EONMETALL GROUP BERHAD (“EONMETALL” OR THE “COMPANY”)

- PROPOSED ACQUISITION BY EONCHEM BIOMASS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF EONMETALL, OF A PARCEL OF AN INDUSTRIAL LAND HELD UNDER TITLE NO. GM 390, LOT NO. 391, MUKIM 12, DAERAH SEBERANG PERAI SELATAN, PULAU PINANG, BUT EXCLUDING THE BUILDINGS AND SITE IMPROVEMENTS ERECTED THEREON, FROM ASTRAL DRAGON SDN BHD FOR A CASH CONSIDERATION OF RM7,673,782.74; AND

- PROPOSED DISPOSAL BY EONMETALL SYSTEMS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF EONMETALL, OF A PARCEL OF AN INDUSTRIAL LAND TOGETHER WITH AN ALMOST COMPLETED SINGLE-STOREY DETACHED FACTORY WITH AN OFFICE ERECTED THEREON HELD UNDER TITLE NO. GRN 77765, LOT NO. 1596, MUKIM 12, DAERAH SEBERANG PERAI SELATAN, PULAU PINANG, TO LEADER STEEL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF LEADER STEEL HOLDINGS BERHAD FOR A CASH CONSIDERATION OF RM12,100,000.00

Contents:

1. INTRODUCTION

The Board of Directors of Eonmetall (“Board”) wishes to announce the following:

(a) Eonchem Biomass Sdn Bhd (“Eonchem”), a wholly-owned subsidiary of Eonmetall, had on 6 September 2012, entered into a conditional sale and purchase agreement (“Purchase Agreement”) with Astral Dragon Sdn Bhd (“Astral Dragon”) for the acquisition of a parcel of an industrial land measuring approximately 39,606.58 square metres (or equivalent to approximately 426,321.68 square feet or 3.96 hectares) held under Title No. GM 390, Lot No. 391, Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang, but excluding the buildings (which comprise a single-storey factory, a Palm Fibre Oil Extraction (“PFOE”) plant, a single-storey warehouse and a boiler house) and site improvements (which include clearing and levelling of the land, drainage, fencing and gate, paving and etc.) erected thereon (“Purchased Land”), situated in a locality known as Kawasan Perindustrian Valdor (also known as Kawasan Perusahaan Valdor), Sungai Bakap, Pulau Pinang, for a cash consideration of RM7,673,782.74 (“Purchase Price”) (“Proposed Acquisition”); and

(b) Eonmetall Systems Sdn Bhd (“Eonmetall Systems”), a wholly-owned subsidiary of Eonmetall, had on 6 September 2012, entered into a conditional sale and purchase agreement (“Disposal Agreement”) with Leader Steel Sdn Bhd (“Leader Steel”), a wholly-owned subsidiary of Leader Steel Holdings Berhad (“Leader Steel Holdings”), for the disposal of a parcel of an industrial land together with an almost completed single-storey detached factory with an office erected thereon (“Property”) measuring approximately 39,250.05 square metres (or equivalent to approximately 422,484.02 square feet or 3.93 hectares) held under Title No. GRN 77765, Lot No. 1596, Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang, situated in a locality known as Kawasan Perindustrian Valdor (also known as Kawasan Perusahaan Valdor), Sungai Bakap, Pulau Pinang, for a cash consideration of RM12,100,000.00 (“Sale Consideration”) (“Proposed Disposal”).

Further details on the Proposed Acquisition and the Proposed Disposal (collectively referred to as the “Proposals”) are set out in the following sections.
2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Acquisition

Astral Dragon had, vide a letter dated 1 August 2011, granted to Eonchem an option to purchase the Purchased Land to be exercised within fifteen (15) months from 19 August 2011 to 18 November 2012, whereby the selling price of the Purchased Land shall not be less than the valuation to be conducted by a mutually agreed and appointed international valuation firm upon Eonchem exercising the option. Pursuant to this, Eonchem had, on 1 August 2012, notified Astral Dragon that it had exercised the said option.

As also stated in the aforementioned letter, Astral Dragon, had granted its irrevocable consent to Eonchem to allow Eonchem to construct the necessary plant, factory buildings, boiler house, fixtures and fittings ("Structures, Fixtures and Fittings") on the Purchased Land at Eonchem’s own costs and expense, subject to, amongst others, the Structures, Fixtures and Fittings shall, at all times, belong to Eonchem notwithstanding that it is affixed on/to the Purchased Land and Astral Dragon shall not have any claims, interest or ownership whatsoever over the Structures, Fixtures and Fittings. Pursuant to this, Eonchem has constructed a single-storey factory, a PFOE plant, a single-storey warehouse and a boiler house on the Purchased Land, which are almost completed at this juncture.

The Proposed Acquisition involves the acquisition of the Purchased Land by Eonchem for a cash consideration of RM7,673,782.74.

Pursuant to the Purchase Agreement, Astral Dragon agreed to sell and Eonchem agreed to purchase the Purchased Land free from all encumbrances, but otherwise subject to/upon:

(a) all conditions and restrictions, whether expressed or implied contained in the document of title to the Purchased Land; and

(b) the terms and conditions contained in the Purchase Agreement.

2.1.1 Description of the Purchased Land

The Purchased Land, which is a freehold industrial land measuring approximately 39,606.58 square metres (or equivalent to approximately 426,321.68 square feet or 3.96 hectares), is held under Title No. GM 390, Lot No. 391, Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang. The Purchased Land which is triangular in shape, is flat in terrain and lies at about the same level with its surrounding area. The boundaries of the Purchased Land are demarcated by metal sheets, and the entrance to the Purchased Land is secured with a metal sliding gate. There are also four (4) almost completed buildings erected on the said Purchased Land, which comprise a single-storey factory, a PFOE plant, a single-storey warehouse and a boiler house. Site improvements that have been undertaken and/or erected on the Purchased Land include clearing and levelling of the Purchased Land, drainage, fencing and gate, paving and etc. However, these buildings and site improvements were disregarded from the valuation as Eonchem has obtained irrevocable consent from Astral Dragon vide letter dated 1 August 2011 to build the said buildings on the Purchased Land at its own costs and expense.

The Purchased Land has a frontage of about 216.41 metres (or equivalent to 710.00 feet) onto an unnamed gravel road and its northern boundary that measures about 393.50 metres (or equivalent to 1,291.00 feet) adjoins the neighbouring Lot 392. Its southern boundary, meanwhile, which measures about 373.42 metres (or equivalent to 1,225.00 feet) fronts an access reserve.
The Purchased Land is located in a locality known as Kawasan Perindustrian Valdor (also known as Kawasan Perusahaan Valdor), Sungai Bakap, Pulau Pinang. Kawasan Perindustrian Valdor is located along the eastern and western side of the North-South Expressway and about one (1) kilometre off the western side of Sungai Bakap - Simpang Ampat trunk road, which is part of Butterworth-Ipoh trunk road.

The Purchased Land is situated approximately 2.5 kilometres to the north-west of Sungai Bakap town and approximately 18.0 kilometres to the south of Bukit Mertajam town centre.

The Purchased Land is accessible from Sungai Bakap – Simpang Ampat trunk road via Jalan Perindustrian Valdor (also known as Jalan Perusahaan Valdor), Jalan Serunai and thereafter through motorable gravel road for approximately 300 metres before approaching the western boundary of the said Purchased Land.

The Purchased Land is situated within an area designated for ‘industrial’ use. The properties in the immediate locality is mixed in character comprising several housing schemes, commercial and industrial premises, development lands, agricultural lands and village lands with semi-permanent houses. In respect of the industrial scheme, Kawasan Perindustrian Valdor, is developed with terrace, semi-detached and detached factories. Other industrial schemes located nearby the Purchased Land are Taman IKS Simpang Ampat and Kawasan Industri Mara. There are a number of factories within the immediate vicinity such as Astino (M) Sdn Bhd, Taigene Metal (M) Sdn Bhd, Champwell Industries, ICP Industries, Cardotex Industries, Trade Ocean Exporters Sdn Bhd, Oriental Polymers (M) Sdn Bhd, South Island Garment Sdn Bhd, Southern Latex Products Sdn Bhd, Sun Sung Lee Engineering Sdn Bhd and Golden Frontier Packaging Sdn Bhd.

Housing schemes, meanwhile, that are located in the same locality include Taman Rebana, Taman Penyu, Taman Sri Tenang, Taman Sungai Bakap and Taman Jawi. These housing schemes consist of single and double-storey terrace houses, semi-detached and detached houses, and two (2)-storey shop-offices.

Notable landmarks located nearby the Purchased Land include Sekolah Jenis Kebangsaan Tamil Ladang Valdor and ‘Stesen Pengurusan Jabatan Pengangkutan Jalan’ (JPJ Valdor). The Valdor Village is situated approximately three (3) kilometres to the east of the Purchased Land.
Details of the Purchased Land are summarised as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title No./Lot. No./Address</td>
<td>Title No. GM 390, Lot No. 391, Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang</td>
</tr>
<tr>
<td>Location</td>
<td>Kawasan Perindustrian Valdor (also known as Kawasan Perusahaan Valdor), Sungai Bakap, Pulau Pinang</td>
</tr>
<tr>
<td>Land area</td>
<td>39,606.58 square metres (or equivalent to approximately 426,321.68 square feet or 3.96 hectares)</td>
</tr>
<tr>
<td>Age of the buildings</td>
<td>Not applicable as the buildings do not form part of the Proposed Acquisition</td>
</tr>
<tr>
<td>Tenure</td>
<td>Freehold</td>
</tr>
<tr>
<td>Category of land use</td>
<td>Nil(1)</td>
</tr>
<tr>
<td>Registered proprietor</td>
<td>Astral Dragon</td>
</tr>
<tr>
<td>Existing and proposed use</td>
<td>Presently, the Purchased Land is vacant, with four (4) almost completed buildings (which consist of a single-storey factory, a PFOE plant, a single-storey warehouse and a boiler house) and site improvements (which include clearing and levelling of the Purchased Land, drainage, fencing and gate, paving and etc.) erected thereon. Upon acquisition of the Purchased Land and completion of the construction of the aforementioned buildings, Eonchem shall operate and utilise the buildings to further expand its business operations into the palm oil-based and biomass-related activities, specifically in the PFOE business.</td>
</tr>
<tr>
<td>Percentage of occupancy of the building</td>
<td>Nil. The almost completed buildings erected on the Purchased Land are not occupied at this juncture.</td>
</tr>
<tr>
<td>Net book value of Astral Dragon's Purchased Land</td>
<td>RM3,659,812.13 (Audited as at 31 December 2011)</td>
</tr>
<tr>
<td>Original cost of investment by Astral Dragon</td>
<td>RM2,984,252.04 (which was made in August 2006)</td>
</tr>
<tr>
<td>Market value</td>
<td>RM7,670,000(2)</td>
</tr>
<tr>
<td>Express conditions</td>
<td>First Grade. The Purchased Land comprised in this title:</td>
</tr>
<tr>
<td></td>
<td>(a) shall not be affected by any provision of the National Land Code, 1965 (&quot;Land Code&quot;) limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part 3 of the Land Code or on the creation of a Land Administrator’s right of way;</td>
</tr>
<tr>
<td></td>
<td>(b) subject to the implied condition that the Purchased Land is liable to be re-entered if it is abandoned for more than three (3) years, shall revert to the State only if the proprietor for the time being dies without heirs;</td>
</tr>
<tr>
<td></td>
<td>and the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the Purchased Land (including the right to work or extract any such produce or deposits and remove it beyond the boundaries of the Purchased Land).</td>
</tr>
<tr>
<td>Restriction-in-interest</td>
<td>Nil</td>
</tr>
</tbody>
</table>

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Encumbrances: Charged in favour of United Overseas Bank (Malaysia) Bhd vide Presentation No. 0703SC2007000308 dated 7 March 2007

Notes:

(1) Although the title to the Purchased Land does not specify the category of the land use, based on the verbal enquiries by the independent registered valuer, Raine & Horne International Zaki + Partners Sdn Bhd ("Valuer") at the Jabatan Perancangan Bandar, Majlis Perbandaran Seberang Perai, the Purchased Land is located within an area designated for ‘industrial’ use.

(2) The market value for the Purchased Land of RM7,670,000 as appraised by the Valuer and stated in its valuation report dated 11 July 2012 ("Valuation Report I"), is based on the said Purchased Land’s existing condition, but excluding the buildings erected thereon, with the benefit on an unencumbered freehold title, and with vacant possession. The market value for the Purchased Land was arrived at by using the Comparison Method of valuation only.

(3) Subsequent to the lifting of the said charge, the Purchased Land will be acquired free from encumbrances.

2.1.2 Information on Astral Dragon

Astral Dragon was incorporated in Malaysia under the Companies Act, 1965 ("Act") on 28 October 1996 as a private limited company, under its present name. Its present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, all of which have been issued and fully paid-up. The principal activity of Astral Dragon is that of an investment holding. The Directors and/or major shareholders of Astral Dragon are Dato’ Goh Cheng Huat, Goh Kee Seng, Wong Yang Chong, Goh Ah Ba @ Goh Ah Hai and Goh Hong Kent, and their shareholdings in Astral Dragon based on the Register of Directors’ Shareholdings as at 30 August 2012 are as follows:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Direct No. of shares</th>
<th>Direct %</th>
<th>Indirect No. of shares</th>
<th>Indirect %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dato’ Goh Cheng Huat</td>
<td>50,000</td>
<td>50.00</td>
<td>-</td>
<td>0.00</td>
</tr>
<tr>
<td>Goh Kee Seng</td>
<td>20,000</td>
<td>20.00</td>
<td>-</td>
<td>0.00</td>
</tr>
<tr>
<td>Wong Yang Chong</td>
<td>10,000</td>
<td>10.00</td>
<td>-</td>
<td>0.00</td>
</tr>
<tr>
<td>Goh Ah Ba @ Goh Ah Hai</td>
<td>20,000</td>
<td>20.00</td>
<td>-</td>
<td>0.00</td>
</tr>
<tr>
<td>Goh Hong Kent</td>
<td>-</td>
<td>0.00</td>
<td>-</td>
<td>0.00</td>
</tr>
</tbody>
</table>

2.1.3 Salient terms and conditions of the Purchase Agreement

The salient terms and conditions of the Purchase Agreement include, amongst others, the following:

(a) Upon execution of the Purchase Agreement, Eonchem paid a deposit of ten percent (10%) of the Purchase Price amounting to RM767,378.27 ("Deposit") to Astral Dragon;

(b) The balance of ninety-percent (90%) of the Purchase Price amounting to RM6,906,404.47 ("Balance Purchase Price") shall be paid in full by Eonchem to Astral Dragon within three (3) months from the date of the Purchase Agreement becomes unconditional (i.e. fulfillment of the condition precedent as set out in Section 2.1.3(c) of this announcement), failing which in consideration of Astral Dragon granting an extension of one (1) month for the completion of the purchase of the Purchased Land, Eonchem shall pay to Astral Dragon an interest at the rate of six percent (6%) per annum on the unpaid balance sum calculated on a daily basis from the next day after the expiry of three (3) months as stipulated above until the date of actual payment of the balance sum;
(c) The Proposed Acquisition is conditional upon Eonchem, at its own cost and expense, obtaining the approval of the shareholders of Eonmetall, being Eonchem’s ultimate shareholder, for the acquisition of the Purchased Land from Astral Dragon within a period of twelve (12) months from the date of the Purchase Agreement (“Conditional Period”), with an automatic extension of six (6) months (“Extended Conditional Period”) and thereafter any other extended period as may be mutually agreed by the parties and subject to the terms and conditions to be agreed by them. In the event that the aforementioned approval is not obtained by the stipulated timeframe, then, the Purchase Agreement shall, unless extended by mutual agreement of the parties, terminate, whereupon Astral Dragon shall refund the Deposit without interest to Eonchem, in exchange for which Eonchem shall return to Astral Dragon of all documents intact in their original condition belonging to Astral Dragon, and that Eonchem shall have removed its caveat (if any) lodged against the said Purchased Land at its own costs;

(d) The sale and purchase of the Purchased Land shall be subject to the following conditions:

- Astral Dragon deducing a good, registrable title to the said Purchased Land;
- the Purchased Land shall be free from all encumbrances whatsoever;
- the issue document of title to the Purchased Land shall be produced and delivered to Eonchem or Eonchem’s solicitors in due course;
- any defect in the title to the Purchased Land shall be rectified and perfected by Astral Dragon at its own cost and expense; and
- in the event of non-registration of the Memorandum of Transfer from Astral Dragon to Eonchem due to defect in the title of the said Purchased Land and/or due to the reason attributable to Astral Dragon, Astral Dragon shall refund the full Purchase Price free of interest within seven (7) days of written notification from Eonchem’s solicitors and thereafter, the Purchase Agreement shall become null and void and neither party shall have any claim(s) against the other. This special condition shall prevail if there is any conflict, discrepancy or variance with any other term or condition of the Purchase Agreement;

(e) If Eonchem shall fail to pay the Balance Purchase Price or any part thereof, or if Eonchem shall neglect or fail to perform any of the terms, conditions and stipulations on Eonchem’s part to be performed under the Purchase Agreement, the Deposit paid by Eonchem shall be forfeited absolutely to Astral Dragon as agreed liquidated damages and Astral Dragon shall thereupon refund to Eonchem all other sum(s) paid by Eonchem towards account of the Purchase Price of the Purchased Land free of interest.

Upon such refund being made, the Purchase Agreement shall become null and void and be of no further effect and neither party shall have any claim whatsoever against the other under or in respect of the Purchase Agreement (save for the return of any documents belonging to Astral Dragon and the withdrawal of any private caveat lodged by Eonchem);
(f) If Astral Dragon shall refuse or fail or neglect to complete the Purchase Agreement and/or to assign, transfer the Purchased Land or to deliver legal possession of the Purchased Land to Eonchem free from encumbrances, in accordance with the provisions of the Purchase Agreement, Eonchem shall be entitled to take such action as may be available to Eonchem at law, which includes a right to enforce specific performance of the Purchase Agreement against Astral Dragon or to terminate the Purchase Agreement and claim damages and all costs incurred by Eonchem in connection with either of the said actions or alternatively at Eonchem’s sole discretion in writing to terminate the Purchase Agreement, whereupon Astral Dragon shall within fourteen (14) days from the date of receipt of the notice of termination from Eonchem, refund the Deposit to Eonchem free of interest. After the expiry of the fourteen (14) days from the date of receipt of the notice of termination, interest at six percent (6%) per annum on the unpaid sum calculated on a daily basis from the date of expiry until actual refund shall be imposed. Astral Dragon shall remain liable for payment of all its costs, provided work has already been done and costs incurred; and

(g) In consideration of RM1.00 only paid by Eonchem to Astral Dragon, Astral Dragon has granted an exclusive irrevocable option to Eonchem to rent the Purchased Land at the rental that shall be fixed at the time of the exercise of the option, subject to a valuation on the prevailing market rate of rental conducted by a mutually agreed and appointed international valuation firm upon exercise of the option (“Option”). The Option period shall be from 1 November 2012 to 30 April 2013 and it shall be exercisable in the event of termination of the Purchase Agreement for whatsoever reasons. On the exercise of the Option, a tenancy agreement containing such terms as Astral Dragon and Eonchem shall agree on in writing shall be drawn up and executed by both parties on or before the 30th day after the date of exercise of the Option.

The tenancy agreement shall contain, amongst others, the following terms:

- the rental shall be fixed at the time of the exercise of the Option, subject to a valuation on the prevailing market rate of rental conducted by a mutually agreed and appointed international valuation firm upon exercise of the Option; and
- the terms of the tenancy shall be for a period of three (3) years with automatic renewal of three (3) years and subject to further extension as may be mutually agreed by both parties.

Eonchem shall also have the right to register the tenancy as a lease on the Purchased Land.

2.1.4 Basis and justification of arriving at the Purchase Price

The Purchase Price for the Purchased Land was arrived at based on a willing buyer-willing seller basis, after taking into consideration the market value of the Purchased Land, as ascribed by the Valuer as set out in its Valuation Report I dated 11 July 2012.
The Valuer had determined the market value of the Purchased Land to be RM7,670,000, based on its existing condition, but excluding the buildings erected thereon, by using the Comparison Method of valuation in carrying out the valuation of the said Purchased Land. As such, the Purchase Price represents a slight premium of approximately 0.05% or RM3,782.74 over the market value of the said Purchased Land.

2.1.5 Salient features of the Valuation Report I

In arriving at the opinion of the market value of the Purchased Land, the Valuer had appraised the Purchased Land in its Valuation Report I using the Comparison Method, which seeks to determine the value of the Purchased Land by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Due considerations are given for such factors including location, plot size and shapes, accessibility, improvements made if any, surrounding developments, facilities and amenities available.

Although Paragraph 4.06 of the Asset Valuation Guidelines issued by the Securities Commission Malaysia (“SC”) requires at least two (2) methods of valuation to be adopted, the Valuer had only relied upon one (1) method of valuation due to the fact that the Purchased Land is treated as a parcel of vacant industrial land (which excludes the buildings and site improvements erected thereon).

The Valuer is of the opinion that the market value of the Purchased Land is RM7,670,000 as appraised vide its Valuation Report I, which was valued with the benefit of a freehold title, free from all encumbrances (including the existing charge to United Overseas Bank (Malaysia) Bhd) and with vacant possession.

The valuation of the Purchased Land was undertaken in accordance with the Asset Valuation Guidelines issued by the SC and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia. The Purchased Land was inspected by the Valuer on 11 July 2012.

(Source: Valuation Report I on the Purchased Land dated 11 July 2012 prepared by the Valuer)

2.1.6 Sources of funding and mode of satisfaction

The Purchase Price of the Purchased Land of RM7,673,782.74 for the Proposed Acquisition shall be paid in the manner set out below:

<table>
<thead>
<tr>
<th>Timing</th>
<th>Purchase Price (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Deposit Upon execution of the Purchase Agreement</td>
</tr>
<tr>
<td>(b)</td>
<td>Balance Purchase Price Within three (3) months from the date of the Purchase Agreement becomes unconditional</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Purchase Price for the Proposed Acquisition will be satisfied entirely in cash, which will be fully funded through the proceeds to be raised from the Proposed Disposal, as set out in Section 2.2.6(b) of this announcement.
2.1.7 Liabilities to be assumed by the Eonmetall Group

Eonmetall and its subsidiaries ("Eonmetall Group" or "Group") will not be assuming any liability, including contingent liabilities and guarantees pursuant to the Proposed Acquisition.

2.1.8 Additional financial commitment

Four (4) buildings that comprise a single-storey factory, a PFOE plant, a single-storey warehouse and a boiler house, were erected by the Eonmetall Group on the Purchased Land for the expansion of its PFOE business and they are almost complete as at the date of this announcement. The total investment made since September 2011 that had been incurred by the Eonmetall Group to construct the above buildings and site improvements amounted to approximately RM10.60 million as at 29 June 2012, which was funded entirely using its internally-generated funds. The Group expects that another RM1.00 million will be required to complete the construction of the above-mentioned buildings, which shall be funded through the proceeds to be raised from the Proposed Disposal as set out in Section 2.2.6(b) of this announcement. The construction of the aforementioned buildings is expected to be completed by the end of calendar year 2012, while the Certificate of Completion and Compliance ("CCC") for the said buildings is expected to be received by the Group by the first quarter of calendar year 2013. As such, the Group intends to commence operations at the Purchased Land two (2) months upon obtaining the CCC.

Save for the above additional financial commitment, the Board does not expect to incur any other additional financial commitment for the Proposed Acquisition.

2.2 Details of the Proposed Disposal

The Proposed Disposal involves the disposal of the Property by Eonmetall Systems for a cash consideration of RM12,100,000.00. Pursuant to the Disposal Agreement, Eonmetall Systems agreed to sell and Leader Steel agreed to purchase the Property on an "as is where is" basis, free from all encumbrances, caveat, prohibitory order and assignment which are not attributable to Leader Steel (save as disclosed in Section 2.2.1 of this announcement and subject to the Tenancy (as defined in Section 2.2.1 of this announcement), with legal possession, but without the CCC for the buildings erected on the land and subject to/upon:

(a) the express conditions and restrictions-in-interest endorsed on the registered document of title; and

(b) the terms and conditions contained in the Disposal Agreement.

The CCC shall be applied by Leader Steel at its own costs and expense, upon completion of the Proposed Disposal.

2.2.1 Description of the Property

The Property, which comprises a parcel of freehold industrial land measuring approximately 39,250.05 square metres (or equivalent to approximately 422,484.02 square feet or 3.93 hectares), together with an almost completed single-storey detached factory with an office erected thereon, is held under Title No. GRN 77765, Lot No. 1596, Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang. The site of the Property which is trapezoidal in shape, is flat in terrain and lies at about the same level with its surrounding area.
The site of the Property has a frontage of about 68.62 metres (or equivalent to 225.00 feet) onto an unnamed gravel road and its northern boundary which measures about 622.58 metres (or equivalent to 2,043.00 feet) fronts an access reserve. Its southern boundary that measures about 520.38 metres (or equivalent to 1,707.00 feet) adjoins the neighbouring Lot 1597, while its eastern boundary which measures about 126.99 metres (or equivalent to 417.00 feet) abuts onto a bund reservation.

The boundaries of the Property are demarcated by metal sheets, except for its northern boundary that is not physically demarcated by any form of fencing. The entrance to the Property is secured with a metal sliding gate.

The Property is located in a locality known as Kawasan Perindustrian Valdor (also known as Kawasan Perusahaan Valdor), Sungai Bakap, Pulau Pinang. Kawasan Perindustrian Valdor is located along the eastern and western side of the North-South Expressway and about one (1) kilometre off the western side of Sungai Bakap - Simpang Ampat trunk road, which is part of Butterworth-Ipoh trunk road.

The Property is situated approximately 2.5 kilometres to the north-west of Sungai Bakap town and approximately 18.0 kilometres to the south of Bukit Mertajam town centre.

The Property is accessible from Sungai Bakap – Simpang Ampat trunk road via Jalan Perindustrian Valdor (also known as Jalan Perusahaan Valdor), Jalan Serunai and thereafter through motorable gravel road for approximately 500 metres before approaching the western boundary of the said Property.

The Property is situated within an area designated for ‘industrial’ use. The properties in the immediate locality is mixed in character comprising several housing schemes, commercial and industrial premises, development lands, agricultural lands and village lands with semi-permanent houses. In respect of the industrial scheme, Kawasan Perindustrian Valdor, is developed with terrace, semi-detached and detached factories. Other industrial schemes located nearby the Property are Taman IKS Simpang Ampat and Kawasan Industri Mara. There are a number of factories within the immediate vicinity such as Astino (M) Sdn Bhd, Taigene Metal (M) Sdn Bhd, Champwell Industries, ICP Industries, Cardotex Industries, Trade Ocean Exporters Sdn Bhd, Oriental Polymers (M) Sdn Bhd, South Island Garment Sdn Bhd, Southern Latex Products Sdn Bhd, Sun Sung Lee Engineering Sdn Bhd and Golden Frontier Packaging Sdn Bhd.

Housing schemes, meanwhile, that are located in the same locality include Taman Rebana, Taman Penyu, Taman Sri Tenang, Taman Sungai Bakap and Taman Jawi. These housing schemes consist of single and double-storey terrace houses, semi-detached and detached houses, and two (2)-storey shop-offices.

Notable landmarks located nearby the Property include Sekolah Jenis Kebangsaan Tamil Ladang Valdor and ‘Stesen Pengurusan Jabatan Pengangkutan Jalan’ (JPJ Valdor). The Valdor Village is situated approximately three (3) kilometres to the east of the Property.
Details of the Property are summarised as follows:

**Title No./Lot No./Address:** Title No. GRN 77765, Lot No. 1596, Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang

**Location:** Kawasan Perindustrian Valdor (also known as Kawasan Perusahaan Valdor), Sungai Bakap, Pulau Pinang

**Land area:** 39,250.05 square metres (or equivalent to approximately 422,484.02 square feet or 3.93 hectares)

**Total built-up area:** 8,603.06 square metres (or equivalent to approximately 92,602.57 square feet) comprising:

- Ground floor: 6,636.88 square metres (or equivalent to 71,438.78 square feet)
- Upper floor: 1,966.18 square metres (or equivalent to approximately 21,163.79 square feet)

**Amount of lettable space:** Same as the total built-up area

**Age of the buildings:** Not applicable as the buildings are not completed as at the date of this announcement

**Tenure:** Freehold

**Category of land use:** Nil

**Registered proprietor:** Eonmetall Systems

**Existing and proposed use:** Currently, the Property is rented to Leader Steel vide a tenancy agreement dated 1 July 2010 for a period of one (1) year commencing from 1 July 2010 to 30 June 2011, and further extended from 1 July 2011 to 30 June 2012 via a letter dated 30 June 2011 ("Tenancy"). The term of the Tenancy was further extended from one (1) year to a term of three (3) years commencing from 1 July 2011 to 30 June 2014, with an option to renew for another term of three (3) years commencing thereon at the request of Leader Steel via a Supplemental Tenancy Agreement dated 15 December 2011.

The current monthly rental of the Property is RM43,000 per month. Upon completion of the Proposed Disposal, the Property will be owned by Leader Steel and will be used for the manufacturing of its steel billet.

**Percentage of occupancy of the Property:** Nil. The almost completed buildings erected on Lot No. 1596 are not occupied at this juncture.

**Net book value of Eonmetall Systems’ Property:** RM6,487,437.02 (Audited as at 31 December 2011)

**Original cost of investment by Eonmetall Systems:** RM2,788,538.75 (which was made in July 2006)

**Market value:** RM12,100,000
Express conditions : First Grade. The land comprised in this title:

(a) shall not be affected by any provision of the Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part 3 of the Land Code or on the creation of a Land Administrator’s right of way;

(b) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than three (3) years, shall revert to the State only if the proprietor for the time being dies without heirs;

and the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposits and remove it beyond the boundaries of the land).

Restriction-in-interest : Nil

Encumbrances : Charged twice in favour of United Overseas Bank (Malaysia) Bhd vide Presentation No. 0799SC2007036527 registered on 23 November 2007 and Presentation No. 0799SC2010040957 registered on 12 November 2010

Endorsement : Lien-Holder’s Caveat in favour of United Overseas Bank (Malaysia) Bhd vide Presentation No. 0799B2006019282 registered on 26 December 2006

Notes:

(1) Although the title to the land does not specify the category of the land use, based on the verbal enquiries by the Valuer at the Jabatan Perancangan Bandar, Majlis Perbandaran Seberang Perai, the Property is located within an area designated for ‘industrial’ use.

(2) The market value for the Property of RM12,100,000 as appraised by the Valuer and stated in its valuation report dated 11 July 2012 ("Valuation Report II"), was derived based on the “as is” basis, with the benefit of an unencumbered freehold title, and with vacant possession. The market value for the Property was arrived at principally by using the Comparison/Cost Method of valuation, while the Investment Method of valuation is used to establish an indicative range of values as a test against the indicative value derived from the Comparison/Cost Method of valuation.

(3) Subsequent to the lifting of the said charges and caveat, the Property will be disposed free from encumbrances.

On 20 June 2011, Eonmetall Systems was served with Form E pursuant to the Land Acquisition Act, 1960 that a portion of the land measuring 0.435 hectares has been subjected to a compulsory acquisition by the State Authority. However, Eonmetall Systems has subsequently been informed verbally by the State Authority that the compulsory acquisition has been cancelled. Eonmetall Systems is now pursuing the State Authority for a written confirmation for the cancellation of the aforesaid compulsory acquisition.

2.2.2 Information on Leader Steel

Leader Steel was incorporated in Malaysia under the Act on 17 December 1987 as a private limited company, under its present name. It is a wholly-owned subsidiary of Leader Steel Holdings. Its present authorised share capital is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each, while its issued and paid-up share capital is RM17,040,425 comprising 17,040,425 ordinary shares of RM1.00 each. Leader Steel is principally involved in the manufacturing and trading of steel and metal products. The Directors of Leader Steel are Dato’ Goh Cheng Huat, Datin Tan Pak Say and Goh Hong Kent.
By virtue of Leader Steel being a wholly-owned subsidiary of Leader Steel Holdings, based on the Register of Substantial Shareholders as at 30 August 2012, the disclosure of major shareholders in Leader Steel Holdings is provided below:

<table>
<thead>
<tr>
<th>Substantial shareholders</th>
<th>No. of shares Direct</th>
<th>%</th>
<th>No. of shares Indirect</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dato’ Goh Cheng Huat</td>
<td>10,530,594</td>
<td>8.22</td>
<td>(1) 55,185,874</td>
<td>43.10</td>
</tr>
<tr>
<td>Datin Tan Pak Say</td>
<td>1,150,006</td>
<td>0.90</td>
<td>(2) 64,566,462</td>
<td>50.43</td>
</tr>
<tr>
<td>Bischart Sdn Bhd</td>
<td>54,035,868</td>
<td>42.20</td>
<td>-</td>
<td>0.00</td>
</tr>
<tr>
<td>Amanahraya Trustees</td>
<td>18,224,300</td>
<td>14.23</td>
<td>-</td>
<td>0.00</td>
</tr>
<tr>
<td>Berhad – Skim Amanah</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saham Bumiputera</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

(1) Deemed interested by virtue of his shareholdings in Bischart Sdn Bhd pursuant to Section 6A of the Act, and shares held by his spouse, Datin Tan Pak Say.

(2) Deemed interested by virtue of her spouse’s shareholdings in Bischart Sdn Bhd pursuant to Section 6A of the Act, and her spouse’s direct shareholdings in Leader Steel Holdings.

2.2.3 Salient terms and conditions of the Disposal Agreement

The salient terms and conditions of the Disposal Agreement include, amongst others, the following:

(a) The Disposal Agreement is conditional upon the fulfilment of the following conditions precedent within a period of six (6) months from the date of the Disposal Agreement (“Conditional Period”), with an automatic extension of three (3) months and thereafter any other extended period as may be mutually agreed by the parties (“Extended Conditional Period”):

- Eonmetall Systems, at its own cost and expense, obtaining the approval of the shareholders of Eonmetall, being Eonmetall Systems’ ultimate shareholder, for the disposal of the Property to Leader Steel;

- Leader Steel, at its own cost and expense, obtaining the approval of the shareholders of Leader Steel Holdings, being Leader Steel’s ultimate shareholder, for the purchase of the Property from Eonmetall Systems; and

- Eonmetall Systems, at its own cost and expense, obtaining the letter of clearance/confirmation from the State Authority for the cancellation of the compulsory acquisition as set out in Section 2.2.1 of this announcement.

(b) If any of the condition precedent is not fulfilled by the expiry of the Conditional Period or the Extended Conditional Period, then, the Disposal Agreement shall, unless extended by mutual agreement of the parties, terminate whereupon Eonmetall Systems shall refund the Sale Deposit (as defined in Clause (e) below) without interest, in exchange for the return of all documents intact in their original condition from Leader Steel to Eonmetall Systems. Thereafter, neither party shall have any cause of action against the other in respect of the Disposal Agreement;

(c) Leader Steel shall continue to pay the rental pursuant to the Tenancy for the duration of the Disposal Agreement and in the event of termination of the Disposal Agreement for whatsoever reasons;
(d) The Disposal Agreement shall become unconditional on the business day on which the conditions precedent as set out in Clause (a) above are fulfilled and/or waived, as the case may be (“Unconditional Date”);

(e) Upon execution of the Disposal Agreement, Leader Steel paid a deposit of ten percent (10%) of the Sale Consideration amounting to RM1,210,000.00 (“Sale Deposit”) to Eonmetall Systems, as part payment towards account of the Sale Consideration;

(f) Leader Steel shall pay the balance of ninety-percent (90%) of the Sale Consideration amounting to RM10,890,000.00 (“Sale Balance Purchase Price”) to Eonmetall Systems’ solicitors to hold as stakeholder on or before the expiry of three (3) months commencing from the Unconditional Date (“Completion Period”);

(g) If the Sale Balance Purchase Price is not paid in full on or before the expiry of the Completion Period, Eonmetall Systems shall automatically grant an extended period of one (1) month commencing from the day following the expiry of the Completion Period (“Extended Completion Period”), provided that Leader Steel shall pay the late payment interest at the rate of six percent (6%) per annum calculated on daily basis on the outstanding amount of the Sale Balance Purchase Price commencing from the commencement of the Extended Completion Period until the date the full Sale Balance Purchase Price is received by Eonmetall Systems’ solicitors as the stakeholder;

(h) Eonmetall Systems shall deliver legal possession of the Property to Leader Steel upon full payment of the Sale Balance Purchase Price together with interest for late payment of the Sale Balance Purchase Price (if any) and all other apportionment of outgoings to Eonmetall Systems in accordance with the terms and conditions contained in the Disposal Agreement. As Leader Steel is tenanting the Property at present, no vacant possession will be delivered to Leader Steel;

(i) If Leader Steel defaults in the satisfaction of the Sale Consideration in accordance with the provisions of the Disposal Agreement, subject to Eonmetall Systems having first complied with and observed the reciprocal covenants, provisions, terms and conditions on the part of Eonmetall Systems as contained in the Disposal Agreement, Eonmetall Systems shall be entitled to terminate the Disposal Agreement by giving notice in writing to Leader Steel, following which:

- the Sale Deposit shall be absolutely forfeited to Eonmetall Systems as agreed liquidated damages;
- subject to the paragraph below, Eonmetall Systems shall return the Sale Balance Purchase Price free of interest within ten (10) business days after the date of the termination notice served by Eonmetall Systems, provided always that Leader Steel shall at its own cost and expense remove or cause to be removed within ten (10) business days any private caveat lodged by Leader Steel; and
- Leader Steel shall return or cause to be returned the issue document of title to Eonmetall Systems or Eonmetall Systems’ solicitors with Eonmetall Systems’ interest therein remaining intact; and
(j) Subject to Leader Steel having first complied with and observed the covenants, provisions, terms and conditions on the part of Leader Steel as contained in the Disposal Agreement, Leader Steel shall be entitled to terminate the Disposal Agreement by giving notice in writing to Eonmetall Systems if:

- Eonmetall Systems fails, neglects or refuses to complete the sale in accordance with the provisions of the Disposal Agreement;
- Eonmetall Systems fails, neglects or refuses to perform or comply with any of its obligations on its part to be performed under the Disposal Agreement;
- Eonmetall Systems is wound up, or enter into any composition or arrangement with its creditors or make a general assignment for the benefit of its creditors;
- the Memorandum of Transfer in favour of Leader Steel cannot be registered due to any non-rectifiable reason not caused by or attributable to any willful act, default or omission of Leader Steel;
- any one of Eonmetall Systems’ warranties and representations in the Disposal Agreement are not true or not correct in all respects.

Upon the receipt of the termination notice served by Leader Steel, Eonmetall Systems shall:

- refund the Sale Deposit and the Sale Balance Purchase Price free of interest within ten (10) business days after receipt of the termination notice;
- subject to the paragraph below, Eonmetall Systems’ solicitors shall return the Sale Balance Purchase Price or any part thereof (free of interest) which has been received and held by them as at that date, to Leader Steel within ten (10) business days after receipt of the termination notice, provided always that Leader Steel shall at its own cost and expense remove or cause to be removed within ten (10) business days any private caveat lodged by Leader Steel; and
- Leader Steel shall return or cause to be returned the issue document of title to Eonmetall Systems or Eonmetall Systems’ solicitors.

2.2.4 Basis and justification of arriving at the Sale Consideration

The Sale Consideration of RM12,100,000 for the Proposed Disposal was arrived at based on a willing buyer-willing seller basis, after taking into consideration the following:

- the original cost of investment in the Property by Eonmetall Systems is RM2,788,538.75;
- the Sale Consideration is exactly the same as the market value of the Property of RM12,100,000, as ascribed by the Valuer in the Valuation Report II dated 11 July 2012;
the audited net book value of the Property of RM6,487,437.02 as at 31 December 2011 and the net Sale Consideration of RM11,300,000 (after defraying the estimated expenses in relation to the Proposals of approximately RM800,000) is expected to result in a gain on disposal (after taxation) of RM4,812,562.98.

2.2.5 Salient features of the Valuation report II

In arriving at the opinion of the market value of the Property, the Valuer had appraised the Property in its Valuation Report II using the Comparison/Cost Method and Investment Method of valuations as described below:

(a) Comparison/Cost Method

The Comparison Method seeks to determine the value of the land by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Due considerations are given for such factors including location, plot size and shapes, accessibility, improvements made if any, surrounding developments, facilities and amenities available.

In addition to the foregoing approach, the Valuer has also adopted the Cost Method, which seeks to ascertain the value of the Property through the summation of the value components of the land and cost of building.

In determining the value of the land, the analysed apportioned value attributable to the land is adopted as described in the Comparison Method, whilst making due allowances to factors of location, plot size and shapes, accessibility, improvements made if any, surrounding developments, facilities and amenities available.

In determining the cost of the building, current estimates on construction costs to erect equivalent buildings are adopted, taking into consideration of similar accommodation in terms of size, construction, finishes contractor’s overheads, fees and profits. Appropriate adjustments are then made to the factors of obsolescence and existing physical condition of the building.

(b) Investment Method

This method involves estimating the current rental income that can accrue to the Property, if it is made available for letting based on the usual tenancy term in the open market. From this gross income, a deduction is made for the landlord’s outgoing in owning and managing the Property as a form of investment. The remaining net income is then capitalised at a suitable net yield with provision for a sinking fund over the life of the investment of the remaining unexpired term.

However, in arriving at the market value of the Property, the Valuer had adopted the Comparison/Cost Method as the primary valuation method, while the Investment Method serves to establish an indicative range as a test against the indicative value derived from the Comparison/Cost Method.

The Valuer is of the opinion that the market value of the Property is RM12,100,000 as appraised vide its Valuation Report II, which was valued at “as is” basis, with the benefit of a freehold title, free from all encumbrances (including the existing charges to and caveat in favour of United Overseas Bank (Malaysia) Bhd) and with vacant possession.
The valuation of the Property was undertaken in accordance with the Asset Valuation Guidelines issued by the SC and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia. The Property was inspected by the Valuer on 11 July 2012.

(Source: Valuation Report II on the Property dated 11 July 2012 prepared by the Valuer)

2.2.6 Utilisation of sale proceeds

The gross cash proceeds of RM12,100,000 arising from the Proposed Disposal is proposed to be utilised in the following manner:

<table>
<thead>
<tr>
<th>Note</th>
<th>(RM’000)</th>
<th>Expected utilisation period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of bank borrowings</td>
<td>(a) 1,243</td>
<td>Within six (6) months</td>
</tr>
<tr>
<td>Full funding of the Proposed Acquisition and the completion of the construction of the buildings on the Purchased Land</td>
<td>(b) 8,674</td>
<td>Within six (6) months</td>
</tr>
<tr>
<td>Acquisition of plantation lands in Indonesia</td>
<td>(c) 1,383</td>
<td>Within twelve (12) months</td>
</tr>
<tr>
<td>Defraying expenses in relation to the Proposals</td>
<td>(d) 800</td>
<td>Upon completion of the Proposals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12,100</td>
</tr>
</tbody>
</table>

Notes:

(a) Repayment of bank borrowings

As at 31 March 2012, the total borrowings of the Group stood at approximately RM69.30 million, all of which were interest-bearing. The Group intends to utilise approximately RM1.243 million from the proceeds raised from the Proposed Disposal to fully repay its outstanding term loan with United Overseas Bank (Malaysia) Bhd. Presently, the interest rate charged on the said term loan is 5.43% per annum and the term loan will mature in March 2015. Upon settlement of the term loan, the Eonmetall Group will be able to redeem the Property and the charge on it will also be lifted. In addition, such repayment is expected to result in total interest savings of approximately RM89,962 to the Group, which otherwise would have been payable for the remaining tenure of 25 months (i.e. from March 2013 to March 2015).

(b) Full funding of the Proposed Acquisition and the completion of the construction of the buildings on the Purchased Land

As set out in Section 2.1.6 of this announcement, the Proposed Acquisition will be fully funded by the proceeds raised from the Proposed Disposal.

In addition, the Group intends to utilise a portion of the proceeds amounting to approximately RM1.00 million to complete the construction of buildings erected on the Purchased Land, being a single-storey factory, a PFOE plant, a single-storey warehouse and a boiler house. The above-mentioned buildings are expected to be completed by the end of calendar year 2012.
(c) Acquisition of plantation lands in Indonesia

In line with the Group’s future plans to continue expanding its business operations into the oil palm-based industry, mainly in the Malaysian and Indonesian markets, as set out in Section 3 of this announcement, the Group intends to set up an independent PFOE plant in Riau, Indonesia. In achieving the said objective, at as the date of this announcement, the Group has commenced negotiations with a third party in Indonesia to acquire several pieces of adjacent and joint lands, together with the existing agricultural crops of oil palm planted thereon, which range between 10-30 years old. The said lands, which have a combined area of approximately 30 hectares, will be purchased for a cash consideration of Rupiah 5.30 billion. The total estimated investment to be incurred by the Group that includes the acquisition of the lands, setting up the PFOE plant on the said lands, and clearance and land earthwork amounts to approximately RM11.30 million.

The purchase price for the lands is intended to be satisfied entirely in cash, which may be funded via a combination of the proceeds to be raised through the Proposed Disposal, internally-generated funds and/or external bank borrowings.

For illustrative purposes, as at 30 August 2012, based on the exchange rate of Indonesian Rupiah 100: RM0.0327, the purchase price for the land of Rupiah 5.30 billion will amount to approximately RM1,733,100 (Source: Bank Negara Malaysia). Approximately RM1,383,000 of the said purchase price will be funded through the proceeds to be raised from the Proposed Disposal, while the remaining balance of RM350,100 may be funded through either the Group's internally-generated funds or external bank borrowings.

As the Group is still in the midst of negotiating on the aforesaid matter, the Group will ensure that all relevant regulatory and disclosure requirements, including any applicable requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), will be complied with and the approval of the Company’s shareholders will be sought, where applicable, once the sale and purchase agreement on the acquisition of the said lands has been signed by both parties.

(d) Defraying expenses in relation to the Proposed

The entire corporate exercises require approximately RM800,000 for, amongst others, professional fees, fees and tax payable to the relevant authorities and other miscellaneous charges. Any variation in the actual expenses for the Proposals from the estimated amount will be adjusted to or from the amount of disposal proceeds that has been allocated for the acquisition of plantation lands in Indonesia as disclosed in part (c) above.

2.2.7 Liabilities to be assumed by Leader Steel

There are no liabilities, including contingent liabilities and guarantees, to be assumed by Leader Steel pursuant to the Proposed Disposal.
3. **RATIONALE FOR THE PROPOSALS**

At present, the Eonmetall Group is principally involved in the manufacturing and selling of metalwork machinery and other industrial process machinery and equipment, as well as manufacturing, selling and trading of secondary flat steel and related products.

For the Financial Year Ended (“FYE”) 31 December 2011, the revenue of the Eonmetall Group was mainly derived from the manufacturing, selling and trading of secondary flat steel and related products segment, accounting for approximately 79.27% of the total revenue of the Group. However, approximately 61.98% of the total segmental profit for the said financial year under review was derived from the machinery and equipment segment, which includes the manufacturing and selling of metalwork machinery and the contribution from the patented PFOE plant.

The contribution from the machinery and equipment segment that was mainly derived from the patented PFOE plant had helped to cushion the impact on the drop of business from other segments for the year 2010, mainly from the steel products and trading activities. Realising the potentials from the PFOE plants in both Malaysia and Indonesia, the Group has accordingly identified the palm oil industry as an important business focus going forward and to tap on the opportunities brought about by the PFOE plants in creating further value added by-products and downstream products, of which these materials can be utilised as renewable energy sources, such as biofuel and biomass products. In 2011, the Group has reaffirmed its intention to continue focusing on the oil palm-based industry, mainly in the Malaysian and Indonesian markets *(Source: The management of Eonmetall)*.

The Proposed Acquisition and the proceeds raised from the Proposed Disposal, hence, would enable the Group to achieve its abovementioned objectives to further expand its operations into the palm oil industry by acquiring the Purchased Land at a reasonable price, on which the buildings that comprise a single-storey factory, a PFOE plant, a single-storey warehouse and a boiler house, together with the site improvements (which include clearing and levelling of the Purchased Land, drainage, fencing and gate, paving and etc.) have been erected thereon at Eonchem’s own costs and expense.

The Proposed Disposal, meanwhile, provides an opportunity to the Group to raise funds for the purposes as set out in Section 2.2.6 of this announcement, i.e. to repay its bank borrowings, to fully fund the Proposed Acquisition and to also complete the construction of the aforementioned buildings that are erected on the Purchased Land, as well as for the acquisition of plantation lands in Indonesia. In addition, as the Property is presently rented to Leader Steel, hence, the Proposed Disposal also aids in eliminating a Recurrent Related Party Transaction (“RRPT”) between the Eonmetall Group and Leader Steel Holdings and its subsidiaries (“Leader Steel Holdings Group”).

It is to also note that the almost completed single-storey detached factory built on the Lot No. 1596 was initially designed and constructed for steel business-related activities. However, as the management of the Eonmetall Group foresee that the outlook for the steel products segment will be more challenging in the future, thus, the Proposed Disposal presents an opportunity to the Group to raise working capital for it to undertake more palm oil-related activities, which is in line with its objective to focus more on the palm oil industry going forward.

4. **INDUSTRY OUTLOOK AND FUTURE PROSPECTS**

4.1 **Overview and outlook for the Malaysian economy**

Growth of the Malaysian economy was sustained at 4.7% during the first quarter of 2012 (4Q 11: 5.2%). Domestic demand remained firm, supported by both private and public sector economic activity, while exports moderated amid weaker external demand. On the supply side, growth in most major economic sectors moderated in the first quarter, as the more modest growth in export-oriented activity more than offset the sustained growth in domestic-oriented activity.
Domestic demand remained resilient, increasing by 9.6% (4Q 11: 10.4%). Growth of private consumption remained strong at 7.4% (4Q 11: 7.3%), supported mainly by continued income expansion and stable labour market conditions and reinforced by high commodity prices, improved consumer sentiments, and the disbursement of the income support programmes. Public consumption grew by 5.9% (4Q 11: 22.9%) amid continued expansion in spending on emoluments and supplies and services.

On the supply side, both the services and manufacturing sectors moderated further in the first quarter, reflecting the more modest growth in trade-related activity and continued expansion in domestic-related activity. Growth in the construction sector strengthened further, supported by the implementation of civil engineering projects and development of residential projects. The agriculture sector moderated on account of slower production of crude palm oil and rubber, while the mining output turned around to record a marginal growth.

For the Malaysian economy, while the challenging external environment will remain a risk to Malaysia’s growth prospects, domestic demand is expected to remain resilient. The continued expansion in spending by the private sector, further supported by public sector expenditure, are expected to underpin the overall growth performance.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2012, Bank Negara Malaysia)

4.2 Overview and outlook for the palm oil industry

The Malaysian oil palm industry has shown stellar performance with record highs in key performance indicators, namely price of palm oil products, Crude Palm Oil ("CPO") production, imports, exports volume as well as revenue. Average annual price of palm oil for the year breached the RM3,000 mark to register at RM3,219, while export revenue of palm products reached a record high of RM80.4 billion, an increase of 34.5% against RM59.8 billion achieved in 2010.

The oil palm planted area in 2011 reached 5.00 million hectares, an increase of 3.0% against 4.85 million hectares recorded the previous year. This was mainly due to increase in planted area in Sarawak which recorded an increase of 11.0% or 102,169 hectares. Sabah is still the largest oil palm planted state with 1.43 million hectares or 28.6% of total oil palm planted area, followed by Sarawak with 1.02 million hectares with 20.4%.

CPO production in 2011, increased by 11.3% to reach a record high of 18.91 million tonnes. Sarawak’s CPO production increased by 23.7% to 2.7 million tonnes while Sabah and Peninsular Malaysia increased by 9.9% and 9.2% to 5.84 million tonnes and 10.37 million tonnes respectively. The increase in production was mainly due to the recovery in the Fresh Fruit Bunches ("FFB") yield after experiencing two years of declining yield in 2009 and 2010. Improved weather conditions as well as more areas coming into peak production had also contributed to the increased production.

Total exports of oil palm products, consisting of palm oil, palm kernel oil, palm kernel cake, oleochemicals, biodiesel and finished products increased by 5.3% or 1.21 million tonnes to 24.27 million tonnes in 2011 from 23.06 million tonnes recorded in 2010. Total export earnings also rose by 34.5% or RM20.62 billion to RM80.41 billion compared to the RM59.79 billion achieved in 2010 because of higher export prices.

The average CPO price recorded for the year 2011 was the highest ever annual average price, reaching RM3,219.00 per tonne, increased by RM518.00 or 19.2% against RM2,701.00 in the previous year. CPO prices traded firmer at RM3,659.00 per tonne during the first quarter of the year, supported by positive sentiments related to world supply tightness of vegetable oils and low domestic palm oil stocks level during this period.

Subsequently, during the second quarter of the year, bullish market sentiments supported by firmer crude oil price, coupled with world vegetable oils supply tightness, especially that of palm oil and soya bean oil supported positive price sentiments.
The average price of palm kernel in 2011 rose marginally by 27.1% or RM470.50 to RM2,206.00 from RM1,735.50 recorded in the previous year because of domestic tight supply situation during the first quarter of the year. The average price of crude palm oil kernel increased by 26.8% or RM974.00 to RM4,611.00 from RM3,637.00 registered in the previous year as a result of higher palm kernel price coupled with firmer lauric oil prices in the world market. In the case of FFB, its average price at 1% oil extraction rate ("OER") was higher by 25.6% to RM36.28 from RM29.48 achieved in the previous year, which was in tandem with higher CPO and palm kernel prices. Based on the national OER, the average price of FFB in 2011 was equivalent to RM732 per tonne as against RM587 per tonne in the previous year.

(Source: Overview of the Malaysian Oil Palm Industry 2011, Malaysian Palm Oil Board)

Value-added of the oil palm sub-sector rose 7.6% during the first half of 2011 (January – June 2010: 0.3%) following higher production of CPO. Production of CPO surged 8.2% to 12 million tonnes during the first eight (8) months of 2011 (January – August 2010: 1.8%; 11.1 million tonnes) on account of increased FFB yield per hectare and matured areas in Sabah and Sarawak. Average FFB yield increased to 12.52 tonnes per hectare (January – August 2010: 11.76 tonnes per hectare) following improved weather conditions in the second quarter. However, the OER contracted marginally to 20.26% (January – August 2010: 20.41%) due to lower yields from new matured areas and heavy rainfall in the early part of the year.

Total oil palm planted areas increased 4.3% to 5 million hectares (end-June 2010: 4.8 million hectares), with the opening of new areas mainly in Sabah and Sarawak. Of the total planted areas, 28.8% or 1.4 million hectares are located in Sabah, contributing about 31% to overall total production of CPO. The launches of the Oil Palm Replanting and New Planting Smallholders Schemes under the palm oil National Key Economic Areas is expected to increase total oil palm cultivated areas to 5.1 million hectares in 2011 (2010: 4.9 million hectares).

With the increase in matured areas, higher FFB yields and improving OER, the oil palm sub-sector is expected to expand in 2011. In addition, the implementation of Entry Point Projects in the agriculture sector to enhance upstream productivity and downstream activities will further boost the sub-sector. Value-added of the sub-sector is expected to rebound 7.3% in 2011 (2010: -3.4%).

Meanwhile, palm oil inventory stood at 1.88 million tonnes as at end-August 2011 (end-August 2010: 1.71 million tonnes), compared with a high of 2.05 million tonnes recorded in June 2011, following stronger-than-expected production and higher imports. On a year-on-year basis, stock was higher by 10.2%. Despite the higher stock level, CPO prices strengthened to average RM3,356 per tonne during the first eight months (January – August 2010: RM2,555 per tonne) due to sustained demand and strong soyabean prices. The recent price discount for CPO of around USD200 per tonne (August 2011) compared with soyabean oil will help sustain demand and prices of CPO. The CPO prices are expected to average RM3,200 per tonne in 2011 (2010: RM2,701 per tonne).

Oil palm is one of the main drivers of Malaysia’s agriculture sector, accounting for 71% of its agricultural land bank. The palm oil industry is forecast to grow 7.1% over the next ten (10) years, driven by further gains in average productivity of FFB yields and OER, new plantation expansion of Malaysian companies abroad, as well as the venture of large plantation companies into high potential downstream activities such as processed food, biodiesel, second generation biofuel and oleochemicals.

(Source: Economic Report 2011/2012, Ministry of Finance Malaysia)
4.3 Prospects

The Group, having identified the palm oil industry as an important business focus going forward, intends to embark on the opportunities of the PFOE plants to improve the oil extraction rate for CPO production and to create further value added by-products and downstream products, of which these materials can be utilised as renewable energy sources. The Group also intends to undertake further research and development in the oil palm downstream activities. The Proposed Acquisition serves to achieve the above objective by acquiring the Purchased Land, on which a single-storey factory, a PFOE plant, a single-storey warehouse and a boiler house, together with the site improvements (which include clearing and levelling of the Purchased Land, drainage, fencing and gate, paving and etc.) have been erected thereon at Eonchem’s own costs and expense. The positive outlook for the palm oil industry as set out in Section 4.2 of this announcement will bode well with the Group’s intention to further expand its operations into the said industry.

In view of the above, the Board expects that the Proposed Acquisition will contribute positively to the future earnings of the Group, particularly upon completion of the construction of the above-mentioned buildings on the said Purchased Land.

(Source: The management of Eonmetall)

5. RISKS FACTORS

The risks factors of the Proposals (which may not be exhaustive) are set out below:

5.1 Failure and/or delay in the approval from authorities and/or parties

The Proposals are conditional upon the approvals from the relevant authorities and/or parties, as set out in Sections 2.1.3(c) and 2.2.3(a) of this announcement. There is no assurance that the Proposals can be completed within the permitted time period under the Purchase Agreement and Disposal Agreement.

In the event that the approvals are not obtained within the permitted time period, unless the parties mutually agree to extend the period, the Purchase Agreement and/or the Disposal Agreement shall terminate. Any delay or non-completion of the Proposals will delay and preclude the Eonmetall Group from the benefits of the Proposals. In this case, the Eonmetall Group will not be able to either acquire the Purchased Land or to raise proceeds from the disposal of its Property in order to further expand its business operations into the palm oil industry.

As such, the Group will not only closely adhere to meeting all of its obligations, representations, warranties, covenants and/or undertakings as set out in the Purchase Agreement and Disposal Agreement, the Board will also undertake its best endeavours to facilitate the necessary approval of its shareholders’ approval or any other regulatory approvals (if any) for the Proposals.

5.2 Compulsory acquisition by the Government

The Malaysian Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation, including the Land Acquisition Act, 1960. In such event, the amount of compensation to be awarded is based on the fair market value of the property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and any other relevant law.

If the Purchased Land is compulsorily acquired by the Malaysian Government a point in time when the market value of the aforesaid land fell lower than the Purchase Price, the compulsory acquisition may materially and/or adversely affect the financial results of the Eonmetall Group.
5.3 Forward-looking statements

Certain statements in this announcement are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates, forecasts and assumptions made by the Group and although believed to be reasonable, are subject to known and unknown risks, uncertainties, and other factors that may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, *inter alia*, the risk factors as set out in this section. In light of these and other uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as a representation or warranty by the Company that the Company’s or the Group’s plans and objectives will be achieved.

Based on the Chairman’s Statement in the annual report of Eonmetall for 2011, the Group foresees that its patented PFOE technology will be the main revenue contributor to the Group going forward. However, there can be no assurance that the anticipated benefits of the Proposals will be realised, or that the Eonmetall Group is able to generate sufficient revenues in the future from the Proposed Acquisition to offset the acquisition cost incurred in relation to the Proposed Acquisition and/or the Group is able to generate greater profit while forgoing the recurring rental income generated from renting the Property to Leader Steel. However, the Group will seek to mitigate such risks by adopting prudent risk management and the Board remains optimistic of the Group’s long-term prospects.

6. EFFECTS OF THE PROPOSALS

6.1 Share capital and substantial shareholders’ shareholdings

The Proposals will not have any effect on the issued and paid-up share capital and the substantial shareholders’ shareholdings of Eonmetall as the Proposals will be fully satisfied in cash and they do not involve the issuance of new shares in Eonmetall.

6.2 Earnings and Earnings Per Share (“EPS”)

Based on the net Sale Consideration of RM11,300,000 (after defraying the estimated expenses in relation to the Proposals of approximately RM800,000), the Proposed Disposal is expected to result in a gain on disposal (after taxation) of approximately RM4,812,562.98.

For illustration purposes, the pro forma effect on the Eonmetall Group’s EPS based on the financial results of the Group for the FYE 31 December 2011 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Existing (sen)</th>
<th>After the Proposals (sen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on the audited consolidated financial statements of Eonmetall for the FYE 31 December 2011 and assuming the Proposals have been effected in 2011</td>
<td>5.64</td>
<td>8.46</td>
</tr>
</tbody>
</table>

However, the actual gain on the Proposed Disposal will be determined on the completion date based on applicable accounting principles effective at that time.
On the other hand, the Proposed Acquisition is not expected to have any material effect on the earnings and EPS of the Eonmetall Group for the financial year ending 31 December 2012. However, barring unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the earnings and EPS of the Eonmetall Group in the future financial years as the Proposed Acquisition would enable the Group to further expand its operations into the palm oil industry.

6.3 **Net Assets (“NA”), NA per share and gearing**

Based on the audited consolidated statement of financial position of Eonmetall as at 31 December 2011, the pro forma effects of the Proposals on the consolidated NA and gearing of Eonmetall are set out below:

<table>
<thead>
<tr>
<th></th>
<th>Audited as at 31 December 2011 (RM’000)</th>
<th>After the Proposals (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>85,586</td>
<td>85,586</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(293)</td>
<td>(293)</td>
</tr>
<tr>
<td>Reserves</td>
<td>44,649</td>
<td>(2)49,462</td>
</tr>
<tr>
<td>Shareholders’ equity/NA</td>
<td>129,942</td>
<td>134,755</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>152</td>
<td>152</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>130,094</td>
<td>134,907</td>
</tr>
</tbody>
</table>

Number of shares in issue (’000) (1)170,161 (3)168,660
NA per share (RM) 0.76 0.80
Borrowings (RM’000) 76,561 (4)75,318
Gearing (times) 0.59 0.56

Notes:
(1) Excluding 1,010,000 treasury shares held as at 31 December 2011.
(2) After taking into consideration, amongst others, the expected gain on disposal (after taxation) of RM4,812,562.98 arising from the Proposed Disposal, and after defraying the estimated expenses of approximately RM800,000 for the Proposals.
(3) Excluding 2,511,000 treasury shares held as at 6 September 2012.
(4) After repayment of bank borrowings amounting to approximately RM1.243 million.

The Proposed Acquisition is not expected to have any immediate material effect on the NA and NA per share of the Eonmetall Group for the financial year ending 31 December 2012. However, barring unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the NA and NA per share of the Eonmetall Group in the future financial years.

7. **INTER-CONDITIONALITY**

The Proposed Acquisition is not conditional upon the Proposed Disposal and vice versa. The Proposals are also not conditional and/or inter-conditional with any other corporate exercise undertaken or to be undertaken by the Company.

Notwithstanding that the Proposed Acquisition will be fully funded from the proceeds to be raised from the Proposed Disposal, should the Disposal Agreement terminate for whatsoever reasons or that the Proposed Disposal is not completed due to its conditions precedent are not being met within the time period as stipulated in the Disposal Agreement, the Group shall seek for alternative measures to repay the Purchase Price of the Purchased Land, which may be funded via a combination of internally-generated funds and/or external bank borrowings where the quantum has not been ascertained at this juncture.
8. **HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposals pursuant to Paragraphs 10.02(g) and 10.12 of the Listing Requirements based on the principle of aggregation is 15.22%, based on the latest audited consolidated financial statements of Eonmetall as at 31 December 2011. In view that both Proposals are deemed as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements, the ratio indicates that these transactions require the approval of the shareholders of Eonmetall and the Board has also appointed OSK Investment Bank Berhad (“OSK”) to act as the Independent Adviser to advise the non-interested shareholders and non-interested Directors of Eonmetall in relation to the Proposals.

9. **APPROVALS REQUIRED**

The Proposals are subject to and conditional upon approvals being obtained from the following:

- (a) the shareholders of Eonmetall at an Extraordinary General Meeting ("EGM") to be convened; and
- (b) any other relevant regulatory authorities, where required.

10. **INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED**

10.1 **Proposed Acquisition**

The Directors who are deemed interested in the Proposed Acquisition are Dato’ Goh Cheng Huat and Goh Kee Seng.

Save as disclosed below, none of the Directors and/or major shareholders of the Company and/or persons connected with them have any interests, whether direct or indirect, in the Proposed Acquisition, and their shareholdings in Eonmetall based on the Record of Depositors as at 30 August 2012 are as follows:

<table>
<thead>
<tr>
<th>Directors and/or major shareholders and/or persons connected</th>
<th>Nature of interest</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dato’ Goh Cheng Huat</td>
<td>Director and major shareholder of Eonmetall</td>
<td>30,420,000</td>
<td>(1)%84,049,128</td>
</tr>
<tr>
<td></td>
<td>Director and major shareholder of Astral Dragon</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spouse of Datin Tan Pak Say</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brother of Goh Kee Seng and Goh Ah Ba @ Goh Ah Hai</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brother-in-law of Wong Yang Chong</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goh Kee Seng</td>
<td>Director and shareholder of Eonmetall</td>
<td>2,721,336</td>
<td>1.61</td>
</tr>
<tr>
<td></td>
<td>Director and major shareholder of Astral Dragon</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brother of Dato’ Goh Cheng Huat and Goh Ah Ba @ Goh Ah Hai</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brother-in-law of Wong Yang Chong</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eonmetall Corporation Sdn Bhd (&quot;ECSB&quot;)</td>
<td>Major shareholder of Eonmetall</td>
<td>84,049,128</td>
<td>49.83</td>
</tr>
<tr>
<td>Directors and/or</td>
<td>Nature of interest</td>
<td>Direct</td>
<td>Indirect</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>--------</td>
<td>----------</td>
</tr>
<tr>
<td>major shareholders</td>
<td></td>
<td>No. of shares</td>
<td>%</td>
</tr>
<tr>
<td>and/or persons</td>
<td></td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>connected</td>
<td></td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3)</td>
<td>(3)</td>
</tr>
<tr>
<td>Datin Tan Pak Say</td>
<td>Major shareholder of Eonmetall</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Spouse of Dato’ Goh Cheng Huat</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3)</td>
<td>114,469,128</td>
</tr>
<tr>
<td>Goh Hong Kent</td>
<td>Son of Dato’ Goh Cheng Huat and Datin Tan Pak Say</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Director of Astral Dragon</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Goh Ah Ba @ Goh Ah Hai</td>
<td>Brother of Dato’ Goh Cheng Huat and Goh Kee Seng</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Brother-in-law of Wong Yang Chong</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Director and major shareholder of Astral Dragon</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wong Yang Chong</td>
<td>Brother-in-law of Dato’ Goh Cheng Huat, Goh Kee Seng and Goh Ah Ba @ Goh Ah Hai</td>
<td>285,000</td>
<td>0.17</td>
</tr>
<tr>
<td></td>
<td>Director and major shareholder of Astral Dragon</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:

(1) Based on Eonmetall’s issued and paid-up share capital of 171,171,000 (excluding 2,511,000 treasury shares held as at 6 September 2012).

(2) Deemed interested by virtue of his shareholdings of more than 15% in ECSB pursuant to Section 6A of the Act.

(3) Deemed interested by virtue of her spouse’s shareholdings in ECSB pursuant to Section 6A of the Act, and her spouse’s direct shareholdings in Eonmetall.

Accordingly, the interested Directors, namely Dato’ Goh Cheng Huat and Goh Kee Seng, have abstained and will continue to abstain from the Board’s deliberation and voting in respect of the Proposed Acquisition. They shall also abstain from voting in respect of their respective direct and/or indirect shareholdings in Eonmetall on the ordinary resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

In addition, the interested major shareholders, namely Dato’ Goh Cheng Huat, Datin Tan Pak Say and ECSB, shall abstain from voting in respect of their respective direct and/or indirect shareholdings in Eonmetall on the ordinary resolution pertaining to the Proposed Acquisition at the forthcoming EGM. Dato’ Goh Cheng Huat, Goh Kee Seng, Datin Tan Pak Say and ECSB will also ensure that persons connected with them who have interests in the shares in Eonmetall will abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

10.2 Proposed Disposal

The Directors who are deemed interested in the Proposed Disposal are as follows:

(a) Tan Sri Dato’ Mohd Desa bin Pachi;
(b) Tan Sri Dato’ Soong Siew Hoong;
(c) Dato’ Goh Cheng Huat; and
(d) Goh Kee Seng.
Save as disclosed below, none of the Directors and/or major shareholders of the Company and/or persons connected with them have any interests, whether direct or indirect, in the Proposed Disposal, and their shareholdings in Eonmetall based on the Register of Directors’ Shareholdings and Register of Substantial Shareholders as at 30 August 2012 are as follows:

<table>
<thead>
<tr>
<th>Directors and/or major shareholders and/or persons connected</th>
<th>Nature of interest</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of shares</td>
<td>(%)(1)</td>
</tr>
<tr>
<td>Tan Sri Dato’ Mohd Desa bin Pachi</td>
<td>Director and shareholder of Eonmetall</td>
<td>630,000</td>
<td>0.37</td>
</tr>
<tr>
<td></td>
<td>Director of Leader Steel Holdings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tan Sri Dato’ Soong Siew Hoong</td>
<td>Director and shareholder of Eonmetall</td>
<td>510,000</td>
<td>0.30</td>
</tr>
<tr>
<td></td>
<td>Director and shareholder of Leader Steel Holdings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dato’ Goh Cheng Huat</td>
<td>Director and major shareholder of Eonmetall</td>
<td>30,420,000</td>
<td>18.04</td>
</tr>
<tr>
<td></td>
<td>Director and major shareholder of Leader Steel Holdings(4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director of Eonmetall Systems and Leader Steel</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spouse of Datin Tan Pak Say</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brother of Goh Kee Seng</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goh Kee Seng</td>
<td>Director and shareholder of Eonmetall</td>
<td>2,721,336</td>
<td>1.61</td>
</tr>
<tr>
<td></td>
<td>Brother of Dato’ Goh Cheng Huat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ECSB</td>
<td>Major shareholder of Eonmetall</td>
<td>84,049,128</td>
<td>49.83</td>
</tr>
<tr>
<td>Datin Tan Pak Say</td>
<td>Major shareholder of Eonmetall</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Director and major shareholder of Leader Steel Holdings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director of Eonmetall Systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director of Leader Steel</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spouse of Dato’ Goh Cheng Huat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goh Hong Kent</td>
<td>Director of Eonmetall Systems</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Director of Leader Steel</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Son of Dato’ Goh Cheng Huat and Datin Tan Pak Say</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

(1) Based on Eonmetall’s issued and paid-up share capital of 171,171,000 (excluding 2,511,000 treasury shares held as at 6 September 2012).

(2) These shares are held in the name of his child and are treated as interests of the Director in accordance with Section 134(12c) of the Act.

(3) Deemed interested by virtue of his shareholdings in Wirasawah Sdn Bhd pursuant to Section 6A of the Act.

(4) Dato’ Goh Cheng Huat is a major shareholder of Leader Steel Holdings by virtue of his shareholdings in Bischart Sdn Bhd pursuant to Section 6A of the Act, which in turn is a major shareholder of Leader Steel Holdings.

(5) Deemed interested by virtue of his shareholdings of more than 15% in ECSB pursuant to Section 6A of the Act.

(6) Deemed interested by virtue of her spouse’s shareholdings in ECSB pursuant to Section 6A of the Act, and her spouse’s direct shareholdings in Eonmetall.
Accordingly, the interested Directors, namely Tan Sri Dato’ Mohd Desa bin Pachi, Tan Sri Dato’ Soong Siew Hoong, Dato’ Goh Cheng Huat and Goh Kee Seng, have abstained and will continue to abstain from the Board’s deliberation and voting in respect of the Proposed Disposal. They shall also abstain from voting in respect of their respective direct and/or indirect shareholdings in Eonmetall on the ordinary resolution pertaining to the Proposed Disposal at the forthcoming EGM.

In addition, the interested major shareholders, namely Dato’ Goh Cheng Huat, Datin Tan Pak Say and ECSB, shall abstain from voting in respect of their respective direct and/or indirect shareholdings in Eonmetall on the ordinary resolution pertaining to the Proposed Disposal at the forthcoming EGM. Tan Sri Dato’ Mohd Desa bin Pachi, Tan Sri Dato’ Soong Siew Hoong, Dato’ Goh Cheng Huat, Goh Kee Seng, Datin Tan Pak Say and ECSB will also ensure that persons connected with them who have interests in the shares in Eonmetall will abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution pertaining to the Proposed Disposal at the forthcoming EGM.

11. OTHER TRANSACTIONS WITH RELATED PARTIES

Save as disclosed below, there has been no other transaction entered into between the Eonmetall Group with Astral Dragon and the Leader Steel Holdings Group during the twelve (12) months preceding the date of this announcement (i.e. from September 2011 up to August 2012):

(a) the Proposals;

(b) the RRPT between the Eonmetall Group and the Leader Steel Holdings Group, the details of which are set out below:

<table>
<thead>
<tr>
<th>Related party with whom the Eonmetall Group is transacting</th>
<th>Company within the Eonmetall Group involved in RRPT</th>
<th>Nature of transaction</th>
<th>Amount transacted (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader Steel and Leader Steel Service Centre Sdn Bhd (“Leader Steel Service Centre”) (wholly-owned subsidiaries of Leader Steel Holdings)</td>
<td>Eonmetall Industries Sdn Bhd, Eonmetall Technology Sdn Bhd (“Eonmetall Technology”), Eonmetall Systems and Eonsteel Sdn Bhd (“Eonsteel”)</td>
<td>Sale, purchase and servicing of steel products</td>
<td>56,788</td>
</tr>
<tr>
<td>Leader Steel and Leader Steel Service Centre</td>
<td>Eonmetall Technology</td>
<td>Sale, purchase and maintenance of machinery</td>
<td>3,343</td>
</tr>
<tr>
<td>Leader Steel and Leader Steel Service Centre</td>
<td>Eonmetall Systems and Eonsteel</td>
<td>Letting of the Property</td>
<td>779</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>60,910</strong></td>
</tr>
</tbody>
</table>

12. DIRECTORS’ RECOMMENDATION

The Board (save for Dato’ Goh Cheng Huat and Goh Kee Seng, being the interested Directors in the Proposed Acquisition), after having considered all aspects of the Proposed Acquisition, including but not limited to the salient terms and conditions of the Purchase Agreement, rationale, financial effects, prospects and risks associated with the Proposed Acquisition, as well as the market value of the Purchased Land as appraised by the Valuer, is of the opinion that the Proposed Acquisition is fair, reasonable and on normal commercial terms, is in the best interest of the Company and is not detrimental to the interests of the non-interested shareholders of Eonmetall.
The Board (save for Tan Sri Dato’ Mohd Desa bin Pachi, Tan Sri Dato’ Soong Siew Hoong, Dato’ Goh Cheng Huat and Goh Kee Seng, being the interested Directors in the Proposed Disposal), after having considered all aspects of the Proposed Disposal, including but not limited to the salient terms and conditions of the Disposal Agreement, rationale, financial effects, risks associated with the Proposed Disposal, as well as the market value of the Property as appraised by the Valuer, is of the opinion that the Proposed Disposal is fair, reasonable and on normal commercial terms, is in the best interest of the Company and is not detrimental to the interests of the non-interested shareholders of Eonmetall.

In forming the aforementioned opinions on the Proposals, the Board has sought an independent advice from OSK, being the Independent Adviser for the Proposals.

13. AUDIT COMMITTEE’S RECOMMENDATION

The Audit Committee of Eonmetall (save for Goh Kee Seng who has abstained from all deliberations on the Proposals), after having considered all aspects of the Proposals, including but not limited to the salient terms and conditions of the Purchase Agreement and Disposal Agreement, rationale, financial effects, prospects and risks associated with the Proposals, as well as the market values of the Purchased Land and the Property as appraised by the Valuer, is of the opinion that the Proposals are fair, reasonable and on normal commercial terms, are in the best interest of the Company and are not detrimental to the interests of the non-interested shareholders of Eonmetall.

The Audit Committee of Eonmetall (save for Goh Kee Seng who has abstained from all deliberations on the Proposals), have sought the opinion of the Independent Adviser in forming its view in relation to the Proposals and has concurred with the Independent Adviser’s findings that the terms of the Proposals are fair and reasonable, and not detrimental to the interests of the non-interested shareholders of Eonmetall.

14. INDEPENDENT ADVISER

In view of the interests of the related parties as set out in Section 10 of this announcement, the Proposals are deemed to be related party transactions pursuant to Paragraph 10.08 of the Listing Requirements. In view that the highest percentage ratio applicable to the Proposals pursuant to Paragraphs 10.02(g) and 10.12 of the Listing Requirements based on the principle of aggregation is 15.22%, the Board has appointed OSK as the Independent Adviser to advise the non-interested shareholders and non-interested Directors of Eonmetall in relation to the Proposals.

15. ESTIMATED TIMEFRAME FOR SUBMISSION TO AUTHORITIES AND COMPLETION

The applications to the relevant authorities are expected to be made within two (2) months from the date of this announcement. Barring any unforeseen circumstances and subject to the fulfilment of all conditions as set out in both the Purchase Agreement and the Disposal Agreement, the Board expects the Proposals to be completed by the first quarter of calendar year 2013.

16. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of Eonmetall at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A, Jalan Sultan Ahmad Shah, 10050 Penang, during normal business hours on Mondays to Fridays (excluding public holidays) from the date of this announcement up to and including the date of the forthcoming EGM to be convened:

(a) a copy each of the Purchase Agreement and Disposal Agreement both dated 6 September 2012, respectively;
(b) a copy of the letter from Astral Dragon to Eonchem dated 1 August 2011, in which Astral Dragon had granted to Eonchem an option to purchase the Purchased Land to be exercised within fifteen (15) months from 19 August 2011 to 18 November 2012;

(c) a copy of the letter from Eonchem to Astral Dragon dated 1 August 2012, in which Eonchem had notified Astral Dragon that it had exercised the option granted to purchase the Purchased Land;

(d) a copy each of the tenancy agreement between Eonmetall Systems and Leader Steel dated 1 July 2010, an extension letter dated 30 June 2011, and the Supplemental Tenancy Agreement dated 15 December 2011; and

(e) a copy each of the Valuation Reports I and II on the Purchased Land and the Property from the Valuer dated 11 July 2012, respectively.

This announcement is dated 6 September 2012.