Wong Wai Foong (MAICSA 7001358)

Ng Bee Lian (MAICSA 7041392)

Yap Sit Lee (MAICSA 7028098)

PRINCIPAL BANKERS

Citibank Berhad

Malayan Banking Berhad

Standard Chartered Bank Malaysia

Berhad

United Overseas Bank (Malaysia)

Berhad

CORPORATE ADVISOR

AmInvestment Bank Berhad

22nd Floor, AmBank Group Building

55 Jalan Raja Chulan

50200 Kuala Lumpur

SHARE REGISTRAR

Bina Management (M) Sdn Bhd

Lot 10, The Highway Centre

Jalan 51/205

46050 Petaling Jaya

Selangor Darul Ehsan

Tel : +603-7784 3922

Fax : +603-7784 1988

HEAD/MANAGEMENT OFFICE

Lot 2-33, Jalan Perindustrian Mahkota 7

Taman Perindustrian Mahkota

43700 Beranang

Selangor Darul Ehsan

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Fax : +603-8724 4661/8723 2009

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A

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Tel : +603-2783 9191

Fax : +603-2783 9111

WEBSITE ADDRESS

www.arank.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia

Securities Berhad

Stock Name : ARANK

Stock Code : 7214

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT

Aged 57, Male, a Malaysian, was appointed to the Board on 11 March 2005. He is presently the Managing Partner of Shahrizat Rashid & Lee and has extensive experience both in the business and legal sectors. He is also a qualified valuer and has practiced with a chartered property consulting firm.

Dato' Shahrir Jalil holds an LL.B (Hons) Degree from International Islamic University and an Advance Diploma in Estate Management from UITM.

In legal practice, he has been extensively involved in the areas of Islamic banking and private debt securitisation. He has jointly developed, helmed and co-helmed some pioneering Islamic Securitisation transactions including:

- The first Islamic-based construction proceeds securitisation involving the construction and completion of the Prime Minister's Office Complex and Official Residence in Putrajaya;
- The first hybrid Islamic Conventional fixed rate financing transaction for a major commercial complex in Kuala Lumpur;
- The first Real Estate Islamic Notes Issuance Facility in Malaysia; and
- The first Private Driven Islamic Asset Backed Securitisation Programme in Malaysia.

Dato' Shahrir Jalil's other areas of experience lie in corporate law practice which includes advisory work pertaining to privatisations, acquisitions and disposals of assets, companies and joint ventures.

Dato' Shahrir Jalil currently sits and has sat as an independent director on various boards of private companies engaged in wide ranging specialist business activities and concessions.



**DATO' SHAHRIR
BIN ABDUL JALIL**

Independent Non-Executive Director
– Chairman

Aged 54, Male, a Malaysian, was appointed to the Board on 11 March 2005. Mr Tan has over 30 years of experience in the aluminium extrusion industry. He graduated with a Diploma in Civil Engineering in 1986 and joined LB Aluminium Berhad in the same year. He rose through the ranks to be Senior Production Manager in 1993 when he left to join Press Metal Berhad as Production Manager. He left Press Metal Berhad in 1997 to set up Formosa Shyen Horng Metal Sdn Bhd.

Mr Tan is responsible for the daily management of the Group's operations and implementation of the Board's policies and decisions. He is also responsible for communicating matters relating to the Group's business affairs and issues to the Board. His vast experience, business knowledge and skills contributed significantly towards the attainment of the Group's goals and objectives.



TAN WAN LAY

Managing Director /
Key Senior Management

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT



DATUK LEOW CHONG HOWA

Non-Independent Non-Executive Director

Aged 60, a Malaysian, was appointed to the Board on 21 April 2016 and is currently the Executive Chairman of LB Aluminium Berhad ("LB Aluminium"). He is a businessman and prior to assuming his current position in LB Aluminium, he was the Managing Director of LB Aluminium since the company's incorporation in 1984.

Datuk Leow sits on the Council of Tung Shin Hospital Kuala Lumpur and is Chairing the Chinese Medical Management Sub-Committee of Tung Shin Hospital. He is the Vice Chairman of Chong Hwa Chinese Independent High School, Kuala Lumpur and also the Deputy Chairman of Malaysia Anxi Association and Yayasan Ann Koai of Malaysia, and a Vice Chairman on the Board of Directors of SRJK (C) Kepong School, Kuala Lumpur.

Datuk Leow is a Council Member of the Federation of Malaysian Manufacturers ("FMM") and a former Committee Member of the Selangor Branch of FMM. He also sits as a Director on the Board of Trustees of Yayasan Lim Yee Hoh.

He is a member of the Remuneration Committee.



**TUAN HAJI AHMED AZHAR
BIN ABDULLAH**

Senior Independent Non-Executive Director

Aged 57, Male, a Malaysian, was appointed to the Board on 11 March 2005 and is presently a Director of Almitra Energy Services Sdn Bhd and Chief Operating Officer of Izrin & Tan Properties Sdn Bhd. He graduated with Diploma in Accountancy from MARA Institute of Technology and Bachelor of Science in Accounting from California State University (Fresno) in 1986 and subsequently obtained his Master of Business Administration from California State University, Dominguez Hills (Los Angeles) in 1987. After graduation, he commenced his career as an Internal Auditor with Malaysia Mining Corporation Berhad ("MMC"). In 1992 to 1995, he was appointed as General Manager for Bracken Services Ltd (London), a subsidiary of MMC Marketing Sdn Bhd based in London responsible for operations and all financial matters. Upon his return, he served in various management capacities within the MMC Group. He joined Gas Malaysia Sdn Bhd in November 2000 and was Head of the residential and commercial sales unit for natural gas and liquefied petroleum gas until March 2005. From 2005 to 2010, Tuan Haji Ahmed Azhar was an Executive Director of MOCCIS Furniture Sdn Bhd and MCCM Marketing Sdn Bhd. Thereafter, he continued his career with Tanjak Group as Head of Finance and Corporate from 2010 to 2012.

He sits on the Board of Vortex Consolidated Berhad.

He is the Chairman of the Audit Committee, Nomination Committee and ESOS Committee and a member of the Remuneration Committee.

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT

Aged 55, Male, a Malaysian, was appointed to the Board on 11 March 2005 and is currently the founder and Chief Executive Officer of E-Lock Corporation Sdn Bhd, a company involved in the provision of information technology services. Dr Leong obtained his Bachelor of Science in Chemical Engineering, West Virginia University, Morgantown, West Virginia in 1985 and a Ph.D. in Chemical Engineering from the University of Massachusetts, Amherst, United States in 1989. Dr Leong also completed an Executive Training in Product & Manufacturing Strategy in Stanford University, School of Business, United States in 1993.

After graduation, he joined Raychem Corporation in Menlo Park, California, United States where he was subsequently promoted as Technical Director from 1989 to 1996. In 1997, Dr Leong was a consultant to Guidant Corporation, Santa Clara, California, United States, one of the world's largest cardiovascular product companies, where he developed an advanced chaotic mixing screw technology to produce micro-tubing using polymer alloys. He joined Universal Search Machine Sdn Bhd in 1998 as Managing Director until 2000.

He sits on the Board of Chemical Company of Malaysia Berhad.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.



DR LEONG CHIK WENG

Independent Non-Executive Director

Aged 46, Male, a Malaysian, was appointed to the Board on 19 September 2008 and is currently the Executive Director of CPK Solutions Sdn Bhd. Mr Wong graduated from the University of Adelaide, Australia with a Bachelor of Commerce/Bachelor of Law in 1995. He joined Messrs Lee Hishammuddin in 1996 as Pupil in Chambers and as Legal Assistant in 1997. He worked in Malaysian Exchange of Securities Dealing & Automated Quotation Bhd from 1997 to 1999 as an Executive, Legal and Intermediary Services and was a Senior Executive of Maxis Communications Berhad from 1999 to 2000. He was Managing Investment Director of Banyan Ventures Sdn Bhd and headed the Legal and Strategy unit from 2000 until 2003. Mr Wong was a senior manager in Malaysia Venture Capital Management Berhad from 2003 to 2005 and was promoted to Vice President (Investments) and a Voting Member of the Investment Committee from 2005 to 2006. From 2007 to 2009, he was an entrepreneur involved in several international businesses in the ICT, outsourcing and property development sectors.

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



WONG TZE KAI

Independent Non-Executive Director

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT



GAN CHOON SUN

Executive Director /
Key Senior Management

Aged 53, Male, a Malaysian, was appointed to the Board on 17 September 2009 and is currently Executive Director of Formosa Shyen Horng Metal Sdn Bhd (“Formosa”), a wholly owned subsidiary of the Company. He graduated from Middlesex University, London with a First Class Honour Degree in Manufacturing Management Engineering in 1996. He also holds a Diploma in Civil Engineering from University Technology of Malaysia. Prior to joining Formosa in 2006, he held various senior positions ranging from Engineer to General Manager in various private companies in the metal industry. He has extensive experience in process engineering and has provided the Group with technical manufacturing expertise.

Currently, he is instrumental in spearheading the overall operating activities of Formosa Shyen Horng Metal Sdn Bhd, as well as formulating business strategies for the Group.

He is a member of the ESOS Committee.



LEOW VINZIE

Non-Independent Non-Executive Director

Aged 32, Female, a Malaysian, was appointed to the Board on 28 March 2018 and currently is the Business Development Manager of LB Aluminium Singapore Pte Ltd. She graduated from Monash University, Australia with Bachelors of Business in Management and Marketing in 2009. Subsequently, she spent 2 years in National Taiwan University acquiring Mandarin as a second language. Prior to joining LB Aluminium, she worked at Zuellig Pharma Malaysia in Business Development from 2012 to 2015. Thereafter, she was promoted to managing the regional portfolio from Singapore headquarters, where she was involved in developing Zuellig Pharma’s Pharmaceutical, Over-The-Counter and Medical Devices businesses, securing new businesses as well as renewing existing contracts from 2015 to 2017.

She is a member of the ESOS Committee.

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT

Aged 51, Male, a Malaysian, joined Formosa Shyen Horng Metal Sdn Bhd on 1 October 1997 as the Purchasing and Administration Manager. He holds a post graduate Master Degree in Business Administration, majoring in Financial Management from Frederick Taylor International University, USA. Prior to joining the Company, he was with Larry Seow & Company, Public Accountants from 1988 to 1989; BDO Binder, Public Accountants from 1989 to 1991 and finally, LB Aluminium Berhad from 1991 to 1997. Currently, he is responsible for purchasing, human resources, payroll and other administrative matters.

FAM LIAN FATT

Administration and Purchasing Manager/
Key Senior Management

Aged 43, Male, a Malaysian, joined Formosa Shyen Horng Metal Sdn Bhd on 1 December 2003 as Finance Manager. He graduated with a Bachelor of Accountancy (Honours) from University Putra Malaysia and is a member of the Malaysian Institute of Accountants. He has over 20 years of experience in financial management, group reporting as well as secretarial and taxation. Prior to joining the Company, he was the Accountant of Bright Rims Manufacturing Sdn Bhd.

TAN TZE

Finance Manager /
Key Senior Management

OTHER INFORMATION

1. Family Relationship

Ms Leow Vinzie is the daughter of Datuk Leow Chong Howa, a Non-Independent Non-Executive Director and major shareholder of A-Rank Berhad.

Saved for the family relationship between Datuk Leow Chong Howa and Ms Leow Vinzie as disclosed above, none of the Directors/Key Senior Management has any family relationship with any Director and/or major shareholder of A-Rank Berhad.

2. Conflict of Interest

Save for the related parties disclosures as disclosed herein, none of the Directors/Key Senior Management has any conflict of interest with the Group and the Company.

3. Conviction for Offences

None of the Directors/Key Senior Management has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 July 2018.

4. Attendance of Directors

Details of Board meeting attendance of each Director are disclosed in the Corporate Governance Overview Statement in the Annual Report.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 31 July 2018.

– Dato' Shahrir Bin Abdul Jalil –
Chairman
Independent Non-Executive Director

FINANCIAL PERFORMANCE

For the financial year under review, the Group's revenue increased by 9.4% to RM498.4 million from RM455.5 million for the preceding year.

However, the Group reported a lower profit before and after tax of RM17.3 million and RM13.9 million for the financial year ended 31 July 2018 as compared to RM20.1 million and RM16.5 million in the previous year reflecting a decrease of 14.3% and 15.6% respectively.

The earnings per ordinary share for the financial year ended 31 July 2018 was 11.62 sen compared to 13.76 sen for the preceding year based on the total number of issued shares of the Company of 120,000,000.

As at 31 July 2018, shareholders' funds stood at RM124.4 million whilst net assets per share was RM1.04.

CHAIRMAN'S STATEMENT

CORPORATE DEVELOPMENTS

- a) On 8 November 2017, the Company had acquired one (1) existing ordinary share, representing 100% equity interest in Emerald Innovations Sdn Bhd for a cash consideration of RM1.00.
- b) On 29 June 2018, AmlInvestment Bank Berhad ("AmlInvestment Bank") had, on behalf of the Company, announced the proposed establishment and implementation of an employees' share option scheme ("ESOS") of up to ten percent (10%) of the total number of issued ordinary shares of A-Rank (excluding treasury shares, if any) at any point in time over the duration of the ESOS for the eligible Directors and employees of the Company and its non-dormant subsidiaries ("Proposed ESOS").

On 31 July 2018, AmlInvestment Bank had, on behalf of the Company, announced that Bursa Malaysia Securities Berhad, vide its letter dated 31 July 2018, approved the listing and quotation of such new A-Rank ordinary shares to be issued pursuant to the Proposed ESOS.

The Proposed ESOS was approved by the shareholders of the Company at the Extraordinary General Meeting held on 21 August 2018.

On 24 August 2018, AmlInvestment Bank had, on behalf of the Company, announced that the effective date of the ESOS is 27 August 2018.

- c) On 26 September 2018, AmlInvestment Bank had, on behalf of the Company, announced that the Company proposed to undertake a bonus shares of up to 51,452,800 new ordinary shares in the Company ("Bonus Shares") on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares in A-Rank Berhad on an entitlement date to be determined later ("Proposed Bonus Issue").

AmlInvestment Bank had, on behalf of the Board, announced that Bursa Malaysia Securities Berhad, vide its letter dated 19 October 2018, approved the listing and quotation of up to 51,452,800 new ordinary shares to be issued pursuant to the Proposed Bonus Issue.

The Proposed Bonus Issue is now pending the approval of the shareholders of the Company which approval will sought at the forthcoming Annual General Meeting.

- d) On 26 September 2018, the Board of Directors of A-Rank had announced that the Company and its subsidiaries are proposing to diversify its principal activities to include property development ("Proposed Diversification"). Details of the Proposed Diversification are included in the Circular to Shareholders dated 8 November 2018 accompanying this Annual Report. Your approval for the Proposed Diversification will also sought at the forthcoming Annual General Meeting of the Company.

Saved for the above, the Group did not have any significant corporate development to report during the financial year and up to the date of this report.

DIVIDENDS

Although the Group does not have an explicit dividend policy, the Group is committed to consistently reward our loyal shareholders for their continuous support with payment of a fair return on their investment. The quantum of such dividend payment is dependent on factors such as earnings, capital expenditure requirements, business expansion plans, costs of servicing existing borrowings and other factors to be considered by the Board of Directors.

The Board of Directors is pleased to recommend a first and final single tier dividend of 3.25 sen (2017: 3.25 sen) per ordinary share based on the total number of issued shares of 120,000,000 ordinary shares as at 15 October 2018 amounting to RM3.9 million (2017: RM3.9 million) in respect of the financial year ended 31 July 2018 which is subject to the approval of shareholders at the forthcoming Annual General Meeting.

APPRECIATION

On behalf of the Board, I would like to extend our heartfelt thanks to our customers, business associates, bankers and the various government agencies for their continuous support. I would further like to place on record my appreciation and gratitude for the support of my fellow Directors. I, on behalf of my fellow Board members, wishes to extend a warm welcome to Ms Leow Vinzie who joined our Board during the financial year. Our appreciations are also extended to our shareholders and to the Management and employees for their commitment, contribution and loyalty.

Dato' Shahrir Bin Abdul Jalil

Chairman

Independent Non-Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS



**THE GROUP ACHIEVED
PROFIT BEFORE TAX AND
PROFIT AFTER TAX IN THE
FINANCIAL YEAR ENDED 31
JULY 2018 ("FYE 2018") OF
RM17.3 MILLION AND RM13.9
MILLION RESPECTIVELY.**

– Tan Wan Lay –
Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

The Group continues to focus on our core business in the manufacturing and marketing of secondary aluminium billets and operates solely from its production facilities in Beranang, Selangor. The Company's profile is detailed in page 2 of the Annual Report.

5 YEARS FINANCIAL HIGHLIGHTS

The following table is the financial highlights of the Group for the past 5 financial years:

		Financial year ended 31 July ("FYE")				
		2018	2017 [^]	2016 [^]	2015	2014
Revenue	RM'000	498,432	455,467	472,937	485,950	487,299
EBITDA	RM'000	23,530	26,030	24,777	16,607	18,019
Finance costs	RM'000	996	575	516	1,056	1,273
Profit before tax	RM'000	17,253	20,124	19,084	9,962	11,387
Profit after tax	RM'000	13,942	16,511	18,846	10,545	9,791
Total assets	RM'000	177,557	163,620	154,372	164,683	162,175
Total liabilities	RM'000	53,171	49,275	50,701	73,722	79,060
Borrowings	RM'000	34,571	21,221	22,312	49,023	50,541
Shareholders' equity	RM'000	124,387	114,345	101,748	88,610	80,994
Gearing ratio	%	2	12	#	32	55
Earnings per ordinary share	sen	11.62	13.76	15.70	8.60	7.91
Net asset per share	sen	103.66	95.29	84.79	73.84	67.50
Proposed dividend	RM'000	3,900*	3,900	3,600	2,700	2,700

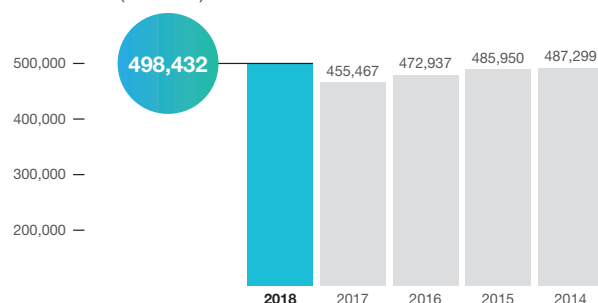
Denote:

Gearing ratio is not applicable as the Group is at net cash position.

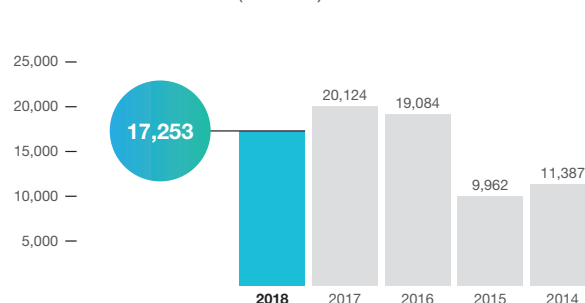
* Proposed dividend based on the total number of issued shares of 120,000,000 ordinary shares as at 15 October 2018 subject to the approval of shareholders at the forthcoming Annual General Meeting.

[^] Excluding discontinued operations.

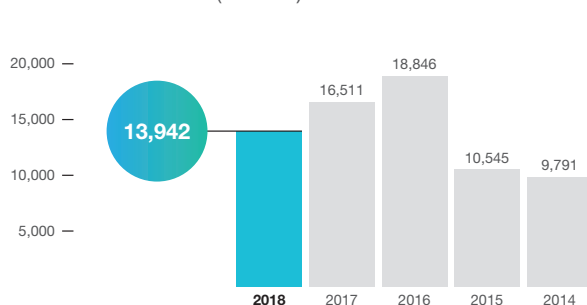
REVENUE (RM'000)



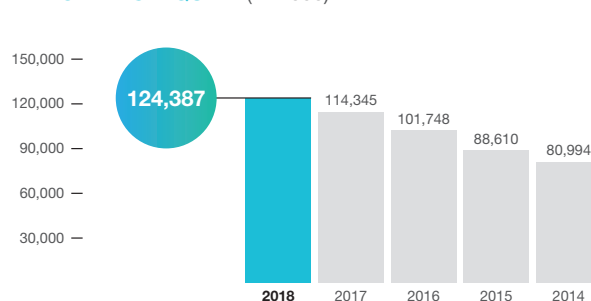
PROFIT BEFORE TAX (RM'000)



PROFIT AFTER TAX (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP'S FINANCIAL RESULTS AND FINANCIAL CONDITIONS

	FYE 2018 RM'000	FYE 2017 [^] RM'000	Change RM'000	%
Profitability				
Revenue	498,432	455,467	42,965	9.4
Profit from operations	18,255	20,548	(2,293)	(11.2)
Profit before tax	17,253	20,124	(2,871)	(14.3)
Profit after tax	13,942	16,511	(2,569)	(15.6)
Earnings per ordinary share (sen)	11.62	13.76	(2.14)	(15.6)
Key Balance Sheet Data				
Total assets	177,557	163,620	13,937	8.5
Total liabilities	53,171	49,275	3,896	7.9
Shareholders' equity	124,387	114,345	10,042	8.8
Net assets per share (sen)	103.66	95.29	8.37	8.8
Gearing ratio (%)	2	12	(10)	(83.3)

Denote:

[^] Excluding discontinued operations.

a) Revenue

For the FYE 2018, the Group recorded a revenue of RM498.4 million, which was RM43.0 million or 9.4% higher than the previous financial year. The improvement in revenue was due mainly to increase in average selling prices as a result of the rise in raw material costs in FYE 2018.

Export sales contributed about 40% of the total revenue whilst the balance is from the local market which is in line with the Group's strategy in maintaining its leading market position in Malaysia.

Our Group's revenue based on geographical location of our customers are as follows:

	FYE 2018 RM'000	FYE 2017 RM'000	Change RM'000	%
South East Asia other than Malaysia	116,615	97,916	18,699	19.1
South Asia	54,089	43,187	10,902	25.2
Africa	1,644	1,717	(73)	(4.3)
Others	5,297	2,778	2,519	90.7
Export market	177,645	145,598	32,047	22.0
Local market – Malaysia	320,787	309,869	10,918	3.5
Total revenue for continued operations	498,432	455,467	42,965	9.4

b) Profit before tax

The Group reported a decrease in profit before tax of 14.3% for the FYE 2018 as compared to RM20.1 million in the previous year. The profit before tax has decreased due mainly to lower margins and higher operating expenses, particularly the rise in natural gas prices.

MANAGEMENT DISCUSSION AND ANALYSIS

c) Profit after tax

The Group reported a decrease in profit after taxation of 15.6% for the year under review in line with the lower profit before taxation.

d) Earnings per ordinary share

Earnings per ordinary share was 11.62 sen for FYE 2018, which is lower by 2.14 sen compared to 13.76 sen for last year.

e) Financial position

The Group's total assets increased by 8.5% to RM177.6 million compared to RM163.6 million in FYE 2017. The increase of RM13.9 million in total assets was due mainly to increase in cash and cash equivalent. The Group's inventories stood at RM52.3 million as at FYE 2018, a decrease of RM10.3 million compared to FYE 2017.

On the liabilities side, the Group's remained healthy as total liabilities increased by only 7.9% to RM53.2 million in FYE 2018 from RM49.3 million as at the end of the last financial year. The increase of RM3.9 million in total liabilities was due mainly to the increase in borrowings of RM13.4 million mitigated by the decrease in trade and other payables of RM9.5 million.

f) Gearing ratio

Despite the rise in borrowing, the Group's gearing ratio decreased to 2% in FYE 2018. This was mainly due to the increase in cash and bank balances of the Group with total inventories reducing from RM62.6 million to RM52.3 million. The Group's strategy is to maintain a low gearing ratio via strict and cautious control over its capital resources in order to achieve long term business objectives and to maximise shareholders' value. A low gearing ratio would also enable the Group to be more flexible in obtaining new source of fund in the event of any new business opportunity that arises.

CAPITAL EXPENDITURE

The Group plans to incur an estimated total of RM3.6 million in capital expenditure for the financial year ending 31 July 2019, which is mainly for the upgrading of existing plant and machinery. The capital expenditure requirement is will be financed through internally generated funds.

ANTICIPATED BUSINESS RISKS

The Group is subject to the usual commercial risks and uncertainties from operations that may potentially affect the operating performance of the Group. A number of these potential risks and uncertainties that could have a material adverse effect on the business, financial position and the results of the operations of the Group, are as follows:

a) Market competition

The Group is principally involved in the manufacturing and marketing of secondary aluminium billets catering to aluminium extruders.

The Group continues to experience competition from other local competitors but believes that its ability to compete depends upon many factors including market acceptance of its products and services, price, reliability of deliveries, sales and marketing efforts and services vis-à-vis that of its competitors.

In addition, local manufacturers of aluminium billets also compete directly with imports as no tariff is levied on imported aluminium billets in Malaysia.

However, the Group believes it has an edge over its competitors in that it is able to provide flexibility in deliveries to its customers as well as its ability to produce high quality aluminium billets which in turn, further improves the efficiency and cost structure of aluminium extruders.

MANAGEMENT DISCUSSION AND ANALYSIS

b) Volatility in raw material prices

The Group's raw materials are primarily aluminium ingots and its price is dependent upon global demand and supply situation and is a commodity traded on the LME. A shortage of supply may increase the pricing of these raw materials. The Group endeavours to maintain long-term relationships with suppliers to ensure constant and reliable deliveries and also to obtain its purchases at competitive rates. With regards to the prices, the Group expects to be able to pass on the costs of any increase to its customers, as the orders from customers are priced back-to-back with that of its suppliers thus reducing the risk of any price volatilities.

c) Volatility in currency exchange rates

The Group's raw materials being primarily aluminium ingots are imported and priced in USD thus subjecting the Group to currency exchange risk. However, the Group's exports are dominated in USD and provide a natural hedge for its USD requirements which mitigates the currency exchange risk. In addition, the Group also expects to be able to pass the costs of the volatility of the USD, if any, to its local customers via back-to-back orders and pricing arrangements thus further reducing its exposure to currency exchange risk.

OUTLOOK

The global economy continued to expand in the second quarter of 2018. Following a year of strong growth among both advanced and Asian economies, GDP outturns in the second quarter showed that global growth is becoming less synchronised. While growth in the United States of America continued to accelerate, many major countries recorded either sustained or more moderate expansions. China recorded slower growth as the effect of credit tightening policies weighed on domestic investment, particularly from local government spending on infrastructure. Domestic demand in the rest of the Asian region remained resilient, due to policy support and higher infrastructure spending.

The Malaysian economy expanded at a slower pace of 4.5% in the second quarter of 2018 (1Q 2018: 5.4%). Domestic demand, particularly private sector activity will continue to be the key driver of growth. The strengthening of US Dollar against Malaysia Ringgit will translate into better Group exports' margin. On the other hand, the weakened Ringgit Malaysia will escalate the costs of doing business domestically arising from costlier imports. The volatility of both aluminium prices and currencies continue to add uncertainties to our decision-making process particularly on pricing whilst the overall increase in costs of doing business in Malaysia will have adverse impacts on the Group's margins.

Nonetheless, the Group will remain vigilant and be well prepared for the volatilities and challenges ahead. As usual, we will continuously focus on improving cost efficiencies and recovery to maintain our profit margins and to mitigate any adverse impacts on our business.

The Group is confident, barring any unforeseen circumstances, of the prospect of the Group moving forward and that it will be able to remain profitable for the forthcoming year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of A-Rank Berhad (“the Board”) is committed to ensuring that the standards of corporate governance pursuant to the Malaysian Code on Corporate Governance (“MCCG”) are practiced throughout the Company and its subsidiaries (“the Group”), to achieve its objectives, to protect and enhance shareholders’ value, safeguard the Group’s assets and improve the performances of the Group. Hence, the Board will continue to evaluate the Group’s corporate governance procedures, in so far as they are relevant to the Group, bearing in mind the nature of the Group’s business and the size of its business operations.

The Corporate Governance Overview Statement is to be read together with the Corporate Governance Report (“CG Report”) which is available at the Company’s website at www.arank.com.my as well as Bursa’s website at www.bursamalaysia.com.

The Board is pleased to present this statement and explain how the Group has applied the three (3) principles set out in the MCCG:

- 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

I. BOARD RESPONSIBILITIES

Roles and Duties of the Board

The roles and responsibilities of the Board have been clearly enumerated in the Board Charter. The Board provides effective leadership and manages overall control of the Group’s affairs through the discharge of the following principal duties and responsibilities:

- review and approve strategies, business plans and significant policies and monitor management’s performance in implementing them;
- oversee and evaluate the conduct and performance of the Group;
- review the adequacy and integrity of the Group’s internal control systems and management information systems which include appropriately sound framework/systems of reporting and to ensure regulatory compliance with the applicable laws, regulations, rules, directives and guidelines;
- review the risk management guidelines, procedures and standards to ensure they provide effective governance of the Group’s risk taking activities;
- delegates certain responsibilities to the various Board Committees with clearly defined terms of reference to assist the Board in discharging its responsibilities;
- overseeing the development and implementation of a shareholder communications policy for the Company; and
- succession planning for the Board and Management, including the implementation of appropriate systems for recruiting, training, determining the appropriate compensation benefits and where necessary replacing any member of the Senior Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

I. BOARD RESPONSIBILITIES (CONTINUED)

Separation in the roles of Chairman and Managing Director

The roles of the Chairman and Managing Director of the Company are distinct and separate with individual responsibilities. Each of them has clearly defined duties and authority thus ensuring balance of power and greater capacity for independent decision-making.

The Chairman of the Board is primarily responsible for ensuring the Board's effectiveness and conduct. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda.

The Managing Director is responsible for the daily management of the Group's operations and implementation of the Board's policies and decisions. He is responsible for communicating matters relating to the Group's business affairs and issues to the Board. His vast experience, business knowledge and skills contributed significantly towards the attainment of the Group's goals and objectives.

Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision making process.

Management's Roles and Responsibilities

The responsibility for the operation and administration of the Group is delegated by the Board to the Executive Directors and the Management within levels of authority specified by the Board from time to time.

The Executive Directors are primarily responsible for:

- primarily accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group;
- ensures that the financial management practice is performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations; and
- provides effective leadership to the Group and is responsible for ensuring high management competency and that an effective management succession plan is in place to sustain continuity of operations.

The Executive Directors may delegate aspects of their authority and power but remains accountable to the Board for the Group's performance and is required to report regularly to the Board on the conduct and performance of the Group's business units.

Clear functions of the Board and Management

The Board is collectively the primary decision-making body for all material matters affecting the Group. It also provides leadership, guidance and sets strategic direction.

The Board has a formal schedule of matters reserved to it for decision to ensure that the direction and control of the Group is firmly in its hands. This acts as a safeguard against misjudgements and possible ultra-vires activities.

The Independent Non-Executive Directors are committed in upholding business integrity and exercising their independent judgement while the Executive Directors are responsible for making and implementing operational and corporate decisions as well as day-to-day management of the business and operations of the Group. There is a clear division of responsibilities between the executive and non-executive functions to ensure effectiveness of the decision making process of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

I. BOARD RESPONSIBILITIES (CONTINUED)

Qualified and competent Company Secretary

The Board is supported by qualified, competent and experienced Company Secretaries who facilitate overall compliance with the Listing Requirements as well as inform and keep the Board updated of the latest enhancements in corporate governance, changes in the regulatory framework, new statutory requirements and best practices. All Company Secretaries are registered with Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and they are also qualified under the Companies Act 2016.

The Board is satisfied with the performance and support rendered by the Company Secretaries in assisting the Board in the discharge of their duties.

The Company Secretaries have constantly keep themselves abreast of the regulatory changes and developments in corporate governance through attendance at relevant conferences and training programme.

Information and support for Directors

At each Board meeting, the Managing Director or Executive Director will brief the Board on the Group's activities, operations and other performance. All meetings will be preceded by an agenda issued by the Company Secretary.

To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with scheduled dates for meetings of the Board and Board Committees, as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results.

All Directors are provided with Board papers at least five (5) business days before Board meetings to enable them to review and consider the agenda items to be discussed and decision making during meetings.

The Board papers contain relevant information and justifications for each proposal for which Board's approval is sought. Where necessary, the Management and external advisers are invited to attend these meetings to provide additional insights and professional views on specific items on the agenda.

Minutes of the Board and Board Committee meetings are circulated to Directors for their review prior to confirmation of the minutes at the following Board and Board Committee meetings. The Directors may request for further clarification or raise comments on the minutes prior to confirmation of the minutes.

In exercising their duties, the Board has complete and unrestricted access to all information of the Group, the advice and services of the Company Secretary and independent professional advice in the furtherance of their duties, at the Company's expense.

Board Charter

The Board Charter provides guidance for Directors on the responsibilities of the Board, its committees and requirements of Directors and is subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance.

The Board of Directors regularly review the strategic direction of the Group and the progress of the Group's operations, taking into account changes in the business and political environment and risk factors such as the level of competition.

The Board Charter was last reviewed by the Board on 29 June 2018 and uploaded on the Company's website at www.arank.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

I. BOARD RESPONSIBILITIES (CONTINUED)

Code of Conduct and Ethics

The Board has put in place a code of conduct and ethics for the Directors and employees. This Code includes managing conflicts of interest, preventing the abuse of power, corruption, insider trading, money laundering, sexual harassment and others, set the tone at the top, uphold the law, avoid conflicts of interest and report results accurately.

Whistle-Blowing Policy

The Board has adopted a Whistle-Blowing Policy for all employees, vendors, customers, contractors, consultants and stakeholders to raise concerns, without fear of reprisal and to safeguard their confidentiality, about possible improprieties on matters pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group. Any employee or stakeholder who is aware that any improper conduct has been, is being, or is likely to be committed, is encouraged to report directly to the Audit Committee Chairman, via the email to ahmedazhar7@gmail.com. During the year, no report had been received pertaining to any misconduct from employees, management, public or stakeholders.

II. BOARD COMPOSITION

Presence of Independent Directors on the Board of Directors

The Board currently comprises eight (8) Directors; four (4) of whom are Independent Non-Executive Directors. The Board members, with their diverse backgrounds, bring with them a wide range of disciplines and experiences to provide stewardship to the Group.

Currently, the Chairman of the Board is an Independent Non-Executive Director.

The composition of the Board complies with the Listing Requirements of Bursa Securities in that at least one third of the Board consists of Independent Directors and fulfills Practice 4.1 of MCGG; whereby at least half of the Board's composition comprises Independent Directors. There is a balance of power and authority in the Board as the Managing Director is responsible for the normal operations and business activities of the Group whilst the Independent Non-Executive Chairman and the Independent Non-Executive Directors ensure that the Board practices good governance in discharging their duties in compliance with the MCGG.

Decisions made are fully discussed and examined taking into account the long term interest of the Group, shareholders, employees, customers and the many communities in which the Group conducts its business. In the event of any potential conflict of interest situation, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision making process.

Tuan Haji Ahmed Azhar Bin Abdullah has been appointed as the Senior Independent Non-Executive Director to whom any concerns pertaining to the Group may be conveyed as recommended by the MCGG.

Time Commitment

All Directors have committed sufficient time to carry out their duties during the tenure of their appointment. Each Director is expected to commit time as and when required to effectively discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year, as well as the tentative closed periods for dealings in securities by Directors based on the targeted date of announcements of the Group's quarterly results.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

II. BOARD COMPOSITION (CONTINUED)

Time Commitment (Continued)

The Board meets on a scheduled basis, at least once every three (3) months. Additional meetings may be convened to resolve any major and/or ad-hoc matters requiring immediate attention. Management staff or external advisors had been invited to attend Board meetings to provide the Board with detailed explanations and clarifications.

During the financial year ended 31 July 2018, the Company held four (4) meetings of the Board of Directors and details of the Directors' attendance are as follows:

Name of Directors	Attendance (1 August 2017 to 31 July 2018)	Percentage
Dato' Shahrir Bin Abdul Jalil	4/4	100%
Tan Wan Lay	4/4	100%
Datuk Leow Chong Howa	4/4	100%
Tuan Haji Ahmed Azhar Bin Abdullah	4/4	100%
Dr Leong Chik Weng	4/4	100%
Wong Tze Kai	4/4	100%
Gan Choon Sun	4/4	100%
Leow Vinzie (Appointed on 28 March 2018)	1/1	100%

All the Directors have complied with the requirements of Bursa Securities in relation to attendance at Board meetings, in particular Paragraph 15.05 (3)(c) of the Listing Requirements which states that the office of a Director will become vacant if the Director is absent for more than 50% of the total Board meetings held during a financial year.

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities.

Number of directorships in other companies

All Directors of the Company have confirmed that they do not hold more than five (5) directorships in listed issuers pursuant to paragraph 15.06 of the Listing Requirements.

All Directors are expected to notify the Board and/or the Company Secretary of their acceptance of any new directorship in other listed issuers. As at the date of this Statement, saved for the notification received from Tuan Haji Ahmed Azhar Bin Abdullah for his appointment as an Independent Non-Executive Director of Vortex Consolidated Berhad on 14 September 2018, the Company did not received any notification from Directors.

Independence

The Board has a collective responsibility for the management of the Company. The Independent Non-Executive Directors are committed in upholding business integrity and bringing independent judgement and scrutiny to decisions taken by the Board and providing objective challenges to the Management. The Executive Directors are responsible for making and implementing operational and corporate decisions as well as day-to-day management of the business and operations of the Group. There is a clear division of responsibilities between the Executive and Non-Executive functions to ensure effectiveness of the decision making process of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

II. BOARD COMPOSITION (CONTINUED)

Independence (Continued)

Independent and Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group. This is to ensure that they are capable of exercising judgment objectively whilst acting in the best interest of the Group, its stakeholders and shareholders, including minority shareholders.

The Board is of the view that tenure should not form part of the independence assessment criteria, as it believes that the ability of a Director to serve effectively is dependent upon his caliber, qualifications, experiences and personal qualities, in particular, integrity and objectivity.

a) Tenure of Independent Directors

The tenure for an Independent Director should not exceed a cumulative term of nine (9) years since his appointment as an Independent Director as recommended by the MCCG.

However, the Independent Director may continue to serve on the Board beyond the nine (9) years tenure provided the Independent Director is re-designated as a Non-Independent Director. If the Board intends to retain an Independent Director beyond the nine (9) years tenure, it must justify and seek shareholders' approval annually.

b) Policy of Independent Director's tenure

The Company does not have a policy which limits the tenure of its Independent Directors to nine (9) years as required under Step Up 4.3 of MCCG. The Board has set out policies and procedures to ensure effectiveness of the Independent Directors on the Board, including new appointment. The Board assesses the independence of the Independent Directors annually, taking into account of the individual Director's ability to exercise its independent judgment at all times and contribution to the effective functioning of the Board.

In ensuring that independent judgments are not compromised, the Board will carry out an assessment of independence on its independent directors on an annual basis or as and when a disclosure is made by any Director in respect of any new interest or relationship.

Based on the assessment conducted for the financial year ended 31 July 2018, the Board is satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Group.

c) Shareholders' approval to retain Independent Directors after serving nine (9) years

Following an assessment by the Nomination Committee and the Board, Dato' Shahrir Bin Abdul Jalil, Tuan Haji Ahmed Azhar Bin Abdullah, Dr Leong Chik Weng and Mr Wong Tze Kai who have respectively served the Board as Independent Directors of the Company for a cumulative term of more than nine (9) years as at the end of the financial year under review, have been recommended by the Board to continue to act as Independent Directors, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

The Board recommends retaining their designations as Independent Directors based on the following justifications:

- a) they have fulfilled the criteria under the definition on Independent Director as stated in the Listing Requirements of Bursa Securities and, therefore, were able to bring independent and objective judgment to the Board;
- b) their experiences in the legal and/or financial matters, business and other relevant sectors enable them to provide the Board, as the case may be, with pertinent expertise, skills and competence;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

II. BOARD COMPOSITION (CONTINUED)

Independence (Continued)

c) Shareholders' approval to retain Independent Directors after serving nine (9) years (Continued)

The Board recommends retaining their designations as Independent Directors based on the following justifications: (Continued)

- c) they have been with the Group for many years and therefore understand the Group's business operations which enable them to contribute actively and effectively during deliberations or discussions at Board meetings;
- d) their long tenure had neither impaired nor compromised their independent judgement. They are free from any benefit or other relationships which would interfere with their exercise of independent judgements;
- e) they provided effective check and balance in the proceeding of the Board and the Board Committees;
- f) they exhibited high commitment and devoted sufficient time which testifies to their dedication in discharging the responsibilities as Independent Non-Executive Directors of the Company; and
- g) they had met with the attendance requirements for Board Meetings pursuant to the Listing Requirements. During the financial year under review, they had each attended all the Board meetings held.

III. NOMINATION COMMITTEE

The Board has established the Nomination Committee ("NC") on 30 September 2013 which is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill Board's vacancies at the Company as well as subsidiaries. Nominations may come from a wide variety of sources.

NC comprises of three (3) Independent Non-Executive Directors and is chaired by Tuan Haji Ahmed Azhar Bin Abdullah who is the Senior Independent Non-Executive Director of the Company. During the financial year ended 31 July 2018, three (3) NC's meetings were held. The details of attendance of each member at the NC meetings held during the financial year are as follows:

Name	Position	Attendance (1 August 2017 to 31 July 2018)
Chairman		
Tuan Haji Ahmed Azhar Bin Abdullah	Senior Independent Non-Executive Director	3/3
Members		
Dr Leong Chik Weng	Independent Non-Executive Director	3/3
Wong Tze Kai	Independent Non-Executive Director	3/3

The terms of reference of the NC is available on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

III. NOMINATION COMMITTEE (CONTINUED)

Summary of Activities

For the financial year ended 31 July 2018 and up to the date of this report, the activities of the NC include the following:

- a) Assessed and recommended to the Board for the appointment of Ms Leow Vinzie as a Non-Independent Non-Executive of the Company;
- b) Conducted the evaluation on the effectiveness of the Board, Board Committees, and independence of the Independent Directors on an annual basis;
- c) Reviewed the performances of each individual Director and Finance Manager;
- d) Reviewed and recommended to the Board for the re-election of Directors who will retire pursuant to Articles 112 and 117 of the Articles of Association of the Company at the forthcoming AGM of the Company;
- e) Reviewed and recommended that the Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Directors of the Company;
- f) Discussed and recommended to the Board for the adoption of a Boardroom and Senior Management Diversity Policy; and
- g) Reviewed the training programs attended by the Directors as well as the training needs required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends.

Develop, maintain and review criteria for recruitment process and annual assessment of Directors

a) Appointment of the Board

The NC is responsible to recommend candidates to the Board to fill vacancy arising from resignation, retirement or other reasons or if there is a need to appoint additional Directors with the required skill or profession to the Board in order to close the competency gap in the Board identified by the NC. The potential candidate may be proposed by existing Directors, Senior Management, shareholders or third party referrals. Upon receipt of the proposal, the NC is responsible to conduct an assessment and evaluation on the proposed candidate.

Before any recommendation made to the Board, the NC will evaluate a candidate by considering the following factors:

- Age, ethnicity, gender, skill and expertise, working experience, industry knowledge, educational qualification, integrity, competence and characteristics;
- Willingness and ability to discharge effectively the duties as a director, including the number of directorship in other public listed companies currently held by the candidate;
- Able to devote sufficient time and energy to the performance of his or her duties as a director; and
- For the recommendation of an Independent Director, whether he/she meets the criteria of an Independent Director as specified by Practice Note 13 of the Listing Requirements of Bursa Securities and whether he/she can act independently of management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

III. NOMINATION COMMITTEE (CONTINUED)

Develop, maintain and review criteria for recruitment process and annual assessment of Directors (Continued)

a) Appointment of the Board (Continued)

The Company Secretaries are tasked to ensure all appointments are properly made and all necessary information is obtained from the Directors, for the Company's records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

Ms Leow Vinzie was appointed to the Board as a Non-Independent Non-Executive Director on 28 March 2018.

b) Re-election of Directors

Reviewed and recommended to the Board for the re-election of directors who will retire at the forthcoming AGM of the Company:

- i) Pursuant to Article 112 of the Company's Articles of Association, that at least one third (1/3) of the Directors including the Managing Director shall be subject to retirement by rotation at least once in every three (3) years at each AGM, but shall be eligible for re-election.

For the forthcoming AGM, the following Directors will retire by rotation, and being eligible had offered themselves for re-election:

- Dr Leong Chik Weng; and
- Mr Gan Choon Sun.

The resolution of the re-election of each Director is voted on separately.

- ii) Pursuant to Article 117 of the Articles of Association of the Company, all Directors appointed by the Board shall hold office only until the next AGM following their appointment and shall then be eligible for re-election.

Ms Leow Vinzie who was appointed on 28 March 2018 to the Board shall hold office only until the next AGM, and being eligible, had offered herself for re-election.

Reviewed and recommended that the following Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Directors of the Company pursuant to MCCG:

- Dato' Shahrir Bin Abdul Jalil;
- Tuan Haji Ahmed Azhar Bin Abdullah;
- Dr Leong Chik Weng; and
- Mr Wong Tze Kai.

The resolution on the retention of each Independent Director is voted on separately.

NC will assess and review the Directors submitting themselves for re-election and made appropriate recommendations to the Board to be tabled at the AGM for shareholders' approval.

The profile of the above Directors and their respective attendance in Board Meetings are presented in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

III. NOMINATION COMMITTEE (CONTINUED)

Develop, maintain and review criteria for recruitment process and annual assessment of Directors (Continued)

c) Evaluation for Board, Board Committees and individual Directors

The Board, through the NC, performed a formal and objective annual evaluation to determine the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director. Such evaluation also includes the evaluation of Independent Non-Executive Directors on their independences and that all assessments and evaluations by the NC would be properly documented.

The evaluation is performed based on the feedback from the respective Directors to the following questionnaire and evaluation forms distributed annually:

- Audit Committee Evaluation Questionnaire;
- Audit Committee Members' Self and Peer Evaluation Form;
- Board Skills Matrix Form;
- Board and Board Committees Evaluation Form;
- Directors and Senior Management's Evaluation Form; and
- Independent Directors' Self-Assessment Checklist.

The summary of evaluation was tabled to the NC on 26 September 2018 and recommended to the Board for review and notation. The Board was satisfied with the results of the annual assessment and that the current size and composition of the Board is appropriate and well-balanced with the right mix of skills. The Board was also satisfied with the Board composition comprising individuals of high caliber, credibility and with the necessary skills and qualifications to enable the Board to discharge its duties and responsibilities effectively.

d) Directors' Training

Reviewed the training programs attended by the Directors as well as the training needs required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends.

The NC have assessed the training needs of each Director on an annual basis by determining areas that would strengthen their contribution to the Board. From the assessment, the NC is satisfied that the Directors have attended adequate trainings to enable them to discharge their duties.

All Directors have attended and successfully completed the Mandatory Accreditation Programme in accordance with the Listing Requirements.

The Directors will continue to undergo other relevant training programs to further enhance their knowledge in the latest statutory and regulatory developments as well as to keep abreast with developments in the business environment to enable them to discharge their responsibilities more effectively.

The Company Secretary regularly update the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefed the Board quarterly on these updates, where applicable, at Board meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

III. NOMINATION COMMITTEE (CONTINUED)

Develop, maintain and review criteria for recruitment process and annual assessment of Directors (Continued)

d) Directors' Training (Continued)

The Directors will continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role. For the financial year ended 31 July 2018, the courses attended by the Directors include:

Name of Directors	Course/Seminar Attended
Dato' Shahrir Bin Abdul Jalil	<ul style="list-style-type: none"> Personal Data Protection Act 2010 organised by Uvision Training Centre Sdn Bhd on 13 February 2018
Tan Wan Lay	<ul style="list-style-type: none"> Budget 2018 Tax Seminar organised by BDO Tax Services Sdn Bhd on 7 November 2017 Personal Data Protection Act 2010 organised by Uvision Training Centre Sdn Bhd on 13 February 2018
Datuk Leow Chong Howa	<ul style="list-style-type: none"> Corporate Liability Provision 2018 organised by ARAM Global Sdn Bhd on 5 June 2018
Tuan Haji Ahmed Azhar Bin Abdullah	<ul style="list-style-type: none"> Corporate Governance Briefing Sessions: MCGG Reporting & CG Guide organised by Bursa Securities on 28 February 2018
Dr Leong Chik Weng	<ul style="list-style-type: none"> Understanding Cybersecurity Threats and Laws organised by Azmi & Associates on 29 March 2018
Wong Tze Kai	<ul style="list-style-type: none"> Corporate Liability Provision – Offences by employees & Others and the implications on Directors, Partners and Management organised by Malaysian Institute of Accountants on 19 July 2018
Gan Choon Sun	<ul style="list-style-type: none"> Budget 2018 Tax Seminar organised by BDO Tax Services Sdn Bhd on 7 November 2017 Personal Data Protection Act 2010 organised by Uvision Training Centre Sdn Bhd on 13 February 2018 Corporate Governance Briefing Sessions: MCGG Reporting & CG Guide organised by Bursa Securities on 28 February 2018
Leow Vinzie	<ul style="list-style-type: none"> Mandatory Accreditation Programme organised by The ICLIF Leadership and Governance Centre on 23 & 24 July 2018

Diversity on Boards and Senior Management

The Board has formalised a Boardroom and Senior Management Diversity Policy on 26 September 2018 and acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity. Having a range of diversity dimensions brings different perspectives to the boardroom and to various levels of Management within the Group.

The Board also acknowledges the need to promote gender diversity in line with the MCGG and the Government's target for women to fill 30% or more of the decision-making positions in corporate Malaysia. While the Company does not have a specific target for female Directors on the Board, suitably qualified female candidates who can contribute to the diversity of the Board, will be considered for appointment in the event that vacancies for Directors arise or when a decision is made to increase the size of the Board.

Currently, the Board composition includes one (1) female Director, Ms Leow Vinzie, who is a Non-Independent Non-Executive Director. She was appointed to the Board on 28 March 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

III. NOMINATION COMMITTEE (CONTINUED)

Succession Planning

The Board acknowledges that succession planning is important for the Company's stability and sustainability. The NC is entrusted to assess and recommend suitable candidates to be appointed as Director of the Company to fill up any vacant seat in the Boardroom.

IV. REMUNERATION COMMITTEE

The Board had established a Remuneration Committee ("RC") with appropriate terms of reference on 30 September 2013. RC comprises of four (4) Non-Executive Directors of whom; three (3) are Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The RC is chaired by Mr Wong Tze Kai.

During the financial year ended 31 July 2018, two (2) RC's meetings were held. The details of attendance of each member at the RC meetings held during the financial year are as follows:

Name	Position	Attendance (1 August 2017 to 31 July 2018)
Chairman		
Wong Tze Kai	Independent Non-Executive Director	2/2
Members		
Datuk Leow Chong Howa	Non-Independent Non-Executive Director	2/2
Tuan Haji Ahmed Azhar Bin Abdullah	Senior Independent Non-Executive Director	2/2
Dr Leong Chik Weng	Independent Non-Executive Director	2/2

The revised terms of reference which details the authority, duties and responsibilities of the RC is available on the Company's website.

Remuneration policy and procedures for Directors and Senior Management

The Board via the RC, implements the policies and procedures on the recommendation and review of the remunerations for Board members and Senior Management.

The Board believes that competitive remunerations enable the Company to attract, retain and motivate the Directors and Senior Management. The remuneration packages are aligned to corporate objectives and take into consideration the complexity of the Company's business operations with reference to an individual's responsibilities and achievements. Additionally, the Board also ensure that remunerations and incentives for Independent Directors are not in conflict with their obligations to bring objectivity, professionalism and independence of opinions on matters discussed at Board meetings.

RC is responsible for recommending the remuneration framework for Directors as well as the remuneration packages of Executive Directors to the Board. None of the Executive Directors participate in any way in determining their individual remuneration.

The Managing Director and Executive Director are responsible to determine the remuneration package of the Senior Management, with reference made to remuneration packages of similar positions in comparable companies within the industry.

The remuneration packages of the Executive Directors and Senior Management is structured in a way to link rewards to the performance of the Company as well as individual performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

IV. REMUNERATION COMMITTEE (CONTINUED)

Disclosure of remuneration – Directors

The remuneration package for Directors comprise of the following elements:

- Fees and Meeting Allowance

The fees payable to each of the Directors are determined by the Board. All Directors are paid meeting allowances as determined by the Board of Directors as reimbursement for expenses incurred for attending the Board of Directors meetings. The fees and meeting allowance payable to the Directors will be recommended by the Board for approval by shareholders at the forthcoming Annual General Meeting scheduled to be held on 12 December 2018.

- Basic Salaries and Bonuses

The basic salaries and bonuses for the Executive Directors are recommended by the RC to the Board for approval. Bonus is a performance-based payment linked to the corporate performance as well as individual performance.

- Benefits-in-kind

Customary benefits such as motor vehicle and mobile phone allowance are made available to the Directors in accordance with the policies of the Group.

The details of the remuneration of Directors of the Group and the Company for the financial year ended 31 July 2018 are disclosed on a named basis in the CG Report.

Disclosure of remuneration – Senior Management

To avoid any potential controversy within the Group while maintaining harmony amongst Management and employees, the Board had decided not to disclose based 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 as required under Practice 7.2 of MCCG and detailed remuneration of each member of Senior Management on a named basis as required under Step Up 7.3 of MCCG.

The Board will ensure that the remuneration of Senior Management commensurate with the performance of the Group, with due consideration to attract, retain and motivate Senior Management to lead and run the Group successfully.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Board has established the Audit Committee ("AC") on 17 March 2005 and comprises three (3) Independent Non-Executive Directors to assist the Board in discharging its duties. The Board of Directors has in line with the Listing Requirements reviewed the terms of reference and performance of the AC and each of its members and is satisfied that the AC has carried out its duties in accordance with its terms of reference.

The summary of duties and responsibilities is outlined in the AC's terms of reference approved by the Board. The terms of reference of the AC is available on the Company's website at www.arank.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

I. AUDIT COMMITTEE (CONTINUED)

Financial literacy of AC members

The members of the AC including the AC Chairman have relevant accounting knowledge or related financial management expertise and experience to discharge the AC's duties and responsibilities. All members of the AC are able to understand, analyse and, when necessary, challenge the matters and issues under the purview of the AC, including the financial reporting process.

In addition, all members of the AC are encouraged to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The details of the training attended by the AC members for the financial year ended 31 July 2018 are disclosed in this Annual Report.

II. EXTERNAL AUDITORS

Practice 8.3 of MCCG requires the AC to have policies and procedures to assess the suitability, objectivity and independence of the External Auditors, Messrs. BDO ("BDO"). Based on the latest assessment carried out by AC on 26 September 2018, the AC is satisfied with the suitability and independence of the External Auditors and takes the following into consideration before making recommendation to the Board for the re-appointment of BDO as External Auditors, which is subject to the approval of shareholders at the forthcoming AGM:

- a) the adequacy of the experience, audit quality and resources of the External Auditors;
- b) the nature and extent of audit and non-audit services rendered, inclusive of appropriateness of level of fees; and
- c) the level of independence of the External Auditors.

The External Auditors had declared their independence as specified in the By-Laws issued by Malaysian Institute of Accountants (On Professional Ethics, Conduct and Practice) and the International Ethics Standards Board (Accountants' Code of Ethics for Professional Accountants) during the audit completion presented to the AC on 26 September 2018.

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control in the Company and the Group. These controls provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has established the Risk Management Committee ("RMC") on 30 September 2013, headed by the Managing Director and assisted by the Executive Director and respective Head of department to oversee the Group's risk management framework and policies. The Group does not adopt Step Up 9.3 of MCCG; whereby the RMC should comprise of a majority of Independent Directors. The Board opines that the composition of the RMC is adequate, as the majority of the RMC members actively participate in daily business operations. Thus, they would be able to identify potential risks and react promptly to address any risk that arises.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

The RMC is responsible for overseeing the Group's risk management framework, approving appropriate risk management practices and procedures to ensure effectiveness of risk identification, management and monitoring to safeguard the interest, and meet the expectations of its shareholders, employees, customers, other stakeholders and the many communities in which the Group conducts its business. This involves:

- Enhancing strategic competitiveness and operational efficiency that increases long term shareholders' value;
- Minimising unexpected impact to earnings and returns to shareholders;
- Safeguarding valuable assets and resources;
- Balancing expectations of various stakeholders; and
- Meeting existing regulatory requirements on risk management.

The RMC submit the reports to the AC on its findings on a half yearly basis and the AC will report to the Board accordingly.

In addition, the RMC is also assisted by the Outsourced Internal Auditors in the implementation of risk management i.e. coordinating and reporting (risk management function) and reviewing of risks status (internal audit function). The Outsourced Internal Auditors reviews will also identify any new potential risk that could affect the financial position, operational processes and goodwill of the Company.

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

IV. INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to an independent professional firm, Talent League Sdn Bhd (the "Outsourced Internal Auditors"). The Outsourced Internal Auditors comprises a total of seven (7) persons, with the composition of two (2) Directors and five (5) staff. The internal audit was carried out in accordance with the Institute of Internal Auditors' guidance on risk based internal auditing.

Mr Roy Thean and Mr Hong Cheong Liang, the Director and Senior Consultant from Talent League Sdn Bhd are in-charge of the internal audit of the A-Rank Group. Mr Roy Thean is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Institute of Internal Auditors Malaysia. Mr Hong Cheong Liang is also a member of Malaysian Institute of Accountants, CPA Australia and an associate member of Institute of Internal Auditors Malaysia.

None of the persons involved have any family relationship with the Directors or Company which could result in the conflict of interest and/or impairment of the objectivity and independence during the internal audit review.

The responsibilities of the Outsourced Internal Auditors include conducting audits, submitting findings and the provision of independent report to the Audit Committee on the Group's systems of internal controls. Being an independent function, the audit work is conducted with impartiality, proficiency and due professional care. The audits are carried out to ensure instituted controls are appropriate, effectively applied and within acceptable risk exposures and consistent with the Group's risk management policy. The Outsourced Internal Auditors reports directly to the Audit Committee and audit findings and recommendations are communicated to the Board.

In performing its duties, the Outsourced Internal Auditors have free and unfettered access to information and to meet with any of the department heads or persons-in-charge. The identified audit findings and recommendations are followed up by the Outsourced Internal Auditors and the status is reported to the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

IV. INTERNAL AUDIT FUNCTION (CONTINUED)

During the financial year under review, the Outsourced Internal Auditors carried out periodic internal audit reviews in accordance with the approved internal audit plan to monitor compliance with the Group's procedures and to review the adequacy and effectiveness of the Group's system of risk management and internal control. The results of these reviews have been presented to the AC at their scheduled meetings. Follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis.

As at the date of this Statement, the AC has performed an annual assessment of the suitability and independence of the Outsourced Internal Auditors and was satisfied with the Outsourced Internal Auditor's technical competency and audit independence during the financial year under review.

Details of the Group's internal control system and risk framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

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

I. COMMUNICATION WITH STAKEHOLDERS

Communication with stakeholders

The Board recognises the importance of maintaining an effective communication channel between the Board, shareholders and other stakeholders for timely dissemination of information. To facilitate this process, the Board has formalised a Corporate Disclosure Policy with regards to the handling and disclosing of material information to the public.

Besides the direct communication and interaction with shareholders at the Company's General Meetings, shareholders and other stakeholders are informed of all material matters affecting the Company through announcements made to Bursa Securities as well as the Company's website including quarterly financial results, Annual Reports, Circulars and other information.

Shareholders or potential investors can also send their feedback or inquiries to the Company via the website or may contact the Administration and Purchasing Manager, Mr Fam Lian Fatt to address any concern which a shareholder may have and he can be contacted via telephone, facsimile or electronic mail as follows:

Tel No : +603-8724 4662/63/67

Fax No: +603-8723 2009

Email : fam@arank.com.my

Corporate Disclosure Policy

The Company has established a Corporate Disclosure Policy ("Policy") that applies to the conduct of all Directors and employees of the Group with regards to handling and disclosure of material information. Objectives of the Policy are as follows:

- a) To ensure informative, timely, factual and accurate disclosure of material information pertaining to the Group's performance and operations to the public;
- b) To ensure that all persons to whom this Policy applies understand their obligations to preserve the confidentiality of material information;
- c) To ensure compliance with all applicable legal and regulatory requirements on disclosure of material information; and
- d) To maintain good relations with the investing public to inspire trust and confidence.

The Policy does not apply to communication made in the ordinary course of business not involving material information.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

I. COMMUNICATION WITH STAKEHOLDERS (CONTINUED)

Corporate Disclosure Policy (Continued)

The Board of Directors is generally responsible for the proper dissemination of information whilst the actual implementation can be delegated to designated persons. Designated persons appointed as the authorised spokesperson or the appointed investment bank or adviser will draft the announcement and ensure compliance with the Listing Requirements and accuracy of the contents in the announcement.

All announcements will be approved by the Board of Directors, the Chairman or Managing Director or Executive Director or his designated person (where applicable) before release to Bursa Securities.

Once the announcement has been released to Bursa Securities, it will be made available and accessible on the Company's website.

Integrated reporting

Practice 11.2 of MCGG; encourages large Companies to adopt integrated reporting, based on a globally recognised framework; so that concise communication about a Company's strategy, performance, governance and prospects could lead to value creation, while promoting integrated relationship between various operating/functional units. A-Rank will keep this guidance in view for future adherence.

II. CONDUCT OF GENERAL MEETINGS

Notice of general meeting

The AGM and Extraordinary General Meeting ("EGM") serves as the principal forum for direct interaction and dialogue among shareholders, Board and Management. The AGM or EGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance and other matters of concern. Shareholders are encouraged to actively participate in the question and answer ("Q&A") session. The Board, Management and/or the External Auditors are available to respond to shareholders' enquiries and provide appropriate clarifications at the AGM or EGM.

The Company dispatches its notice of AGM and related papers to shareholders at least twenty-eight (28) days before the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Each item of special business included in the Notice of the AGM will be accompanied by a full explanation of the effects of a proposed resolution.

The results of all the resolutions set out in the Notice of the AGM will be announced on the same day of the meeting to Bursa Securities and be published on the Company's website.

Attendance of Directors at General Meeting

The Company maintains an open and transparent channel of communication with its stakeholders, institutional investors and shareholders; so as to provide a clear and complete picture of the Group's performance. The Company believes that constructive and effective relationship is an important factor in promoting and enhancing value for our shareholders.

At the last AGM held on 8 December 2017 and EGM held on 21 August 2018, all Directors including the Chairman of the Board Committees were present in person to engage directly with shareholders, corporate representatives and proxies. The Chairman encouraged shareholders to raise questions pertaining to the Company's accounts and proposed resolutions during the AGM or EGM, before putting the resolutions to vote. The Chairman also provides sufficient time for the Q&A sessions during the AGM or EGM. Time for suggestions and comments by shareholders, to be noted by Management for consideration, was also provided. The Management, External Auditors and Company Secretary were in attendance to respond to the shareholders' queries, where applicable or necessary.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

II. CONDUCT OF GENERAL MEETINGS (CONTINUED)

Poll voting

Practice 12.3 of MCCG encourages the Company to leverage on information technology for electronic voting and remote shareholders' participation, especially for those listed companies with large number of shareholders. Currently, the Company is not ready to leverage on this information technology.

The Company does encourage shareholders to physically attend the general meetings. The Board is of the belief that direct interaction with shareholders, will foster closer relationships among each other as well as with the Company and Management.

The last AGM and EGM of the Company were held on 8 December 2017 and 21 August 2018 respectively with the appointment of a poll administrator and a scrutineer for the poll voting process. In accordance with the Listing Requirements, the Board put all resolutions to vote by way of poll at the general meetings and the results of the polling were published via Bursa Securities on the same day of the AGM or EGM was held.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required, pursuant to Section 251(2) of the Companies Act 2016 (the "Act"), to draw up financial statements for each financial year that gives a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their results and cash flow for the financial year then ended. In addition, the Directors have the general responsibility for taking such steps as they are reasonably open to them to safeguard the assets of the Group and to prevent fraud and other irregularities. In preparing the financial statements for the financial year ended 31 July 2018, the Directors have:

- a) adopted the appropriate accounting policies, which are consistently applied;
- b) made reasonable and prudent judgments and estimates; and
- c) ensure that the applicable approved Financial Reporting Standards in Malaysia and the provisions of the Act are complied with.

The Statement of Directors pursuant to the Act is set out in the Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

AUDIT FEES AND NON-AUDIT FEES

During the financial year ended 31 July 2018, the amount of audit and non-audit fees paid or payable by the Group and the Company to the External Auditors and its affiliated company are as follows:

	Group RM'000	Company RM'000
Audit services rendered	71	11
– By the Company's External Auditors		
Non-Audit services rendered		
– By the Company's External Auditors	5	5
– By the affiliated company of the Company's External Auditors	11	1
	87	17

MATERIAL CONTRACTS

No material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company and/or its subsidiaries which involved Directors and/or Major Shareholders and/or Persons Connected with them, either still subsisting at the end of the financial year ended 31 July 2018 or, if not then subsisting, entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The details of the related party transactions are set out in the notes to the financial statements in which the transactions were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Further information on the proposed renewal of shareholder mandate for the recurrent related party transactions to be tabled at the forthcoming Annual General Meeting are set out in the Circular to Shareholders dated 8 November 2018.

SUSTAINABILITY STATEMENT

The Board recognises that sustainability is the key driver to innovation and value creation for the Group, employees, customers, shareholders and the communities as a whole.

We are in the midst of developing the necessary framework and laying the foundation for the Company's sustainability activities and therefore, certain information reported may not be comprehensive. However, the Board endeavours to improve the disclosures in the coming years.

ABOUT THIS REPORT

Sustainability is of paramount importance to the Group. We are committed to develop and secure a sustainable future while maintaining an equitable balance between the expectations of a wide range of stakeholders while continuing to create value for our shareholders.

To ensure our sustainability efforts are focused on issues that matter most to our stakeholders, we have categorised our commitment into three (3) core pillars:

- a) Economic – Creating shareholders and business value
- b) Environmental – Managing the impacts from business activities
- c) Social – Responsibility towards stakeholders

GOVERNANCE STRUCTURE

Our Board plays a vital role in driving our Group towards a sustainable growth and is the highest governing body of our sustainability direction. The management team ("MT") led by the Managing Director is responsible in managing material sustainability matters in line with established policies and practices, implementing measures and actions, as well as monitoring relevant key performance indicators. The MT is also responsible to review, assess and endorse decisions made in the process of the preparation of Sustainability Statement.



SUSTAINABILITY STATEMENT



ECONOMIC

To achieve sustainable development of the marketplace, the Group endeavours to carry out activities to promote responsible practices among our investors, suppliers and customers where high ethical standards in the respective areas are consistently applied.

a) Investors

In line with good corporate governance and transparent business practices, we constantly review our policy to ensure the Group is managed effectively and ethically with adequate control mechanisms to manage risks and deliver accountability, sustainability and profitability. Good corporate governance practices translate into better business performance and create a more sustainable value for the Group.

The Board recognise the importance of communication with its shareholders and investors through general meetings of shareholders and the Company website which provide up-to-date information on the Group's activities, Board Charter, financial results, announcements to Bursa Malaysia Securities Berhad, Annual Reports and other information.

b) Customers

The Group strives to create value for its customers through competitive pricing and quality without comprising the interest of other stakeholders. In achieving this, the Group initiates the following:

- enhances customers' satisfaction and confidence by providing quality products through stringent quality control from the sourcing of raw materials to the prompt delivery of our products and after-sales service to our customers; and
- every customer is important to us and every feedback is valuable to building a more sustainable company. As part of our ISO 9001:2015 certification, we have implemented Annual Customer Surveys to obtain feedback from ordering process to delivery and product quality. Both compliment as well as constructive feedback are communicated to our internal departments and action plans are developed where improvements are required. In between the annual surveys, our Sales and Marketing team maintain regular contacts with our customers to ensure that any issues are addressed on a timely basis.

This is in line with the Group's mission to be continually committed to support the customers' success by working closely with them to enhance their products and process challenges and to build our reputation by providing reliable quality billets, on time deliveries and building lasting relationships with customers.

c) Suppliers

The Group respects its suppliers and work closely with them through long-term relationships to realise mutual growth based on mutual trust. In this aspect, the Group engages its suppliers through the following manners:

- engages in ethical procurement practices by adopting standard and equitable procedures in vendors' qualification;
- ensures the materials supplied are in accordance to the Group's materials requirements;
- conducts in-depth suppliers' audits to ensure the required standards are met in the supply chain; and
- We are ISO 9001 certified. All our suppliers must strictly be in compliance with local laws and regulations. As part of our assessment process, we conduct the evaluation on their quality, time of delivery and packing, to determine the viability of the supplies, and any associated customer complaint. Bi-annual evaluation is conducted for selected key suppliers to ensure that the bulk of our supplies remain optimal.

SUSTAINABILITY STATEMENT



ENVIRONMENTAL

Environmental sustainability is of utmost importance due to the increasing depletion of the earth's natural resources and global climate change issues. As a dynamic business entity, we rely on the earth's natural resources every day and climate change issues will affect the supply chain and the source of many products. Therefore, it is essential to embed environmental sustainability principles into our business operations and practices. Our objective is to safeguard shareholders' interests whilst protecting the environment.

The Group is particularly proud of its contributions towards the environment as it provides a valuable service in the recycling of aluminium, predominantly to manufacturers of aluminium products in Malaysia. Aluminium which is the major raw material input in our products is environmentally friendly and can be endlessly recycled. By recycling aluminium, we help save energy as well as raw materials which lessen the need for solid waste disposal. The Group also continues to improve process efficiencies and maximise productivity by reducing melt loss of aluminium during production which form part of our on-going efforts to conserve natural resources and protect the environment. In addition, the Group has installed dust control system to ensure cleaner air discharge into the environment.



SOCIAL

The Group recognises that employees are its most important asset and we demonstrate this commitment by providing a conducive work environment. The Group's commitment to its people also involves the upgrade of human capital and towards the training effort. In line with this belief, the Group strives to ensure an environmental-friendly, healthy and safe workplace for all employees.



SUSTAINABILITY STATEMENT



SOCIAL

a) Staff Welfare

The success of the Group depends on its employees' hard work, loyalty, strong leadership, integrity and devotion of their strengths to help the Group achieves its milestones.

The Group aims to enhance the employee benefits schemes to build an engaged workforce that stay focus and grow within the Group. In pursuing this objective, we provide the following:

- medical benefits, hospitalisation and personal accident insurance coverage;
- encourage to participate in sports activities such as badminton;
- provided educational supports to a total of 98 students for kindergarten, primary and secondary schools comprising children of the Group's employees;
- organised an Annual Dinner Event at IOI Resort, Putrajaya combined with the Long Service Awards ceremony which was held in February 2018 to recognise their loyalty, dedication and commitment; and
- organised a Hari Raya Celebration for in July 2018 with an entertaining night for all the Group's employees.



b) Safety and Health

The Management views occupational safety and health at work environment for employees as utmost important. Various actions are implemented to ensure workplace safety, such as:

- setting up a Safety & Health Committee for assisting in the development of safety & health rules and systems, carry out programs such as introduction and safety in production, fire drills, safety and health talks as well as evacuation exercises at the plant to create awareness and to inculcate consciousness within its workforce;
- employees are required to observe safe work practices while also recognising and reporting on any potential unsafe conditions and operations to the Safety and Health Committee to ensure timely safety and health hazard control;
- safety wears (i.e: ear plugs, helmets, safety shoes, eye goggles) are provided to relevant employees to prevent the consequences of serious injuries. Employees are required to wear the equipment at all times during work to minimise the effects of workplace hazards;
- enforcement of safety practices in all aspect at all time; and
- ensuring a safe workplace with twenty-four (24) hours' security surveillance.

c) Training and Development Program

In order to ensure our employees excel in their respective areas of expertise, we continue to implement regular training and development activities to fast track employee skills and development so that they are well equipped to meet their personal goals and the Group's goals.

As part of its human capital development, various in-house programmes and job skills related training were conducted to equip the employees with improved skills and knowledge during the financial year ended 31 July 2018 including:

- ISO 9001:2015 Awareness Training;
- Personal Data Protection Act 2010;
- Pre GST Abolishment – GST vs SST; and
- Forklift Safety.

SUSTAINABILITY STATEMENT



SOCIAL

c) Training and Development Program (Continued)

The Group also sponsored employees to attend external seminars and workshops to keep them abreast of new developments in their respective field of expertise. The external seminars and workshops that had been attended by employees include:

- Detailed analysis and application of the three new standards: MFRS9, MFRS15 & MFRS16;
- Sustainability Reporting Workshop for Practitioners;
- SST Awareness Program;
- BDO Budget 2018 Tax Seminar: Strategic decision making in today's fiscal environment; and
- Certified environmental professional in scheduled waste management.

d) Retention and Succession Planning

Retaining key employees is crucial to ensure business success. The Group continues to ensure the reward packages remain competitive to attract, retain and motivate the right talents. Succession plans are put in place for critical positions to ensure sustainability in terms of continuous effective and efficient operations within the Group and a healthy leadership pipeline.

COMMUNITY

The Group recognises the co-relationship between business growth and social well-being and welfare. Therefore, in fulfilling its corporate responsibility to the community in which it conducts its business, the Group is obligated to nourish and improve the quality of the society at large. The Group focuses its commitment on enhancing community sustainability through various activities and actions aim to promote community engagement and address the needs of less fortunate and underprivileged families.

The initiatives include:

- a) monetary donations or sponsorships to schools, charity, welfare and voluntary associations in Malaysia as a gesture of its contributions; and
- b) monetary and goods in kind donation to old folks and/or handicapped homes.



CONCLUSION

The Group continues to build sustainable practices in every aspect of the Group's business and remain steadfast in achieving excellence in its corporate social responsibility activities. Our action today will define our success in the future. By focusing our efforts on the sustainability issues of the three (3) sustainability dimensions namely economic, environmental and social, we shall further enhance our corporate image, reputation and the brand equity value.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee (“AC”) comprised of three (3) members, all of whom are Independent Non-Executive Directors. The current composition complies with the Para 15.09(1)(b) of Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), as all AC members must be Non-Executive Directors, with a majority of them being Independent Directors.

The Chairman of AC, Tuan Haji Ahmed Azhar Bin Abdullah is not the Chairman of the Board and is a Senior Independent Non-Executive Director. Four (4) AC Meetings were held during the financial year and the attendance of the committee members were as follows:

Name	Position	Attendance (1 August 2017 to 31 July 2018)
Chairman		
Tuan Haji Ahmed Azhar Bin Abdullah	Senior Independent Non-Executive Director	4/4
Members		
Dr Leong Chik Weng	Independent Non-Executive Director	4/4
Wong Tze Kai	Independent Non-Executive Director	4/4

TERMS OF REFERENCE

The terms of reference (“TOR”) of the AC outlining the composition, duties and responsibilities is available for viewing on the Company’s website at www.arank.com.my. The last review of the TOR of the AC was on 29 June 2018.

The TOR of the AC was updated with a new policy which required a cooling-off period of at least two years for any former key audit partner of the Group’s External Auditors before the person is being appointed a member of the AC as required by Practice 8.2 of MCCG. During the year, no existing AC’s members are related to or appointed from the Group’s External Auditors.

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

During the financial year under review, the AC carried out the following activities in accordance with its TOR:

a) Financial Reporting

- reviewed the unaudited quarterly and year-end results of the Group before recommending to the Board for their approvals and for announcement to Bursa Securities; and
- reviewed the Audited Financial Statements of the Group and of the Company prior to submission to the Board for consideration and approval.

b) With Outsourced Internal Auditors

- reviewed the internal audit plan and the scope of work;
- reviewed the internal audit reports, their findings, recommendations and the Management’s response in addressing the issues highlighted to ensure that risk issues were adequately addressed; and
- conducted the annual performance assessment on the Outsourced Internal Auditors.

AUDIT COMMITTEE REPORT

SUMMARY OF WORKS OF THE AUDIT COMMITTEE (CONTINUED)

During the financial year under review, the AC carried out the following activities in accordance with its TOR: (Continued)

c) With External Auditors

- reviewed the audit plan and scope of work as well as the audit procedures to be utilised;
- reviewed the results of audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit;
- reviewed the External Auditors' report and management letter, if any, prior to the recommendation to the Board;
- met with the External Auditors twice before finalisation of the Audited Financial Statement for the financial year under review without the presence of Executive Directors or Management;
- appraised the performance and evaluated the independence and objectivity of the External Auditors in providing their services, including areas of audit emphasis for the financial year and additional disclosures in the auditors' report in line with the new and amended international standards on auditing, including disclosure on Key Audit Matters;
- conducted the annual performance assessment on the External Auditors, including their suitability and independence; and
- made recommendation to the Board on their re-appointment and the quantum of audit and non-audit fees.

d) Other

- reviewed the related party transactions including any transaction to ensure that the transactions were on normal commercial terms and not detrimental to the interest of minority shareholders of the Company;
- reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to inclusion in the Company's Annual Report;
- reviewed and updated the TOR of AC to be in line with the latest Listing Requirements and MCGG; and
- conducted self-assessment on the effectiveness of the Committee and the contribution of each individual committee member.

All the requirements under the TOR were complied with and the AC did not see any matters in breach of the Listing Requirements of Bursa Securities that warrant reporting to Bursa Securities.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

A-Rank recognises that an internal audit function is essential to ensuring the effectiveness of the Group's systems of internal control and is an integral part of the risk management process. The internal audit function of the Group is outsourced to a professional Internal Audit service provider to assist the AC in carrying out its duties. The Outsourced Internal Auditors reported directly to the AC.

The summary of works that had been undertaken by the Outsourced Internal Auditors during the financial year ended 31 July 2018 and the date of this report included the following:

1. Inventory management
 - Inventory planning
 - Quality control
 - Inventory recording
 - Inventory management, handling, storage and packing
 - Obsolete and slow moving inventory identification
 - Management of reject/returned inventories
 - Insurance coverage
2. Fixed assets management
 - Capitalization and depreciation policy
 - Disposal and acquisitions
 - Review of custodianship and safe guarding of assets
 - Repair and maintenance
 - Insurance coverage
 - Company vehicles
3. Related parties transaction
4. Procurement
 - Purchasing planning (actual and budget)
 - Supplier evaluation
 - Management of orders
 - Purchasing and payment
 - Quality control
 - Receiving of goods
5. Management information system
 - MIS strategic planning
 - Capacity management
 - Information and records management
 - Vendor, and software selection and management
 - MIS maintenance and support
 - IT sites and infrastructure
 - Legal responsibility
6. Review and follow-up of previous quarter internal audit findings

The internal audits performed had met their objectives of highlighting to the AC about the audit findings which required follow-up action by the Management, any outstanding audit issues which required corrective actions to be taken to ensure an adequate and effective internal control system within the Group, as well as any weaknesses in the Group's internal control system. It ensured that those weaknesses were appropriately addressed and that recommendations from the internal audit reports and corrective actions on reported weaknesses were taken appropriately within the required timeframe by the Management.

The total costs incurred for the internal audit function in respect of the financial year ended 31 July 2018 was RM27,305.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“the Board”) of A-Rank Berhad is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 July 2018, which has been prepared pursuant to the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidelines”). The statement below outlines the nature and scope of risk management and internal control of the Company during the financial year under review.

BOARD’S RESPONSIBILITIES

The Board affirms that it is responsible for the Group’s system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Board also affirms that it is responsible for ensuring the adequacy and integrity of those systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives.

Therefore, it should be noted that any system can provide only a reasonable and not absolute assurance against material misstatement, fraud or loss.

For the financial year ended 31 July 2018, the Board has received assurances from the Managing Director and the Finance Manager that the Group’s risk management and internal control systems are operating adequately and effectively in all material aspects. There are no significant areas of concern that may affect the financial, operational and compliance controls.

The system of internal control incorporates inter alia, risk management, financial, operational and compliance controls as well as the governance process.

RISK MANAGEMENT FRAMEWORK

The Board recognises the need for an effective risk management framework and to maintain a sound system of internal control. The Group has established a structured and on-going risk management process to identify, evaluate and manage risks that may significantly impact the Group. This includes identifying principal risks in critical areas, assessing the likelihood and the impact of material exposures and determining the corresponding risk mitigation and treatment measure.

The risk assessment of the Group is carried out by the Outsourced Internal Auditors, Talent League Sdn Bhd to identify and prepare the risk register to reflect existing operations and markets conditions. The Outsourced Internal Auditors will report directly to Audit Committee on the key risk related issues and the Audit Committee shall report to the Board on the status of the risk management process. Risk registers of the principal risks and controls have been created and a risk profile for the Group has been developed and reviewed by the Board and Audit Committee.

The Risk Management Committee (“RMC”) was established to oversee and perform regular reviews on the Group’s risk management processes. During the financial year 31 July 2018, two (2) RMC’s meetings were held which were attended in full by all members of the Committee. The RMC is chaired by the Managing Director and reports directly to the Audit Committee on a half yearly basis where key risks and mitigating actions are deliberated and implemented.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

SYSTEM OF INTERNAL CONTROLS

Key elements of the Group's system of internal controls include the following:

- Organisation structure with clearly defined lines of responsibility and delegated authority which includes defined delegation of responsibilities to the committees of the Board, the Management and the operating units;
- The Audit Committee comprises Independent Non-Executive Directors of the Board and has full access to both the Outsourced Internal Auditors and External Auditors. Whenever necessary, the Audit Committee will also review and discuss with management on the actions taken on issues brought up by the Outsourced Internal Auditors and the External Auditors;
- A regular review of the high-risk area of business processes by the Group's Outsourced Internal Auditors, which report directly to the Audit Committee, to assess the effectiveness of internal controls and to highlight any significant risk that may adversely affect the Group. The Audit Committee will monitor the status of the implementation of corrective actions to address internal control weaknesses, if any;
- The effectiveness of the system of internal controls is also reviewed through the ISO 9001:2015 which is subject to review and audit that manages and controls the quality requirement of the Group's products and services. The demanding documentation requirements of the certification further ensure a trail of accountability in the Group;
- Quarterly and annual financial results are reviewed by the Audit Committee;
- A regular review of the performance of the Group by the Directors at its meetings to ensure it is in line with the Group's overall objectives;
- A budgeting process which establishes plans and targets against which performances are monitored on an on-going basis; and
- A management reporting system in place to facilitate timely generation and monitoring of financial information for management review and decision making.

The Group's Management meets regularly to review the reports, monitors the business development and resolves key operational and management issues and reviews the financial performance against the budget.

INTERNAL AUDIT FUNCTION

In accordance with the Malaysian Code on Corporate Governance, the Board has established an internal audit function to review the adequacy and integrity of its system of internal controls.

The internal audit function of the Group is outsourced to Talent League Sdn Bhd (the "Outsourced Internal Auditors"). The responsibilities of the Outsourced Internal Auditors include conducting audits, submitting findings and the provision of independent report to the Audit Committee on the Group's systems of internal controls. Being an independent function, the audit work is conducted with impartiality, proficiency and due professional care.

Internal audit plans are reviewed and approved by the Audit Committee and the plans include independent appraisal on the compliance, adequacy and effectiveness of the Group's internal controls and to assess and monitor the effectiveness and implementation of the Group's risk management policies on half-yearly basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION (CONTINUED)

The findings of the internal audit function, including its recommendations and Management's responses, were reported to the Audit Committee. In addition, the internal audit function followed up on the implementation of recommendations from previous cycles of internal audit and update the Audit Committee on the status of Management agreed action plan implementation.

Any areas for improvement identified during the course of the internal audit review are brought to the attention of the Audit Committee. Internal audit reports and risk management report respectively were tabled at the Audit Committee meetings held during the financial year under review. The internal audit reports and risk management report were also forwarded to and discussed with the Management concerned for attention and necessary action, with the status of actions taken then reported back to the Audit Committee and the Board.

Total costs paid to Outsourced Internal Auditors for the financial year ended 31 July 2018 and up to the date of this report amounted to RM27,305 in which the following business processes and areas were audited:

- Inventory management;
- Fixed assets management;
- Related parties transaction;
- Procurement; and
- Management information system.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement in accordance with Audit and Assurance Practice Guide ("AAPG") 3 Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control; included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 July 2018, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement on Risk Management and Internal Control factually inaccurate.

CONCLUSION

The Board is satisfied that during the year under review, there is a process to manage the Group's system of internal controls to mitigate any significant risks faced by the Group so as to safeguard shareholders' interests and the Group's assets.



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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the parent	13,941,696	45,182,630

DIVIDENDS

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

	RM
In respect of financial year ended 31 July 2017:	
First and final single tier dividend of 3.25 sen per ordinary share, was paid on 21 December 2017	3,900,000

At the forthcoming Annual General Meeting, a first and final single tier dividend of 3.25 sen per ordinary share amounting to RM3,900,000 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 July 2019.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT

DIRECTORS

The Directors who have held office since the date of the last report are:

A-Rank Berhad

Dato' Shahrir Bin Abdul Jalil*

Tan Wan Lay*

Datuk Leow Chong Howa*

Tuan Haji Ahmed Azhar Bin Abdullah*

Dr Leong Chik Weng

Wong Tze Kai

Gan Choon Sun*

Leow Vinzie

(appointed on 28 March 2018)

*Also Directors of the subsidiaries

Subsidiaries of A-Rank Berhad (excluding those who are already listed above)

Pursuant to Section 253 (2) of the Companies Act 2016, the Director of the subsidiaries of A-Rank Berhad during the financial year and up to the date of this report is as follows:

Selochana A/P Murugiah

(appointed on 16 August 2017; resigned on 10 November 2017)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 July 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	<----- Number of ordinary shares ----->			
	Balance as at 1.8.2017	Bought	Sold	Balance as at 31.7.2018

Shares in the Company

Direct interests

Tan Wan Lay	11,619,000	105,500	–	11,724,500
Datuk Leow Chong Howa	22,500	–	–	22,500
Tuan Haji Ahmed Azhar Bin Abdullah	150,000	–	–	150,000
Gan Choon Sun	67,500	33,700	–	101,200

Indirect interest

Datuk Leow Chong Howa	33,313,491	–	–	33,313,491
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DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

By virtue of Datuk Leow Chong Howa's substantial interest in the shares of the Company, he is deemed to have interest in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the followings:

- (i) remuneration received or due and receivable by certain Directors from the related corporations in their capacity as Directors or executives of the related corporations; and
- (ii) deemed benefits arising from related party transactions as disclosed in Note 28 to the financial statements.

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

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 28(c) to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Group purchased Directors and Officers Liability insurance for the Directors and officers of the Group and of the Company during the financial year, which provides appropriate insurance cover for the Directors and officers of the Group and of the Company. The amount of insurance premium paid by the Group during the financial year was RM18,010.

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there are no known bad debts to be written off and that provision need not be made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

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

(III) AS AT THE DATE OF THIS REPORT

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

DIRECTORS' REPORT

SUBSIDIARIES

Details of subsidiaries are set out in Note 6 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The significant events subsequent to the end of the reporting period are disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Details of auditors' remuneration are set out in Note 20 and Note 22(b) to the financial statements.

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

Dato' Shahrir Bin Abdul Jalil
Director

Tan Wan Lay
Director

Kuala Lumpur
5 October 2018

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 64 to 109 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Dato' Shahrir Bin Abdul Jalil
Director

Tan Wan Lay
Director

Kuala Lumpur
5 October 2018

STATUTORY DECLARATION

I, Tan Tze (CA 19953), being the officer primarily responsible for the financial management of A-Rank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 64 to 109 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed at
Kuala Lumpur this
5 October 2018

Tan Tze

Before me:

Baloo T. Pichai
No. W663
Commissioner for Oath

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF A-RANK BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of A-Rank Berhad, which comprise the statements of financial position as at 31 July 2018 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 64 to 109.

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 July 2018, 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 report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

1. Carrying amount of inventories at the lower of cost and net realisable value

As disclosed in Note 8 to the financial statements, the Group held RM52,268,521 of inventories at the end of the reporting period.

Write-down of inventories to net realisable value was mainly based on management's estimates, which had been derived from expectation of current market prices and future demand.

We focused on the audit risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value, the determination of which requires the management to exercise significant judgement in estimating the net realisable value of the inventories as the main component of inventories is aluminium and it is a commodity that is subject to price volatility.

In estimating the net realisable value of the inventories, the management considers the inventories' ageing, the general economic conditions and consumers' demand.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF A-RANK BERHAD

(Incorporated in Malaysia)

Key Audit Matters (Continued)

1. Carrying amount of inventories at the lower of cost and net realisable value (Continued)

Our audit procedures included the following:

- (a) discussions with management on the basis used to write down the inventory balance to its net realisable value; and
- (b) tested inventories for sales subsequent to the year end and supporting documentation and assessed that the carrying amounts of inventories is at the lower of cost and net realisable value.

We have determined that there are no key audit matters in the audit of the separate 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 other information and we do not express any form of assurance or conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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 Group's and the Company's ability 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 A-RANK BERHAD

(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:

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF A-RANK BERHAD

(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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

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

BDO

AF: 0206

Chartered Accountants

Kuala Lumpur

5 October 2018

Lee Ken Wai

03185/07/2019 J

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 JULY 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	55,404,487	54,868,553	–	–
Investments in subsidiaries	6	–	–	70,978,560	54,728,559
Investment in an associate	7	436,586	442,023	3,000	3,000
		55,841,073	55,310,576	70,981,560	54,731,559
Current assets					
Inventories	8	52,268,521	62,589,421	–	–
Trade and other receivables	9	37,552,612	37,968,656	19,609,488	12,618,658
Derivative financial assets	10	241,434	–	–	–
Cash and bank balances	11	31,653,763	7,751,660	18,086,451	17,403
		121,716,330	108,309,737	37,695,939	12,636,061
TOTAL ASSETS		177,557,403	163,620,313	108,677,499	67,367,620
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	12	60,000,000	60,000,000	60,000,000	60,000,000
Retained earnings		64,386,770	54,345,074	48,414,899	7,132,269
TOTAL EQUITY		124,386,770	114,345,074	108,414,899	67,132,269
LIABILITIES					
Non-current liability					
Deferred tax liabilities	13	4,967,600	5,186,700	–	–
		4,967,600	5,186,700	–	–
Current liabilities					
Trade and other payables	14	12,727,063	22,244,344	262,600	235,351
Borrowings	15	34,570,570	21,221,069	–	–
Derivative financial liabilities	10	211,716	32,526	–	–
Current tax liabilities		693,684	590,600	–	–
		48,203,033	44,088,539	262,600	235,351
TOTAL LIABILITIES		53,170,633	49,275,239	262,600	235,351
TOTAL EQUITY AND LIABILITIES		177,557,403	163,620,313	108,677,499	67,367,620

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

			Group		Company
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Continuing operations					
Revenue	16	498,431,679	455,467,054	45,600,000	6,000,000
Cost of sales		(474,841,374)	(428,958,475)	–	–
Gross profit		23,590,305	26,508,579	45,600,000	6,000,000
Other income	17	3,035,435	1,709,296	59,703	–
Marketing and distribution expenses		(313,261)	(315,733)	–	–
Administration expenses		(7,546,449)	(6,910,027)	(477,073)	(390,441)
Other expenses	18	(511,302)	(444,610)	–	(122,650)
Profit from operations		18,254,728	20,547,505	45,182,630	5,486,909
Finance costs	19	(995,948)	(575,310)	–	–
Share of (loss)/profit in an associate, net of tax		(5,437)	151,880	–	–
Profit before tax	20	17,253,343	20,124,075	45,182,630	5,486,909
Tax expense	21	(3,311,647)	(3,612,959)	–	–
Profit for the financial year from continuing operations		13,941,696	16,511,116	45,182,630	5,486,909
Discontinued operations					
Loss for the financial year from discontinued operations, net of tax	22(b)	–	(611,229)	–	–
Profit for the financial year		13,941,696	15,899,887	45,182,630	5,486,909
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive income		13,941,696	15,899,887	45,182,630	5,486,909

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

			Group		Company
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Profit attributable to:					
Owners of the parent		13,941,696	16,197,440	45,182,630	5,486,909
Non-controlling interest	6(e)	–	(297,553)	–	–
		13,941,696	15,899,887	45,182,630	5,486,909
Total comprehensive income attributable to:					
Owners of the parent		13,941,696	16,197,440	45,182,630	5,486,909
Non-controlling interest	6(e)	–	(297,553)	–	–
		13,941,696	15,899,887	45,182,630	5,486,909
Earnings per ordinary share attributable to equity holders of the parent (sen)					
– Basic and diluted	23				
Profit from continuing operations		11.62	13.76		
Loss from discontinued operations		–	(0.26)		
Profit for the financial year		11.62	13.50		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

Group	Note	Share capital RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non- controlling interest RM	Total equity RM
Balance as at 1 August 2016		60,000,000	41,747,634	101,747,634	1,923,446	103,671,080
Profit/(Loss) for the financial year		–	16,197,440	16,197,440	(297,553)	15,899,887
Other comprehensive income, net of tax		–	–	–	–	–
Total comprehensive income/(loss)		–	16,197,440	16,197,440	(297,553)	15,899,887
Transactions with owners						
Dividend paid	24	–	(3,600,000)	(3,600,000)	–	(3,600,000)
Disposal of equity interest in a subsidiary	6(f)	–	–	–	(1,625,893)	(1,625,893)
Balance as at 31 July 2017		60,000,000	54,345,074	114,345,074	–	114,345,074
Profit for the financial year		–	13,941,696	13,941,696	–	13,941,696
Other comprehensive income, net of tax		–	–	–	–	–
Total comprehensive income		–	13,941,696	13,941,696	–	13,941,696
Transactions with owners						
Dividend paid	24	–	(3,900,000)	(3,900,000)	–	(3,900,000)
Balance as at 31 July 2018		60,000,000	64,386,770	124,386,770	–	124,386,770

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

Company	Note	Share capital RM	Distributable Retained earnings RM	Total RM
Balance as at 1 August 2016		60,000,000	5,245,360	65,245,360
Profit for the financial year		–	5,486,909	5,486,909
Other comprehensive income, net of tax		–	–	–
Total comprehensive income		–	5,486,909	5,486,909
Transaction with owners				
Dividend paid	24	–	(3,600,000)	(3,600,000)
Balance as at 31 July 2017		60,000,000	7,132,269	67,132,269
Profit for the financial year		–	45,182,630	45,182,630
Other comprehensive income, net of tax		–	–	–
Total comprehensive income		–	45,182,630	45,182,630
Transactions with owners				
Dividend paid	24	–	(3,900,000)	(3,900,000)
Balance as at 31 July 2018		60,000,000	48,414,899	108,414,899

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax					
Continuing operations		17,253,343	20,124,075	45,182,630	5,486,909
Discontinued operations	22(b)	–	(445,618)	–	–
Adjustments for:					
Deposits written off		–	45,700	–	–
Depreciation of property, plant and equipment	5	5,275,521	5,656,548	–	–
Dividend income	16	–	–	(45,600,000)	(6,000,000)
Fair value (gain)/loss on derivative instruments	10(c)	(62,244)	127,318	–	–
(Gain)/Loss on disposal of a subsidiary	6(f)	–	(118,199)	–	122,650
Interest expense		995,948	611,218	–	–
Interest income		(748,713)	(697,264)	(59,703)	–
Loss on disposal of property, plant and equipment		–	88,724	–	–
Property, plant and equipment written off	5	–	464,674	–	–
Reversal of impairment loss on trade receivables	9(g)	–	(32,055)	–	–
Share of loss/(profit) in an associate, net of tax		5,437	(151,880)	–	–
Unrealised loss/(gain) on foreign exchange		511,302	(77,470)	–	–
Operating profit/(loss) before changes in working capital		23,230,594	25,595,771	(477,073)	(390,441)
Decrease/(Increase) in inventories		10,320,900	(39,386,572)	–	–
Decrease/(Increase) in trade and other receivables		487,885	(2,878,774)	–	–
(Decrease)/Increase in trade and other payables		(9,544,296)	7,555,902	27,249	14,501
Cash generated from/(used in) operations		24,495,083	(9,113,673)	(449,824)	(375,940)
Tax paid		(3,493,316)	(2,940,137)	–	–
Tax refunded		65,653	–	–	–
Net cash from/(used in) operating activities		21,067,420	(12,053,810)	(449,824)	(375,940)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend received	16	–	–	45,600,000	6,000,000
Interest received		748,713	697,264	59,703	–
Net advances to subsidiaries		–	–	(7,140,830)	(6,560,000)
Proceeds from disposal of a subsidiary	6(f)	–	399,977	–	2,105,400
Acquisition of additional ordinary shares in subsidiaries		–	–	(16,250,001)	–
Proceeds from disposal of plant and equipment		–	373,079	–	–
Purchase of property, plant and equipment	5	(5,811,455)	(5,640,352)	–	–
Repayments from an associate		150,000	2,400,000	150,000	2,400,000
Net cash (used in)/from investing activities		(4,912,742)	(1,770,032)	22,418,872	3,945,400
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	24	(3,900,000)	(3,600,000)	(3,900,000)	(3,600,000)
Net drawdown of borrowings		12,643,373	524,807	–	–
Interest paid		(995,948)	(611,218)	–	–
Net cash from/(used in) financing activities		7,747,425	(3,686,411)	(3,900,000)	(3,600,000)
Net increase/(decrease) in cash and cash equivalents		23,902,103	(17,510,253)	18,069,048	(30,540)
Cash and cash equivalents at beginning of financial year		7,751,660	25,261,913	17,403	47,943
Cash and cash equivalents at end of financial year	11	31,653,763	7,751,660	18,086,451	17,403

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings (Note 15) Group RM
At 1 August 2017	21,221,069
Non-cash flows:	12,643,373
– Effect of foreign exchange	706,128
At 31 July 2018	34,570,570

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

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2018

1. CORPORATE INFORMATION

A-Rank Berhad (the “Company”) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Lot 2-33, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 July 2018 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 5 October 2018.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 31 to the financial statements.

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

4. OPERATING SEGMENTS

A-Rank Berhad and its subsidiaries are principally engaged in investment holding, manufacturing and marketing of aluminium billets and manufacturing and marketing of all types of aluminium and glass fittings and other related activities. The manufacturing and marketing of all types of aluminium and glass fittings and other related activities were reclassified as discontinued operations as a result of the disposal of a subsidiary in the previous financial year as disclosed in Note 6(f) to the financial statements.

The Group has arrived at two (2) reportable segments that are organised and managed separately according to geographical areas, which require different business and marketing strategies. The reportable segments are Malaysia and South East Asia other than Malaysia. Other operating segments comprise countries in Africa, Europe and South Asia.

The Group evaluates performance on the basis of profit before tax.

NOTES TO THE FINANCIAL STATEMENTS

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4. OPERATING SEGMENTS (CONTINUED)

Revenue information is based on the geographical location of its customers.

Segment assets exclude tax assets and derivative financial assets. Segment assets and capital expenditure are based on the geographical location of assets.

Segment liabilities exclude tax liabilities, derivative financial liabilities, loans and borrowings that are managed under a centralised treasury function.

2018	Malaysia RM	South East Asia other than Malaysia RM	Others RM	Total RM
Revenue				
Total revenue	366,387,061	116,614,720	61,029,898	544,031,679
Inter-segment revenue	(45,600,000)	–	–	(45,600,000)
Revenue from external customers	320,787,061	116,614,720	61,029,898	498,431,679
Interest income				748,713
Interest expense				(995,948)
Net interest expenses				(247,235)
Results				
Segment operating profit before tax	59,634,889	2,066,679	1,157,212	62,858,780
Inter-segment profit	(45,600,000)	–	–	(45,600,000)
Share of loss of an associate, net of tax	(5,437)	–	–	(5,437)
Total profit for reportable segment	14,029,452	2,066,679	1,157,212	17,253,343
Tax expense				(3,311,647)
Profit for the financial year of the Group per consolidated profit or loss and other comprehensive income				13,941,696

NOTES TO THE FINANCIAL STATEMENTS

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4. OPERATING SEGMENTS (CONTINUED)

2018	Malaysia RM	South East Asia other than Malaysia RM	Others RM	Total RM
Assets				
Segment assets	164,782,208	6,484,860	5,612,315	176,879,383
Investment in an associate	436,586	–	–	436,586
	165,218,794	6,484,860	5,612,315	177,315,969
Unallocated assets:				
– Derivative financial assets				241,434
Assets of the Group per consolidated statement of financial position				177,557,403
Liabilities				
Segment liabilities	12,727,063	–	–	12,727,063
Unallocated liabilities:				
– Borrowings				34,570,570
– Deferred tax liabilities				4,967,600
– Current tax liabilities				693,684
– Derivative financial liabilities				211,716
Liabilities of the Group per consolidated statement of financial position				53,170,633
Other information				
Capital expenditure				5,811,455
Depreciation of property, plant and equipment				(5,275,521)
Fair value gain on derivative instruments				62,244

NOTES TO THE FINANCIAL STATEMENTS

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4. OPERATING SEGMENTS (CONTINUED)

2017	Malaysia RM	South East Asia other than Malaysia RM	Others RM	Total RM
Revenue				
Total revenue	322,394,863	98,151,726	47,681,968	468,228,557
Inter-segment revenue	(6,000,000)	–	–	(6,000,000)
Revenue from external customers	316,394,863	98,151,726	47,681,968	462,228,557
Revenue from external customers for discontinued operations (Note 22(b))	(6,526,134)	(235,369)	–	(6,761,503)
Revenue from external customers for continued operations (Note 16)	309,868,729	97,916,357	47,681,968	455,467,054
Interest income				697,264
Interest expense				(611,218)
Net interest income				86,046
Results				
Segment operating profit before tax	23,078,981	1,758,683	943,682	25,781,346
Inter-segment profit	(5,809,151)	–	–	(5,809,151)
Share of profit of an associate, net of tax	151,880	–	–	151,880
Total profit for reportable segment from continued operation	17,421,710	1,758,683	943,682	20,124,075
Loss from discontinued operation (Note 22(b))				(611,229)
Tax expense				(3,612,959)
Profit for the financial year of the Group per consolidated profit or loss and other comprehensive income				15,899,887

NOTES TO THE FINANCIAL STATEMENTS

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4. OPERATING SEGMENTS (CONTINUED)

2017	Malaysia RM	South East Asia other than Malaysia RM	Others RM	Total RM
Assets				
Segment assets	156,565,921	4,515,385	2,096,984	163,178,290
Investment in an associate	442,023	–	–	442,023
Assets of the Group per consolidated statement of financial position	157,007,944	4,515,385	2,096,984	163,620,313
Liabilities				
Segment liabilities	22,244,344	–	–	22,244,344
Unallocated liabilities:				
– Borrowings				21,221,069
– Deferred tax liabilities				5,186,700
– Current tax liabilities				590,600
– Derivatives financial liabilities				32,526
Liabilities of the Group per consolidated statement of financial position				49,275,239
Other information				
Capital expenditure				5,640,352
Depreciation of property, plant and equipment				(5,656,548)
Fair value loss on derivative instruments				(127,318)

(a) Major customers

The following is a major customer with revenue equal or more than ten percent (10%) of Group revenue:

	Revenue 2018 RM	Revenue 2017 RM	Segment
Customer A	110,499,405	85,661,954	Malaysia

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT

Group 2018	Balance as at 1.8.2017 RM	Additions RM	Reclassification RM	Depreciation charge for the year RM	Balance as at 31.7.2018 RM
Carrying amount					
Freehold land	8,825,000	–	–	–	8,825,000
Buildings	21,474,796	491,150	–	(550,943)	21,415,003
Plant and machinery	20,797,241	5,308,547	2,392,032	(4,394,803)	24,103,017
Office equipment	308,755	10,708	–	(46,967)	272,496
Furniture and fittings	95,462	1,050	–	(12,261)	84,251
Electrical fittings	512,510	–	–	(107,763)	404,747
Motor vehicles	462,757	–	–	(162,784)	299,973
Construction-in-progress	2,392,032	–	(2,392,032)	–	–
	54,868,553	5,811,455	–	(5,275,521)	55,404,487

	<----- At 31 July 2018 ----->		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	8,825,000	–	8,825,000
Buildings	27,552,844	(6,137,841)	21,415,003
Plant and machinery	63,030,837	(38,927,820)	24,103,017
Office equipment	751,709	(479,213)	272,496
Furniture and fittings	371,722	(287,471)	84,251
Electrical fittings	2,589,498	(2,184,751)	404,747
Motor vehicles	979,188	(679,215)	299,973
	104,100,798	(48,696,311)	55,404,487

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2017	Balance as at 1.8.2016 RM	Additions RM	Disposal RM	Disposal of a subsidiary (Note 6(f)) RM	Written off RM	Depreciation charge for the year RM	Balance as at 31.7.2017 RM
Carrying amount							
Freehold land	10,676,000	–	–	(1,851,000)	–	–	8,825,000
Buildings	24,702,590	592,714	–	(2,839,013)	(391,005)	(590,490)	21,474,796
Plant and machinery	24,914,520	1,685,938	(25,934)	(1,214,572)	(28,159)	(4,534,552)	20,797,241
Office equipment	710,990	186,565	(139,837)	(342,004)	(35,249)	(71,710)	308,755
Furniture and fittings	338,752	85,918	(54,709)	(245,374)	(26)	(29,099)	95,462
Electrical fittings	689,938	–	–	(58,737)	(6,035)	(112,656)	512,510
Motor vehicles	615,197	697,185	(132,750)	(482,359)	–	(234,516)	462,757
Renovations	524,116	–	(108,573)	(327,818)	(4,200)	(83,525)	–
Construction-in-progress	–	2,392,032	–	–	–	–	2,392,032
	63,172,103	5,640,352	(461,803)	(7,360,877)	(464,674)	(5,656,548)	54,868,553

	<----- At 31 July 2017 ----->		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	8,825,000	–	8,825,000
Buildings	27,061,693	(5,586,897)	21,474,796
Plant and machinery	55,330,258	(34,533,017)	20,797,241
Office equipment	741,002	(432,247)	308,755
Furniture and fittings	370,673	(275,211)	95,462
Electrical fittings	2,589,498	(2,076,988)	512,510
Motor vehicles	979,187	(516,430)	462,757
Construction-in-progress	2,392,032	–	2,392,032
	98,289,343	(43,420,790)	54,868,553

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings	2%
Plant and machinery	6% to 50%
Office equipment	10%
Furniture and fittings	10%
Electrical fittings	6% to 20%
Motor vehicles	20%

Freehold land has unlimited useful life and is not depreciated. Construction-in-progress represents machinery under installation and is stated at cost and is not depreciated until such time when the asset is available for use.

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Unquoted equity shares, at cost	70,978,560	54,728,559

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

- (b) The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2018	2017	
Formosa Shyen Horng Metal Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and marketing of aluminium billets.
Emerald Innovations Sdn. Bhd.	Malaysia	100%	–	Dormant

All the subsidiaries are audited by BDO.

- (c) Acquisition of a subsidiary during the financial year ended 31 July 2018

On 8 November 2017, the Company had acquired one (1) existing ordinary share, representing 100% equity interest in Emerald Innovations Sdn. Bhd. for a cash consideration of RM1.

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (d) Acquisition of additional ordinary shares in a subsidiary during the financial year ended 31 July 2018

On 5 July 2018, the Company had subscribed additional twenty million (20,000,000) ordinary shares in Formosa Shyen Horng Metal Sdn. Bhd., a company incorporated in Malaysia, for a cash consideration of RM16,250,000. The effective interest in equity remains unchanged after the acquisition of additional ordinary shares.

- (e) The subsidiary of the Group that has material non-controlling interest ("NCI"), which was disposed in the previous financial year is as follows:

	2018 RM	Group 2017 RM
Loss allocated to NCI (RM)	–	(297,553)

- (f) Disposal of a subsidiary

On 2 February 2017, the Company disposed of its entire equity interest in a subsidiary, HongLee Group (M) Sdn. Bhd., a company incorporated in Malaysia which is engaged in manufacturing and marketing of all types of aluminium and glass fittings and other related activities for a cash consideration of RM2,105,400 as disclosed in Note 22(a) to the financial statements.

Effects of disposal of the HongLee Group (M) Sdn. Bhd. are disclosed below:

- (i) Carrying amounts of the identifiable assets and liabilities of HongLee Group (M) Sdn. Bhd. as at the date of disposal are as follows:

	2017 RM
Property, plant and equipment (Note 5)	7,360,877
Inventories	3,658,944
Trade and other receivables	1,026,733
Cash and bank balances	1,705,423
Total identifiable assets	13,751,977
Trade and other payables	(8,581,349)
Current tax liabilities	(31,326)
Bank borrowings	(1,526,208)
Total identifiable liabilities	(10,138,883)
Total identifiable net assets	3,613,094

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(f) Disposal of a subsidiary (Continued)

(ii) (Gain)/Loss on disposal of the HongLee Group (M) Sdn. Bhd. in the previous financial year was as follows:

	Group RM	Company RM
Cost of investment	–	2,228,050
Total identifiable assets	13,751,977	–
Total identifiable liabilities	(10,138,883)	–
Total identifiable net assets/carrying amount	3,613,094	2,228,050
Less: Non-controlling interest	(1,625,893)	–
Total identifiable net assets and reserve	1,987,201	2,228,050
Less: Proceeds from disposal	(2,105,400)	(2,105,400)
(Gain)/Loss on disposal	(118,199)	122,650

(iii) Effects of disposal of the HongLee Group (M) Sdn. Bhd on cash flows in the previous financial year were as follows:

	Group RM	Company RM
Disposal consideration for the subsidiary disposed of, in cash	2,105,400	2,105,400
Less: Cash and cash equivalents disposed of	(1,705,423)	–
Net cash inflow on disposal	399,977	2,105,400

7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares, at cost	3,000	3,000	3,000	3,000
Share of profit in an associate	433,586	439,023	–	–
	436,586	442,023	3,000	3,000

(a) Investment in an associate is measured at cost less impairment loss, if any, and accounted for using the equity method in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN AN ASSOCIATE (CONTINUED)

(b) The details of the associate are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2018	2017	
Ringgit Voyage Sdn. Bhd.*	Malaysia	30%	30%	Investment holding

* Not audited by BDO or member firms of BDO International.

The above investment is accounted for as investment in associate by virtue of the Group's ability to exercise significant influence over the financial and operating policies of the investee company through representation in the Board of Directors of this associate.

The Group's share of results of associate is based on the latest available audited financial statements as at 31 December 2017 and management accounts as at 31 July 2018.

(c) The summarised financial information of the associate is as follows:

	Group	
	2018 RM	2017 RM
Assets and liabilities		
Non-current assets	1,747,809	1,759,934
Current assets	1,207,478	1,717,579
Current liabilities	(1,500,000)	(2,004,104)
Net assets	1,455,287	1,473,409
Results		
(Loss)/Profit for the financial year	(18,122)	506,267
Total comprehensive (loss)/income	(18,122)	506,267
Cash flows (used in)/from operating activities	(10,101)	13,203
Net (decrease)/increase in cash and cash equivalents	(10,101)	13,203

NOTES TO THE FINANCIAL STATEMENTS

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8. INVENTORIES

	2018 RM	Group 2017 RM
At cost		
Raw materials	49,269,582	59,429,699
Work-in-progress	1,837,357	1,514,619
Stores and spares	1,161,582	1,645,103
	52,268,521	62,589,421

(a) Cost of inventories is determined on a first-in, first-out basis.

(b) Carrying amount of inventories at the lower of cost and net realisable value

Write-down of inventories to net realisable value was mainly based on management's estimates, which had been derived from expectation of current market prices and future demand.

Management focused on the risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value, the determination of which requires the management to exercise significant judgement in estimating the net realisable value of the inventories as the main component of inventories is aluminium and it is a commodity that is subject to price volatility.

In estimating the net realisable value of the inventories, the management considers the inventories' ageing, the general economic conditions and consumers' demand.

(c) During the financial year, inventories of the Group recognised as cost of sales amounted to RM428,888,837 (2017: RM386,804,915).

NOTES TO THE FINANCIAL STATEMENTS

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9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables				
Third parties	29,516,360	27,123,879	–	–
Related parties	3,236,736	3,930,057	–	–
	32,753,096	31,053,936	–	–
Other receivables				
Amounts owing by subsidiaries	–	–	19,158,488	12,017,658
Amount owing by an associate	450,000	600,000	450,000	600,000
Other receivables	1,710,231	2,650,533	–	–
Deposits	15,490	16,890	1,000	1,000
	2,175,721	3,267,423	19,609,488	12,618,658
Total receivables	34,928,817	34,321,359	19,609,488	12,618,658
Prepayments	2,623,795	3,647,297	–	–
	37,552,612	37,968,656	19,609,488	12,618,658

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Total receivables	34,928,817	34,321,359	19,609,488	12,618,658
Cash and bank balances (Note 11)	31,653,763	7,751,660	18,086,451	17,403
Total loan and receivables	66,582,580	42,073,019	37,695,939	12,636,061

- Total receivables are classified as loan and receivables and are measured at amortised cost using the effective interest method.
- The credit terms of trade receivables ranged from 14 days to 180 days (2017: 14 days to 180 days) from the date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- Amounts owing by subsidiaries and an associate represent advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.
- Included in other receivables of the Group is Goods and Services Tax Input Tax Credit amounting to RM1,680,941 (2017: RM2,550,641).
- Included in prepayments of the Group are advance payments to overseas suppliers amounting to RM2,317,980 (2017: RM3,537,172).

NOTES TO THE FINANCIAL STATEMENTS

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9. TRADE AND OTHER RECEIVABLES (CONTINUED)

(f) The aging analysis of trade receivables are as follows:

	2018 RM	Group 2017 RM
Neither past due nor impaired	29,661,990	27,451,833
Past due, not impaired:		
– 31 to 60 days	2,907,805	3,310,893
– 61 to 90 days	65,722	288,793
– 91 to 120 days	76,710	2,036
– more than 120 days	40,869	381
	3,091,106	3,602,103
	32,753,096	31,053,936

Receivables that are neither past due nor impaired

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

The credit quality of trade receivables that are neither past due nor impaired as at the end of reporting period were assessed by reference to past payment trends of the receivables.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired mainly arose from customers where the Group has healthy business relationships with, whereby management is of the view that the amounts are recoverable based on payment history.

The trade receivables of the Group that are past due but not impaired are unsecured in nature.

(g) The reconciliation of movement in the impairment loss is as follows:

	2018 RM	Group 2017 RM
At 1 August 2017/2016	–	97,836
Reversal of impairment loss	–	(32,055)
Disposal of a subsidiary	–	(65,781)
At 31 July 2018/2017	–	–

NOTES TO THE FINANCIAL STATEMENTS

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9. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (h) The Group determines concentration of credit risk by monitoring its trade receivables on an ongoing basis. At the end of each reporting period, approximately 48% (2017: 53%) of the trade receivables of the Group were due from five (5) (2017: five (5)) major customers.

At the end of each reporting period, 98% (2017: 95%) and 2% (2017: 5%) of the receivables of the Company were due from a subsidiary and an associate respectively.

- (i) The currency exposure profile of receivables is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	22,993,701	27,752,076	19,609,488	12,618,658
United States Dollar	14,558,911	10,216,580	–	–
	37,552,612	37,968,656	19,609,488	12,618,658

- (j) The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the United States Dollar (“USD”) exchange rates against the functional currencies of the Group, with all other variables held constant:

		Group	
Profit after tax		2018 RM	2017 RM
USD/RM	– strengthen by 3% (2017: 3%)	331,943	232,938
	– weaken by 3% (2017: 3%)	(331,943)	(232,938)

NOTES TO THE FINANCIAL STATEMENTS

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10. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Group	Contract/ Notional amount RM	2018		Contract/ Notional amount RM	2017	
		Assets RM	Liabilities RM		Assets RM	Liabilities RM
Forward currency contracts	22,151,603	241,434	–	5,245,817	–	(32,526)
Commodity future contracts	(6,711,938)	–	(211,716)	–	–	–
	15,439,665	241,434	(211,716)	5,245,817	–	(32,526)

(a) Forward currency contracts

Forward currency contracts have been entered into, to operationally hedge forecast sales and purchases denominated in foreign currencies that are expected to occur at various dates within three (3) months from the end of the reporting period. The forward currency contracts have maturity dates that coincide with the expected occurrence of these transactions. The fair value of these components has been determined based on the difference between the contract value and fair value of the underlying currencies at the end of the reporting period.

(b) Commodity future contracts

The Group had entered into commodity future contracts with the objective of hedging the Group's exposure to adverse price movements in aluminum. The commodity future contracts had maturity dates that coincide with the expected occurrence of these transactions. The fair value of these contracts had been determined based on the difference between the contract value and fair value of the underlying commodity as at the end of the reporting period.

(c) During the financial year, the Group recognised a total gain of RM62,244 (2017: total loss of RM127,318) arising from fair value changes of derivatives.

(d) The carrying amount of the forward currency contracts is reasonable approximate of fair value, either due to its short-term nature or that floating rate instrument that is re-priced to market interest rates on or near the end of each reporting period.

The fair value of derivative financial assets/(liabilities) are categorised as level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

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10. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

- (e) The notional/contract amount and maturity date of the derivative financial assets/(liabilities) of the Group outstanding as at the end of each reporting period are as follows:

Group	Expiry date	Notional/ Contract amount USD	Equivalent RM
2018			
Forward currency contracts	Within three (3) months	5,506,033	22,151,603
Commodity future contracts	Within three (3) months	(1,661,782)	(6,711,938)
2017			
Forward currency contracts	Within three (3) months	1,217,917	5,245,817

- (f) The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the United States Dollar ("USD") exchange rate against the functional currency of the Group entities, with all other variables held constant:

Profit after tax		Group 2018 RM	2017 RM
USD/RM	– strengthen by 3% (2017: 3%)	352,024	119,605
	– weaken by 3% (2017: 3%)	(352,024)	(119,605)

11. CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	5,685,888	4,228,403	3,026,748	17,403
Short term funds	25,967,875	3,523,257	15,059,703	–
Cash and cash equivalents included in the statements of cash flows	31,653,763	7,751,660	18,086,451	17,403

- (a) Bank balances are deposits held at call with licensed banks.
- (b) Short term funds held by the Group and the Company are highly liquid, readily convertible to cash and are subject to insignificant risk of changes in value and hence, meet the definition to be classified as cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

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11. CASH AND BANK BALANCES (CONTINUED)

- (c) Weighted average effective interest rates of short term funds of the Group and of the Company as at the end of each reporting periods are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed rates	3.20%	2.83%	3.66%	–

Sensitivity analysis for fixed rate deposits with licensed banks at the end of the reporting period is not presented as fixed rate instrument is not affected by changes in interest rate.

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	29,568,329	6,861,980	18,086,451	17,403
United States Dollar	2,073,337	881,263	–	–
Others	12,097	8,417	–	–
	31,653,763	7,751,660	18,086,451	17,403

- (e) The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the United States Dollar (“USD”) exchange rates against the functional currencies of the Group, with all other variables held constant:

		Group	
Profit after tax		2018 RM	2017 RM
USD/RM	– strengthen by 3% (2017: 3%)	47,272	20,093
	– weaken by 3% (2017: 3%)	(47,272)	(20,093)

NOTES TO THE FINANCIAL STATEMENTS

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12. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Issued and fully paid up ordinary shares				
At beginning/end of the financial year	120,000,000	60,000,000	120,000,000	60,000,000

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

13. DEFERRED TAX LIABILITIES

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

	Group	
	2018 RM	2017 RM
Balance as at 1 August 2017/2016	5,186,700	4,910,480
Recognised in profit or loss:		
– continued operation (Note 21)	(219,100)	276,220
Balance as at 31 July 2018/2017	4,967,600	5,186,700
Presented after appropriate offsetting:		
Deferred tax liabilities	4,994,200	5,324,372
Deferred tax assets	(26,600)	(137,672)
	4,967,600	5,186,700

NOTES TO THE FINANCIAL STATEMENTS

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13. DEFERRED TAX LIABILITIES (CONTINUED)

- (b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group	Property, plant and equipment RM	Other taxable temporary differences RM	Total RM
At 1 August 2017	5,089,812	234,560	5,324,372
Recognised in profit or loss	(95,612)	(234,560)	(330,172)
At 31 July 2018	4,994,200	–	4,994,200
At 1 August 2016	4,886,106	124,598	5,010,704
Recognised in profit or loss	203,706	109,962	313,668
At 31 July 2017	5,089,812	234,560	5,324,372

Deferred tax assets of the Group	Other deductible temporary differences RM	Total RM
At 1 August 2017	137,672	137,672
Recognised in profit or loss	(111,072)	(111,072)
At 31 July 2018	26,600	26,600
At 1 August 2016	100,224	100,224
Recognised in profit or loss	37,448	37,448
At 31 July 2017	137,672	137,672

NOTES TO THE FINANCIAL STATEMENTS

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14. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
Third parties	4,676,725	13,800,669	–	–
Other payables				
Other payables	6,207,162	6,235,350	20,600	3,351
Accruals	1,843,176	2,208,325	242,000	232,000
	8,050,338	8,443,675	262,600	235,351
	12,727,063	22,244,344	262,600	235,351

- (a) Trade and other payables are classified as other financial liabilities, and are measured at amortised cost using effective interest method.
- (b) Trade payables are non-interest bearing and the normal credit terms granted to the Group ranged from 7 days to 30 days (2017: 7 days to 30 days).
- (c) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	9,373,898	9,701,587	262,600	235,351
United States Dollar	3,345,060	12,542,757	–	–
Others	8,105	–	–	–
	12,727,063	22,244,344	262,600	235,351

- (d) The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the United States Dollar (“USD”) exchange rates against the functional currencies of the Group, with all other variables held constant:

		Group	
		2018 RM	2017 RM
Profit after tax			
USD/RM	– strengthen by 3% (2017: 3%)	(76,267)	(288,447)
	– weaken by 3% (2017: 3%)	76,267	288,447

- (e) The maturity profile of the trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

NOTES TO THE FINANCIAL STATEMENTS

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15. BORROWINGS

	2018 RM	Group 2017 RM
Foreign currency loans	34,570,570	21,221,069

- (a) Borrowings are classified as other financial liabilities, and are measured at amortised cost using the effective interest method.
- (b) The short term borrowings of the Group are secured by a corporate guarantee from the Company.
- (c) Borrowings are denominated in United States Dollar ("USD").
- (d) The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the United States Dollar ("USD") exchange rates against the functional currencies of the Group, with all other variables held constant:

Profit after tax	2018 RM	Group 2017 RM
USD/RM		
– strengthen by 3% (2017: 3%)	(788,209)	(483,840)
– weaken by 3% (2017: 3%)	788,209	483,840

- (e) The weighted average effective interest rates of the borrowings of the Group at the end of each reporting period are as follows:

	2018 RM	Group 2017 RM
Weighted average effective interest rate		
– Floating rates	3.12%	1.94%

NOTES TO THE FINANCIAL STATEMENTS

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15. BORROWINGS (CONTINUED)

- (f) The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

	Group	
Profit after tax	2018 RM	2017 RM
– Increase by 0.5% (2017: 0.5%)	(32,690)	(67,252)
– Decrease by 0.5% (2017: 0.5%)	32,690	67,252

- (g) The carrying amount of the foreign currency loan is reasonable approximate of fair value, either due to its short-term nature or that floating rate instrument that is re-priced to market interest rates on or near the end of each reporting period.

The fair value of borrowings are categorised as level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

- (h) The table below summarises the maturity profile of the borrowings of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations:

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
--	--	----------------------------	--------------------------	-------------

As at 31 July 2018

Group

Financial liabilities

Borrowings	34,570,570	–	–	34,570,570
Total undiscounted financial liabilities	34,570,570	–	–	34,570,570

As at 31 July 2017

Group

Financial liabilities

Borrowings	21,221,069	–	–	21,221,069
Total undiscounted financial liabilities	21,221,069	–	–	21,221,069

NOTES TO THE FINANCIAL STATEMENTS

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16. REVENUE

Continuing operations	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	498,431,679	455,467,054	–	–
Dividend income from a subsidiary	–	–	45,600,000	6,000,000
	498,431,679	455,467,054	45,600,000	6,000,000

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Dividend income

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

17. OTHER INCOME

Continuing operations	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Interest income		748,713	694,195	59,703	–
Gain on disposal of property, plant and equipment		–	33,532	–	–
Gain on disposal of a subsidiary	6(f)	–	118,199	–	–
Gain on foreign exchange:					
– realised		2,258,072	743,589	–	–
– unrealised		–	77,470	–	–
Sundry income		28,650	42,311	–	–
		3,035,435	1,709,296	59,703	–

(a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

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18. OTHER EXPENSES

Continuing operations	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Deposits written off		–	45,700	–	–
Loss on disposal of a subsidiary	6(f)	–	–	–	122,650
Property, plant and equipment written off		–	398,910	–	–
Unrealised loss on foreign exchange		511,302	–	–	–
		511,302	444,610	–	122,650

19. FINANCE COSTS

Continuing operations	Group	
	2018 RM	2017 RM
Interest expense on:		
– foreign currency loans	995,785	575,228
– bank overdraft	163	82
	995,948	575,310

20. PROFIT BEFORE TAX

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

Continuing operations	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
After charging:				
Auditors' remuneration:				
– statutory audit	71,000	67,000	11,000	11,000
– non-statutory	5,000	5,000	5,000	5,000
Rental of:				
– staff hostel	17,860	17,610	–	–
– machinery	1,095,875	1,060,950	–	–
– office equipment	3,108	3,108	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2018

21. TAX EXPENSE

Continuing operations	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense based on profit for the financial year:				
– current year	3,566,000	3,303,600	–	–
– (over)/under-provision in prior years	(35,253)	33,139	–	–
	3,530,747	3,336,739	–	–
Deferred tax (Note 13)				
– current year	(193,800)	233,400	–	–
– (over)/under-provision in prior years	(25,300)	42,820	–	–
	(219,100)	276,220	–	–
	3,311,647	3,612,959	–	–

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profit for the fiscal year.
- (b) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

Continuing operations	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	4,140,802	4,829,778	10,843,831	1,316,858
Tax effects in respect of:				
– Non-allowable expenses	395,984	323,412	114,498	123,142
– Non-taxable income	(76,619)	(109,459)	(10,958,329)	(1,440,000)
– Tax incentives	(1,087,967)	(1,506,731)	–	–
	3,372,200	3,537,000	–	–
(Over)/Under-provision in prior years:				
– Current tax	(35,253)	33,139	–	–
– Deferred tax	(25,300)	42,820	–	–
	3,311,647	3,612,959	–	–

NOTES TO THE FINANCIAL STATEMENTS

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22. DISCONTINUED OPERATIONS

(a) In the previous financial year, the Company disposed of its entire equity interest in a subsidiary, HongLee Group (M) Sdn. Bhd., a company incorporated in Malaysia which is engaged in manufacturing and marketing of all types of aluminium and glass fittings and other related activities for a cash consideration of RM2,105,400 as disclosed in Note 6(f) to the financial statements.

(b) An analysis of the results of the discontinued operations are as follows:

	Group 2017 RM
Revenue	6,761,503
Cost of sales	(4,579,427)
Gross profit	2,182,076
Other income	97,678
Marketing and distribution expenses	(790,919)
Administration expenses	(1,710,525)
Other expenses	(188,020)
Finance costs	(35,908)
Loss before tax	(445,618)
Tax expense	(165,611)
Loss for the financial year	(611,229)
Loss attributable to:	
Owners of the parent	(313,676)
Non-controlling interest	(297,553)
	(611,229)

(i) Cost of sales from discontinued operations

Included in cost of sales is:

	Group 2017 RM
Inventories sold	3,011,127

NOTES TO THE FINANCIAL STATEMENTS

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22. DISCONTINUED OPERATIONS (CONTINUED)

(b) An analysis of the results of the discontinued operations are as follows: (Continued)

(ii) Other income from discontinued operations

	Group 2017 RM
Interest income	3,069
Bad debt recovery interest	2,522
Realised gain on foreign exchange	32
Reversal of impairment losses on trade receivables	32,055
Dealership fees	60,000
	<hr/>
	97,678

(iii) Other expenses from discontinued operations

	Group 2017 RM
Loss on disposal of property, plant and equipment	122,256
Property, plant and equipment written off	65,764
	<hr/>
	188,020

(iv) Finance costs from discontinued operations

	Group 2017 RM
Interest expense on:	
– bankers' acceptances	2,166
– term loans	33,742
	<hr/>
	35,908

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2018

22. DISCONTINUED OPERATIONS (CONTINUED)

(b) An analysis of the results of the discontinued operations are as follows: (Continued)

(v) Loss before tax from discontinued operations

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

	Group 2017 RM
After charging:	
Auditors' remuneration:	
– current year	6,000
– under provision in prior year	500
Depreciation of property, plant and equipment	326,398
Directors' remuneration – emoluments other than fees	205,998
Rental of:	
– office equipment	2,900
– hostel	21,690
– showroom	110,010
	<hr/>

(vi) Employee benefits from discontinued operations

	Group 2017 RM
Salaries, bonuses and wages	1,789,764
Defined contribution plan	114,149
Social security contributions	13,862
	<hr/>
	1,917,775
	<hr/>

(vii) Tax expense from discontinued operations

	Group 2017 RM
Current tax expense based on profit for the financial year:	
– current year	–
– under-provision in prior year	165,611
	<hr/>
	165,611
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

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22. DISCONTINUED OPERATIONS (CONTINUED)

(c) Cash flows attributable to the discontinued operations are as follows:

	Group 2017 RM
Inflow/(Outflow):	
Operating activities	715,109
Investing activities	771,088
Financing activities	(338,283)
	<hr/> 1,147,914 <hr/>

23. EARNINGS PER ORDINARY SHARE

(a) Basic

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

	2018	Group 2017
Profit/(Loss) attributable to equity holders of the parent from:		
– continuing operations (RM)	13,941,696	16,511,116
– discontinued operations (RM)	–	(313,676)
Profit attributable to equity holders of the parent (RM)	<hr/> 13,941,696 <hr/>	<hr/> 16,197,440 <hr/>
Weighted average number of ordinary shares	<hr/> 120,000,000 <hr/>	<hr/> 120,000,000 <hr/>
Basic earnings per ordinary share (sen) for:		
– Profit from continuing operations	11.62	13.76
– Loss from discontinued operations	–	(0.26)
Profit for the financial year	<hr/> 11.62 <hr/>	<hr/> 13.50 <hr/>

(b) Diluted

Diluted earnings per ordinary share equals basic earnings per ordinary share as there are no potential dilutive equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

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24. DIVIDENDS

	Group and Company			
	2018		2017	
	Dividend per share Sen	Amount of dividend RM	Dividend per share Sen	Amount of dividend RM
First and final single tier dividend paid in respect of financial year ended 31 July 2017/2016	3.25	3,900,000	3.00	3,600,000

A first and final single tier dividend in respect of the financial year ended 31 July 2017 of 3.25 sen per ordinary share, amounting to RM3,900,000 was approved by the shareholders at the Annual General Meeting held on 7 December 2017. The dividend was paid on 21 December 2017 and had been accounted for as an appropriation of retained earnings during the financial year ended 31 July 2018.

At the forthcoming Annual General Meeting, a first and final single tier dividend of 3.25 sen per ordinary share amounting to RM3,900,000 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 July 2019.

25. EMPLOYEE BENEFITS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Continuing operations				
Salaries, bonuses and wages	8,573,888	8,409,541	–	–
Defined contribution plan	526,364	473,497	–	–
Social security contributions	57,118	54,575	–	–
Other benefits	687,695	581,782	29,000	28,000
	9,845,065	9,519,395	29,000	28,000

Included in the employee benefits of the Group and of the Company are Directors' remuneration other than fees amounting to RM1,322,223 (2017: RM1,324,073) and RM29,000 (2017: RM28,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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26. COMMITMENTS

(a) Operating lease commitments

The Group had entered into non-cancellable lease agreements for machinery and staff hostel resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rate.

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

	2018 RM	Group 2017 RM
Not later than one (1) year	293,508	216,368
Later than one (1) year and not later than five (5) years	1,091,331	320,957
	1,384,839	537,325

(b) Capital commitments

	2018 RM	Group 2017 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
– Approved and contracted for	508,914	5,039,671
– Approved but not contracted for	2,852,980	4,974,672
	3,361,894	10,014,343

NOTES TO THE FINANCIAL STATEMENTS

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27. CONTINGENT LIABILITIES – UNSECURED

	Company			
	2018		2017	
	Limit RM	Utilised RM	Limit RM	Utilised RM
Corporate guarantees given to financial institutions for:				
– banking facilities to a subsidiary	#	34,570,570	#	21,221,069
– banking facilities to a subsidiary which was disposed on 2 February 2017	*	–	4,895,000	1,486,364
		<u>34,570,570</u>		<u>22,707,433</u>

The Company provided corporate guarantee for banking facilities granted to a subsidiary with a limit of RM88,000,000 and USD5,000,000 (2017: RM88,000,000 and USD5,000,000).

* In the previous finance year, the Company provided corporate guarantee for banking facilities granted to a former subsidiary, HongLee Group (M) Sdn. Bhd., which was disposed on 2 February 2017. The corporate guarantee has been discharged during the financial year.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities, if any, are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities, if any, are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote in view of the financial strength of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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28. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

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

	2018 RM	Group 2017 RM
<i>With related parties in which a Director has substantial financial interests:</i>		
Formosa Shyen Horng Metal Sdn. Bhd.		
– Sales to LB Aluminium Berhad	110,499,405	85,661,954
– Sales to LB Aluminium (Sarawak) Sdn. Bhd.	10,963,674	11,204,005
HongLee Group (M) Sdn. Bhd. (Ceased as a subsidiary on 2 February 2017)		
– Purchases from LB Aluminium Berhad	–	544,495
– Sales to LB Aluminium Berhad	–	27,438
<i>With related party in which certain Directors of a subsidiary has substantial financial interests:</i>		
HongLee Group (M) Sdn. Bhd. (Ceased as a subsidiary on 2 February 2017)		
– Rental paid/payable to Apresi Sdn. Bhd.	–	72,000

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

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28. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

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

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company:				
Non-executive Directors				
Directors fees	166,000	156,000	166,000	156,000
Other benefits	21,000	20,000	21,000	20,000
	187,000	176,000	187,000	176,000
Executive Directors				
Directors fees	60,000	60,000	60,000	60,000
Short term employee benefits	1,165,640	1,145,500	–	–
Defined contribution plan	127,583	150,573	–	–
Other benefits	8,000	8,000	8,000	8,000
	1,361,223	1,364,073	68,000	68,000
Directors of the subsidiaries:				
Executive Directors				
Short term employee benefits	–	184,550	–	–
Defined contribution plan	–	21,448	–	–
	–	205,998	–	–
Total Directors' remuneration	1,548,223	1,746,071	255,000	244,000
Other key management personnel:				
Short term employee benefits	1,275,993	2,085,840	–	–
Defined contribution plan	211,488	151,903	–	–
Other benefits	17,762	17,388	–	–
Total compensation of other key management personnel	1,505,243	2,255,131	–	–

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM41,350 (2017: RM36,300).

NOTES TO THE FINANCIAL STATEMENTS

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29. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to ensure that the Group would be able to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The overall strategy of the Group remains unchanged from that in the financial year ended 31 July 2017.

The Group manages its capital structure and makes adjustments to it in response to changes in the economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 July 2018 and 31 July 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, borrowings less cash and bank balances. Capital represents equity attributable to the owners of the parents. The gearing ratio as at 31 July 2018 and 31 July 2017 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Borrowings	34,570,570	21,221,069	–	–
Less: Cash and bank balances	(31,653,763)	(7,751,660)	(18,086,451)	(17,403)
Net debt/(cash)	2,916,807	13,469,409	(18,086,451)	(17,403)
Total capital	124,386,770	114,345,074	108,414,899	67,132,269
Gearing ratio (%)	2	12	*	*

* Gearing ratio is not applicable as the Group and the Company are at net cash position.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 July 2018.

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

(b) Financial risk management

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

The Group is exposed mainly to interest rate risk, foreign currency risk, credit risk, liquidity and cash flow risk and price fluctuation risk. Information on the management of the related exposures is detailed below.

NOTES TO THE FINANCIAL STATEMENTS

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29. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (Continued)

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates. The exposure of the Group and of the Company to interest rate risk arises primarily from their borrowings and short term fund.

Sensitivity analysis for interest rates risk

The Group regularly reviews and ensure that it obtains bank borrowings at competitive rates under the most favourable terms and conditions.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Note 11 and Note 15 to the financial statements respectively.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Transactional currency exposures mainly arise from sales to overseas customers. These sales are priced in Ringgit Malaysia but invoiced in United States Dollar ("USD"). The Group also makes purchases of raw materials from overseas suppliers in USD. The Group entered into forward currency contracts to limit its exposure of sales and purchases dominated in foreign currency.

The sensitivity analysis for foreign currency risk has been disclosed in Note 9, Note 10, Note 11, Note 14 and Note 15 to the financial statements respectively.

(iii) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables while the Company's primary exposure is through the amount owing by a subsidiary. The trading terms of the Group with its customers are mainly on credit. The credit period is generally for a period of fourteen (14) days, extending up to one hundred and eighty (180) days for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management.

The credit risk profiles have been disclosed in Note 9 to the financial statements.

Exposure to credit risk

At the end of each reporting period, the maximum exposure to credit risk of the Group and of the Company is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The information regarding credit enhancement for trade and other receivables is disclosed in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2018

29. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (Continued)

(iv) Liquidity and cash flow risk

The Group monitors its cash flow position actively and maintains sufficient cash balances and credit facilities to meet its working capital requirements and other obligations as and when they fall due.

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

The analysis of financial instruments by remaining contractual maturities has been disclosed in Note 10, Note 14 and Note 15 to the financial statements respectively.

(v) Price fluctuation risk

The Group is exposed to price fluctuation risks arising from sale and purchase of aluminium commodities. The Group entered into commodity future contracts with the objective of managing and mitigating the exposure to price volatility in the commodity markets.

As at the end of each reporting period, the Group has entered into several commodity future contracts in the ordinary course of business.

The price fluctuation risk profile have been disclosed in Note 10 to the financial statements.

30. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) On 21 August 2018, the Company announced that Employees Share Option Scheme ("ESOS") which was governed by the ESOS By-Laws was approved by the shareholders at an Extraordinary General Meeting. The ESOS involved the grant of options to eligible Directors and Employees of the Company and its subsidiary on the date of the offer to subscribe for new ordinary shares of up to 10% of the issued and paid-up ordinary share capital of the Company at any time during the existence of the scheme in accordance with the provisions of the ESOS By-Laws.

(b) On 26 September 2018, the Company has made announcement to Bursa Malaysia Securities Berhad regarding the following matters:

(i) Proposed Bonus Issue

The Company has proposed to undertake a bonus issue of up to 51,452,800 new ordinary shares of the Company ("Bonus Share") on the basis of two (2) bonus shares for every five (5) existing ordinary shares held by the entitled shareholders of the Company on an entitlement date to be determined later by the Board of Directors of the Company.

(ii) Proposed Diversification

The Company has proposed for diversification in the principal activities of the Group to include property development activities.

As of the end of the reporting period, the Proposed Bonus Issue and Diversification are subject to the shareholders' approval in the forthcoming annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2018

31. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

31.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014-2017 Cycle</i>	1 January 2017

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

31.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for future financial years.

LIST OF PROPERTIES

	Location	Approximate Age of Building (years)	Tenure	Land Area (Build-up Area) m ²	Description/ Existing Use	Carrying Amount RM	Date of Revaluation
1	Lot 2-31, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	–	Freehold	4,209	Industrial land with container storage yard	1,839,101	22-Feb-13
2	Lot 2-32, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	21	Freehold	3,521 (1,364)	Industrial land with single storey factory	5,234,229	22-Feb-13
3	Lot 2-33, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	21	Freehold	3,521 (1,364)			22-Feb-13
4	Lot 2-34, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	17	Freehold	3,521 (1,740)	Industrial land with single storey factory	3,791,186	22-Feb-13
5	Lot 2-35, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	17	Freehold	3,521 (1,740)			22-Feb-13
6	Lot 2-36, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	14	Freehold	3,521 (2,030)	Industrial land with single storey factory	5,532,939	22-Feb-13
7	Lot 2-36(A), Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	14	Freehold	3,521 (2,030)			22-Feb-13
8	Lot 2-42, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	10	Freehold	3,521 (240)	Industrial land with single storey warehouse and production office with laboratory, workshop and canteen Single storey factory with double-storey office (Lot 2-43 & 2-44)	9,541,199	22-Feb-13
9	Lot 2-43, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	10 and 4	Freehold	3,521 (2,089)			22-Feb-13
10	Lot 2-44, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	10 and 4	Freehold	3,521 (1,969)			22-Feb-13
11	Lot 2-45, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	12	Freehold	4,209 (1,487)	Industrial land with three-storey office building	4,301,349	22-Feb-13

ANALYSIS OF SHAREHOLDINGS

AS AT 15 OCTOBER 2018

STATISTICS ON ORDINARY SHAREHOLDING

Issued share capital : RM60,000,000.00
 Class of shares : Ordinary shares
 Voting rights : One vote per one (1) ordinary share
 No. of shareholders : 2,099

ANALYSIS OF ORDINARY SHAREHOLDINGS

Size of Shareholdings	No. of Holders	No. of Shareholdings	% of Shareholding
Less than 100	19	859	0.00
100 to 1,000	178	120,900	0.10
1,001 to 10,000	1210	6,048,400	5.04
10,001 to 100,000	604	18,947,600	15.79
100,001 to less than 5% of issued shares	85	37,888,150	31.58
5% and above of issued shares	3	56,994,091	47.49
Total	2,099	120,000,000	100.00

DIRECTORS' INTEREST

Name	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Total Shares	No. of Shares Held	% of Total Shares
Dato' Shahrir Bin Abdul Jalil	–	–	–	–
Tan Wan Lay	11,724,500	9.77	–	–
Datuk Leow Chong Howa	22,500	0.02	33,313,491*	27.76
Tuan Haji Ahmed Azhar Bin Abdullah	150,000	0.13	–	–
Dr Leong Chik Weng	–	–	–	–
Wong Tze Kai	–	–	–	–
Gan Choon Sun	101,200	0.08	–	–
Leow Vinzie	–	–	–	–
Total	11,998,200	10.00	33,313,491	27.76

SUBSTANTIAL SHAREHOLDERS

According to the registrar to be kept under Section 144 of the Companies Act 2016, the following are the substantial shareholders of the Company:

Name	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Total Shares	No. of Shares Held	% of Total Shares
City Data Limited	31,790,991	26.49	–	–
Datuk Leow Chong Howa	22,500	0.02	33,313,491*	27.76
Lin, Chih-Chang	13,478,600	11.23	–	–
Tan Wan Lay	11,724,500	9.77	–	–

* Deemed interested by virtue of his indirect shareholdings via his spouse, City Data Limited and LB Aluminium Berhad pursuant to Section 8 of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 15 OCTOBER 2018

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholdings
1	DB (Malaysia) Nominee (Asing) Sdn Bhd Beneficiary: Exempt an for Bank of Singapore Limited	31,790,991	26.49
2	Lin, Chih-Chang	13,478,600	11.23
3	Tan Wan Lay	11,724,500	9.77
4	Sam Kwai Sim	4,861,500	4.05
5	Fairways Assets Investment Limited	4,500,000	3.75
6	Mablewood International Holding Limited	3,942,450	3.29
7	Meyer Capital Holding Ltd	3,000,000	2.50
8	HSBC Nominees (Asing) Sdn Bhd Beneficiary: Exempt an for Credit Suisse (SG BR-TST-Asing)	1,500,000	1.25
9	LB Aluminium Berhad	1,500,000	1.25
10	Lim Khuan Eng	1,330,000	1.11
11	Tan Chew Lan	815,000	0.68
12	Kenanga Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged securities account for Lim Kuan Gin	700,000	0.58
13	Lim Hooi Ching	521,000	0.43
14	JCA Builders (Malaysia) Sdn Bhd	468,000	0.39
15	Tan Ming Kian	440,000	0.37
16	Liew Seong Kin	417,500	0.35
17	Wong Cheng Khein @ Wong Chen Chee	415,600	0.35
18	Tan Tiam Chai	411,000	0.34
19	Wong See Nane	354,000	0.30
20	Amsec Nominees (Tempatan) Sdn Bhd Beneficiary: AmBank (M) Berhad for Chua Sing Keong (9240-1101)	350,000	0.29
21	S'ng Suet Wai	326,000	0.27
22	TA Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged securities account for Loh Eng Cheang	323,000	0.27
23	Lee Chin Poh	312,250	0.26
24	Lee Teck Ong @ Lee Kok Chee	308,100	0.26
25	Chiew Hok Seang	303,600	0.25
26	Cheong Yuen Lai	300,000	0.25
27	Chuah Saw Lee	300,000	0.25
28	Lam Mee Foong @ Lam Mooi Leng	296,900	0.25
29	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged securities account for Lim Ching Neoh	290,000	0.24
30	HLB Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged securities account for Chee Sai Mun	282,200	0.23
Total		85,562,191	71.30

PROXY FORM



I/ We _____ NRIC No./Company No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

being a Member/Members of A-RANK BERHAD hereby appoint _____
(FULL NAME IN BLOCK LETTERS)

NRIC No. _____ of _____
(FULL ADDRESS)

or failing whom, _____ NRIC No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Annual General Meeting of the Company to be held at Ujong Pandang Room, Staffield Country Resort, Batu 13, Jalan Seremban-Kuala Lumpur (Country Road), 71700 Mantin, Negeri Sembilan Darul Khusus on Wednesday, 12 December 2018 at 10.00 a.m. and at any adjournment thereof.

NO.	RESOLUTIONS	*FOR	*AGAINST
1.	To approve the payment of a first and final single tier dividend of 3.25 sen per ordinary share in respect of the financial year ended 31 July 2018.		
2.	To approve the payment of Directors' fees of RM226,000 for the financial year ended 31 July 2018.		
3.	To approve the payment of Directors' benefits of up to RM51,000 for the period from 12 December 2018 until the next Annual General Meeting of the Company to be held in 2019.		
4.	To re-elect Dr Leong Chik Weng as Director.		
5.	To re-elect Mr Gan Choon Sun as Director.		
6.	To re-elect Ms Leow Vinzie as Director.		
7.	To re-appoint Messrs BDO as Auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	To approve Dato' Shahrir Bin Abdul Jalil to continue to act as an Independent Director.		
9.	To approve Tuan Haji Ahmed Azhar Bin Adbullah to continue to act as an Independent Director.		
10.	To approve Dr Leong Chik Weng to continue to act as an Independent Director.		
11.	To approve Mr Wong Tze Kai to continue to act as an Independent Director.		
12.	To grant authority to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
13.	To approve the Proposed Bonus Issue of Shares		
14.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
15.	To approve the Proposed Diversification		

(*Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

Dated this _____ day of _____, 2018.

Signature or Common Seal of Shareholder
Contact Number:

CDS Account No.	:
Number of shares held	:
If more than 1 proxy, please specify number of shares represented by each proxy	
Name of Proxy 1	:
Number of Shares	:
Name of Proxy 2	:
Number of Shares	:

Notes:

- a) A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak in the meeting.
- b) A member of the Company who is entitled to attend and vote at the meeting shall not appoint more than two (2) proxies to attend at the same meeting except where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- c) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- d) Where a member or the authorised nominee appoints two (2) proxies or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- e) The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation under its common seal, or the hand of its attorney duly authorised.
- f) The instrument appointing a proxy must be deposited at the registered office of the Company located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.
- g) Only members whose names appear in the Record of Depositors as at 30 November 2018 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.

Please fold here to seal

STAMP

The Company Secretary

A-RANK BERHAD (633621-X)

Unit 30-01, Level 30, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

Please fold here to seal



A-RANK BERHAD (633621-X)



Subsidiary:
FORMOSA SHYEN HORNG METAL SDN BHD (434300-K)

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