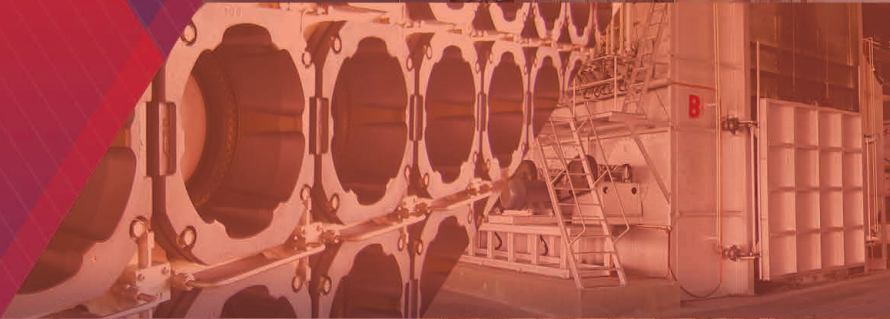




A-RANK BERHAD

(200301031200 [633621-X])

**ANNUAL REPORT
2020**





FACILITIES



FURNACES

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



CASTING FACILITIES

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



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 aluminium billets quality.



WAGSTAFF AIRSLIP MOULD

Aluminium billet cast with Wagstaff "Airslip" billet casting mould system has 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 the aluminium billets industry.



MISSION

We continually support our customers' success by working closely with them to enhance their products and processes.

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 since then. 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 from 3 inches up to 11 inches in diameters with any cut length of up to 6 metres. To ensure the consistency of product quality, Formosa has numerous testing equipment including ultrasonic fault detectors, Optical 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 revenue for the financial year ended 31 July 2020 was RM418.8 million. The Group presently exports about 43% of its production and its export markets include Africa, Europe, Middle East, South Asia and South East Asia.

The Company had on 12 December 2018 received the approval of its shareholders to diversify its principal activities to include property development. In this respect, the Company had on 6 February 2020 acquired a 50.1% of equity interest in Konsep Juara Sdn Bhd ("KJSB"), through Tambun Kekal Sdn Bhd, a 57.1%-owned subsidiary of A-Rank Berhad. As at the date of this report, KJSB is in the early stage of project development.



REVENUE

RM418.8 MILLION



43%

EXPORT MARKETS



A-RANK BERHAD

FORMOSA SHYEN HORNG METAL SDN BHD

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, 9 December 2020 at 10.00 a.m. for the following purposes:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 July 2020 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of a first and final single tier dividend of 2.00 sen per ordinary share in respect of the financial year ended 31 July 2020.
3. To approve the payment of Directors’ fees of RM326,000 for the financial year ended 31 July 2020.
4. To approve the payment of Directors’ benefits of up to RM48,000 for the period from 9 December 2020 until the next Annual General Meeting of the Company to be held in 2021.
5. To re-elect the following Directors who retire in accordance with Clause 76(3) of the Company’s Constitution:
 - (a) Tuan Haji Ahmed Azhar Bin Abdullah
 - (b) Dr Leong Chik Weng
 - (c) Mr Wong Tze Kai
6. To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.

[Please see Note 2]

(Resolution 1)

(Resolution 2)
(Please see Note 3)

(Resolution 3)
[Please see Note 3]

[Please see Note 4]

(Resolution 4)

(Resolution 5)

(Resolution 6)

(Resolution 7)
(Please see Note 5)

SPECIAL BUSINESS

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

7. **Ordinary Resolutions**
Continuation in Office as Independent Directors

“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.”

[Please see Note 6]

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

7. Ordinary Resolutions

Continuation in Office as Independent Directors (Continued)

“THAT subject to the passing of Resolution 4 above, 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)

“THAT subject to the passing of Resolution 5 above, 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 subject to the passing of Resolution 6 above, 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)

8. Ordinary Resolution

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

“THAT subject always to the Companies Act 2016 (“Act”), the Constitution 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 if any) 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.”

[Please see Note 7]

(Resolution 12)

9. Ordinary Resolution

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

“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 of the Circular to Shareholders dated 6 November 2020, 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”).

[Please see Note 8]

(Resolution 13)

NOTICE OF ANNUAL GENERAL MEETING

9. Ordinary Resolution

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

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."

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

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 9 December 2020, the first and final single tier dividend of 2.00 sen per ordinary share in respect of the financial year ended 31 July 2020 will be paid on 22 December 2020 to Depositors whose names appear in the Record of Depositors on 11 December 2020.

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

- (a) shares transferred into the depositor's securities account before 4.30 p.m. on 11 December 2020 in respect of transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

Wong Wai Foong [SSM PC NO. 202008001472 (MAICSA 7001358)]

Ng Bee Lian [SSM PC NO. 201908003459 (MAICSA 7041392)]

Yap Sit Lee [SSM PC NO. 202008001865 (MAICSA 7028098)]

Company Secretaries

Kuala Lumpur

6 November 2020

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. APPOINTMENT OF PROXY

- (a) For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 30 November 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
- (b) A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
- (c) A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
- (d) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), 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.
- (e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (f) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (g) The original executed proxy form must be deposited at the registered office of the Company situated 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 forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.
- (h) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company situated 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 forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (i) Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
- (j) Last date and time for lodging this proxy form is Monday, 7 December 2020 at 10.00 a.m.
- (k) Please bring an ORIGINAL of the following identification papers (where applicable) and present it to the registration staff for verification:
 - (i) Identity card (NRIC) (Malaysian), or
 - (ii) Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
 - (iii) Passport (Foreigner).
- (l) For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the ORIGINAL certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESSES:

2. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

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 composition of the Board of Directors ("Board") size and the number of scheduled Board meetings for the period from 9 December 2020 up to 2021 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' fees and/or 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

Tuan Haji Ahmed Azhar Bin Abdullah, Dr Leong Chik Weng and Mr Wong Tze Kai 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 ("NC"), 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 ("MMLR") 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 NC conducted an assessment on the independence of Tuan Haji Ahmed Azhar Bin Abdullah, Dr Leong Chik Weng and Mr Wong Tze Kai and is satisfied that they have complied with the criteria on independence as prescribed by the MMLR of Bursa Securities.

5. RE-APPOINTMENT OF AUDITORS

The Board has through the Audit Committee, considered the re-appointment of Messrs BDO PLT 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 PLT at the forthcoming Annual General Meeting, included an assessment of the Auditors' independence and objectivity, caliber and quality process/performance.

6. CONTINUATION IN OFFICE AS INDEPENDENT DIRECTORS

Pursuant to the Malaysian Code on 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 and Dr Leong Chik Weng were appointed to the Board on 11 March 2005 as Independent Directors while 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.

NOTICE OF ANNUAL GENERAL MEETING

6. CONTINUATION IN OFFICE AS INDEPENDENT DIRECTORS (CONTINUED)

The Board has through the NC, assessed the independence of the Independent Directors 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 MMLR of Bursa Securities and were therefore 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 MMLR 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.

7. AUTHORITY TO ISSUE AND 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 4 December 2019 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 further 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 if any) 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 RENEWAL OF THE EXISTING 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 13, 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 6 November 2020 for further information.

CORPORATE INFORMATION

BOARD OF DIRECTORS



Dato' Shahrir Bin Abdul Jalil

Independent Non-Executive
Director - Chairman

Tan Wan Lay

Managing Director

Datuk Leow Chong Howa

Non-Independent
Non-Executive Director

Tuan Haji Ahmed Azhar Bin Abdullah

Senior Independent
Non-Executive Director

Dr Leong Chik Weng

Independent Non-Executive
Director

Wong Tze Kai

Independent Non-Executive
Director

Gan Choon Sun

Executive Director

Leow Vinzie

Non-Independent
Non-Executive Director

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 PLT
(Firm No: LLP0018825-LCA & AF0206)
Chartered Accountants
Level 8, BDO @ Menara CenTARa
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

COMPANY SECRETARIES

Wong Wai Foong
[SSM PC NO. 202008001472
(MAICSA 7001358)]
Ng Bee Lian
[SSM PC NO. 201908003459
(MAICSA 7041392)]
Yap Sit Lee
[SSM PC NO. 202008001865
(MAICSA 7028098)]

PRINCIPAL BANKERS

AmBank (M) Berhad
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
Tel : +603-8724 4662/3/7
Fax : +603-8724 4661/8723 2009

REGISTERED OFFICE

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

DATO' SHAHRIR BIN ABDUL JALIL

Independent Non-Executive Director | Chairman

Aged 59, 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 in both the business and legal sectors. He is also a qualified valuer and has practiced with a chartered property consulting firm.

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

TAN WAN LAY

Managing Director | Key Senior Management

Aged 56, 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 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.

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT

DATUK LEOW CHONG HOWA

Non-Independent Non-Executive Director

Aged 62, Male, a Malaysian, was appointed to the Board on 21 April 2016 and currently is the Executive Chairman of LB Aluminium Berhad ("LB Aluminium"). He is a businessman and prior to assuming his current position in LB Aluminium, was the Managing Director of LB Aluminium since its incorporation.

Datuk Leow sits on the Council of Tung Shin Hospital Kuala Lumpur and is a member of the Chinese as well as Western Medical Management Committees of Tung Shin Hospital. He is the Deputy Chairman of Chong Hwa Independent High School Kuala Lumpur and currently the Group President of Malaysia Anxi Association and Yayasan Ann Koai of Malaysia. Datuk Leow is also a Vice Chairman on the Board of SRJK (C) Kepong School.

Datuk Leow is a former Council Member of the Federation of Malaysian Manufacturers ("FMM") and a former Committee Member of the Selangor Branch of FMM, and a former 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 59, 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"). From 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. He is also a member of the Remuneration Committee.

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT

DR LEONG CHIK WENG

Independent Non-Executive Director

Aged 57, 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 is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

WONG TZE KAI

Independent Non-Executive Director

Aged 48, 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.

GAN CHOON SUN

Executive Director | Key Senior Management

Aged 54, Male, a Malaysian, was appointed to the Board on 17 September 2009 and is currently the 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 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.

Mr Gan is the honorary secretary of Federation of Malaysian Manufacturers' Aluminium Manufacturers Group Malaysia ("AMGM").

He is a member of the ESOS Committee.

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT

LEOW VINZIE

Non-Independent Non-Executive Director

Aged 34, Female, a Malaysian, was appointed to the Board on 28 March 2018 and is currently 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.

FAM LIAN FATT

Administration and Purchasing Manager | Key Senior Management

Aged 53, 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.

TAN TZE

Finance Manager | Key Senior Management

Aged 45, 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.

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 and the Circular to Shareholders dated 6 November 2020 which is despatched together with the Annual Report, 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 within the past five (5) years or any public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 July 2020.

4. Attendance of Directors

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

CHAIRMAN'S STATEMENT

Dear valued Shareholders,

On behalf of the Board of Directors of A-Rank Berhad, I am pleased to present the Annual Report and Audited Financial Statements of the Group and of the Company for the financial year ended 31 July 2020.



GROUP'S REVENUE

418.8 MILLION

SHAREHOLDERS' FUNDS

RM137.6 MILLION

FINANCIAL PERFORMANCE

Despite the volatile and challenging conditions in financial year ended 31 July 2020, A-Rank delivered another year of resilient, profitable and sustainable financial performance.

For the financial year under review, the Group's revenue decreased by 13.2% to RM418.8 million from RM482.2 million for the preceding year mainly due to a significant drop in business volume following the imposition of Movement Control Order ("MCO") by the Malaysian Government on 18 March 2020. Accordingly, the Group has to stop operation as from 18 March 2020 onwards. Despite resumption of operations in early of May 2020, a stoppage of approximately one and a half months, our operations continued to be affected by reduced production levels and lower demand from customers amidst the Covid-19 pandemic.

As a result of the MCO, the Group reported lower profit before and after tax of RM9.6 million and RM7.3 million for the financial year ended 31 July 2020 compared to RM15.1 million and RM11.1 million last year, reflecting a decrease of 36.6% and 34.3% respectively.

The earnings per ordinary share for the financial year ended 31 July 2020 was 4.52 sen compared to 6.58 sen for last year based on the total number of issued shares of the Company of 170,100,397 and 169,571,397 respectively.

As at 31 July 2020, shareholders' funds stood at RM137.6 million whilst net assets per share was RM0.81.

CORPORATE DEVELOPMENTS

- (a) On 29 January 2020, the Company acquired 1 ordinary share and subscribed for another 570 new ordinary shares, representing 57.1% of equity interest in Tambun Kekal Sdn Bhd ("TKSB") for a cash consideration of RM571. Following the completion of the acquisition and subscription on 29 January 2020, TKS B became a 57.1%-owned subsidiary of the Company.
- (b) On 6 February 2020, TKS B entered into a Shares Sale and Purchase Agreement to acquire 1,002,000 existing ordinary shares representing 50.1% of equity interest in Konsep Juara Sdn Bhd ("KJSB") for a cash consideration of RM1.0 million ("Share Acquisition"). The Share Acquisition was completed on 13 February 2020. Following the completion of the Share Acquisition, KJSB became a 50.1%-owned subsidiary of TKS B and an indirect subsidiary 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.

CHAIRMAN'S STATEMENT

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 2.00 sen (2019: 2.50 sen) per ordinary share based on the total number of issued and paid up shares capital of 170,100,397 ordinary shares (2019: 169,571,397 ordinary shares) as at 15 October 2020 amounting to RM3.4 million (2019: RM4.2 million) in respect of the financial year ended 31 July 2020 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. 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 and after tax for the financial year ended 31 July 2020 (“FYE 2020”) of RM9.6 million and RM7.3 million respectively.

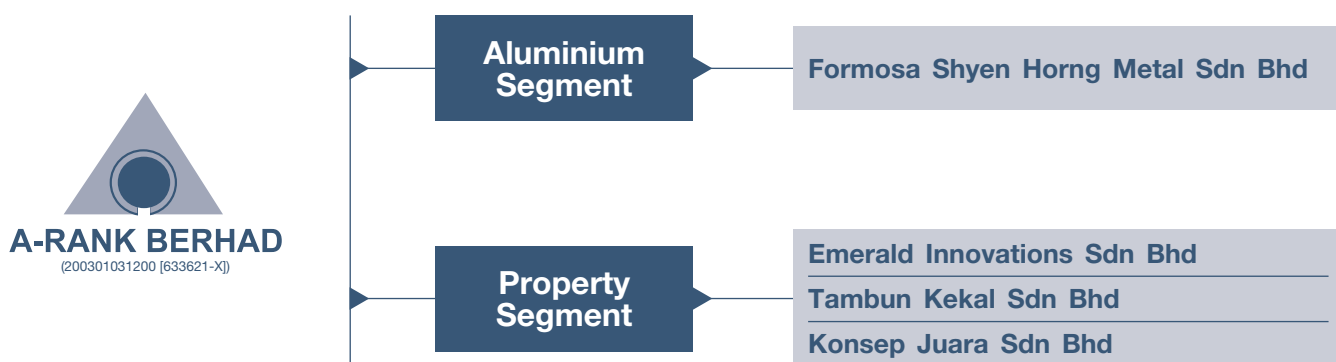


PROFIT BEFORE TAX
RM9.6 MILLION

PROFIT AFTER TAX
RM7.3 MILLION

OVERVIEW OF GROUP’S BUSINESS AND OPERATIONS

The Group structure as at 31 July 2020 is as follows:



The Group has categorised its business operations into two segments namely the Aluminium Segment and Property Segment.

(a) Aluminium Segment

The Aluminium Segment represents the Group’s core business which includes manufacturing and marketing of 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.

(b) Property Segment

The Company had obtained its shareholders’ approval on 12 December 2018 for the proposed diversification of the principal activities of the Group to include property development.

In this respect, Tambun Kekal Sdn Bhd, a 57.1%-owned subsidiary of A-Rank, had on 6 February 2020 entered into a Shares Sale and Purchase Agreement to acquire 1,002,000 existing ordinary shares representing 50.1% of equity interest in Konsep Juara Sdn Bhd (“KJSB”) for a cash consideration of RM1.0 million (“Share Acquisition”). The Share Acquisition was completed on 13 February 2020. As at date of this report, KJSB is in the early stage of project development.

MANAGEMENT DISCUSSION AND ANALYSIS

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")				
		2020	2019	2018	2017 [^]	2016 [^]
Revenue	RM'000	418,799	482,222	498,432	455,467	472,937
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	RM'000	17,136	21,532	23,525	26,030	24,777
Finance costs	RM'000	1,194	1,246	996	575	516
Profit before tax	RM'000	9,607	15,145	17,253	20,124	19,084
Profit after tax	RM'000	7,323	11,139	13,942	16,511	18,846
Profit after tax and minority interest ("PATAMI")	RM'000	7,684	11,139	13,942	16,511	18,846
Total assets	RM'000	233,762	197,331	177,557	163,620	154,372
Total liabilities	RM'000	95,569	63,407	53,171	49,275	50,701
Borrowings	RM'000	25,679	38,092	34,571	21,221	22,312
Shareholders' equity	RM'000	137,569	133,924	124,387	114,345	101,748
Gearing ratio	%	5.38	#	2.34	11.78	#
Basic earnings per ordinary share	sen	4.52	6.58	8.30 [@]	9.83 [@]	11.22 [@]
Diluted earnings per ordinary share	sen	4.52	6.53	8.30 [@]	9.83 [@]	11.22 [@]
Net asset per share	sen	80.88	78.98	74.04 [@]	68.06 [@]	60.56 [@]
Proposed dividend	RM'000	3,402*	4,239	3,900	3,900	3,600

Denote:

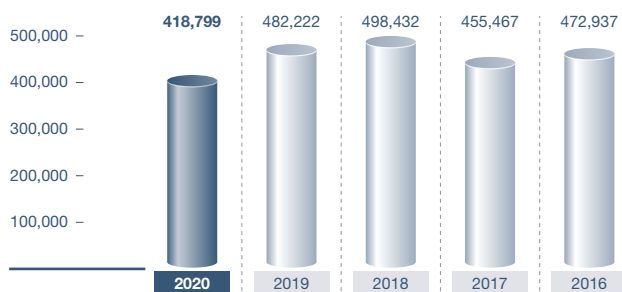
Gearing ratio is not applicable as the Group is at net cash position.

* Proposed dividend based on the total number of issued shares of 170,100,397 ordinary shares as at 15 October 2020 subject to the approval of shareholders at the forthcoming Annual General Meeting.

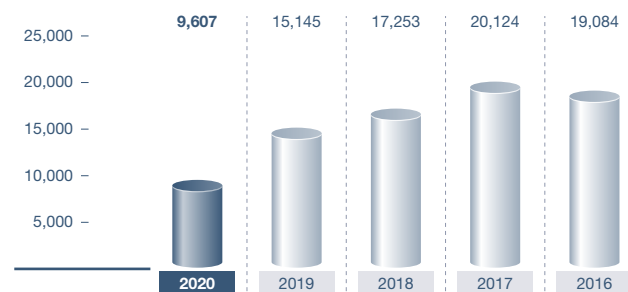
[^] Excluding discontinued operations.

[@] The comparative figures were restated based on the assumption that the Bonus Issue had taken place as at the earliest date presented.

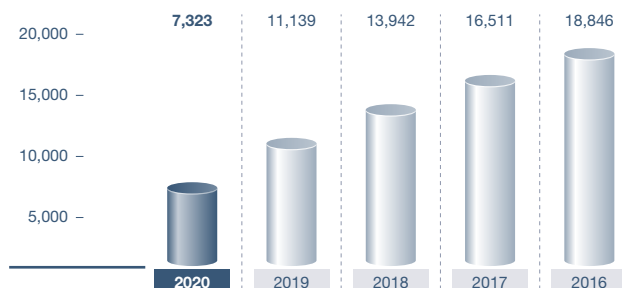
REVENUE (RM'000)



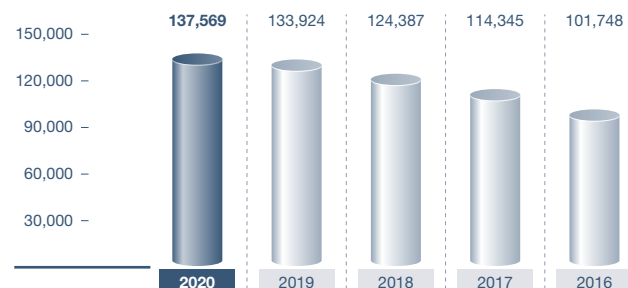
PROFIT BEFORE TAX (RM'000)



PROFIT AFTER TAX (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP'S FINANCIAL RESULTS AND FINANCIAL CONDITIONS

	FYE 2020 RM'000	FYE 2019 RM'000	Change RM'000	%
Profitability				
Revenue	418,799	482,222	(63,423)	(13.2%)
Profit from operations	10,801	16,392	(5,591)	(34.1%)
Profit before tax	9,607	15,145	(5,538)	(36.6%)
Profit after tax	7,323	11,139	(3,816)	(34.3%)
Basic earnings per ordinary share (sen)	4.52	6.58	(2.06)	(31.3%)
Diluted earnings per ordinary share (sen)	4.52	6.53	(2.01)	(30.8%)
Key Balance Sheet Data				
Total assets	233,762	197,331	36,431	18.5%
Total liabilities	95,569	63,407	32,162	50.7%
Shareholders' equity	137,569	133,924	3,645	2.7%
Net assets per share (sen)	80.88	78.98	1.90	2.4%
Gearing ratio (%)	5.38	#	–	–

Denote:

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

(a) Revenue

For FYE 2020, the Group recorded a revenue of RM418.8 million, which was RM63.4 million or 13.2% lower than the previous financial year. The decline in performance was mainly due to a significant drop in business volume following the imposition of Movement Control Order ("MCO") by the Malaysian Government on 18 March 2020. Despite resumption of operations in early of May 2020, a stoppage of approximately one and a half months, our operations continued to be affected by reduced production levels and lower demand from customers amidst the Covid-19 pandemic.

Export sales contributed about 43% 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 2020 RM'000	FYE 2019 RM'000	Change RM'000	%
South East Asia other than Malaysia	129,416	125,566	3,850	3.1%
South Asia	44,018	57,669	(13,651)	(23.7%)
Others	4,571	16,775	(12,204)	(72.8%)
Export market	178,005	200,010	(22,005)	(11.0%)
Local market – Malaysia	240,794	282,212	(41,418)	(14.7%)
Total revenue	418,799	482,222	(63,423)	(13.2%)

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP'S FINANCIAL RESULTS AND FINANCIAL CONDITIONS (CONTINUED)

(b) Profit before tax

The Group reported a decrease in profit before tax of 36.6% for FYE 2020 as compared to RM15.1 million in the previous financial year. The profit before tax has decreased mainly due to lower business volume.

(c) Profit after tax

The Group reported a decrease in profit after tax by 34.3% from RM11.1 million to RM7.3 million in the current financial year under review in line with the lower profit before tax.

Despite the volatility of raw material costs and MYR against the USD, the Group was able to remain profitable and recorded a positive Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of RM17.1 million for FYE 2020.

(d) Earnings per ordinary share

Basic and diluted earnings per ordinary share were 4.52 sen for FYE 2020 compared to 6.58 sen and 6.53 sen respectively for last year.

(e) Financial position

(i) Total assets

The Group's total assets increased by RM36.4 million or 18.5% to RM233.8 million compared to RM197.3 million in FYE 2019 mainly due to the net increase in inventories following the inclusion of property development costs of RM73.1 million whilst there was a decrease in cash and bank balances of RM49.0 million.

Meanwhile, the Group had adopted MFRS 16 *Leases* during the financial year and recognised right-of-use assets of RM1.8 million which comprises of future lease commitments for plant and machinery and motor vehicle.

The Group's cash position including short term fund, fixed deposits as well as cash and bank balances was RM18.3 million for FYE 2020 (FYE 2019: RM67.2 million).

(ii) Total liabilities

Meanwhile, the Group's liabilities increased by RM32.2 million or 50.7% to RM95.6 million in FYE 2020 from RM63.4 million as at the end of the last financial year mainly due to the increase in liabilities of the Property Segment.

(iii) Gearing ratio

Despite the drop in borrowings, the Group's gearing ratio had increased from net cash position to 5.38% in FYE 2020. This was mainly due to the significant reduction in cash and bank balances of the Group as mentioned above. The Group's capital management strategy is to focus on maintaining a low and healthy gearing ratio whilst creating and maximising shareholders' value. By having a healthy gearing ratio, the Group will be able to place itself in a better position to capture new business opportunity and withstand any economic adversities.

CAPITAL EXPENDITURE

The Group plans to incur an estimated total of RM3.5 million in capital expenditure for the financial year ending 31 July 2021, which is mainly for the upgrading of existing plant and machinery. The capital expenditure requirement will be financed through internally generated funds.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 importers 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 improve the efficiency and cost structure of aluminium extruders.

(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 London Metal Exchange ("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 consistent 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.

(d) Political and economic instability

The Group operates mainly in Malaysia with approximately 57% of its revenue for the current financial year derived from domestic sales. The performance of the Group is significantly dependent upon the stability of the local political climate as well as the solidity of the Malaysian economy.

The Group is following closely on the development of the local political and economic conditions to detect any potential downside risk as well as to take preventive measures to mitigate the impact of such risks.

MANAGEMENT DISCUSSION AND ANALYSIS

ANTICIPATED BUSINESS RISKS (CONTINUED)

(e) Execution risk for property development projects

The Group's property development business comprises its investments in non-wholly owned subsidiaries. The delay in completion of any property development project will result in liquidated ascertained damages payable to the house buyers which will adversely affect the Group's profits as well as cash flows.

The Group is working closely with its business partners to execute the operation and management of the property development as well as to ensure all the development progresses are up to date. Our business partners are reputable entities that have proven track record in property development industry for many years. Notwithstanding, the Group will be closely monitoring development of the project undertaken to ensure its performance and sustainability as it progresses.

(f) Weak sentiments for property market

The property market in Malaysia has been sluggish since the outbreak of the Covid-19 pandemic at beginning of 2020. This has been evidenced by the statistic issued by the National Property Information Centre which reported that the actual transacted volume of residential property as well as commercial property for the first half of 2020 has declined by 24.6% and 37.4% respectively compared to first half of 2019. A prolonged weak property demand in the country will increase the liquidity risk of the Group as the payback of the investments will be delayed.

The Group will work closely with its business partners to study the viability of the project including the type of properties, pricing as well as the timing of the launching. As the Group's land bank that are earmarked for property development is located at strategic location, the Group is optimistic that with the correct strategies and proper planning, the future launches should be able to achieve satisfactory take-up rate.

OUTLOOK

The global economy contracted in 2Q 2020. As the number of Covid-19 cases continued to rise, nationwide lockdowns and travel restrictions were implemented across major advanced and emerging economies. This significantly disrupted business activity, which resulted in a marked deterioration in labour market conditions and private sector expenditure. Given the uncertainties and the challenging global economic outlook, Malaysia's Gross Domestic Product growth for 2020 is expected to be recessionary.

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%).

The Group will continue to monitor the development of the Covid-19 pandemic including adopting cost-cutting measures to mitigate against any potential impact on the financial position and operating results of the Group.

Moving forward, while initial concerns are beginning to dissipate, the outlook would still depend on evolving Covid-19 developments and the pace of economic recovery. At this juncture, there are limited risks of a broad-based and persistent decline in prices, with price pressures showing signs of normalisation since the gradual reopening of the economy.

Barring unforeseen circumstances, the Board is optimistic that the Group will 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 Senior Management, including the implementation of appropriate systems for recruiting, training, determining the appropriate compensation benefits and where necessary replacing any member of the Board and Senior Management.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

I. BOARD RESPONSIBILITIES (CONTINUED)

Separation in the roles of Chairman and Managing Director (Continued)

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:

- 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.

Qualified and competent Company Secretary

The Board is supported by qualified, competent and experienced Company Secretaries who facilitate overall compliance with the MMLR of Bursa Securities as well as informs and keeps 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

I. BOARD RESPONSIBILITIES (CONTINUED)

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, an 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 decided 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 and approved by the Board on 24 September 2020 and has been uploaded on the Company's website at www.arank.com.my.

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. The Code of Conduct and Ethics has been uploaded at the Company's website at www.arank.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

I. BOARD RESPONSIBILITIES (CONTINUED)

Whistle-Blowing Policy

The Board has adopted a Whistle-Blowing Policy on 15 June 2017 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 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 MMLR of Bursa Securities that at least one third of the Board consists of Independent Directors and fulfills Practice 4.1 of MCCG; 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 MCCG.

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 MCCG.

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.

The Board meets on a scheduled basis, at least once in 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

II. BOARD COMPOSITION (CONTINUED)

Time Commitment (Continued)

During the financial year ended 31 July 2020, the Company held only three (3) meetings of the Board of Directors after cancellation of a scheduled meeting in March 2020 following the implementation of the Movement Control Order (“MCO”) by the Malaysian Government on 18 March 2020. The details of the Directors’ attendances are as follows:

Name of Directors	Attendance (1 August 2019 to 31 July 2020)	Percentage
Dato’ Shahrir Bin Abdul Jalil	3/3	100%
Tan Wan Lay	3/3	100%
Datuk Leow Chong Howa	3/3	100%
Tuan Haji Ahmed Azhar Bin Abdullah	3/3	100%
Dr Leong Chik Weng	3/3	100%
Wong Tze Kai	3/3	100%
Gan Choon Sun	3/3	100%
Leow Vinzie	3/3	100%

All 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 MMLR of Bursa Securities 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 listed 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 MMLR of Bursa Securities.

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, the Company did not receive any notification relating thereto 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.

Independent 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

II. BOARD COMPOSITION (CONTINUED)

Independence (Continued)

(a) Tenure of Independent Directors

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

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 MCGG. 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 2020, 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 an 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 MMLR of Bursa Securities and were therefore 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;
- (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 MMLR of Bursa Securities. During the financial year under review, they had each attended all the Board meetings held.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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 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 2020, one (1) NC’s meeting was held and the details of attendance of each member of the NC are as follows:

Name	Designation	Attendance (1 August 2019 to 31 July 2020)
Chairman Tuan Haji Ahmed Azhar Bin Abdullah	Senior Independent Non-Executive Director	1/1
Members Dr Leong Chik Weng Wong Tze Kai	Independent Non-Executive Director Independent Non-Executive Director	1/1 1/1

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

Summary of Activities

For the financial year ended 31 July 2020 and up to the date of this report, the activities of the NC include the following:

- conducted the evaluation on the effectiveness of the Board, Board Committees, and independence of the Independent Directors on an annual basis;
- reviewed the performances of each individual Director and the Finance Manager;
- reviewed and recommended to the Board for the re-election of Directors who will retire pursuant to the Company’s Constitution at the forthcoming AGM of the Company;
- reviewed and recommended that the Directors who have served as Independent Directors of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Directors of the Company; and
- 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.

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)

Before any recommendation is 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 MMLR of Bursa Securities and whether he/she can act independently of management.

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 MMLR of Bursa Securities.

During the financial year ended 31 July 2020, there was no new appointment to the Board.

(b) Re-election of Directors and Retention of Independent Directors

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

- (i) In accordance with the Company's Constitution (the "Constitution"), all Directors who are appointed by the Board to fill a casual vacancy are subject to election by shareholders of the Company at the first Annual General Meeting ("AGM") after their appointment.

At the AGM in every subsequent year, one-third (1/3) of the Directors for the time being, or, if their member is not three (3) or a multiple of three (3) then the number nearest to one-third (1/3), shall retire at the conclusion of the AGM in every year provided always that all Directors shall retire by rotation at least in each three (3) years, 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:

- Tuan Haji Ahmed Azhar Bin Abdullah;
- Dr Leong Chik Weng; and
- Mr Wong Tze Kai.

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

- (ii) Reviewed and recommended that the following Directors who have served as Independent Directors of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent 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 for the retention of each Independent Director is voted separately.

The profile of the above Directors and their respective attendance at 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 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' Evaluation Form; and
- Independent Directors' Self-Assessment Checklist.

The summary of evaluation was tabled to the NC on 24 September 2020 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 MMLR of Bursa Securities.

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 Secretaries 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 2020, the courses attended by the Directors include:

Name of Directors	Course / Seminar Attended
Dato' Shahrir Bin Abdul Jalil	<ul style="list-style-type: none"> Anti-Bribery Management System Virtual Awareness Training organised by BDO Governance Advisory Sdn Bhd on 30 June 2020
Tan Wan Lay	<ul style="list-style-type: none"> 2019 Tax Seminar organised by BDO Tax Services Sdn Bhd on 23 October 2019 What are the Temporary Relief Measures for Listed Issuers during Covid-19 Pandemic organised by Tricor Corporate Services Sdn Bhd on 15 May 2020 Anti-Bribery Management System Virtual Awareness Training organised by BDO Governance Advisory Sdn Bhd on 30 June 2020
Datuk Leow Chong Howa	<ul style="list-style-type: none"> What are the Temporary Relief Measures for Listed Issuers during Covid-19 Pandemic organised by Tricor Corporate Services Sdn Bhd on 15 May 2020 Anti-Bribery Management System Virtual Awareness Training organised by BDO Governance Advisory Sdn Bhd on 30 June 2020
Tuan Haji Ahmed Azhar Bin Abdullah	<ul style="list-style-type: none"> Audit Oversight Board Conversation with Audit Committees organised by Securities Commission Malaysia on 8 November 2019 What are the Temporary Relief Measures for Listed Issuers during Covid-19 Pandemic organised by Tricor Corporate Services Sdn Bhd on 15 May 2020 Anti-Bribery Management System Virtual Awareness Training organised by BDO Governance Advisory Sdn Bhd on 30 June 2020
Dr Leong Chik Weng	<ul style="list-style-type: none"> UMW Leading Digital Business Transformation Program organised by IMD and UMW on 24 to 28 February 2020
Wong Tze Kai	<ul style="list-style-type: none"> Anti-Bribery Management System Virtual Awareness Training organised by BDO Governance Advisory Sdn Bhd on 30 June 2020
Gan Choon Sun	<ul style="list-style-type: none"> What are the Temporary Relief Measures for Listed Issuers during Covid-19 Pandemic organised by Tricor Corporate Services Sdn Bhd on 15 May 2020 Anti-Bribery Management System Virtual Awareness Training organised by BDO Governance Advisory Sdn Bhd on 30 June 2020
Leow Vinzie	<ul style="list-style-type: none"> What are the Temporary Relief Measures for Listed Issuers during Covid-19 Pandemic organised by Tricor Corporate Services Sdn Bhd on 15 May 2020 Anti-Bribery Management System Virtual Awareness Training organised by BDO Governance Advisory Sdn Bhd on 30 June 2020

Diversity on Board 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

III. NOMINATION COMMITTEE (CONTINUED)

Diversity on Board and Senior Management (Continued)

The Board also acknowledges the need to promote gender diversity in line with the MCCG 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.

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 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.

The details of attendance of each member at the RC meetings held during the financial year are as follows:

Name	Designation	Attendance (1 August 2019 to 31 July 2020)
Chairman Wong Tze Kai	Independent Non-Executive Director	1/1
Members Datuk Leow Chong Howa	Non-Independent Non-Executive Director	1/1
Tuan Haji Ahmed Azhar Bin Abdullah	Senior Independent Non-Executive Director	1/1
Dr Leong Chik Weng	Independent Non-Executive Director	1/1

The 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

IV. REMUNERATION COMMITTEE (CONTINUED)

Remuneration policy and procedures for Directors and Senior Management (Continued)

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 Directors of the Company, who are also shareholders, had abstained from voting on the resolutions, in respect of their direct and indirect shareholdings, approving the payment of Directors' fees and benefits at the previous AGM held on 4 December 2019.

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 Managements are structured in a way to link rewards to the performance of the Company as well as individual performance.

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 as reimbursement for expenses incurred for attending the Board 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 9 December 2020.

- 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 share options, 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 of the Company for the financial year ended 31 July 2020 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 has in line with the MMLR of Bursa Securities 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 are available on the Company’s website at www.arank.com.my.

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 2020 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 PLT. Based on the latest assessment carry out by AC on 24 September 2020, 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 PLT 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 24 September 2020.

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;
- minimizing 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 Company outsourced its internal audit function to an independent internal audit service provider, 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 International Standards for the Professional Practices of Internal Auditing, 2017 of the International Professional Practices Framework adopted and recommended by the Institute of Internal Auditors Malaysia.

During the Financial year ended 31 July 2020, the Outsourced Internal Auditors had assigned 4 internal auditors to undertake the internal audit of the Group.

Mr Roy Thean Chong Yew and Mr Hong Cheong Liang, the Director and Senior Manager from Talent League Sdn Bhd are in-charge of the internal audit of the A-Rank Group. Mr Roy Thean Chong Yew is a Chartered Member of Institute of Internal Auditors Malaysia and also a member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. 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. Both of them have more than 20 years of audit experience.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

IV. INTERNAL AUDIT FUNCTION (CONTINUED)

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.

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 performance of the Outsourced Internal Auditors and was satisfied with the adequacy of the scope, function, competency and resources of the Outsourced Internal Auditors and was of the view that they have the necessary authority to carry out their work during the financial year under review.

The total costs incurred for the internal audit function in respect of the financial year ended 31 July 2020 was RM26,000.

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 GOVERNANCE OVERVIEW STATEMENT

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

I. COMMUNICATION WITH STAKEHOLDERS (CONTINUED)

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.

The Board 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 prepare the announcement and ensure compliance with the MMLR of Bursa Securities and accuracy of the contents in the announcement.

All announcements will be reviewed and approved by the Board, the Chairman or Managing Director or Executive Director or any designated person (where applicable) before they are released to the public via 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 MCCG; 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 general 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 or EGM will be announced on the same day of the meeting to Bursa Securities and be published on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II. CONDUCT OF GENERAL MEETINGS (CONTINUED)

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 4 December 2019, 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, before putting the resolutions to vote. The Chairman also provides sufficient time for the Q&A sessions during the AGM. 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.

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 of the Company were held on 4 December 2019 with the appointment of a poll administrator and a scrutineer for the poll voting process. In accordance with the MMLR, 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 meetings.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required, pursuant to Section 251(2) of by the Companies Act 2016 (the "Act") to draw up the 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 2020, 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 2020, 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	74	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	29	1
	108	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 2020 or, if not then subsisting, entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF A 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 the Existing Shareholders' Mandate for the recurrent related party transactions of a revenue or trading nature to be tabled at the forthcoming Annual General Meeting are set out in the Circular to Shareholders dated 6 November 2020.

EMPLOYEE' SHARE OPTION SCHEME ("ESOS")

The shareholders of the Company had via an Extraordinary General Meeting held on 21 August 2018 approved an ESOS of up to 10% of the total issued shares of the Company for the eligible Directors and employees of the Group. The ESOS is for a duration of five (5) years commencing from the date of implementation on 27 August 2018 to 26 August 2023, unless extended further.

The total number of options granted to the eligible Directors and employees of the Group and the outstanding options as at 31 July 2020 was set out in the table below:

Description	Directors	Senior Management	Other eligible employees	Total
Options granted	4,100,000	1,880,000	2,637,000	8,617,000
Adjustment (Bonus Issue)*	1,480,000	650,400	906,000	3,036,400
Options exercised	(500,000)	(584,000)	(606,000)	(1,690,000)
Options lapsed	–	–	–	–
Options exercisable outstanding	5,080,000	1,946,400	2,937,000	9,963,400

* Adjustment made pursuant to the bonus issue of new ordinary shares in the Company following the bonus issue exercise undertaken by the Company on the basis of two (2) bonus shares for every five (5) existing ordinary shares held by the shareholders of the Company on 18 January 2019 ("Bonus Issue").

ADDITIONAL COMPLIANCE INFORMATION

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

In accordance with the Company's ESOS By-Laws, not more than 70% of the Company's ordinary shares available under the Scheme shall be allocated, in aggregate, to Directors and Senior Management of the Group. Since the implementation of the ESOS until the end of the financial year ended 31 July 2020, the Company has granted 69.40% of options to the Directors and Senior Management.

As at financial year ended 31 July 2020, ESOS allocations to the Directors are as follows:

Name of Directors	Number of options granted	Number of options exercised	Number of options unexercised
Executive Directors			
• Tan Wan Lay	2,240,000*	–	2,240,000
• Gan Choon Sun	1,740,000*	300,000	1,440,000
Non-Executive Directors			
• Dato' Shahrir Bin Abdul Jalil	280,000*	–	280,000
• Datuk Leow Chong Howa	280,000*	–	280,000
• Dr Leong Chik Weng	280,000*	–	280,000
• Tuan Haji Ahmed Azhar Bin Abdullah	280,000*	–	280,000
• Wong Tze Kai	280,000*	–	280,000
• Leow Vinzie	200,000*	200,000	–

* Included the adjustment made pursuant to the bonus issue of new ordinary shares in the Company following the bonus issue exercise undertaken by the Company on the basis of two (2) bonus shares for every five (5) existing ordinary shares held by the shareholders of the Company on 18 January 2019 ("Bonus Issue").

Subsequent to the financial period ended 31 July 2020 and up to the date of this report, there were no issuance of new ordinary shares pursuant to the ESOS.

SUSTAINABILITY STATEMENT

Our sustainability is interlacing management of doing business responsibly and the utilisation of natural resources for the purpose of satisfying the needs of the current generation which must be executed in a balanced manner, so that we can bequeath the future generation with the same or even better environment and resources that the current generation is privileged to have.



Provision Educational Supports to Employees' Children

ABOUT THIS REPORT

With a sense of pride and purpose, we present our sustainability statement, which is intended to reflect the significant Economic, Environmental, and Social (“EES”) impacts of A-Rank operations, to facilitate the decision making of stakeholders and contribute to the development of an industry that promotes the sustainable recycling of aluminium and aluminium billets.

Scope and Boundary:

This report primarily covers the sustainability initiatives of A-Rank’s subsidiary, Formosa Shyen Horng Metal Sdn Bhd which comprise essentially the Group’s operation.

Reporting Period:

Information and performance indicators covering the reporting period of 1 August 2019 to 31 July 2020. Historical information collected from previous years were included for comparison.

Report Guideline:

This report aligns to the:

- Principal Guideline: Bursa Malaysia Sustainability Reporting Guide
- Reference Global Reporting Initiatives (“GRI”) Standards

Reporting Cycle:

This is prepared annually coinciding with our financial year ended 31 July 2020 (“FYE 2020”).

Feedback and Comments:

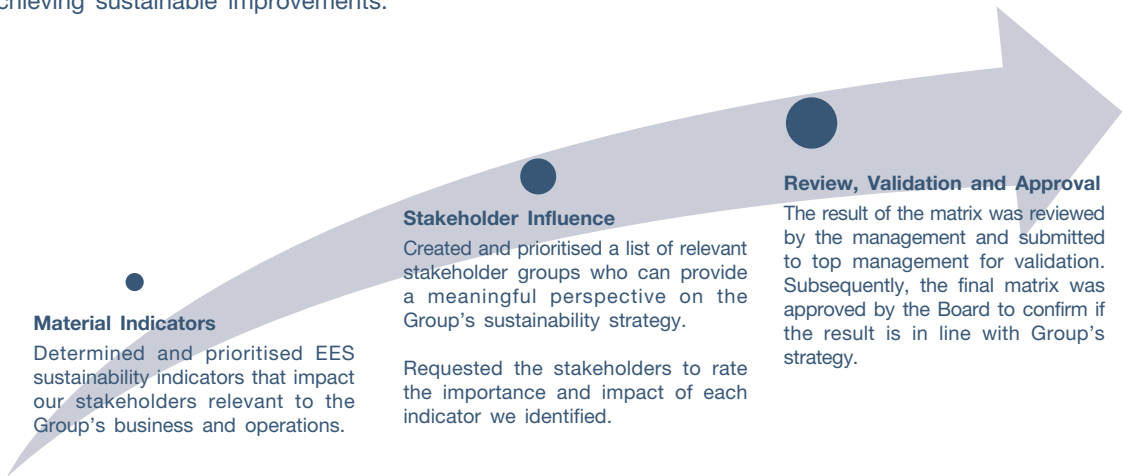
Please direct your feedback and comments to: fam@arank.com.my

SUSTAINABILITY STATEMENT

MATERIALITY

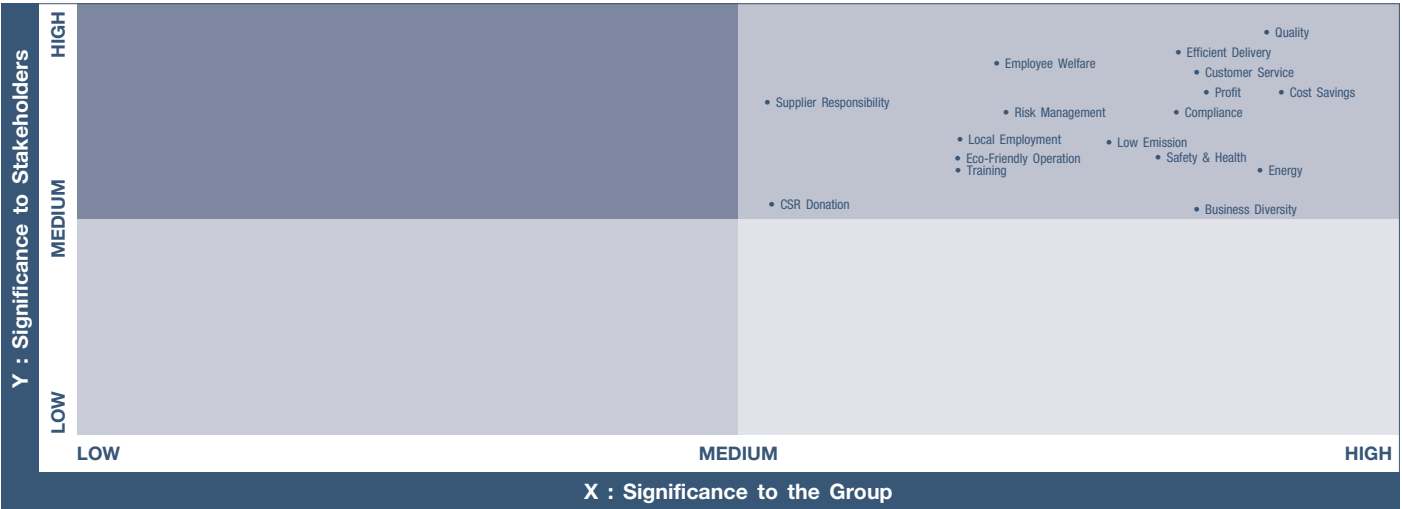
Materiality Process

We have conducted extensive materiality process in financial year ended 31 July 2019 to identify matters which could have significant economic, environmental and social impacts on our business and stakeholders. Following this, we have reviewed the material matters for FYE 2020 and we have concluded that all material matters reported previously continue relevant and to be our prime concern. We will persist in our periodic reviews on the material matters to ensure that we remain relevant with the rapid changes of business environment. Materiality analysis allows us to identify key issues that will help guide our actions in achieving sustainable improvements.



Materiality Matrix

Illustrated below is the outcome of our materiality assessment in terms of the significance of the EES impacts to the organisation or their influence on stakeholder assessments and decisions. The Group has identified 17 sustainable material issues as shown below.



The X-axis represents the EES issues relevant to the Group, and the Y-axis denotes the issues material to our stakeholders. The issues on the top right-hand quadrant of the matrix are considered to be of the highest significance to our Group and stakeholders. The three (3) sustainable aspects that are significant to the Group and stakeholders are Quality, Efficient Delivery, and Customer Service which is in line with our Mission and Vision.

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT

The vital element to the success of our business is our capability to flourish vigorous and meaningful relationships with all of our stakeholders. We engage with them throughout the year so that we can offer timely responses that anticipate and address their concerns, needs and interests.

The table presented below is a summary of the list of our key stakeholders with whom we regularly engage, their concerns and our responses to resolve such issues:

Stakeholder Group	Concerns	Responses
Shareholders	<ul style="list-style-type: none"> Financial performance 	<ul style="list-style-type: none"> Maintaining a stable and long-term growth strategy
	<ul style="list-style-type: none"> Transparency 	<ul style="list-style-type: none"> Financial results announcements Encourage shareholders to attend EGM and/or AGM Timely disclosure of information on the Company's website
	<ul style="list-style-type: none"> Good Corporate Governance practices and high business standards and ethics 	<ul style="list-style-type: none"> Implement good governance and establish policies Continuous efforts to achieve operational excellence and sustainable growth
Employees	<ul style="list-style-type: none"> Career development 	<ul style="list-style-type: none"> Trainings
	<ul style="list-style-type: none"> Safety and Health 	<ul style="list-style-type: none"> Establishment of Safety and Health Committee 24-hour security camera surveillance
	<ul style="list-style-type: none"> Employee relations 	<ul style="list-style-type: none"> Employee engagement activities
Customers	<ul style="list-style-type: none"> Quality 	<ul style="list-style-type: none"> Satisfaction surveys
	<ul style="list-style-type: none"> On-time delivery 	<ul style="list-style-type: none"> Monitor production and logistic targets
	<ul style="list-style-type: none"> Service support 	<ul style="list-style-type: none"> On-site visits
Suppliers	<ul style="list-style-type: none"> Long-term partnership 	<ul style="list-style-type: none"> Communication
	<ul style="list-style-type: none"> Delivery performance 	<ul style="list-style-type: none"> Periodic performance evaluation
	<ul style="list-style-type: none"> Agreeable contracts 	<ul style="list-style-type: none"> Negotiation
Community	<ul style="list-style-type: none"> Socially responsible company to the community where we operate 	<ul style="list-style-type: none"> CSR programmes
Government	<ul style="list-style-type: none"> Trustworthiness and integrity in statutory compliance 	<ul style="list-style-type: none"> Direct contact License update Statutory-related trainings

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE

A-Rank is committed in making our mark in the global market arena whilst embracing the path of sustainability practices and contributing to a better Economy, Environment and Society.

The Board provides guidance and oversight to ensure that the Company is equipped with the appropriate strategies and risk processes for creating sustainable value for all stakeholders. A-Rank's Managing Director has overall management responsibility for sustainability matters, whereas the Senior Management team is responsible for formulating and implementing the approved sustainability policies across the organisation.

All managers are dedicated and unified in the common goal of proactively enhancing their respective department's sustainability practices throughout the Group. The Safety and Health Committee is headed by our Executive Director, and its members are represented by both management and employee representatives.

The Executive Directors and the Senior Management team regularly upraise the Board regarding sustainability issues and recommend the best practices for implementation.

The Risk Management Policy dictates safeguarding the interest of stakeholders and balancing their expectations. Similarly, we ensure regulatory compliance with applicable laws, regulations, rules, directives and guidelines.

By operating on our best principles and responding to shifts in sustainability matters, we project our steady improvement in delivering sustainable products and services.

ECONOMIC, ENVIRONMENTAL AND SOCIAL

ECONOMIC

To achieve sustainable development of the marketplace, the Group endeavours to carry out activities to promote responsible practices among our investors, customers and suppliers 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 and its stakeholders.

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

SUSTAINABILITY STATEMENT

ECONOMIC, ENVIRONMENTAL AND SOCIAL (CONTINUED)

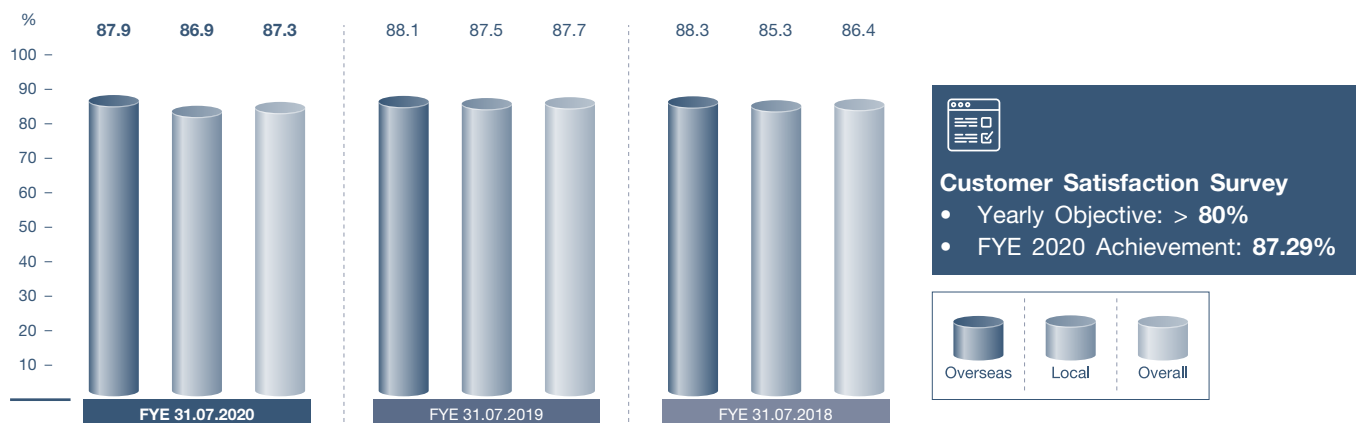
ECONOMIC (CONTINUED)

(b) Customers

Aligned with our Group's Vision and Mission, we build lasting relationships with customers by conducting our business and operations in a manner that seamlessly connects Reliability, Quality, Service and On-Time Delivery. More importantly, to serve our customers better, we have established a customer satisfaction objective and carry out yearly surveys to measure the level of satisfaction as well as to gain insight for improvements.

For the past years, we are proud to have consistently achieved our customer satisfaction objective as shown in the graph below:

CUSTOMER SATISFACTION RESULT



(i) Reliability

Reliability is consistent with the Group's mission to stimulate our customers' continued success and to make sure that our products display a consistent satisfactory performance and maintain their original levels of quality criteria. To this end, we work closely with our customers in enhancing and modifying our products and processes according to the customers' specific needs and conditions.

(ii) Quality

Our Quality Management System ("QMS") was established and tailored to the ISO 9001: 2015 requirements applicable to the manufacture of aluminium billets. To strengthen our system and compliance of all quality procedures, we have established an efficient and effective internal audit team for assessing the QMS periodically.

(iii) Service

We have implemented a feedback system on availability of person in-charge, customer request, technical information and response to problem solving. Both complimentary and constructive feedback are communicated, and action plans are devised in areas where improvements are required. During the annual surveys, our Sales and Marketing team remains in regular contact with our customers to ensure that any issues are addressed in a timely manner.

SUSTAINABILITY STATEMENT

ECONOMIC, ENVIRONMENTAL AND SOCIAL (CONTINUED)

ECONOMIC (CONTINUED)

(b) Customers (Continued)

(iv) On-time Delivery

On-time Delivery affects every aspect of our business and dictates the efficiency of the supply of raw materials and production process. Our on-time delivery process is based on the monitoring of customers' expected delivery date and shipment schedule. Thus, we have allocated measures and resources from the sourcing of raw materials to the prompt delivery of our products. Each step of our quality objectives process is accounted for; that is, we have determined the required actions and resources as well as the measurement methods. All departments roles and responsibility are clearly defined to meet deadlines and keep lines moving.

(c) Suppliers

The Group respects its suppliers and works closely with them through long-term relationships to realise mutual growth based on mutual trust.

Transparency and Integrity

As stated in the Code of Conduct and Ethics for Directors and Employees, purchasing activities in our supply chain shall be carried out with transparency, integrity and honesty. The Group prohibits the acceptance of extravagant gifts, favours, entertainment or services that may influence the recipient's job performance and responsibilities.

Mutual Growth

The Group values and works jointly with its suppliers to develop long-term relationships that will lead to mutual growth based on mutual trust. In partnership with suppliers we continuously enhance the supply chain for the purpose of meeting our customers' expectations and needs. We develop and maintain good relationships with suppliers that form one of the significant factors in building a sustainable supply chain.

All procurement activities are guided by our documented procedures as prescribed by ISO 9001:2015 Quality Management System to ensure that our suppliers comply with our purchase material specifications and satisfy our production requirements. To ensure the compliance practices of our suppliers, we evaluate the performance of our suppliers on a biannual basis in terms of the quality of products and services, pricing, packaging, delivery and product safety criteria. Meanwhile, for potential suppliers, our selection criteria are focused on quality and sustainable sources, pricing and delivery performance.

ENVIRONMENTAL

Environmental sustainability has become of paramount importance because of the worsening depletion of the earth's natural resources, on which everyone relies on. Therefore, we believe that *"Protecting the Environment Is Our Shared Responsibility"*.

Minimise Environmental Impact Operation

The Group contributes to environmental preservation in a unique way by supporting customers in using recycled aluminium, which reduces the usage of virgin raw material.

At A-Rank, we espouse environmental sustainability principles in our business and operations. To this end, we have initiated several programmes and measures.

Our Environmental Policy is the guiding principle in our commitment to environmental stewardship and in our endeavour to operate in harmony with the environment.

SUSTAINABILITY STATEMENT

ECONOMIC, ENVIRONMENTAL AND SOCIAL (CONTINUED)

ENVIRONMENTAL (CONTINUED)

Environmental Management

We have established an Environmental Performance Monitoring Committee tasked with identifying roles and responsibilities as well as advocating for environmental measures, so that we can consequently implement appropriate strategies to manage our air emissions and waste from all our facilities. In addition, this Committee ensure the seamless connectivity amongst all relevant departments in dealing with environmental issues particular to our operation.

Environmental Awareness and Training

Environmental training is critical in increasing the knowledge level of our employees and in better understanding the environmental regulatory issues that affecting the organisation, both of which will aid our compliance with rules and regulations.

The table below shows the environmental trainings conducted during the financial year ended 31 July 2020:

Training Topic	Number of Attendees	Number of Hours
Particulate Emission Monitoring System QAL-260 Operation and HMI Data Analysis Training	3 persons	2 hours / person
Understanding of Regulation 9(5) Storage Period for SW, Environmental Quality (Scheduled Wastes) Regulations 2005	7 persons	2 hours / person

In July 2020, we have organized a “Recycle Day Event” in our premises as an initiative to promote environmental awareness and encourage all employees to recycle. We managed to collect about 3 metric tons of recyclable items and donated it to the welfare fund of a charity organisation.



Recycle Day Event

Energy Management

“We drive down our energy consumption by investing in modern technologies...”

Our energy-saving initiative is focused on melting and homogenising operations, as these are energy-intensive processes. In pursuing this, we have collaborated with an electrical monitoring vendor to install detection devices to study the power consumption pattern of our homogenising furnaces so as to provide solutions to optimize furnaces handling and to minimize power consumption.

The high-capacity melting furnaces are linked to heat-generating burners. In this way, the harnessed waste heat is returned to the process, thereby reducing energy use. On the other hand, the hydraulically tilting holding furnace controls the melt temperature, consequently decreasing the energy use and improving product quality and productivity.

SUSTAINABILITY STATEMENT

ECONOMIC, ENVIRONMENTAL AND SOCIAL (CONTINUED)

ENVIRONMENTAL (CONTINUED)

Energy Management (Continued)

Below are the details of our energy consumption in the past three (3) financial years:

	Diesel (Litres)	Natural Gas (mmbtu)	Electricity (KwH)
FYE 31.07.2018	218,400	479,089	12,749,865
FYE 31.07.2019	229,320	469,909	12,783,297
FYE 31.07.2020	207,480	425,553	12,206,029

Waste Management

The Group monitors the disposal of wastes and the performance of the licensed waste contractors and promote environmental awareness and training amongst employees. Additionally, we ensure that scheduled waste such as aluminium dross, contaminated gloves and hazardous materials are disposed to the licensed contractors for further recycling, recovery and landfill.

Our ongoing efforts to reduce waste consists of:

- Investment in better technology such as magnetic stirrer;
- Ensure that the aluminum recovery process proceeds through every aluminum melting lot; and
- Monitoring of Monthly Dross Generation and Analysis of Aluminum Recovery Rate on a monthly basis.

	Aluminium Dross (MT)
FYE 31.07.2018	2,750
FYE 31.07.2019	2,874
FYE 31.07.2020	2,588

Air Emission

It is extremely important to control our point-source pollution, which affects the quality of air. To this end, we have invested substantially in a dust control system to ensure that cleaner air is discharged into the environment.

Environmental Compliance

We are committed to comply and operate in accordance with the relevant environmental laws and regulations. The Environmental Performance Monitoring Committee is responsible for implementing and monitoring the effectiveness of our environmental policy as well as for formulating additional policy elements as deemed necessary.

The environmental regulations that specifically apply to the Group are:

- Environmental Quality Act 1974;
- Environmental Quality (Clean Air) Regulations 2014; and
- Environmental Quality (Scheduled Wastes) Regulations 2005.

SUSTAINABILITY STATEMENT

ECONOMIC, ENVIRONMENTAL AND SOCIAL (CONTINUED)

SOCIAL

(a) EMPLOYEE

The Group recognises that our employees are our most important assets. We demonstrate this commitment by creating a healthy and safe workplace as well as a conducive environment where employees can experience and sustain an adequate work-life balance.

(i) Employee Welfare

The Group's success hugely depends on its employees' hard work, loyalty, strong leadership, integrity and commitment in pushing towards attaining the Group's milestones. To this end, we have implemented initiatives that promote the health and safety of our employees as well as enhance their benefits and compensation.

Benefits and Compensation

We comply with the government-mandated statutory benefits and compensation requirements, including KWSP, PERKESO, annual leaves, sick leaves, marriage leaves and compassionate leaves.

To better enhance employee welfare, we provide medical, hospitalisation and accident insurance to employees. We have implemented a monthly incentive scheme to reward employees when the Company meets the production and sales targets. Additionally, the Group gives educational support to 89 deserving children of employees who meet certain criteria.

Long Service Award

The service award is an exceptional recognition bestowed upon employees as our organisation's means of showing appreciation for their long tenure and contribution to the Company. In conjunction with A-Rank's annual dinner event held at The Everly Putrajaya Hotel, the Group has bestowed 10 and 20 years Long Service Award to three (3) and four (4) recipients for each category respectively.



Recipients of Long Service Awards



Annual Dinner

SUSTAINABILITY STATEMENT

ECONOMIC, ENVIRONMENTAL AND SOCIAL (CONTINUED)

SOCIAL (CONTINUED)

(a) EMPLOYEE (CONTINUED)

(i) Employee Welfare (Continued)

Retention and Succession Planning

Retaining key employees is crucial to ensure business success. The Group continues to ensure that 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.

(ii) Safety and Health (“S&H”)

The Management regards with utmost importance the occupational safety and health of employees at the factory, where there is high exposure to risks and hazards.

In our commitment to safeguard our stakeholders, we have established the S&H Policy.

In response to the Covid-19 pandemic, the Group has taken measures to mitigate the spread of the disease, so as to sustain a healthy and safe workplace environment. The measures taken include the implementation of Standard Operating Procedures (“SOPs”) which are carried out in line with the related guidelines enforced by relevant authorities.

The SOPs includes:

- Ensure sufficient supply of personal protective equipment e.g. face masks, gloves and hand sanitisers/sterilisers at all our offices and factories;
- Ensure that temperatures of all employees and visitors are screened and duly recorded in the facial recognition attendance system on daily basis; and
- Circulate reminders on the SOPs for Novel Coronavirus “Covid-19”, for all employees to continue practicing safety standards, including the practice of social distancing, as preventive measure against Covid-19 pandemic.

S&H Compliance

To provide a framework that protects the safety, health and welfare of our employees, the Group has put in place a number of relevant measures and rigorously complies with the following S&H rules, regulations and legislations:

- Safety and Health Act 1994;
- Occupational Safety and Health Regulations 1996; and
- Regulations of the Factory and Machinery Act 1970.

S&H Committee

We have established the S&H Committee, which is headed by our Executive Director and is composed of member employees and management representatives. The S&H Committee assists in formulating safety and health rules, reviewing their effectiveness and analysing trends in occupational disease, risks and hazards that are specific to the Group’s business and operations.

S&H Training and Awareness

Our initiatives include an introduction on S&H to new employees and contractors, regular fire drills, safety & health talks, evacuation exercises and, most importantly, trainings on the use of personal protection equipment for employees who enter and work in the production area. In addition, signage pieces are mounted in strategic locations to serve as constant reminders.



Emergency Respond Team & Fire Fighting Training

SUSTAINABILITY STATEMENT

ECONOMIC, ENVIRONMENTAL AND SOCIAL (CONTINUED)

SOCIAL (CONTINUED)

(a) EMPLOYEE (CONTINUED)

(ii) Safety and Health ("S&H") (Continued)

Listed below are the S&H trainings conducted during the financial year under review.

Title/Objective	Number of Attendees	Number of Hours
Safety and Health Talk	122	1 hour / person
Induction of Newly Recruits	122	1 hour / person
Emergency Respond Team & Fire Fighting Training	30	8 hours / person
Introduction to Standard Operating Procedure for Novel Coronavirus ("Covid-19")	166	2 hours / person

S&H Guidelines for Visitors and Contractors

Apart from providing a safe premise and a healthy working environment for employees, the Group proactively safeguards all visitors who are inside the premise for work or any other purposes. Frequent visitors and contractors have signed safety and health memoranda, which explains the potential risks in the production facilities and their respective safety guidelines. Visitors are reminded to follow and be aware of any safety warnings or instructions on signage displayed in the premise.

S&H Monitoring

The Group enforces S&H practices in all aspects at all times and carries out 24-hour security camera surveillance. All employees are required to observe safe work practices as well as identify and report any potential unsafe conditions and operations to the S&H Committee to ensure a timely response and control.

	Safety and Health Performance (Number of Cases)		
	FYE 31.07.2020	FYE 31.07.2019	FYE 31.07.2018
Minor Injuries	1	8	8
Lost-Time Injuries (Medical leave of >4 days)	8	4	4
Occupational Diseases	–	–	–
Number of Fatalities	–	–	–
Total	9	12	12

Chemical Health Risk Assessment ("CHRA") and Audiometric Hearing Tests ("AHT")

We carry out health tests to assess the employees' exposure to noise and hazardous chemicals in all work units on the production floor and determine the necessity of taking health and safety precautions.

The CHRA is carried out every 5 years whereas the AHT is conducted yearly or when there are any major changes in the facility. However, the Group had rescheduled AHT from March 2020 to October 2020 due to the implementation of MCO.

SUSTAINABILITY STATEMENT

ECONOMIC, ENVIRONMENTAL AND SOCIAL (CONTINUED)

SOCIAL (CONTINUED)

(a) EMPLOYEE (CONTINUED)

(iii) Human Capital Development

The Group encourages the need of employees for growth and development, and considers it a win-win relationship whereby the organisation offers assistance so that the employees can advance their careers.

We have designed training programmes that will equip employees with the knowledge and skills that are necessary for their job scope and that will keep them well-informed of innovations in their respective fields of expertise. Furthermore, the Group has instituted a retention and succession training programme for filling up critical positions to ensure sustainability through uninterrupted effective and efficient operations within the Group and a healthy leadership pipeline.



Staff Training

The table below shows the training programmes that were initiated during FYE 2020:

Title	Objective	Number of Attendees	Number of Hours
2019 Tax Seminar	Update current tax developments and budget 2020	3	8 hours / person
Anti-Bribery Management System Virtual Awareness Training	Understanding Corporate Liability Provision and developing Adequate Procedures under Section 17A Of MACC Act 2009	12	2 hours / person
What are the temporary relief measures for listed issuers during Covid-19 pandemic	Update the Extension time and matters related to reporting	3	1.5 hours / person
IT Awareness - Tips to Protect your computer	Enhance IT alert to protect our computer	26	1 hours / person

The Group offers post-retirement jobs for employees who opt to remain active and continue working after retirement. They are welcome to join the Group on a yearly contractual basis. This programme not only eases the transition into retirement but also helps Malaysia in addressing the ageing population.

(iv) Diversity

A-Rank empowers its people by respecting and appreciating their diverse qualities in terms of age, gender, ethnicity, religion, education and national origin for the positive exploration of human capital. A-Rank believes that these differences add value and strength to the Group, as each of these characteristics offers a unique contribution.

It is the Group's policy to provide all employees with a working environment that is free from any form of sexual harassment. Any violation of the Code will result in disciplinary action, including the possibility of dismissal and, if warranted, legal proceeding.

Male employees comprise the majority of our workforce, which is the norm in our industry because of the physically taxing jobs that must be performed. For FYE 2020, male employees accounted for 91.6% of our workforce, whereas the female staff represented 8.4%.

SUSTAINABILITY STATEMENT

ECONOMIC, ENVIRONMENTAL AND SOCIAL (CONTINUED)

SOCIAL (CONTINUED)

(a) EMPLOYEE (CONTINUED)

(iv) Diversity (Continued)

The number of our employees categorised by gender and age group as at 31 July 2020 is shown in the table below:

	20-30 years old	31-40 years old	41 years old and above	Total
Male	58	45	49	152
Female	3	4	7	14
Total	61	49	56	166

The number of Directors and Senior Managements categorised by positions is shown in the table below:

Position	FYE 31.07.2020		FYE 31.07.2019		FYE 31.07.2018	
	Male	Female	Male	Female	Male	Female
Directors	7	1	7	1	7	1
Managers	6	1	6	1	6	1
Total	13	2	13	2	13	2

(b) COMMUNITY

The Group recognises the correlation 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. The Group focuses on enhancing community sustainability through various activities and actions to promote community engagement and address the needs of less fortunate and underprivileged families. Our initiatives include monetary and goods donation to benefit schools and charitable organisation.



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 brand equity value.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee (“AC”) comprises three (3) members, all of whom are Independent Non-Executive Directors. The current composition complies with the Paragraph 15.09(1)(b) of Main Market Listing Requirements (“MMLR”) 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 the Senior Independent Non-Executive Director.

During the financial year ended 31 July 2020, three (3) AC’s meetings were held. The number of meetings held in the financial year is fewer than the minimum four (4) times as stated in the terms of reference due to cancellation of a scheduled meeting in March 2020 to comply with the MCO. The details of attendance of each member at the AC meetings held during the financial year ended 31 July 2020 are as follows:

Name	Designation	Attendance (1 August 2019 to 31 July 2020)
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

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 AC recognises the importance of independence of its External Auditors and that no possible conflict of interest whatsoever should arise. Hence, the TOR of AC had incorporated a 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 as member of the AC as required by Practice 8.2 of MCCG. No former key audit partner has been appointed as a member of the Board or AC.

SUMMARY OF WORK 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 WORK 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 and endorsed the Audit Committee Report and Statement on Risk Management and Internal Control for the Board's approval prior to inclusion in the Company's Annual Report;
- reviewed and updated the TOR of AC to be in line with the latest MMLR and MCCG of Bursa Securities;
- conducted self-assessment on the effectiveness of the Committee and the contribution of each individual committee member;
- reviewed and verified the options allocations pursuant to the ESOS of the Company during the financial year under review. The AC was satisfied that the allocation of options during the financial year ended 31 July 2020 was in compliance with the criteria set out in the ESOS By-Laws and by the ESOS Committee;
- in respect of the Circular to Shareholder on Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, reviewed whether the Group has in place adequate procedures and processes to monitor, track and identify recurrent related party transactions in a timely and orderly manner, and reviewed whether the review procedures adopted by the Company are sufficient to ensure that recurrent related party transactions are not more favourable to the related parties than those generally available to the public and not to detriment of the minority Shareholders; and
- reviewed and endorsed the Circular to Shareholders in relation to the Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

All the requirements under the TOR were complied with and the AC did not see any matters in breach of the MMLR 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 report directly to the AC.

The summary of works that had been undertaken by the Outsourced Internal Auditors during the financial year ended 31 July 2020 and the date of this report included the following:

1. Inventory Management
 - Inventory planning
 - Quality control
 - Inventory recording
 - Inventory management, handling, storage and packaging
 - Obsolete and slow moving inventory identification
 - Management of reject/returned inventories
 - Insurance coverage (inventories only)
2. Fixed Assets Management
 - Capitalization and depreciation
 - Acquisitions and disposals
 - Review of custodianship and safeguarding of assets
 - Repair and maintenance
 - Insurance coverage (PPE only)
 - Company vehicles
3. Related parties transaction
4. Procurement
 - Purchasing planning (budget vs actual)
 - Supplier evaluation
 - Management of orders
 - Purchasing and payment
 - Quality control
 - Receiving goods and/or services
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 2020 was RM26,000.

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 2020, which has been prepared pursuant to the Main Market Listing Requirements (“MMLR”) 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 2020, 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 Talent League Sdn Bhd (the “Outsourced Internal Auditors”) 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 2020, 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 the 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;
- A management reporting system in place to facilitate timely generation and monitoring of financial information for management review and decision making;
- Assessed the impact of Covid-19 pandemic on the Group's business operations and put in place the relevant Standard Operating Procedures across the business activities; and
- As part of its preparation for compliance with Section 17A of the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amendment 2018), the Group has engaged a consultant to put in place an Anti-Bribery and Corruption Management System ("ABMS") comprising policies and procedures, and a compliance, monitoring and reporting framework for the Group.

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 Group have 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 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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION (CONTINUED)

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 2020 and up to the date of this report amounted to RM26,000 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 MMLR of Bursa Securities, 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 2020, 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 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	7,322,686	6,913,910
Attributable to:		
Owners of the parent	7,683,854	6,913,910
Non-controlling interests	(361,168)	–
	7,322,686	6,913,910

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 2019:	
First and final single tier dividend of 2.50 sen per ordinary share, was paid on 18 December 2019	4,251,010

At the forthcoming Annual General Meeting, a first and final single tier dividend of 2.00 sen per ordinary share amounting to RM3,402,008 in respect of the current financial year will be proposed for shareholders' approval based on the total number of issued and paid up share capital of 170,100,397 ordinary shares as at 15 October 2020. 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 2021.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in Note 14 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 169,571,397 ordinary shares to 170,100,397 ordinary shares by way of issuance of 529,000 new ordinary shares pursuant to 529,000 options exercised under the Employees' Share Option Scheme at an exercise price of RM0.46 per ordinary share for cash.

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

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

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME ("ESOS" OR "SCHEME")

The Company implemented an ESOS, which is in force for a period of five (5) years from 27 August 2018 until 26 August 2023 ("the option period"). The main features of the ESOS are as follows:

(a) Eligibility

Employee of the Group

An employee of the Group shall be able to participate in the Scheme, if, as at the date of Offer:

- (i) he/she has attained at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
- (ii) he/she is employed on the date of Offer and he/she is employed:
 - on a full time basis and is on the payroll of any company of the Group for a continuous period of at least one (1) year (which shall include any probation period) and his employment has been confirmed; or
 - he/she is serving in a specific designation under an employment contract with any company of the Group for a continuous fixed duration of at least one (1) year (which shall include any probation period) and may, if the ESOS Committee deems fit, to include contract staff hired for a period of one (1) year or more for any purposes or specific requirements of the Group; and
- (iii) such employees falls within any other eligibility criteria (including variations to the eligibility criteria under section (a) (ii) above) that may be determined by the ESOS Committee from time to time at its sole discretion.

Director of the Group

- (i) he/she has attained at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
- (ii) he/she has been appointed as a Director (and not as alternate Director) in the Company or any company in the Group; and
- (iii) such Director fulfils any other criteria as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding.

In respect of a Director, a chief executive officer, major shareholders of the Company or a person connected with a director, chief executive officer or major shareholder, the specific allocation of ESOS options granted under the Scheme must have been approved by the shareholders of the Company at a general meeting.

- (b) The maximum number of shares offered under the ESOS shall not, in aggregate, exceed 10% of the number of issued ordinary shares of the Company at any time during the existence of the ESOS;
- (c) The exercise price determined by the ESOS Committee is based on the five (5)-day Volume-Weighted Average Price of the Company's shares, as quoted on Bursa Malaysia Securities Berhad, immediately preceding the date of offer, with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the Scheme;

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME ("ESOS" OR "SCHEME") (CONTINUED)

The Company implemented an ESOS, which is in force for a period of five (5) years from 27 August 2018 until 26 August 2023 ("the option period"). The main features of the ESOS are as follows: (continued)

- (d) The maximum number of shares, which may be offered to any eligible employee and Director shall be at the discretion of the ESOS Committee after taking into consideration, among others and where relevant, the performance, position, seniority and length of service, subject to the following:
 - (i) that the number of ESOS options made available under the Scheme shall not exceed ten percent (10%) of the total number of issued ordinary shares of the Company;
 - (ii) that not more than ten percent (10%) of the shares available under the Scheme at the point in time when an offer is made, be granted to any individual eligible person who, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued shares (excluding treasury shares, if any);
 - (iii) that not more than seventy percent (70%) of the total number of shares to be issued under the Scheme will be allocated in aggregate to the Directors and senior management of the Group who are eligible persons; and
 - (iv) that the Directors and senior management of the Group do not participate in the deliberation or discussion of their respective allocation.
- (e) No vesting period as well as performance target that must be achieved prior to the exercise of the ESOS options set by the ESOS Committee. Notwithstanding this, the ESOS Committee shall have the discretion to prescribe any conditions as it may deem fit in the offer;
- (f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company; and
- (g) No eligible employee and Director shall participate at any time in any other employees' share option scheme within the Company and its subsidiaries unless otherwise approved by the ESOS Committee.

Options exercisable in a particular year but not exercised shall be carried forward to subsequent years within the option period provided that no options shall be exercised beyond the date of expiry of the scheme.

The number of unissued ordinary shares under options was as follows:

RM/option	<----- Number of options over ordinary shares ----->			Balance as at 31.7.2020
	Balance as at 1.8.2019	Granted	Exercised	
RM0.46	10,492,400	–	(529,000)	9,963,400

Since the implementation of the ESOS until the end of the financial year ended 31 July 2020, a total of 11,653,400 options had been granted to the eligible Directors and employees of the Group, which includes a total of 5,580,000 options granted to the Directors. A total of 1,690,000 options had been exercised since the implementation of the ESOS until the end of the financial year, which includes 500,000 options exercised by the Directors.

Share options exercised during the financial year resulted in the issuance of 529,000 ordinary shares at price of RM0.46.

DIRECTORS' REPORT

DIRECTORS OF A-RANK BERHAD

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

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

DIRECTORS OF SUBSIDIARIES OF A-RANK BERHAD

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

Dato' Shahrir Bin Abdul Jalil
Tan Wan Lay
Datuk Leow Chong Howa
Tuan Haji Ahmed Azhar Bin Abdullah
Gan Choon Sun
Gan Kah Siong
Gan Yee Hin
Shaik Ahmad Sufian Bin Shaik Kamal Farid

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 31 July 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

Shares in the Company	<----- Number of ordinary shares ----->			
	Balance as at 1.8.2019	Bought	Sold	Balance as at 31.7.2020
<u>Direct interests</u>				
Tan Wan Lay	16,414,300	50,000	–	16,464,300
Datuk Leow Chong Howa	31,500	–	–	31,500
Tuan Haji Ahmed Azhar Bin Abdullah	210,000	–	–	210,000
Gan Choon Sun	421,680	150,000	–	571,680
Leow Vinzie	280,000	–	–	280,000
<u>Indirect interest</u>				
Datuk Leow Chong Howa	46,638,887	–	–	46,638,887

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

Share options in the Company	<----- Number of options over ordinary shares ----->			Balance as at 31.7.2020
	Balance as at 1.8.2019	Granted	Exercised	
Direct interests				
Dato' Shahrir Bin Abdul Jalil	280,000	–	–	280,000
Tan Wan Lay	2,240,000	–	–	2,240,000
Datuk Leow Chong Howa	280,000	–	–	280,000
Tuan Haji Ahmed Azhar Bin Abdullah	280,000	–	–	280,000
Dr. Leong Chik Weng	280,000	–	–	280,000
Wong Tze Kai	280,000	–	–	280,000
Gan Choon Sun	1,540,000	–	(100,000)	1,440,000

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.

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 remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the 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 31(c) 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 except for the share options granted pursuant to the ESOS as mentioned in Note 28 to the financial statements.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 31(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 RM19,090.

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 adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of 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 render the amount 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.

SUBSIDIARIES

Details of subsidiaries are set out in Note 8 to the financial statements.

DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 34 to financial statements.

AUDITORS

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

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 July 2020 are disclosed in Note 23 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
15 October 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 72 to 117 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 2020 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Dato' Shahrir Bin Abdul Jalil
Director

Tan Wan Lay
Director

Kuala Lumpur
15 October 2020

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 72 to 117 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
15 October 2020

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 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 117.

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 2020, and of their financial performance and their cash flows for the financial 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial 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.

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

As at 31 July 2020, the carrying amount of inventories of the Group, which comprised aluminium products was RM36,973,888. Details of the inventories, as disclosed in Note 11 to the financial statements.

We have focused on the audit risk that the carrying amount of inventories may not be stated at lower of cost and net realisable value. Writing down of inventories to net realisable value is mainly based on management estimates, which have been derived from estimates of selling prices that are subject to price volatility of aluminium, incorporating the impact of Covid-19 pandemic, and if not accounted for properly, may lead to the valuation of inventories being misstated.

Audit response

Our audit procedures included the following:

- (a) compared the net realisable values determined by management against the movements of world aluminium prices, incorporating the impact of the Covid-19 pandemic; and
- (b) tested inventories for sales subsequent to the year end to supporting documentation and assessed that the carrying amount 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A-RANK BERHAD (Incorporated in Malaysia)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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 internal control of the Group and of the Company.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A-RANK BERHAD (Incorporated in Malaysia)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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: (Continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 8 to the financial statements.

OTHER MATTERS

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

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Ng Soe Kei
02982/08/2021 J
Chartered Accountant

Kuala Lumpur
15 October 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 JULY 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	50,107,147	52,493,105	–	–
Right-of-use assets	6	1,769,794	–	–	–
Investment property	7	9,344,546	9,344,546	–	–
Investments in subsidiaries	8	–	–	70,979,131	70,978,560
Investment in an associate	9	436,518	436,481	3,000	3,000
Trade and other receivables	10	–	–	14,893,721	6,772,576
		61,658,005	62,274,132	85,875,852	77,754,136
Current assets					
Inventories	11	110,047,429	31,097,787	–	–
Trade and other receivables	10	43,774,029	36,712,878	17,395,817	15,549,950
Cash and bank balances	12	18,282,755	67,246,602	8,526,032	15,586,113
		172,104,213	135,057,267	25,921,849	31,136,063
TOTAL ASSETS		233,762,218	197,331,399	111,797,701	108,890,199
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	85,462,593	85,147,460	85,462,593	85,147,460
Share options reserve	14	1,352,176	1,423,969	1,352,176	1,423,969
Retained earnings		50,753,859	47,352,886	24,639,670	21,976,770
		137,568,628	133,924,315	111,454,439	108,548,199
Non-controlling interest		624,155	–	–	–
TOTAL EQUITY		138,192,783	133,924,315	111,454,439	108,548,199
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	15	3,750,323	4,530,100	–	–
Lease liabilities	6	495,388	–	–	–
		4,245,711	4,530,100	–	–
Current liabilities					
Trade and other payables	16	63,619,034	19,243,259	343,262	342,000
Borrowings	17	25,678,531	38,091,581	–	–
Derivative financial liabilities	18	331,392	186,476	–	–
Lease liabilities	6	1,357,080	–	–	–
Current tax liabilities		337,687	1,355,668	–	–
		91,323,724	58,876,984	343,262	342,000
TOTAL LIABILITIES		95,569,435	63,407,084	343,262	342,000
TOTAL EQUITY AND LIABILITIES		233,762,218	197,331,399	111,797,701	108,890,199

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 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	19	418,798,779	482,222,330	7,500,000	5,000,000
Cost of sales		(404,222,185)	(459,940,931)	–	–
Gross profit		14,576,594	22,281,399	7,500,000	5,000,000
Other income	20	4,765,702	3,741,941	793,266	504,104
Marketing and distribution expenses		(571,789)	(388,657)	–	–
Administration expenses		(7,054,835)	(7,162,901)	(528,545)	(779,044)
Other expenses	21	(914,781)	(2,080,021)	(850,811)	(3,024,970)
Profit from operations		10,800,891	16,391,761	6,913,910	1,700,090
Finance costs	22	(1,194,030)	(1,246,301)	–	–
Share of profit/(loss) in an associate, net of tax	9	37	(105)	–	–
Profit before tax	23	9,606,898	15,145,355	6,913,910	1,700,090
Tax expense	24	(2,284,212)	(4,006,081)	–	–
Profit for the financial year		7,322,686	11,139,274	6,913,910	1,700,090
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive income		7,322,686	11,139,274	6,913,910	1,700,090
Profit/(loss) attributable to:					
Owners of the parent		7,683,854	11,139,274	6,913,910	1,700,090
Non-controlling interests		(361,168)	–	–	–
		7,322,686	11,139,274	6,913,910	1,700,090
Total comprehensive income/(loss) attributable to:					
Owners of the parent		7,683,854	11,139,274	6,913,910	1,700,090
Non-controlling interests		(361,168)	–	–	–
		7,322,686	11,139,274	6,913,910	1,700,090
Earnings per ordinary share attributable to owners of the parent:					
Basic earnings per ordinary share (sen)	25(a)	4.52	6.58		
Diluted earnings per ordinary share (sen)	25(b)	4.52	6.53		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

Group	Note	Share capital RM	Non-distributable Share options reserve RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non- controlling interests RM	Total equity RM
Balance as at 1 August 2018		60,000,000	–	64,351,831	124,351,831	–	124,351,831
Profit for the financial year		–	–	11,139,274	11,139,274	–	11,139,274
Other comprehensive income, net of tax		–	–	–	–	–	–
Total comprehensive income		–	–	11,139,274	11,139,274	–	11,139,274
Transactions with owners							
Bonus issued	13	24,205,199	–	(24,205,199)	–	–	–
Dividend paid	26	–	–	(3,933,020)	(3,933,020)	–	(3,933,020)
Share options granted under ESOS		–	1,637,230	–	1,637,230	–	1,637,230
Ordinary shares issued pursuant to ESOS	14	942,261	(213,261)	–	729,000	–	729,000
Total transactions with owners		25,147,460	1,423,969	(28,138,219)	(1,566,790)	–	(1,566,790)
Balance as at 31 July 2019		85,147,460	1,423,969	47,352,886	133,924,315	–	133,924,315
Balance as at 1 August 2019, as previously reported		85,147,460	1,423,969	47,352,886	133,924,315	–	133,924,315
Effect on adoption of MFRS 16	33.1	–	–	(31,871)	(31,871)	–	(31,871)
Balance as at 1 August 2019, as restated		85,147,460	1,423,969	47,321,015	133,892,444	–	133,892,444
Profit for the financial year		–	–	7,683,854	7,683,854	(361,168)	7,322,686
Other comprehensive income, net of tax		–	–	–	–	–	–
Total comprehensive income		–	–	7,683,854	7,683,854	(361,168)	7,322,686
Transactions with owners							
Dividend paid	26	–	–	(4,251,010)	(4,251,010)	–	(4,251,010)
Acquisition of subsidiaries		–	–	–	–	985,323	985,323
Ordinary shares issued pursuant to ESOS	14	315,133	(71,793)	–	243,340	–	243,340
Total transactions with owners		315,133	(71,793)	(4,251,010)	(4,007,670)	985,323	(3,022,347)
Balance as at 31 July 2020		85,462,593	1,352,176	50,753,859	137,568,628	624,155	138,192,783

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

		Share capital RM	Non-distributable Share options reserve RM	Distributable Retained earnings RM	Total RM
Balance as at 1 August 2018		60,000,000	–	48,414,899	108,414,899
Profit for the financial year		–	–	1,700,090	1,700,090
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive income		–	–	1,700,090	1,700,090
Transactions with owners					
Bonus issued	13	24,205,199	–	(24,205,199)	–
Dividend paid	26	–	–	(3,933,020)	(3,933,020)
Share options granted under ESOS		–	1,637,230	–	1,637,230
Ordinary shares issued pursuant to ESOS	14	942,261	(213,261)	–	729,000
Total transactions with owners		25,147,460	1,423,969	(28,138,219)	(1,566,790)
Balance as at 31 July 2019		85,147,460	1,423,969	21,976,770	108,548,199
Profit for the financial year		–	–	6,913,910	6,913,910
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive income		–	–	6,913,910	6,913,910
Transactions with owners					
Dividend paid	26	–	–	(4,251,010)	(4,251,010)
Ordinary shares issued pursuant to ESOS	14	315,133	(71,793)	–	243,340
Total transactions with owners		315,133	(71,793)	(4,251,010)	(4,007,670)
Balance as at 31 July 2020		85,462,593	1,352,176	24,639,670	111,454,439

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		9,606,898	15,145,355	6,913,910	1,700,090
Adjustments for:					
Depreciation of property, plant and equipment	5	5,014,838	5,140,982	–	–
Depreciation of right-of-use assets	6	1,320,804	–	–	–
Dividend income	19	–	–	(7,500,000)	(5,000,000)
Fair value adjustment on amounts owing by subsidiaries		–	–	850,811	2,571,970
Fair value gain on short term funds		(63,851)	(113,014)	(42,335)	(51,615)
Goodwill written off		13,159	–	–	–
Impairment loss on:					
– amount owing by an associate	10(f)	–	225,000	–	225,000
– trade receivables	10(e)	99,059	–	–	–
Interest expense		1,194,030	1,246,301	–	–
Interest income		(1,080,200)	(1,151,188)	(300,555)	(452,489)
Loss on disposal of property, plant and equipment		830	–	–	–
Property, plant and equipment written off	5	5,634	1,597	–	–
Reversal of impairment loss on trade receivables	10(e)	–	(2,153)	–	–
Share of (gain)/loss in an associate, net of tax	9(c)	(37)	105	–	–
Share options granted under ESOS		–	1,637,230	–	228,000
Unrealised gain on foreign exchange		(295,065)	(202,047)	–	–
Unrealised loss on derivative instruments	18(d)	144,916	216,194	–	–
Unwinding of interest on amount owing by subsidiaries		–	–	(450,376)	–
Operating profit/(loss) before changes in working capital		15,961,015	22,144,362	(528,545)	(779,044)
Changes in working capital:					
Inventories		(78,932,735)	21,170,734	–	–
Trade and other receivables		(5,306,824)	639,209	–	–
Trade and other payables		44,358,701	6,604,431	43,597	131,015
Cash (used in)/from operations		(23,919,843)	50,558,736	(484,948)	(648,029)
Tax paid		(4,081,970)	(3,770,564)	–	–
Net cash (used in)/from operating activities		(28,001,813)	46,788,172	(484,948)	(648,029)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash and cash equivalent acquired		(1,000,138)	–	(571)	–
Advances to subsidiaries, net		–	–	(10,454,447)	(4,100,778)
Dividend received	19	–	–	7,500,000	5,000,000
Interest received		1,080,200	1,151,188	300,555	452,489
Purchase of investment property	7	–	(9,344,546)	–	–
Purchase of property, plant and equipment	5	(2,639,344)	(2,231,197)	–	–
Proceed from disposal of property, plant and equipment		4,000	–	–	–
Repayments from an associate		87,000	–	87,000	–
Net cash (used in)/from investing activities		(2,468,282)	(10,424,555)	(2,567,463)	1,351,711
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	26	(4,251,010)	(3,933,020)	(4,251,010)	(3,933,020)
(Repayment)/Drawdown of borrowings, net		(12,022,051)	3,679,543	–	–
Payment of lease liabilities	6	(1,439,400)	–	–	–
Interest paid		(1,024,631)	(1,246,301)	–	–
Proceeds from ordinary shares issued pursuant to ESOS exercised		243,340	729,000	243,340	729,000
Net cash used in financing activities		(18,493,752)	(770,778)	(4,007,670)	(3,204,020)
Net (decrease)/increase in cash and cash equivalents		(48,963,847)	35,592,839	(7,060,081)	(2,500,338)
Cash and cash equivalents at beginning of financial year		67,246,602	31,653,763	15,586,113	18,086,451
Cash and cash equivalents at end of financial year	12	18,282,755	67,246,602	8,526,032	15,586,113

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	Group 2020 RM	2019 RM
Borrowings			
Borrowings at 1 August		38,091,581	34,570,570
Cash flows		(12,022,051)	3,679,543
Non-cash flows:			
Effect of foreign exchange		(390,999)	(158,532)
Borrowings at 31 July	17	25,678,531	38,091,581
Lease liabilities			
At 1 August, as previously reported		–	–
Effect on adoption of MFRS 16	33.1	949,387	–
At 1 August, as restated		949,387	–
Cash flows:			
Payment of lease liabilities		(1,270,001)	–
Payment of lease interest		(169,399)	–
Non-cash flows:			
Addition of lease liabilities		2,173,082	–
Unwinding of interest		169,399	–
At 31 July	6	1,852,468	–

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

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

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 2020 comprise the Company, its subsidiaries and associate. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 15 October 2020.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 33.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* and IC Interpretation 23 *Uncertainty over Income Tax Treatments* for the first time during the current financial year, using the cumulative effect method as at 1 August 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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

4. OPERATING SEGMENTS

The Group is principally involved in manufacturing and marketing of aluminium billets and property development. Its operating segments are presented based on products and services. The performance of each segment is measured based on the internal management report reviewed by chief operating decision maker.

The Group evaluates performance on the basis of profit or loss from operations before tax.

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

Even though borrowings and derivative financial liabilities arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

4. OPERATING SEGMENTS (CONTINUED)

(a) Details are provided in the reconciliations from segment assets and liabilities to the position of the Group.

	Note	Aluminium RM	Property development and property investment RM	Total RM
2020				
Revenue				
Total revenue		426,298,779	–	426,298,779
Inter-segment revenue		(7,500,000)	–	(7,500,000)
Revenue from external customers		418,798,779	–	418,798,779
Results				
Interest income		1,080,200	–	1,080,200
Finance costs		(1,194,030)	–	(1,194,030)
Share of results of an associate		37	–	37
Depreciation of property, plant and equipment		(5,014,694)	(144)	(5,014,838)
Depreciation of right-of-use assets		(1,320,804)	–	(1,320,804)
Other items of income	(i)	3,685,502	–	3,685,502
Other expenses	(ii)	(901,622)	(13,159)	(914,781)
Segment profit/(loss) before tax		10,128,967	(522,069)	9,606,898
Tax expense		(2,284,212)	–	(2,284,212)
Segment assets		151,304,924	82,457,294	233,762,218
Segment liabilities		44,146,101	51,423,334	95,569,435
2019				
Revenue				
Total revenue		487,222,330	–	487,222,330
Inter-segment revenue		(5,000,000)	–	(5,000,000)
Revenue from external customers		482,222,330	–	482,222,330
Results				
Interest income		1,151,188	–	1,151,188
Finance costs		(1,246,301)	–	(1,246,301)
Share of results of an associate		(105)	–	(105)
Depreciation of property, plant and equipment		(5,140,982)	–	(5,140,982)
Other items of income	(i)	2,590,753	–	2,590,753
Other expenses	(ii)	(2,080,021)	–	(2,080,021)
Segment profit before tax		15,151,587	(6,232)	15,145,355
Tax expense		(4,006,081)	–	(4,006,081)
Segment assets		187,986,853	9,344,546	197,331,399
Segment liabilities		63,405,084	2,000	63,407,084

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

4. OPERATING SEGMENTS (CONTINUED)

- (a) Details are provided in the reconciliations from segment assets and liabilities to the position of the Group. (continued)
- (i) Other items of income consist of the following:

	2020 RM	Group 2019 RM
Fair value gain on short term funds	63,851	113,014
Realised gain on derivative instruments	–	305,648
Gain on foreign exchange:		
– realised	3,122,186	1,936,371
– unrealised	295,065	202,047
Reversal of impairment loss on trade receivables	–	2,153
Sundry income	204,400	31,520
	<u>3,685,502</u>	<u>2,590,753</u>

- (ii) Other expenses consist of the following:

	2020 RM	Group 2019 RM
Goodwill written off	13,159	–
Impairment losses on:		
– amount owing by an associate	–	225,000
– trade receivables	99,059	–
Loss on disposal of property, plant and equipment	830	–
Property, plant and equipment written off	5,634	1,597
Realised loss on derivative instruments	651,183	–
Share options granted under ESOS	–	1,637,230
Unrealised losses on derivative instruments	144,916	216,194
	<u>914,781</u>	<u>2,080,021</u>

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

4. OPERATING SEGMENTS (CONTINUED)

- (b) Reconciliations of reportable segment revenue, profit or loss and liabilities to the corresponding amounts of the Group are as follows:

	2020 RM	Group 2019 RM
Revenue		
Total revenue for reportable segments	426,298,779	487,222,330
Elimination of inter-segment revenue	(7,500,000)	(5,000,000)
Revenue of the Group per statements of profit or loss and other comprehensive income	418,798,779	482,222,330
Profit for the financial year		
Total profit or loss for reportable segments	9,606,898	15,145,355
Tax expense	(2,284,212)	(4,006,081)
Profit for the financial year of the Group per statements of profit or loss and other comprehensive income	7,322,686	11,139,274
Liabilities		
Total liabilities for reportable segments	91,481,425	57,521,316
Tax liabilities	4,088,010	5,885,768
Liabilities of the Group per statements of financial position	95,569,435	63,407,084

- (c) Geographical information

The Group operates only in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of customers. The reportable segments are Malaysia, South East Asia other than Malaysia, South Asia and others⁽¹⁾.

⁽¹⁾ Others represent the sales of finished goods to Africa, Europe and Middle East.

Segment assets are based on the geographical location of the assets of the Group.

	2020 RM	Group 2019 RM
Revenue from external customers		
Malaysia	240,793,481	282,211,818
South East Asia other than Malaysia	129,416,338	125,566,326
South Asia	44,018,227	57,669,020
Others	4,570,733	16,775,166
	418,798,779	482,222,330

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

4. OPERATING SEGMENTS (CONTINUED)

(c) Geographical information (continued)

	2020 RM	Group 2019 RM
Segment assets		
Malaysia	227,647,686	187,456,688
South East Asia other than Malaysia	5,375,935	9,011,217
South Asia	738,597	863,494
	<u>233,762,218</u>	<u>197,331,399</u>

Major customers

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

	2020 RM	Revenue 2019 RM	Segment
Customer A	<u>71,450,898</u>	<u>87,616,842</u>	Malaysia

5. PROPERTY, PLANT AND EQUIPMENT

Group 2020	Balance as at 1.8.2019 RM	Additions RM	Disposal RM	Written off RM	Depreciation charge for the year RM	Balance as at 31.7.2020 RM
Carrying amount						
Freehold land	8,825,000	–	–	–	–	8,825,000
Buildings	22,317,980	976,300	–	–	(582,998)	22,711,282
Plant and machinery	20,558,652	1,515,876	–	–	(4,182,542)	17,891,986
Office equipment	243,922	145,988	(4,830)	(5,634)	(53,653)	325,793
Furniture and fittings	77,070	1,180	–	–	(10,903)	67,347
Electrical fittings	297,074	–	–	–	(107,673)	189,401
Motor vehicles	173,407	–	–	–	(77,069)	96,338
	<u>52,493,105</u>	<u>2,639,344</u>	<u>(4,830)</u>	<u>(5,634)</u>	<u>(5,014,838)</u>	<u>50,107,147</u>

	<----- At 31 July 2020 ----->		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	8,825,000	–	8,825,000
Buildings	29,991,349	(7,280,067)	22,711,282
Plant and machinery	65,291,553	(47,399,567)	17,891,986
Office equipment	786,647	(460,854)	325,793
Furniture and fittings	377,404	(310,057)	67,347
Electrical fittings	2,589,498	(2,400,097)	189,401
Motor vehicles	979,188	(882,850)	96,338
	<u>108,840,639</u>	<u>(58,733,492)</u>	<u>50,107,147</u>

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2019	Balance as at 1.8.2018 RM	Additions RM	Written off RM	Depreciation charge for the year RM	Balance as at 31.7.2019 RM
Carrying amount					
Freehold land	8,825,000	–	–	–	8,825,000
Buildings	21,415,003	1,462,205	–	(559,228)	22,317,980
Plant and machinery	24,103,017	744,840	–	(4,289,205)	20,558,652
Office equipment	272,496	19,650	(1,597)	(46,627)	243,922
Furniture and fittings	84,251	4,502	–	(11,683)	77,070
Electrical fittings	404,747	–	–	(107,673)	297,074
Motor vehicles	299,973	–	–	(126,566)	173,407
	55,404,487	2,231,197	(1,597)	(5,140,982)	52,493,105

	<----- At 31 July 2019 ----->		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	8,825,000	–	8,825,000
Buildings	29,015,049	(6,697,069)	22,317,980
Plant and machinery	63,775,677	(43,217,025)	20,558,652
Office equipment	761,979	(518,057)	243,922
Furniture and fittings	376,224	(299,154)	77,070
Electrical fittings	2,589,498	(2,292,424)	297,074
Motor vehicles	979,188	(805,781)	173,407
	106,322,615	(53,829,510)	52,493,105

- (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 20%
Office equipment	10%
Furniture and fittings	10%
Electrical fittings	6%
Motor vehicles	20%

Freehold land has unlimited useful life and is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

Group	Plant and machinery RM	Motor vehicles RM	Total RM
Carrying amount			
At 1 August 2019	–	–	–
Effects on adoption of MFRS 16 (Note 33.1)	917,516	–	917,516
Additions	1,483,837	689,245	2,173,082
Depreciation charge for the year	(976,176)	(344,628)	(1,320,804)
At 31 July 2020	1,425,177	344,617	1,769,794

Lease liabilities

Group	Plant and machinery RM	Motor vehicles RM	Total RM
Carrying amount			
At 1 August 2019	–	–	–
Effects on adoption of MFRS 16 (Note 33.1)	949,387	–	949,387
Additions	1,483,837	689,245	2,173,082
Lease payments	(1,070,400)	(369,000)	(1,439,400)
Interest expenses	133,599	35,800	169,399
At 31 July 2020	1,496,423	356,045	1,852,468

Represented by:

	Group RM
Current liabilities	1,357,080
Non-current liabilities	495,388
Lease liabilities owing to non-financial institutions	1,852,468

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of the right-of-use assets are as follows:

Plant and machinery	over the lease period of 2 to 5 years
Motor vehicles	over the lease period of 2 years

- (b) The Group has low value leases (leases for which the underlying asset is RM20,000 and below) of office equipments and hostels. The Group applies the "lease of low value assets" exemption for these leases.
- (c) The following are the amounts recognised in profit or loss:

2020	Group RM
Depreciation charge of right-of-use assets (included in cost of sales)	1,320,804
Interest expense on lease liabilities (included in finance cost)	169,399
Expense relating to lease of low-value assets (included in administrative expenses)	33,008
Variable lease payments (included in cost of sales):	
– arising from Covid-19 related rent concessions	(149,266)
	<u>1,373,945</u>

- (d) Lease liabilities are denominated in RM.
- (e) The following table sets out the carrying amounts, the weighted average incremental borrowing rate as at the end of the reporting period and the remaining maturities of the lease liabilities of the Group that are exposed to interest rate risk:

Group 2020	Weighted average incremental borrowing rate %	Within one year RM	One to two years RM	Two to five years RM	Total RM
Lease liabilities	6.65	1,357,080	250,605	244,783	1,852,468

- (f) The table below summarises the maturity profile of the lease liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations as follow:

Group 2020	On demand or within one year RM	One to two years RM	Two to five years RM	Total RM
Lease liabilities	1,439,400	276,000	253,000	1,968,400

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

7. INVESTMENT PROPERTY

	2020 RM	Group 2019 RM
Cost		
At 1 August 2019/2018	9,344,546	–
Addition	–	9,344,546
At 31 July 2020/2019	9,344,546	9,344,546
Fair value as at 31 July 2020/2019	11,220,000	11,916,000

- (a) Investment property is initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.
- (b) Investment property of the Group comprises a freehold land which is held for capital appreciation purpose.
- (c) The fair value of the investment property of the Group is categorised as Level 3 in the fair value hierarchy. It was determined by the Directors based on market comparison approach that reflects recent transaction price for similar purpose. The most significant input into this valuation approach is the price per square foot of comparable properties.

8. INVESTMENTS IN SUBSIDIARIES

	2020 RM	Company 2019 RM
Unquoted equity shares, at cost	70,979,131	70,978,560

- (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	Interest in equity		Principal activities
		2020	2019	
Formosa Shyen Horng Metal Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and marketing of aluminium billets
Emerald Innovations Sdn. Bhd.	Malaysia	100%	100%	Property holding
Tambun Kekal Sdn. Bhd.*	Malaysia	57.1%	–	Investment holding
Subsidiary of Tambun Kekal Sdn. Bhd.				
Konsep Juara Sdn. Bhd.*	Malaysia	50.1%	–	Property developer

* Subsidiaries not audited by BDO PLT or member firms.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) During the financial year ended 31 July 2020:

(i) Acquisition of Tambun Kekal Sdn. Bhd.

On 29 January 2020, the Company acquired 1 ordinary share and subscribed for another new 570 ordinary shares, representing 57.1% of equity interest in Tambun Kekal Sdn. Bhd. ("TKSB") for a cash consideration of RM571 while consideration from non-controlling interest was RM429. The transaction has been completed during the financial year. Consequently, the Company became the holding company of TKS. There is no material impact to the financial statements upon acquisition of TKS.

(ii) Acquisition of Konsep Juara Sdn. Bhd.

On 6 February 2020, a subsidiary of the Company, TKS acquired 50.1% of equity interest comprising 1,002,000 existing ordinary shares in Konsep Juara Sdn. Bhd. ("KJSB") for a cash consideration of RM1,002,000. The transaction has been completed during the financial year. Consequently, the Company became the ultimate holding company of KJSB.

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

Group	At date of acquisition RM
Inventories	16,907
Other receivables	2,046,026
Cash and bank balances	1,433
Total identifiable assets	2,064,366
Trade and other payables	(90,631)
Total identifiable net assets	1,973,735
Non-controlling interests	(984,894)
Goodwill	13,159
Total cost of acquisition	1,002,000

The goodwill arising from acquisition of the subsidiary was written off during the financial year.

The effects of the acquisition of KJSB on cash flow are as follows:

Group	2020 RM
Consideration settled in cash	1,002,000
Less: Cash and cash equivalents of a subsidiary acquired	(1,433)
Net cash outflow of the Group on acquisition	1,000,567

KJSB has contributed the following results to the Group for the financial year ended 31 July 2020 from the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) During the financial year ended 31 July 2020: (continued)

(ii) Acquisition of Konsep Juara Sdn. Bhd. (continued)

The effects of the acquisition of KJSB on cash flow are as follows: (continued)

Group	2020 RM
Revenue	–
Loss for the financial year	(502,565)

(d) Subsidiaries of the Group that has non-controlling interests (“NCI”) are as follows:

2020	TKSB RM	KJSB RM	Total RM
NCI percentage of ownership interests and voting interest	42.9%	71.4%	
Carrying amount of NCI	(426,156)	1,050,311	624,155
Loss allocated to NCI	(2,372)	(358,796)	(361,168)

(e) The summarised financial information before intra-group elimination of the subsidiaries that has NCI as at each reporting period are as follows:

2020	TKSB RM	KJSB RM
Assets and liabilities		
Non-current assets	1,002,000	4,186
Current assets	–	73,108,562
Non-current liability	(572,142)	(7,949,438)
Current liabilities	(434,388)	(63,692,141)
Net (liabilities)/assets	(4,530)	1,471,169
Results		
Loss for the financial year	(5,530)	(502,565)
Total comprehensive loss	(5,530)	(502,565)
Cash flows		
Cash flows used in operating activities	(2,530)	(22,154,363)
Cash flows from investing activities	1,530	22,187,952
Cash flows from financing activities	1,000	–
Net increase in cash and cash equivalents	–	33,589

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

9. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unquoted shares, at cost	3,000	3,000	3,000	3,000
Share of post-acquisition results	433,518	433,481	–	–
	436,518	436,481	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.
- (b) The details of the associate are as follows:

Name of company	Country of incorporation	Interest in equity		Principal activities
		2020	2019	
Ringgit Voyage Sdn. Bhd.*	Malaysia	30%	30%	Investment holding

* Associates not audited by BDO PLT or member firms.

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 2019 and management accounts as at 31 July 2020.

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

	Group	
	2020 RM	2019 RM
Assets and liabilities		
Non-current assets	1,753,842	1,751,801
Current assets	911,218	1,203,135
Current liabilities	(1,210,000)	(1,500,000)
Net assets	1,455,060	1,454,936
Results		
Profit/(Loss) for the financial year	124	(351)
Total comprehensive income/(loss)	124	(351)
Cash flows		
Cash flows used in operating activities	(1,917)	(4,343)
Cash flows from investing activities	10,000	–
Net increase/(decrease) in cash and cash equivalents	8,083	(4,343)
Share of results by the Group for the financial year		
Share of profit/(loss) by the Group for the financial year	37	(105)

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-current:				
Amount owing by subsidiaries	–	–	14,893,721	6,772,576
Current:				
Trade receivables				
Third parties	26,608,877	28,420,083	–	–
Related parties	7,537,580	3,272,264	–	–
	34,146,457	31,692,347	–	–
Impairment losses	(142,878)	(43,819)	–	–
	34,003,579	31,648,528	–	–
Current:				
Other receivables				
Amounts owing by subsidiaries	–	–	17,256,817	15,323,950
Amount owing by an associate	363,000	450,000	363,000	450,000
Other receivables	20,253	28,010	–	–
Deposits	16,590	15,090	1,000	1,000
	399,843	493,100	17,620,817	15,774,950
Impairment loss on amount owing by an associate	(225,000)	(225,000)	(225,000)	(225,000)
	174,843	268,100	17,395,817	15,549,950
Total receivables	34,178,422	31,916,628	17,395,817	15,549,950
Prepayments	9,595,607	4,796,250	–	–
Total current receivables	43,774,029	36,712,878	17,395,817	15,549,950
Total current and non-current receivables	43,774,029	36,712,878	32,289,538	22,322,526

- (a) Trade and other receivables (excluding prepayments) are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal credit terms of trade receivables granted by the Company ranged from 14 days to 180 days (2019: 14 days to 180 days) from the date of invoice. They are recognised at their original invoices amounts, which represent their fair values on initial recognition.
- (c) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted to reflect current and forward looking information such as consumer price index, lending interest rate and non-performing loan (2019: gross domestic product (“GDP”)) affecting the ability of the consumers to settle the receivables. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on common credit risk characteristic, namely receivables aging status.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the consolidated statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying value of the asset would be written off against the associated impairment.

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

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10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) The loss allowance of trade receivables of the Group are as follows:

	Gross carrying amount RM	Loss allowance RM	Balance as at 31.07.2020 RM
2020			
Not past due	31,032,396	(37,769)	30,994,627
Past due:			
– 1 to 30 days	2,881,934	(17,697)	2,864,237
– 31 to 60 days	–	–	–
– 61 to 90 days	138,165	(14,389)	123,776
– more than 90 days	93,962	(73,023)	20,939
	3,114,061	(105,109)	3,008,952
	34,146,457	(142,878)	34,003,579
2019			
Not past due	28,804,787	(28,805)	28,775,982
Past due:			
– 1 to 30 days	2,805,818	(14,029)	2,791,789
– 31 to 60 days	2,058	(15)	2,043
– 61 to 90 days	10,382	(104)	10,278
– more than 90 days	69,302	(866)	68,436
	2,887,560	(15,014)	2,872,546
	31,692,347	(43,819)	31,648,528

(e) The movement of the allowance for impairment loss on trade receivables is as follows:

Group	Lifetime ECL* allowance RM	Total allowance RM
2020		
At 1 August 2019	43,819	43,819
Charge during the financial year	99,059	99,059
At 31 July 2020	142,878	142,878
2019		
At 1 August 2018	45,972	45,972
Reversal during the financial year	(2,153)	(2,153)
At 31 July 2019	43,819	43,819

* Expected credit losses

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10. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (f) The movement of the allowance for impairment loss on amount owing by an associate is as follows:

Group and Company	Credit impaired RM	Total allowance RM
2020		
At 1 August 2019	225,000	225,000
Charge during the financial year	–	–
At 31 July 2020	225,000	225,000
2019		
At 1 August 2018	–	–
Charge during the financial year	225,000	225,000
At 31 July 2019	225,000	225,000

Credit impaired refers to individually determined debtor who is in significant financial difficulties and has defaulted on payments to be impaired as at the financial year end.

- (g) As at the end of each reporting period, the credit risks exposures and concentration relating to trade receivables of the Group is summarised in the table below:

	2020 RM	Group 2019 RM
Maximum exposure	34,003,579	31,648,528
Collateral obtained – Letter of credits	(5,181,502)	(6,137,557)
Net exposure to credit risk	28,822,077	25,510,971

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

- (h) Amounts owing by subsidiaries and an associate represent advances and payments made on behalf, which are unsecured, interest-free and payable in cash and cash equivalents. The amount owing by subsidiaries under non-current is receivables after twelve (12) months.
- (i) Impairment for other receivables, amounts owing by subsidiaries and an associate are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. As at the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk based on operating performance of the other receivables, changes to contractual terms, payment delays and past due information. A significant increase in credit risk is presumed if contractual payments are more than 90 days.

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10. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (i) The probabilities of non-payment by other receivables, amounts owing by subsidiaries and an associate are adjusted by forward looking information such as consumer price index, lending interest rate and non-performing loan (2019: gross domestic product ("GDP")) and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for other receivables, amounts owing by subsidiaries and an associate.

It requires management to exercise judgement in determining the probabilities of default by other receivables, amounts owing by subsidiaries and an associate, appropriate forward looking information and significant increase in credit risk.

- (j) No expected credit loss is recognised arising from other receivables as it is negligible.
- (k) Included in prepayments of the Group are advance payments to overseas suppliers amounting to RM9,192,575 (2019: RM4,228,655).
- (l) The Group determines concentration of credit risk by monitoring its trade receivables on an ongoing basis. At the end of each reporting period, approximately 58% (2019: 49%) of the trade receivables of the Group were due from five (5) (2019: five (5) major customers).

At the end of each reporting period, 99% (2019: 99%) and 1% (2019: 1%) of the receivables of the Company were owing by subsidiaries and an associate respectively.

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	28,063,889	22,041,918	32,289,538	22,322,526
United States Dollar	6,114,533	9,874,710	–	–
	34,178,422	31,916,628	32,289,538	22,322,526

- (n) 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	2020 RM	2019 RM
USD/RM – strengthen by 3% (2019: 3%)	139,411	225,143
– weaken by 3% (2019: 3%)	(139,411)	(225,143)

11. INVENTORIES

	Note	Group	
		2020 RM	2019 RM
At cost			
<u>Aluminium products</u>			
Raw materials		12,570,505	5,746,686
Finished goods		22,487,863	23,753,348
Stores and spares		1,915,520	1,597,753
		36,973,888	31,097,787
Property development expenditure	(a)	73,073,541	–
		110,047,429	31,097,787

NOTES TO THE FINANCIAL STATEMENTS

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11. INVENTORIES (CONTINUED)

- (a) Property development expenditure

Group	Balance as at 1.8.2019 RM	Cost incurred during the year RM	Balance as at 31.7.2020 RM
Land	–	70,675,445	70,675,445
Development costs	–	2,398,096	2,398,096
	–	73,073,541	73,073,541

Property development expenditure not recognised as an expense are recognised as an asset measured at the lower of cost and net realisable value.

Property development expenditure comprise all costs that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities. Such development expenditure comprises the cost of land under development and other related development costs common to the whole project including professional fees and other relevant levies.

- (b) Inventories costs of aluminium products are determined on a first-in, first-out basis.
- (c) Carrying amount of inventories at the lower of cost and net realisable value.

Write-down of inventories to net realisable value, if any, is mainly based on management's estimates, which has 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 one of 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.

- (d) During the financial year, inventories of the Group recognised as cost of sales amounted to RM357,603,425 (2019: RM409,114,145).
- (e) In conjunction with the Covid-19 pandemic and followed by the Movement Control Order ("MCO") issued by the Government of Malaysia, the Group's factory operations was not allowed during MCO.

Therefore, allocation of the fixed production overheads of RM1,319,605 were expensed to profit or loss as the production was operating below normal capacity in March and April 2020.

12. CASH AND BANK BALANCES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	2,340,166	9,745,725	24,064	22,305
Deposits placed at licensed banks	3,660,000	6,996,725	–	–
Short term funds	12,282,589	50,504,152	8,501,968	15,563,808
Cash and cash equivalents included in the statements of cash flows	18,282,755	67,246,602	8,526,032	15,586,113

NOTES TO THE FINANCIAL STATEMENTS

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12. CASH AND BANK BALANCES (CONTINUED)

- (a) Cash and bank balances, and deposits with licensed banks are classified as financial assets amortised at cost, whereas short term funds are classified as financial asset at fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss.
- (b) Bank balances are deposits held at call with licensed banks.
- (c) 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.
- (d) The fair value of short term funds is measured as Level 1 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

The fair value of the short term funds is determined by reference to the published net asset value per unit at the close of the business at the end of each reporting period.

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

	Group		Company	
	2020	2019	2020	2019
Weighted average effective interest rate				
– Floating rates	3.09%	3.24%	3.26%	3.16%

- (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	
	2020 RM	2019 RM
Profit after tax		
– Increase by 0.5% (2019: 0.5%)	60,582	218,503
– Decrease by 0.5% (2019: 0.5%)	(60,582)	(218,503)

- (g) No expected credit losses were recognised arising from the deposits with licensed banks because the probability of default by these licensed banks were negligible.
- (h) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	17,427,329	61,002,184	8,526,032	15,586,113
United States Dollar	826,596	6,238,253	–	–
Others	28,830	6,165	–	–
	18,282,755	67,246,602	8,526,032	15,586,113

NOTES TO THE FINANCIAL STATEMENTS

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12. CASH AND BANK BALANCES (CONTINUED)

- (i) 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	
	2020 RM	2019 RM
Profit after tax		
USD/RM – strengthen by 3% (2019: 3%)	18,846	142,232
– weaken by 3% (2019: 3%)	(18,846)	(142,232)

13. SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of shares	Amount RM	Number of shares	Amount RM
Issued and fully paid up ordinary shares				
At beginning of the financial year	169,571,397	85,147,460	120,000,000	60,000,000
Issuance of ordinary shares pursuant to:				
– ESOS exercised	529,000	315,133	1,161,000	942,261
– Bonus issued	–	–	48,410,397	24,205,199
At end of the financial year	170,100,397	85,462,593	169,571,397	85,147,460

- (a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 169,571,397 ordinary shares to 170,100,397 ordinary shares by way of issuance of 529,000 new ordinary shares pursuant to 529,000 options exercised under the Employees' Share Option Scheme at an exercise price of RM0.46 per ordinary share for cash.

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

- (b) In the previous financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 120,000,000 ordinary shares to 169,571,397 ordinary shares by way of issuance of 49,571,397 new ordinary shares pursuant to the following:

- 1,026,000 options exercised under the Employees' Share Option Scheme at an exercise price of RM0.65 per ordinary share for cash;
- 135,000 options exercised under the Employees' Share Option Scheme at an exercise price of RM0.46 per ordinary share for cash; and
- 48,410,397 new ordinary shares issued on the basis of two (2) bonus shares for every five (5) existing ordinary shares.

- (c) 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 meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

14. SHARE OPTIONS RESERVE

Share options reserve represents the effect of equity-settled share options granted to Directors and employees. This reserve is made up of the cumulative value of services received from Directors and employees for the issue of share options. Share options reserve in relation to the unexercised options at the expiry of the share option scheme will be transferred to retained earnings.

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15. DEFERRED TAX LIABILITIES

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

	2020 RM	Group 2019 RM
Balance as at 1 August 2019/2018	4,530,100	4,956,567
Recognised in profit or loss (Note 24)	(779,777)	(426,467)
Balance as at 31 July 2020/2019	3,750,323	4,530,100
Presented after appropriate offsetting:		
Deferred tax liabilities	4,601,512	4,611,200
Deferred tax assets	(851,189)	(81,100)
	3,750,323	4,530,100

(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 2019	4,462,900	148,300	4,611,200
Recognised in profit or loss	(356,954)	347,266	(9,688)
At 31 July 2020	4,105,946	495,566	4,601,512
At 1 August 2018	4,994,200	–	4,994,200
Recognised in profit or loss	(531,300)	148,300	(383,000)
At 31 July 2019	4,462,900	148,300	4,611,200

Deferred tax assets of the Group	Deductible temporary differences RM	Total RM
At 1 August 2019	81,100	81,100
Recognised in profit or loss	770,089	770,089
At 31 July 2020	851,189	851,189
At 1 August 2018	37,633	37,633
Recognised in profit or loss	43,467	43,467
At 31 July 2019	81,100	81,100

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16. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables				
Third parties	2,751,418	5,834,163	–	–
Other payables				
Other payables	6,729,773	10,475,951	1,262	–
Amount owing to related parties	51,745,621	–	–	–
Accruals	2,392,222	2,933,145	342,000	342,000
	60,867,616	13,409,096	343,262	342,000
	63,619,034	19,243,259	343,262	342,000

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal credit terms granted to the Group ranged from 7 days to 30 days (2019: 7 days to 30 days).
- (c) The non-trade amount owing to related parties represents advances, which are unsecured, interest-free and payable upon demand.
- (d) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	62,729,692	15,803,521	343,262	342,000
United States Dollar	889,342	3,439,738	–	–
	63,619,034	19,243,259	343,262	342,000

- (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	2020 RM	2019 RM
USD/RM – strengthen by 3% (2019: 3%)	(20,277)	(78,426)
– weaken by 3% (2019: 3%)	20,277	78,426

- (f) 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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17. BORROWINGS

	2020 RM	Group 2019 RM
Foreign currency loans	25,678,531	38,091,581

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) The borrowings of the Group are secured by a corporate guarantee from the Company.
- (c) The weighted average effective interest rates of the borrowings of the Group at the end of each reporting period are as follows:

	2020	Group 2019
Weighted average effective interest rate		
– Floating rates	2.41%	3.24%

- (d) Borrowings are denominated in United States Dollar (“USD”).
- (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:

	2020 RM	Group 2019 RM
Profit after tax		
USD/RM – strengthen by 3% (2019: 3%)	(585,471)	(868,488)
– weaken by 3% (2019: 3%)	585,471	868,488

- (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:

	2020 RM	Group 2019 RM
Profit after tax		
– Increase by 0.5% (2019: 0.5%)	(97,578)	(144,748)
– Decrease by 0.5% (2019: 0.5%)	97,578	144,748

- (g) The carrying amount of the foreign currency loans 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.

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17. BORROWINGS (CONTINUED)

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

Group	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 July 2020				
Financial liabilities				
Borrowings	25,782,387	–	–	25,782,387
Total undiscounted financial liabilities	25,782,387	–	–	25,782,387
As at 31 July 2019				
Financial liabilities				
Borrowings	38,410,114	–	–	38,410,114
Total undiscounted financial liabilities	38,410,114	–	–	38,410,114

18. DERIVATIVE FINANCIAL LIABILITIES

	Group			
	2020 Contract/ Notional amount RM	Liabilities RM	2019 Contract/ Notional amount RM	Liabilities RM
Forward currency contracts	21,551,898	(212,415)	22,238,208	(148,207)
Commodity future contracts	5,005,523	(118,977)	(3,747,551)	(38,269)
	26,557,421	(331,392)	18,490,657	(186,476)

- (a) Derivatives are classified as at fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss. The fair value of derivative financial liabilities are categorised as level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

- (b) 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.

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18. DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

(c) Commodity future contracts

The Group has 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.

- (d) During the financial year, the Group recognised a total loss of RM144,916 (2019: total loss of RM216,194) arising from fair value changes of derivatives in profit or loss.
- (e) The notional/contract amount and maturity date of the derivative financial 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
2020			
Forward currency contracts	Within three (3) months	5,025,785	21,551,898
Commodity future contracts	Within three (3) months	1,168,250	5,005,523
2019			
Forward currency contracts	Within three (3) months	5,345,434	22,238,208
Commodity future contracts	Within three (3) months	(906,300)	(3,747,551)

- (f) The net exposure to foreign currency risk of the Group is kept at a minimum level by entering into forward currency contracts and hence any fluctuation in the foreign currency will not have a significant impact to the financial statements of the Group.
- (g) Detailed in the table below is a summary of the Group's financial instruments subject to price risk along with their contract values and mark-to-market fair value on closing, plus fair value recognised over the financial year:

Group	Contract and notional value within 3 months RM	Fair value attributed to price changes at period closing within 3 months RM
2020		
Commodity based		
Forward sales contracts	5,005,523	(118,977)
2019		
Commodity based		
Forward purchase contracts	(3,747,551)	(38,269)

The exposure of the Group to price volatility was solely derived from aluminium products. If the price of aluminium products changes by 3%, profit after tax for the Group would have equally increased or decreased by approximately RM114,126 (2019: RM85,444).

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19. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers				
Sale of goods	418,798,779	482,222,330	–	–
Other revenue				
Dividend income from a subsidiary	–	–	7,500,000	5,000,000
	418,798,779	482,222,330	7,500,000	5,000,000
Timing of revenue recognition				
Transferred at a point in time	418,798,779	482,222,330	–	–

(a) Sale of goods

Revenue from sale of products and services is recognised at a point in time when the goods has been transferred to the customer and coincides with the delivery of products and acceptance by customers.

There is no right of return and warranty provided to the customers on the sale of goods.

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

(b) Dividend income

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

Disaggregation of revenue from contracts with customers has been presented in the operating segments, Note 4 to the financial statements, which has been presented based on products and services and geographical location from which the sale transactions originated.

20. OTHER INCOME

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fair value gain on short term funds	63,851	113,014	42,335	51,615
Realised gain on derivative instruments	–	305,648	–	–
Gain on foreign exchange:				
– realised	3,122,186	1,936,371	–	–
– unrealised	295,065	202,047	–	–
Interest income	1,080,200	1,151,188	300,555	452,489
Reversal of impairment loss on trade receivables	–	2,153	–	–
Unwinding of interest on amounts owing by subsidiaries	–	–	450,376	–
Sundry income	204,400	31,520	–	–
	4,765,702	3,741,941	793,266	504,104

(a) Interest income

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

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21. OTHER EXPENSES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fair value adjustment on amounts owing by subsidiaries	–	–	850,811	2,571,970
Goodwill written off	13,159	–	–	–
Impairment losses on:				
– amount owing by an associate	–	225,000	–	225,000
– trade receivables	99,059	–	–	–
Loss on disposal of property, plant and equipment	830	–	–	–
Property, plant and equipment written off	5,634	1,597	–	–
Realised loss on derivative instruments	651,183	–	–	–
Share options granted under ESOS	–	1,637,230	–	228,000
Unrealised losses on derivative instruments	144,916	216,194	–	–
	914,781	2,080,021	850,811	3,024,970

22. FINANCE COSTS

	Group	
	2020 RM	2019 RM
Interest expense on:		
– bank overdraft	442	164
– foreign currency loans	1,024,189	1,246,137
– lease liabilities	169,399	–
	1,194,030	1,246,301

23. PROFIT BEFORE TAX

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
After charging:				
Auditors' remuneration:				
– statutory audit	77,700	74,000	11,000	11,000
– non-statutory audit	5,000	5,000	5,000	5,000
Rental of:				
– machinery	–	1,140,690	–	–
– office equipment	2,732	3,108	–	–
– staff hostel	29,900	22,800	–	–

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24. TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax expense based on profit for the financial year:				
– current year	3,064,763	4,434,000	–	–
– over-provision in prior years	(774)	(1,452)	–	–
	3,063,989	4,432,548	–	–
Deferred tax (Note 15)				
– current year	(779,777)	(415,467)	–	–
– over-provision in prior years	–	(11,000)	–	–
	(779,777)	(426,467)	–	–
	2,284,212	4,006,081	–	–

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 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:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	9,606,898	15,145,355	6,913,910	1,700,090
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	2,305,656	3,634,885	1,659,338	408,022
Tax effects in respect of:				
Non-allowable expenses	532,294	837,769	331,045	912,963
Non-taxable income	(340,137)	(266,991)	(1,990,383)	(1,320,985)
Tax incentives	(212,827)	(187,130)	–	–
	2,284,986	4,018,533	–	–
Over-provision in prior years:				
– Current tax	(774)	(1,452)	–	–
– Deferred tax	–	(11,000)	–	–
	2,284,212	4,006,081	–	–

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25. 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 parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2020 RM	2019 RM
Profit attributable to equity holders of the parent (RM)	7,683,854	11,139,274
Weighted average number of ordinary shares	169,938,676	169,162,222
Basic earnings per ordinary share (sen)	4.52	6.58

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that the ESOS are exercised at the beginning of the financial year. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between average share price for the financial year and exercise price.

	Group	
	2020	2019
Profit attributable to equity holders of the parent (RM)	7,683,854	11,139,274
Weighted average number of ordinary shares	169,938,676	169,162,222
Effects of dilution due to ESOS exercised	–	1,448,037
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	169,938,676	170,610,259
Diluted earnings per ordinary share (sen)	4.52	6.53

26. DIVIDENDS

	Group and Company			
	2020		2019	
	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 2019/2018	2.50	4,251,010	3.25	3,933,020

At the forthcoming Annual General Meeting, a first and final single tier dividend of 2.00 sen per ordinary share amounting to RM3,402,008 in respect of the current financial year will be proposed for shareholders' approval based on the total number of issued and paid up share capital of 170,100,397 ordinary shares as at 15 October 2020. 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 2021.

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27. EMPLOYEE BENEFITS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries, bonuses and wages	7,489,077	8,538,392	–	–
Defined contribution plan	621,146	575,767	–	–
Share options granted under ESOS	–	1,637,230	–	228,000
Social security contributions	76,842	66,561	–	–
Other benefits	1,391,790	667,554	24,000	40,000
	9,578,855	11,485,504	24,000	268,000

Included in the employee benefits of the Group and of the Company are Directors' remuneration other than fees amounting to RM1,347,112 (2019: RM2,157,167) and RM24,000 (2019: RM268,000) respectively.

Estimated monetary value of benefits-in-kind provided to employees and Directors of the Group is at RM45,350 (2019: RM98,050).

28. EMPLOYEES' SHARE OPTION SCHEME ("ESOS" OR "SCHEME")

The Company implemented an ESOS, which is in force for a period of five (5) years from 27 August 2018 until 26 August 2023 ("the option period"). The main features of the ESOS are as follows:

(a) Eligibility

Employee of the Group

An employee of the Group shall be able to participate in the Scheme, if, as at the date of Offer:

- (i) he/she has attained at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
- (ii) he/she is employed on the date of Offer and he/she is employed:
 - on a full time basis and is on the payroll of any company of the Group for a continuous period of at least one (1) year (which shall include any probation period) and his employment has been confirmed; or
 - he/she is serving in a specific designation under an employment contract with any company of the Group for a continuous fixed duration of at least one (1) year (which shall include any probation period) and may, if the ESOS Committee deems fit, to include contract staff hired for a period of one (1) year or more for any purposes or specific requirements of the Group; and
- (iii) such employees falls within any other eligibility criteria (including variations to the eligibility criteria under section (a)(ii) above) that may be determined by the ESOS Committee from time to time at its sole discretion.

Director of the Group

- (i) he/she has attained at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
- (ii) he/she has been appointed as a Director (and not as alternate Director) in the Company or any company in the Group; and
- (iii) such Director fulfils any other criteria as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding.

In respect of a Director, a chief executive officer, major shareholders of the Company or a person connected with a director, chief executive officer or major shareholder, the specific allocation of ESOS options granted under the Scheme must have been approved by the shareholders of the Company at a general meeting.

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28. EMPLOYEES' SHARE OPTION SCHEME ("ESOS" OR "SCHEME") (CONTINUED)

The Company implemented an ESOS, which is in force for a period of five (5) years from 27 August 2018 until 26 August 2023 ("the option period"). The main features of the ESOS are as follows: (continued)

- (b) The maximum number of shares offered under the ESOS shall not, in aggregate, exceed 10% of the number of issued ordinary shares of the Company at any time during the existence of the ESOS;
- (c) The exercise price determined by the ESOS Committee is based on the five (5)-day Volume-Weighted Average Price of the Company's shares, as quoted on Bursa Malaysia Securities Berhad, immediately preceding the date of offer, with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the Scheme;
- (d) The maximum number of shares, which may be offered to any eligible employee and Director shall be at the discretion of the ESOS Committee after taking into consideration, among others and where relevant, the performance, position, seniority and length of service, subject to the following:
 - (i) that the number of ESOS options made available under the Scheme shall not exceed ten percent (10%) of the total number of issued ordinary shares of the Company;
 - (ii) that not more than ten percent (10%) of the shares available under the Scheme at the point in time when an offer is made, be granted to any individual eligible person who, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued shares (excluding treasury shares, if any);
 - (iii) that not more than seventy percent (70%) of the total number of shares to be issued under the Scheme will be allocated in aggregate to the Directors and senior management of the Group who are eligible persons; and
 - (iv) that the Directors and senior management of the Group do not participate in the deliberation or discussion of their respective allocation.
- (e) No vesting period as well as performance target that must be achieved prior to the exercise of the ESOS options set by the ESOS Committee. Notwithstanding this, the ESOS Committee shall have the discretion to prescribe any conditions as it may deem fit in the offer;
- (f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company; and
- (g) No eligible employee and Director shall participate at any time in any other employees' share option scheme within the Company and its subsidiaries unless otherwise approved by the ESOS Committee.

Options exercisable in a particular year but not exercised shall be carried forward to subsequent years within the option period provided that no options shall be exercised beyond the date of expiry of the scheme.

The number of unissued ordinary shares under options was as follows:

Option price	<----- Number of options over ordinary shares ----->			
	Balance as at 1.8.2019	Granted	Exercised	Balance as at 31.7.2020
RM0.46	10,492,400	–	(529,000)	9,963,400

Since the implementation of the ESOS until the end of the financial year ended 31 July 2020, a total of 11,653,400 options had been granted to the eligible Directors and employees of the Group, which includes a total of 5,580,000 options granted to the Directors. A total of 1,690,000 options had been exercised since the implementation of the ESOS until the end of the financial year, which includes 500,000 options exercised by the Directors.

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28. EMPLOYEES' SHARE OPTION SCHEME ("ESOS" OR "SCHEME") (CONTINUED)

Share options exercised during the financial year resulted in the issuance of 529,000 ordinary shares at price of RM0.46.

Fair value of share options was estimated by the Group using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions used are as follows:

	Fair value of share options
Expected life (years)	1 – 5
Average share price at grant date (RM)	0.70
Exercise price (RM)	0.65
Fair value of share options (RM)	0.19
Risk free rate of interest (%)	3.88%
Expected volatility (%)	34.90%

29. 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:

	2020 RM	Group 2019 RM
Not later than one (1) year	–	296,531
Later than one (1) year and not later than five (5) years	–	806,800
	–	1,103,331

(b) Capital commitments

	2020 RM	Group 2019 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
– Approved and contracted for	61,500	436,935
– Approved but not contracted for	3,456,641	4,053,065
	3,518,141	4,490,000

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30. CONTINGENT LIABILITIES – UNSECURED

	2020		2019	
	Limit RM	Utilised RM	Limit RM	Utilised RM
Corporate guarantees given to financial institutions for banking facilities to a subsidiary	#	25,678,531	#	38,091,581

The Company provided corporate guarantee for banking facilities granted to a subsidiary with a limit of RM88,000,000 and USD5,000,000 (2019: RM88,000,000 and USD5,000,000).

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.

31. 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.

Related parties of the Group include:

- (i) The Company has controlling related party relationship with its direct and indirect subsidiaries.
- (ii) LB Aluminium Berhad and its subsidiary, LB Aluminium (Sarawak) Sdn. Bhd. (collectively referred to as the "LB Group"), whereby a Director cum substantial shareholder of the Company is also a director and/or substantial shareholder in LB Group.

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31. RELATED PARTY DISCLOSURES (CONTINUED)

- (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:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Subsidiary:				
Share options granted under ESOS	–	–	–	1,409,230
With related parties in which a Director has substantial financial interests:				
– Sales to LB Aluminium Berhad	71,450,898	87,616,842	–	–
– Sales to LB Aluminium (Sarawak) Sdn. Bhd.	8,518,386	12,247,463	–	–
– Purchases from LB Aluminium Berhad	–	1,660,000	–	–

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.

- (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	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company:				
Non-executive Directors				
Directors' fees	246,000	246,000	246,000	246,000
Share options granted under ESOS	–	228,000	–	228,000
Other benefits	18,000	30,000	18,000	30,000
	264,000	504,000	264,000	504,000
Executive Directors				
Directors' fees	80,000	80,000	80,000	80,000
Defined contribution plan	160,584	138,240	–	–
Short term employee benefits	1,003,650	1,198,080	–	–
Share options granted under ESOS	–	551,000	–	–
Other benefits	7,847	11,847	6,000	10,000
	1,252,081	1,979,167	86,000	90,000
	1,516,081	2,483,167	350,000	594,000
Director of the subsidiary company:				
Short term employee benefits	140,000	–	–	–
Defined contribution plan	17,031	–	–	–
	157,031	–	–	–
Total Directors' remuneration	1,673,112	2,483,167	350,000	594,000

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31. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel (continued)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other key management personnel:				
Defined contribution plan	111,630	258,095	–	–
Short term employee benefits	1,272,763	1,270,889	–	–
Share options granted under ESOS	–	357,200	–	–
Other benefits	24,154	28,535	–	–
Total compensation of other key management personnel	1,408,547	1,914,719	–	–

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM45,350 (2019: RM61,350).

Directors of the Group have been granted the following number of options under the ESOS:

	Group	
	2020 Number	2019 Number
Balance as at 1 August 2019/2018	5,180,000	–
Granted	–	4,100,000
Adjustment (Bonus Issue)*	–	1,480,000
Exercised	(100,000)	(400,000)
Balance as at 31 July 2020/2019	5,080,000	5,180,000

* Adjustment made pursuant to the bonus issue of new ordinary shares in the Company following the bonus issue exercise undertaken by the Company on the basis of two (2) bonus shares for every five (5) existing ordinary shares held by the shareholders of the Company on 18 January 2019 ("Bonus Issue").

The terms and conditions of the ESOS are detailed in Note 28 to the financial statements.

32. 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 2019.

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 2020 and 31 July 2019.

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32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Capital management (continued)

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 2020 and 31 July 2019 are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Borrowings	25,678,531	38,091,581	–	–
Less: Cash and bank balances	(18,282,755)	(67,246,602)	(8,526,032)	(15,586,113)
Net debt/(cash)	7,395,776	(29,155,021)	(8,526,032)	(15,586,113)
Total capital	137,568,628	133,924,315	111,454,439	108,548,199
Gearing ratio (%)	5.38	*	*	*

* 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 2020.

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.

(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 deposits placed with licensed banks.

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 12 and Note 17 to the financial statements respectively.

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32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(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 10, Note 12, Note 16, Note 17, and Note 18 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 amounts owing by subsidiaries. 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 10 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 10 to the financial statements.

(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 16, Note 17 and Note 18 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 18 to the financial statements.

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33. ADOPTION OF NEW MFRSS AND AMENDMENTS TO MFRSS

33.1 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
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 2015-2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following section.

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 August 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 August 2019. The incremental borrowing rates of the Group applied to the lease liabilities on 1 August 2019 was 6.65%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 August 2019;
- Accounting for operating leases with a remaining lease term of less than twelve (12) months as at 1 August 2019 and do not contain a purchase option as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS

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33. ADOPTION OF NEW MFRSS AND AMENDMENTS TO MFRSs (CONTINUED)

33.1 New MFRSs adopted during the financial year (continued)

MFRS 16 Leases (continued)

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Group	Note	As at 31 July 2019 RM	Impact RM	As at 1 August 2019 RM
Right-of-use assets	(a)	–	917,516	917,516
Retained earnings		47,352,886	(31,871)	47,321,015
Lease liabilities	(b)	–	949,387	949,387

(a) The right-of-use assets were measured at their carrying amounts as if MFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at date of initial application.

(b) Lease liabilities are measured as follows:

	Group RM
Operating lease commitments at 31 July 2019 as disclosed under MFRS 117	1,103,331
Weighted average incremental borrowing rate as at 1 August 2019	6.65%
Discounted operating lease commitments as at 1 August 2019	970,948
Recognition exemption for leases of low-value assets	(21,561)
Lease liabilities recognised as at 1 August 2019	949,387

33.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
<i>Annual Improvements to MFRS Standards 2018-2020</i>	1 January 2022
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>Amendments to MFRS 4 Extension of the Temporary Exemption from Applying MFRS 9</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group 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.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 29 January 2020, the Company acquired 1 ordinary share and subscribed for another 570 new ordinary shares, representing 57.1% of equity interest in TKSB for a cash consideration of RM571, while consideration from non-controlling interest was RM429. The transaction has been completed during the financial year. Consequently, the Company became the holding company of TKSB. There is no material impact to the financial statements upon acquisition of TKSB.
- (b) On 6 February 2020, a subsidiary of the Company, TKSB acquired 50.1% of equity interest comprising 1,002,000 existing ordinary shares in KJSB for a cash consideration of RM1,002,000. The transaction has been completed during the financial year. Consequently, the Company became the ultimate holding company of KJSB.
- (c) The World Health Organisation declared the novel coronavirus ("Covid-19") a global pandemic on 11 March 2020. The Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ("MCO") effective from 18 March 2020 to 31 March 2020 arising from the Covid-19 pandemic. The MCO was subsequently extended to 12 May 2020, followed by Conditional MCO until 9 June 2020 and then, Recovery MCO until 31 December 2020.

The impact of Covid-19 pandemic during the financial year has been disclosed in Note 11(e) to the financial statements.

However, the extent of the financial impact on the Group and the Company is difficult to assess as the date of authorisation of financial statements due to uncertainties arising from the pandemic. To mitigate its potential risks exposure, the Group and the Company have taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs of business operations.

35. FINANCIAL REPORTING UPDATES

35.1 IFRIC Agenda Decision – An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ("IFRIC") issued a final agenda decision on 26 November 2019 regarding "Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)".

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group has implemented the requirements of this final agenda decision during the financial year ended 31 July 2020.

LIST OF PROPERTIES

Location	Approximate Age of Building (years)	Tenure	Land Area (Build-up Area) m ²	Description/ Existing Use	Net Book Value as at 31 July 2020 RM	Date of Revaluation / Acquisition*
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	1,790,887	22-Feb-13
2 Lot 2-32, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	23	Freehold	3,521 (1,364)	Industrial land with single storey factory	6,393,271	22-Feb-13
3 Lot 2-33, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	23	Freehold	3,521 (1,364)			22-Feb-13
4 Lot 2-34, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	19	Freehold	3,521 (1,740)	Industrial land with single storey factory	4,294,080	22-Feb-13
5 Lot 2-35, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	19	Freehold	3,521 (1,740)			22-Feb-13
6 Lot 2-36, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	16	Freehold	3,521 (2,030)	Industrial land with single storey factory	5,536,208	22-Feb-13
7 Lot 2-36(A), Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	16	Freehold	3,521 (2,030)			22-Feb-13
8 Lot 2-42, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	12	Freehold	3,521 (240)	Industrial land with single storey warehouse and production office with laboratory, workshop and canteen	9,398,461	22-Feb-13
9 Lot 2-43, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	12 and 6	Freehold	3,521 (2,089)			22-Feb-13
10 Lot 2-44, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	12 and 6	Freehold	3,521 (1,969)			22-Feb-13
11 Lot 2-45, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	14	Freehold	4,209 (1,487)	Industrial land with three-storey office building	4,123,375	22-Feb-13
12 H.S (D) 184636, PT 47408, Mukim Semenyih, Daerah Ulu Langat, Selangor Darul Ehsan	–	Freehold	9,225	Vacant commercial land	9,344,546	27-Feb-19*

ANALYSIS OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 2020

STATISTICS ON ORDINARY SHAREHOLDING

Number of issued shares : 170,100,397 ordinary shares
Class of shares : Ordinary Shares
Voting rights : One vote per one (1) ordinary share

ANALYSIS OF ORDINARY SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shares
Less than 100	45	2.42	2,324	-
100 to 1,000	101	5.43	39,626	0.02
1,001 to 10,000	864	46.48	3,971,890	2.34
10,001 to 100,000	728	39.16	21,691,060	12.75
100,001 to less than 5% of issued shares	118	6.35	64,553,770	37.95
5% and above of issued shares	3	0.16	79,841,727	46.94
Total	1,859	100.00	170,100,397	100.00

DIRECTORS' INTEREST

Name	<----- Number of ordinary shares ----->				No. of Share options Under the Employees' Share Option Scheme
	Direct Interest		Direct Interest		
	No. of Shares	% of Total Shares	No. of Shares	% of Total Shares	
Dato' Shahrir Bin Abdul Jalil	—	—	—	—	280,000
Tan Wan Lay	16,464,300	9.68	—	—	2,240,000
Datuk Leow Chong Howa	31,500	0.02	46,638,887*	27.42	280,000
Tuan Haji Ahmed Azhar Bin Abdullah	210,000	0.12	—	—	280,000
Dr Leong Chik Weng	—	—	—	—	280,000
Wong Tze Kai	—	—	—	—	280,000
Gan Choon Sun	571,680	0.34	—	—	1,440,000
Leow Vinzie	280,000	0.16	—	—	—

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	% of Total Shares	No. of Shares	% of Total Shares
City Data Limited	44,507,387	26.17	-	-
Datuk Leow Chong Howa	31,500	0.02	46,638,887*	27.42
Lin, Chih-Chang	18,870,040	11.09	-	-
Tan Wan Lay	16,464,300	9.68	-	-

* 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 30 SEPTEMBER 2020

THIRTY LARGEST SHAREHOLDERS

No	Name	No of Shares	% of Total Shareholdings
1	Citigroup Nominees (Asing) Sdn Bhd Beneficiary: Exempt an for Bank of Singapore Limited (Foreign)	44,507,387	26.17
2	Lin, Chih-Chang	18,870,040	11.09
3	Tan Wan Lay	16,464,300	9.68
4	Sam Kwai Sim	6,806,100	4.00
5	Fairways Assets Investment Limited	6,300,000	3.70
6	Mablewood International Holding Limited	5,519,430	3.24
7	Meyer Capital Holding Ltd	4,200,000	2.47
8	Teo Kwee Hock	3,328,100	1.96
9	HSBC Nominees (Asing) Sdn Bhd Beneficiary: Exempt an for Credit Suisse (SG BR-TST-Asing)	2,100,000	1.23
10	LB Aluminium Berhad	2,100,000	1.23
11	Lim Khuan Eng	1,890,000	1.11
12	Lee Heng Yee	1,658,000	0.97
13	Tan Chew Lan	1,141,000	0.67
14	Kenanga Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Lim Kuan Gin	980,000	0.58
15	Tan Kar Pin	911,180	0.54
16	Wong Kong Nyok	843,000	0.50
17	Lee Haw Ming	805,140	0.47
18	JCA Builders (Malaysia) Sdn Bhd	655,200	0.39
19	Tan Ming Kian	640,000	0.38
20	Wong See Nane	625,600	0.37
21	Wong Cheng Khein @ Wong Chen Chee	595,000	0.35
22	Public Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Lee Kong Wai (E-SPG)	587,900	0.35
23	Liew Seong Kin	584,500	0.34
24	Tan Tiam Chai	575,400	0.34
25	Gan Choon Sun	571,680	0.34
26	CGS-CIMB Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Wong Yee Wah @ Wong Mok Choon (SS2 PJ-CL)	561,700	0.33
27	Chua Chin Chalk	500,000	0.29
28	Lee Chin Poh	497,150	0.29
29	Amsec Nominees (Tempatan) Sdn Bhd Beneficiary: AmBank (M) Berhad for Chua Sing Keong (9240-1101)	490,000	0.29
30	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Teo Siew Lai	484,000	0.28
Total		125,791,807	73.95

PROXY FORM



A-RANK BERHAD
(200301031200 [633621-X])
(Incorporated in Malaysia)

CDS Account No.	
Number of shares held	

I / We _____
[Full name in block, NRIC/Passport/Company No.]

of _____
(full address)

being a Member/Members of A-RANK BERHAD hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
Address		No. of Shares	%

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
Address		No. of Shares	%

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, 9 December 2020 at 10:00 a.m. or any adjournment thereof, and to vote as indicated below:

NO.	RESOLUTIONS	*FOR	*AGAINST
1.	To approve the payment of a first and final single tier dividend of 2.00 sen per ordinary share in respect of the financial year ended 31 July 2020.		
2.	To approve the payment of Directors' fees of RM326,000 for the financial year ended 31 July 2020.		
3.	To approve the payment of Directors' benefits of up to RM48,000 for the period from 9 December 2020 until the next Annual General Meeting of the Company to be held in 2021.		
4.	To re-elect Tuan Haji Ahmed Azhar Bin Abdullah as Director.		
5.	To re-elect Dr Leong Chik Weng as Director.		
6.	To re-elect Mr Wong Tze Kai as Director.		
7.	To re-appoint Messrs BDO PLT 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 Abdullah 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 issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
13.	To approve the Proposed Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature.		

(*Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this _____ day of _____, 2020.

Signature^
Member
Contact Number:

- ^ Manner of execution:
- If you are an individual member, please sign where indicated.
 - If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
 - If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
 - at least two (2) authorised officers, of whom one shall be a director; or
 - any director and/or authorised officers in accordance with the laws of the country

NOTES:

- (a) For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 30 November 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
- (b) A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
- (c) A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
- (d) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), 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.
- (e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (f) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (g) The original executed proxy form must be deposited at the registered office of the Company situated 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 forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.
- (h) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company situated 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 forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (i) Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
- (j) Last date and time for lodging this proxy form is Monday, 7 December 2020 at 10.00 a.m.
- (k) Please bring an ORIGINAL of the following identification papers (where applicable) and present it to the registration staff for verification:
- (i) Identity card (NRIC) (Malaysian), or
 - (ii) Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
 - (iii) Passport (Foreigner).
- (l) For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the ORIGINAL certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

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STAMP

The Company Secretary

A-RANK BERHAD
(200301031200 [633621-X])
Unit 30-01, Level 30, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

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A-RANK BERHAD

(200301031200 [633621-X])

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