

A stylized world map in shades of blue and white, centered on the Atlantic Ocean. From the center, numerous sunburst rays emanate outwards, creating a dynamic, energetic background. The rays are more prominent in the lower half of the image, where they transition into a light blue gradient.

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the THIRD ANNUAL GENERAL MEETING of shareholders of the Company will be held at 2nd Floor, Lot 1258 & 1259, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Wednesday, 28 June 2006 at 11.00 a.m. for the following purposes: -

1. To receive and adopt the audited Financial Statements of the Company and the Group for the year ended 31 December 2005 and the Reports of the Directors and Auditors thereon. *Ordinary Resolution 1*
- 2a. To re-elect the following Directors who retire pursuant to Article 87 of the Company's Articles of Association:-
 - i) Tang Yin Kham *Ordinary Resolution 2*
 - ii) Phee Boon Leng *Ordinary Resolution 3*
- 2b. To re-elect the following Directors who retire pursuant to Section 129 of the Companies Act, 1965:-
 - i) Tan Sri Dato' Mohd Desa bin Pachi *Ordinary Resolution 4*
 - ii) Tan Sri Dato' Soong Siew Hoong *Ordinary Resolution 5*
3. To approve Directors' fees for the year ended 31 December 2005. *Ordinary Resolution 6*
4. To re-appoint Messrs. KPMG as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. *Ordinary Resolution 7*
5. As special Business
To consider and if thought fit, to pass the following Resolutions:-
 - a) **SECTION 132D OF THE COMPANIES ACT, 1965**
"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorized to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." *Ordinary Resolution 8*
 - b) **PROPOSED SHAREHOLDERS' RATIFICATION FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
"THAT approval be and is hereby given to the Company to approve and ratify all the recurrent related party transactions of a revenue or trading nature entered into by the Company and/or its subsidiaries with Universal Bedframe Inc., US, Eonlipids Sdn. Bhd. and Leader Steel Sdn. Bhd. from 3 August 2005 to 28 June 2006, as stated in Section 2.4 of the Circular to Shareholders dated 6 June 2006 ("the Circular"), which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders." *Ordinary Resolution 9*

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

c) **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Shareholders' Mandate")**

"THAT pursuant to Chapter 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, a general mandate of the Shareholders be and is hereby granted for the Company and/or its subsidiaries to enter into recurrent related party transactions as set out in Section 2.4 of the Circular, which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders; and that the approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act 1965); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earlier :-

Proposed Shareholders' Mandate involving the Company and its subsidiaries with :-

- i) Universal Bedframe Inc., US
- ii) Eonlipids Sdn. Bhd.
- iii) Leader Steel Sdn. Bhd."

Ordinary Resolution 10
Ordinary Resolution 11
Ordinary Resolution 12

d) **PROPOSED AMENDMENTS TO THE MEMORANDUM OF ASSOCIATION**

Special Resolution 1

"THAT the following two powers of the Company be inserted in Clause 4 as new sub-clauses (27) and (28).

The new sub-clause (27) will read as follows:-

To purchase, take on lease or in exchange, hire, and otherwise acquire any movable or immovable property and any rights or privileges which the Company may think necessary or convenient for the purposes of its business, and in particular any land, buildings, easements, machinery, plant, and stock in trade."

The new sub-clause (28) will read as follows:-

To lend and advance money or give credit to any person or company; to guarantee and give guarantees or indemnities for the payment of money of the performance of contracts or obligations by any person or company; to secure or undertake in any way the repayment of money lent or advanced to or the liabilities incurred by any person or company; and otherwise to assist any person or company."

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

LAM VOON KEAN
(MIA 4793)

Company Secretary

Penang, 6 June 2006

Notes:

1. A proxy may but need not be a Member or a qualified legal practitioner or an approved company auditor or a person approved by the Registrar. Where a member appoints more than (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.
4. The details of the Directors standing for re-election as in Agenda 2 are as more particularly disclosed in pages 8 to 10 of the Annual Report of the Company.

Explanatory Notes on Special Business:

1. The proposed Resolution 8, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/ varied by resolution passed by the shareholders in general meeting whichever is the earlier.
2. The proposed Resolutions 9, 10, 11 and 12, if passed, will approve and ratify the Proposed Shareholders' Mandate and allow the Company and its subsidiaries to enter into existing and new recurrent related party transactions as set out in Section 2.4 of the Circular. This approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act 1965); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earlier.
3. The Special Resolution 1, if passed, will amend the Memorandum of Association of the Company to include the addition powers to be exercised by the Company.

CORPORATE INFORMATION



BOARD OF DIRECTORS

Tan Sri Dato' Mohd Desa bin Pachi

Chairman/ Non-Executive Director

Goh Cheng Huat

Managing Director

Yeoh Cheng Chye

Executive Director

Goh Kee Seng

Non-Executive Director

Tan Sri Dato' Soong Siew Hoong

Non-Executive Director

Tang Yin Kham

Independent Non-Executive Director

Phee Boon Leng

Independent Non-Executive Director

COMPANY SECRETARY

Lam Voon Kean (MIA 4793)

AUDIT COMMITTEE

Tang Yin Kham

Chairman

Phee Boon Leng

Member

Goh Cheng Huat

Member

NOMINATING COMMITTEE

Tang Yin Kham

Chairman

Phee Boon Leng

Member

Goh Kee Seng

Member

REMUNERATION COMMITTEE

Phee Boon Leng

Chairman

Tang Yin Kham

Member

Goh Kee Seng

Member

REGISTERED OFFICE

**Suite 2-1, 2nd Floor, Menara Penang Garden,
42A, Jalan Sultan Ahmad Shah, 10050 Penang**

Telephone No : (04) 229 4390

Facsimile No : (04) 226 5860

Email : mcsvpg@boardroomlimited.com

HEAD OFFICE

**Lot 1258 & 1259, MK 12, Jalan Seruling
Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang**

Telephone No : (04) 582 8323

Facsimile No : (04) 582 1525

Email : info@eonmetall.com

Website : <http://www.eonmetall.com>

REGISTRARS

**Agriteum Share Registration Services Sdn Bhd (578473-T)
2nd Floor, Wisma Penang Garden,
42, Jalan Sultan Ahmad Shah, 10050 Penang**

Telephone No : (04) 228 2321

Facsimile No : (04) 227 2391

AUDITORS

KPMG (Firm No. AF 0758)

Chartered Accountants

**1st Floor, Wisma Penang Garden,
42, Jalan Sultan Ahmad Shah, 10050 Penang**

Telephone No : (04) 227 2288

Facsimile No : (04) 227 1888

PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)

Bumiputra-Commerce Bank Berhad (13491-P)

Standard Chartered Bank Malaysia Berhad (115793-P)

STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad
Second Board**

Second Code : 7217

Stock Name : EMETALL

GROUP STRUCTURE AND PRINCIPAL ACTIVITIES



■ **EMI** 100%
Eonmetall Industries Sdn Bhd
(207322-V)

■ **EMT** 100%
Eonmetall Technology Sdn Bhd
(327604-K)

■ **EMS** 100%
Eonmetall Systems Sdn Bhd
(360239-H)

■ **EIT** 100%
Eontarr IT Solutions Sdn Bhd
(365987-M)

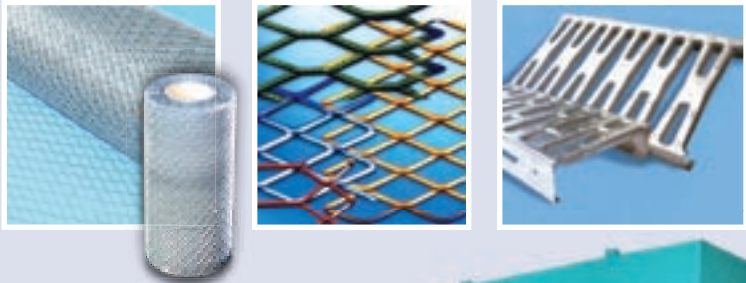
■ **ECH** 100%
Eonchem Technology Sdn Bhd
(542450-K)

■ **ESL** 100%
Eonsteel Sdn. Bhd.
(733791-D)

GROUP STRUCTURE AND PRINCIPAL ACTIVITIES (cont'd)

Steel Products

Manufacture and distribution of steel products, focusing on Secondary Flat Steel Products



Machinery

Manufacture of Metalwork Machinery and Equipment

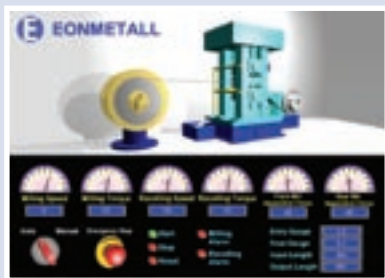


Steel Racking

Manufacture of steel products, focusing on Steel Storage Systems



Provider of IT solutions including software development



Manufacture of Industrial Process Machinery and Equipment

Dormant Company

PROFILES OF DIRECTORS

Tan Sri Dato' Mohd Desa bin Pachi, aged 72, Malaysian, is the Chairman/ Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005.

He is a Chartered Accountant and is a Fellow of the Institute of Chartered Accountants in Australia. He studied accountancy in Melbourne, Australia under a Colombo Plan Scholarship. He joined the Shell Group of Companies in 1962 and served in various capacities in Finance/ Administration. From 1970 to 1976, he was in public practice as a Chartered Accountant and was a partner of Desa Megat & Co and KPMG Peat Marwick. Subsequently, he was appointed as the first CEO of Permodalan Nasional Berhad (PNB) and later served as Chairman/CEO of Malaysia Mining Corporation Bhd, Executive Chairman of Fleet Group Sdn Bhd, Chairman/ MD of The New Straits Times Press (Malaysia) Berhad and Chairman of Sistem Televisyen Malaysia Berhad (TV3).

He sits on the board of several private companies and the following public companies:-

Ya Horng Electronic (M) Berhad, Petaling Garden Berhad, Leader Steel Holdings Berhad (Chairman), Saujana Consolidated Berhad (Chairman), Xian Leng Holdings Berhad (Chairman), Amanah Saham Nasional Berhad, Tracoma Holdings Berhad (Chairman) and Bumiputra-Commerce Holdings Berhad (Chairman).

Goh Cheng Huat, aged 45, Malaysian, is the Managing Director of Eonmetall and was appointed to the Board on 3 March 2005.

As the founder of the Group, he has extensive experience and knowledge in the processing of iron and steel products. With more than 20 years in the industry, he has accumulated invaluable skills, which includes, amongst others, the invention and enhancement of steel making machines and their related processes. In recognition of his entrepreneur skills, he was conferred the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports. His zeal and untiring efforts to improve steel product making processes did not go unnoticed, for in year 1999, he was awarded a patent for "Process For The Manufacturing Of Steel Products And Apparatus" and "4x2 High Cold Roll Angle Bar Machine". His visionary approach and keen business acumen certainly augur well for the Group especially in its business direction.

Currently, he sits on the board of several private companies and a public company, as Deputy Chairman in Leader Steel Holdings Berhad.

He is the brother of Goh Kee Seng.

Yeoh Cheng Chye, aged 37, Malaysian, is the Executive Director of Eonmetall and was appointed to the Board on 3 March 2005.

He graduated from University Pertanian Malaysia with a Bachelor's Degree in Computer Science (Hons) in year 1993. In year 2004, he obtained his Master's in Business Administration from the University of Southern Pacific, United States. His career started in year 1993 as a Systems Engineer I at Seagate Sdn Bhd (Penang), a manufacturer of hard disc drives. He was involved in IT and test engineering systems support. In year 1995, he was promoted to System Engineer II and Project Manager at the same company. He left the company in year 1996 and joined Southern Steel Bhd as a Senior Systems Analyst and headed the IT automation and manufacturing division of the company. In year 1997, he joined Leader Steel Holdings Berhad as Management Information System Manager and was involved in overseeing the group IT department. Subsequently, he was appointed as Executive Director of Eontarr IT Solutions Sdn Bhd in year 1999 and Chief Operating Officer of Eonmetall Technology Sdn Bhd in year 2001. He is mainly responsible for overseeing the general management of the Group.

PROFILES OF DIRECTORS (cont'd)



Tan Sri Dato' Soong Siew Hoong, aged 80, Malaysian, is the Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005.

His career started in 1973 when he ventured into manufacturing rubber-processing machinery by establishing Kuan Cheong Engineering Sdn Bhd. The company ceased operation in 2002. He was conferred the Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang di-Pertuan Agong on 6 June 1998 and the Darjah Kebesaran Datuk Mahkota (DPMS) which carries the title of Dato' in year 1990.

He previously served as a member on the Councils of Standard and Industrial Research Institute of Malaysia (SIRIM) and the Human Resource Development Council. He was also a Director in Telekom Malaysia Berhad from October 1988 to May 1996.

He is currently the Secretary General of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and holds various other honorary positions such as Chairman of the Malaysian Iron and Steel Industry Federation (MISIF) and Director of South East Asia Iron and Steel Institute (SEASI). He is also the President of Asian Iron and Steel Industry Federation (AISIF) and a council member of Federation of Malaysian Manufacturers (FMM).

In addition, he is also the Director of the Small and Medium Industries Development Corporation (SMIDEC), council member of the Malaysian Business Council, member of the Industrial Co-ordinating Council under the Second Industrial Master Plan and member of the National Economic Action Council (NEAC).

Currently, he sits on the board of several private companies and the following public companies:-
Kwan Cheong Holdings Berhad, Unico Holdings Berhad, Unico-Desa Plantations Berhad and Leader Steel Holdings Berhad.

PROFILES OF DIRECTORS (cont'd)



Goh Kee Seng, aged 50, Malaysian, is the Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005.

He graduated from National Taiwan University, Taiwan in year 1979 with a Bachelor of Science Degree in Agriculture Chemistry. His career started in 1980 when he joined Brion Research Institute in Taiwan. In 1981, he left to join Liang Hong Agriculture Development Co Ltd, Brunei as Production Manager. In 1983, he assumed the position of Production Manager with Teoh Huat Agriculture Sdn Bhd, Penang. In 1985, he left to join Agri Nutrition Asia Ltd in Singapore as Regional Technical Manager and subsequently in 1987, he was posted to hold the position as Regional Marketing Manager with the company until 1991.

In 1991, he ventured into his own business as a partner with Vietland Nutrition Specialties. In addition to that, he also sits on the board of several private companies.

He is the brother of Goh Cheng Huat.

Tang Yin Kham, aged 54, Malaysian, is the Independent and Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005. She is a partner of a Chartered Accountant Firm in Malaysia and has more than 20 years of exposure in the public accounting sector. She is a Fellow member of the Association of Chartered Certified Accountants, United Kingdom, Malaysian Institute of Accountants and Malaysian Institute of Taxation. She was appointed as a Senior Independent Non-Executive Director of Wong Engineering Corporation Berhad and Independent Non-Executive Director of Rex Industry Berhad since 2001 and 1996 respectively.

She also sits on the board of several private limited companies and the following public companies:-
Rex Industry Berhad and Wong Engineering Corporation Berhad.

Phee Boon Leng, aged 34, Malaysian, is the independent and Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005. In 1995, he obtained his Bachelor of Laws (LLB) from the University of Waikato, New Zealand. He practised law in Hamilton, New Zealand from September 1995 to February 1999. He then returned to his hometown, Penang, chambered and subsequently practised law at Messrs. Ghazi & Lim until April 2000. He later joined Messrs. Cheong Wai Meng & Van Buerle until May 2002 before setting up his own practice where he presently practises as the Managing Partner of Messrs. Phee & Company. He is an accredited mediator with Malaysian Mediation Centre.

CHAIRMAN'S STATEMENT



1. EMT garnered the Enterprise 50 Year 2000 accreditation by Anderson Consulting.



2. MSC Status obtained by EIT on 13 December 1999. Accredited by MSC Multimedia Development Corporation.



3. (left - right) ISO 9001:2000 for EMI, EMS and EMT accredited by Moody International Certification (Malaysia) Sdn Bhd.

Dear Shareholders,

On behalf of the Board of Directors, it is our pleasure to present the Annual Report and Audited Financial Statements of Eonmetall Group Berhad ("Eonmetall") for the financial year ended 31 December 2005.

Operations Review

Eonmetall was incorporated in Malaysia on 16 October 2003 as a private limited company under the name Eoncap Corporation Sdn Bhd. It was converted into a public limited company and subsequently changed and assumed its present name since 15 April 2005. It was successfully listed on the Second Board of Bursa Malaysia Securities Berhad on 3 August 2005.

The principle activities of Eonmetall Group are primarily involved in the manufacturing of secondary flat steel products and steel storage systems, metalwork and industrial process machinery and equipment, IT software development and distribution activities.

Overall Performance

For the year under review, the Group recorded a turnover of RM70.01 million and a profit before tax of RM26.83 million. The Group's profit after tax stood at RM26.58 million inclusive of a negative goodwill recognised of RM11.85 million. Basic earnings per ordinary share as at 31 December 2005 was 31.81 sen.

As this is the first set of consolidated financial statements, no comparative figures are presented for the Group.

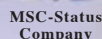
The demand for Eonmetall products both in the export and domestic markets has been encouraging. The overseas market share contributed 54% to its 2005 Group revenue and the balance 46% was derived from within the domestic market. Eonmetall products penetrate the ASEAN, Middle-East, Africa and Europe markets.

Outlook and Prospects

Early this year, the Malaysian Government announced its 9th Malaysia Plan ("9MP") with an allocation of RM220 billion compared to the 8th Malaysia Plan ("8MP") of RM170 billion, an increase of 29%. The government is targeting a real GDP growth of 6.0% during the 9MP compared to the of 4.5% growth during the 8MP.

A national mission with five key trusts was announced for the 9MP to set the foundation for the second phase towards Malaysia's Vision2020. One relevant key trust of the 9MP is to move the economy up the value chain by increasing the productivity, competitiveness and value-add in agriculture, manufacturing and services sectors, and to expand the market for Malaysian exports and services sectors. In year 2005, manufacturing exports accounted for 77.4% of Malaysia's total exports of USD140.47 billion.

CHAIRMAN'S STATEMENT (cont'd)



Outlook and Prospects (cont'd)

Coupled with the continuous strategies, policies and incentives by the government for the manufacturing sector, the Malaysian economy is expected to achieve its forecasted GDP growth of 6% in 2006 as compared to 5.3% in 2005.

Within this operating climate of Malaysia, the Group is optimistic to maintain its growth in 2006. However, the recent hike in global oil prices and the slowing down of China's economy are major factors that can hamper growth. Therefore, the Group will continue to focus on manufacturing efficiency and effectiveness, improvements on product quality, and reducing cost of production. Continuous Research and Development will also be constantly addressed to ensure Eonmetall remains competitive.

We are also pleased to inform on our recent announcement to Bursa Securities Malaysia Berhad of our proposal to undertake the following corporate exercise:

- a) Bonus issue of up to 63,250,000 new ordinary shares of RM0.50 each to be credited as fully paid-up, on the basis of one (1) Bonus Share for every two (2) existing ordinary shares held on the entitlement date to be determined later; and
- b) Transfer of listing of and quotation for the entire enlarged issued and paid-up share capital from the Second Board to the Main Board of Bursa Securities.

Dividend

The Company paid an interim dividend of 5% per share less 28% tax and a special interim dividend of 5% per share less 28% tax, totalling RM3,960,000 in respect of the year ended 31 December 2005 on 29 November 2005.

The Board of Directors does not recommend any final dividend for the financial year ended 31 December 2005.

Acknowledgement

On behalf of the Board, I would like to thank our shareholders, customers, suppliers, financial institutions, business associates and other stakeholders for their support and confidence in the Group. We also wish to express our gratitude to the employees and management team for their commitment and dedication towards the advancement of the Group.

Last but not the least, I wish to express my congratulations with regards to the appointment of all Directors to the Board. Together, we will strive to improve shareholders' value and work for a stronger performance in year 2006.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts; namely transparency, accountability and integrity.

The Board evaluates the status of the Group's corporate governance practices with a view to adopt and apply, where practicable, the Principles and Best Practices enshrined in Parts 1 and 2 of the Malaysian Code on Corporate Governance (the "Code") respectively. As such, the Board is fully committed to the maintenance of high standards of corporate governance in its quest to enhance shareholder value.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year under review unless otherwise stated.

PRINCIPLES STATEMENT

The following statement sets out how the Company has applied the Principles in Part 1 of the Code. The Principles are dealt with under the headings of Board of Directors, Directors' Remuneration, Shareholders and Accountability and Audit.

A. DIRECTORS

The Board

The Board acknowledges its role in the stewardship of the Group's direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for Management and monitoring the achievement of these goals. Although it does not have a formal schedule of matters reserved to it for decision, the Board is normally involved in deciding the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and the review of financial and operating performance of the Group.

The Board delegates the day-to-day operations of the Group to the Group Managing Director and Executive Director, who have vast experience in the business of the Group.

Meetings

The Board ordinarily meets at least four times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the financial year ended 31 December 2005 and subsequent to the listing of the Company in August 2005, the Board met twice, attended by all directors, where it deliberated upon and considered a variety of matters including the Group's financial results, strategic decisions and the direction of the Group.

All Directors are furnished with an agenda and documents on matters requiring their consideration in advance of each Board meeting. The Chairman, with the assistance of the Company Secretary, undertakes the primary responsibility for organising information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis.

All proceedings of Board meeting are duly recorded and the minutes thereof signed by the Chairman of the Board.

Board Committees

The Board of Directors delegates certain responsibilities to Board Committees, namely an Audit Committee, a Nominating Committee, a Remuneration Committee and an Employee Share Option Scheme ("ESOS") Committee in order to enhance business and operational efficiency as well as efficacy. The ESOS Committee was established to administer the Company's ESOS in accordance with the by-laws thereof to determine, amongst others, participation eligibility, option offers and share allocations.

All Board Committees have written terms of reference and the Board receives reports of their proceedings and deliberations, where relevant. The Chairman of various Committees reports to the Board the outcome of the Committee meetings.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Board balance

At the date of this statement, the Board consists of seven (7) members; comprising two (2) Executive Directors, three (3) Non- Executive Directors and two (2) Independent Non-Executive Directors. A brief profile of each Director is presented on pages 8 and 10 of the Annual Report.

The concept of independence adopted by the Board is aligned with the definition of an independent Director in Section 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. The Board complies with paragraph 15.02 of the Listing Requirements, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is higher, are independent Directors.

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The presence of independent Non-Executive Directors in the Board is essential as they provide an unbiased and independent view, advice and judgement to the decision-making of the Board and provide an appropriate check and balance for the Executive Directors, thereby ensuring that no one individual or group dominates the Board's decision-making process.

Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who have a proper understanding of, and competence to deal with, current and emerging business issues.

There is a clear division of responsibilities at the head of the Company to ensure a balance of authority and power. The Board is led by Tan Sri Dato' Mohd Desa bin Pachi, a Non-Executive Chairman while the executive management of the Company is led by Mr Goh Cheng Huat, the Managing Director.

Although the roles of the Chairman and the Managing Director are not defined in writing on their individual position responsibilities, the Chairman in practice is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions, whilst the Managing Director is responsible for the day-to-day management of the business as well as the implementation of Board's policies and decisions.

The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders in the Company.

Supply of information

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Group.

The Chairman, with the assistance of the Company Secretary, ensures that all Directors have full and timely access to information with Board papers distributed in advance of Board meetings. This ensures that Directors have sufficient time to understand and appreciate issues deliberated at the Board meeting and expedites the decision-making process.

Every Director also has unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Articles of Association specify that the removal of the Company Secretary is a matter for the Board as a whole.

Before meetings of the Board and Board Committees, appropriate documents, which include the agenda and reports relevant to the issues to be deliberated at the meetings covering the areas of financial, operational and regulatory compliance matters, are circulated to all Directors, to enable them to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

The Directors meet, review and approve all corporate announcements, including the announcement of quarterly financial results, before releasing them to Bursa Securities.

The Board, as a whole, will determine whether as a full board or in their individual capacity, to take independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties, at the Group's expense.

Appointments to the Board

Nominating Committee

The Nominating Committee comprises the following members:

- | | |
|------------------|--|
| • Tang Yin Kham | - Chairman, Independent Non-Executive Director |
| • Phee Boon Leng | - Independent Non-Executive Director |
| • Goh Kee Seng | - Non-Executive Director |

The Committee consists entirely of Non-Executive Directors, a majority of whom are independent in accordance with Best Practices of the Code.

The Nominating Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations on the appointment of new Directors. The Committee is to systematically keep under review the effectiveness of the Board and Board Committees as a whole and for assessing the contribution of each individual Director in discharging his duties. The Nominating Committee is also empowered to seek professional advice within or outside the Group as it considers necessary in the discharge of its responsibilities.

The Committee shall meet whenever there is a need to perform its function, and at least once every year in carrying out an annual review of the Board, its Committees and the contribution of individual Directors to the Company.

During the financial year, no meetings were convened by the Committee to deliberate on the retirement of Directors and their eligibility for re-election at the Annual General Meeting ("AGM"), the performance of the Board and the various Board Committees as well as contribution of individual Directors as the Company was only listed on Bursa Securities in August 2005.

The Company Secretary will ensure that all necessary information is obtained and that all legal and regulatory obligations are met before appointments of new Directors are made.

Directors' training

The Board, through the Nominating Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. There is no formal training or orientation programme for Directors.

At the date of this Statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme.

Re-election

The Articles of Association of the Company provide that an election of Directors shall take place each year and, at the AGM, one-third of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election. All the Directors shall retire from office once at least in three years but shall be eligible for re-election.

The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished in a separate statement accompanying the Notice of the AGM.

In accordance with Section 129(6) of the Companies Act, 1965, Directors who are over seventy (70) years of age are required to submit themselves for re-appointment on an annual basis.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee comprises the following members:

- Phee Boon Leng
- Tang Yin Kham
- Goh Kee Seng
- Chairman, Independent Non-Executive Director
- Independent Non-Executive Director
- Non-Executive Director

The Remuneration Committee is responsible for recommending and putting in place a structured remuneration framework for Executive Directors.

The determination of remuneration packages of Non-Executive Directors shall be a matter for the Board as a whole, with individual Directors abstaining from decisions in respect of their individual remuneration. During the financial year, the Remuneration Committee met twice, attended by all the members.

The policy adopted by the Committee on Directors' remuneration is to structure remuneration packages necessary to attract, retain and motivate Directors to effectively manage the business of the Group.

Details of the nature and amount of each major element of the remuneration of Directors of the Company during the financial year ended 31 December 2005 are as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000	Independent Non- Executive Directors RM'000	Total RM'000
Fees	20	30	20	70
Salary and bonus	765	–	–	765
Other emoluments	93	28	2	123
Total	878	58	22	958

The remuneration paid/payable to Directors, analysed into bands of RM50,000 each for the year ended 31 December 2005, is summarised as follows:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	–	5
RM250,001 – RM300,000	1	–
RM600,001 – RM650,000	1	–

C. SHAREHOLDERS

The Company realises the importance of communicating with its shareholders and does this through the Annual Report, the AGM and Extraordinary General Meetings ("EGM"). Whilst the Annual Report provides a comprehensive source of information on the Group's financial and operational performance, the AGM and EGM provide a platform for shareholders to seek more information and clarification on the audited financial statements, operational issues and other matters of interest. The Directors readily avail themselves to answer any such questions that may arise as shareholders may seek more information than what is available in the Annual Report and/or circulars. The Company's practice is to send out the notice of AGM and related papers to shareholders at least twenty-one (21) working days before the meeting.

In addition, the Group's quarterly financial results, information on corporate exercises undertaken by the Group, and other information that warrants an announcement under the Listing Requirements are released on a timely basis to continuously provide shareholders with an update of the Group's operations.

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

D. ACCOUNTABILITY AND AUDIT

Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of results to Bursa Securities as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and the results of their operations and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

State of internal controls

The Statement on Internal Control furnished on pages 19 to 20 of the Annual Report, provides an overview on the state of internal controls within the Group.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee's terms of reference as detailed on pages 22 to 23 of the Annual Report.

A summary of the activities of the Audit Committee during the financial year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 21 to 23 of the Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

D. ACCOUNTABILITY AND AUDIT (cont'd)

Compliance statement

The Group has complied throughout the financial year ended 31 December 2005 with all the Best Practices of corporate governance set out in Part 2 of the Code, except for the following:

- Appointment of a senior independent non-executive Director to whom concerns may be conveyed has not been made as the Board is of the opinion it is sufficient that the Chairman normally encourages full discussion and deliberation by all Directors during Board meetings;
- Since the listing of the Company and up to end of the financial year, there has not been any formal examination of the size and composition of the Board of Directors to determine its effectiveness. The Nominating Committee which met subsequent to the financial year end deliberated on the size and composition of the Board as well as recommendation to the Board on the re-election of Board members who would be retiring at the forthcoming AGM;
- Pursuant to Best Practice Provision AA XIII of the Code on training to new recruits to the Board, the Company does not have a formal training programme for its new Directors since it is the Board's policy to recruit only individual of sufficient calibre and experience to carry out the necessary duties of a Director. Nevertheless, the Board will review the necessity for a formal orientation programme for its new Directors from time to time;
- The Board has not developed position description for the Board and the Managing Director nor any formal schedule of matters specifically reserved to it for decision. The Board recognizes the importance for a proper identification of the roles and limits of Management as well as a formal schedule on matters that require multiple Board signatures and/ or Board decision and will consider enacting a Board Charter to delineate the roles and responsibilities of executives and Non-Executive Directors;
- Whilst a documented policy on communication with stakeholders and the public has yet to be established, the Board will use the AGM as an avenue to communicate with shareholders;
- In the absence of a formalized succession planning framework, the Board is confident that with the experience and exposure of the Executive Directors, there would not be any problem for a successor to take over when they go on uninterrupted leave. Moreover, there are adequate second liners available for each department to ensure that the operations will not be interrupted on a prolonged basis;
- The Board has not, via the Nominating Committee, carried out a review of the mix of skills amongst the Board members as the Nominating Committee has not met during the financial year. In the absence of a proper assessment by the Nominating Committee, the Board takes it upon itself to carry out the role;
- The Board does not have an agreed procedure for Directors, whether as a full Board or in their individual capacity, to seek independent professional advice in furtherance of their duties at the Group's expense. Where such a need arises, the issue will be tabled at Board meeting for resolution; and
- The Board outsourced its internal audit function by appointing an independent firm of consultants to carry out internal audit of the Group using a risk-based approach. The first cycle of the internal audit was carried out in March 2006 and the report presented to the Audit Committee/Board in May 2006 for their attention and deliberation in the following meeting.

This statement is issued in accordance with a resolution of the Directors dated 21 April 2006.

STATEMENT ON INTERNAL CONTROL

Introduction

Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") requires the Board of Directors to include in its annual report a "statement about the state of internal control of the listed issuer as a group". The Board is committed to maintaining a sound system of internal control in the Group (comprising the Company and its subsidiaries) and presents the following statement, which outlines the nature and scope of internal control prevailing in the Group during the financial year under review.

Board responsibility

The Board affirms its ultimate responsibility for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers financial, operational and compliance controls as well as risk management procedures.

During the financial year and subsequent to the listing of the Company on Bursa Malaysia, the Board established a formal process for the purpose of identifying, evaluating and managing significant risks faced by the Group. This process accords largely with the "Statement on Internal Control – Guidance for Directors of Public Listed Companies" (the "Internal Control Guidance"), a publication of the task force on internal control.

Enterprise risk management framework

The Board fully supports the contents of the Internal Control Guidance and, with the assistance of external consultants, has put in place a structured risk management process within the Company and principal operating subsidiaries, with the aim of strengthening the risk management function across the Group.

This enterprise risk management framework addresses the following key initiatives:

- The issuance of a Risk Management Policy and Procedure document which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues;
- Workshops and interviews were conducted with Executive Directors, Senior Management and other key personnel from the major business units in the Group. A database of all risk and controls has been created, and information filtered to produce a detailed risk register, and risk profiles of the major business units in the Group. Key risks to each business unit's objectives, aligned with the Group's strategic objectives, were identified and scored for likelihood of the risks occurring and the magnitude of impact; and
- A risk profile of the Group was developed, which together with a summary of the key findings, was discussed at the Board meeting.

The next steps in the risk management process are as follows:

- Key Management personnel to be nominated in each business unit to prepare action plans, with implementation time-scales to address the risk and control issues identified;
- To consider establishing a Group Risk Management Committee ("GRMC"), headed by the Managing Director or his designate, with the responsibility to identify and communicate to the Board of Directors, on an ongoing basis, the critical risks the Group faces, their changes, and the management action plans to manage the risks;
- To further embed the risk management within the Group, the GRMC will disseminate and explain to all employees the risk management process and the ramifications thereof. Risk management training for selected Management and staff will be conducted on an ongoing basis;
- To appoint a dedicated Risk Officer, or outsource to consultants, to update the risk profile of the Group at appropriate intervals in line with the requirements of the Risk Management Policy and Procedure document;

STATEMENT ON INTERNAL CONTROL (cont'd)

Enterprise risk management framework (cont'd)

- To embed internal control and risk management further into the operations of the Group's businesses through the establishment of a process of control self-assessment, using the assistance of consultants, if necessary;
- To submit yearly risk management reports prepared by individual business units to the GRMC for onward transmission to the Board in respect of critical risks faced by the Group; and
- Formal periodic review by the Board on the adequacy and integrity of the system of internal control of the Group.

Internal audit function

During the financial year, the Group outsourced its internal audit function to an independent firm of consultants, which provides the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control of the Group.

The internal audit function reviews the system of internal control in the key activities of the Group's businesses based on a 3-year internal audit strategy and detailed annual internal audit plan presented to the Audit Committee for approval. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Group.

The internal audit function carried out a cycle of internal audit subsequent to the financial year under review, where opportunities for improvement to the system of internal control were identified and reported to the Board for Management's deployment of measures to address the issues raised.

Other risk and control processes

Apart from risk management and internal audit, the Board has put in place an organizational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. Such procedures include the establishment of limits of authority, coupled with internal checks and appropriate segregation of duties. These procedures are relevant across Group's operations and provide for continuous assurance to be given at increasingly higher levels of Management and, finally, to the Board.

The Executive Director in charge of finance provides the Board with quarterly financial information, including pertinent explanations on the performance of the Group.

Where areas of improvement in the system of internal control are identified, the Board will consider the recommendation made by the Audit Committee and Management for implementation.

Weaknesses in internal controls that result in material losses

The Board is of the opinion that there were no material losses incurred during the financial year ended 31 December 2005 resulting from weaknesses in internal control. The Board and Management continue to take measures to strengthen the control environment.

This statement is issued in accordance with the resolution of the Directors dated 21 April 2006.

AUDIT COMMITTEE REPORT

MEMBERSHIP

The present members of the Audit Committee (the "Committee") comprise:

- | | |
|------------------|--|
| • Tang Yin Kham | - Chairman, Independent Non-Executive Director |
| • Phee Boon Leng | - Independent Non-Executive Director |
| • Goh Cheng Huat | - Managing Director |

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Committee was established to act as a Committee to the Board of Directors, with terms of reference as set out in the following paragraphs of this report.

MEETINGS

The Committee met once during the financial year after its establishment in August 2005 and the meeting was attended by all the members. The meeting was appropriately structured through the use of agenda, which was distributed to members with sufficient notification.

The Company Secretary was present by invitation at the meeting. The external auditors were also invited to attend the meeting that concerned them.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee carried out its duties in accordance with its terms of reference during the financial year. The main activities undertaken by the Committee were as follows:

- Reviewed the external auditors' audit plan for the financial year ended 31 December 2005;
- Reviewed and approved the Committee's terms of reference;
- Reviewed the Group's compliance, in particular the quarterly and year end financial statements with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant legal and regulatory requirements, before recommending them for the Board's approval;
- Reviewed related party transactions entered into by the Group;
- Reviewed and approved the proposal for engagement of the internal auditors for the Group; and
- Reviewed and verified the allocation of options under the Employees Share Option Scheme.

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent firm of consultants to carry out internal audit of the Group. The principal role of the internal audit function is to undertake independent and periodic reviews of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively. It is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of internal control of the key business units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

The internal audit function only carried out the first cycle of internal audit on the internal control system of the Group for the financial year ended 31 December 2005 subsequent to the end of the financial year. The opportunities for improvement noted, together with the recommendations thereof and agreed management action plans, were presented to the Audit Committee in May 2006 for consideration.

Further details on the internal audit function and its activities are set out in the Statement on Internal Control on pages 19 to 20 of the Annual Report.

AUDIT COMMITTEE REPORT (cont'd)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objectives

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group's activities:

- assess the Group's processes relating to its risks and control environment;
- oversee financial reporting; and
- evaluate the internal and external audit processes.

Composition

The Board shall elect and appoint Committee members from amongst their numbers, comprising no fewer than three Directors, the majority of whom shall be independent non-executive Directors of the Company.

The Board shall at all times ensure that at least one member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if the person is not a member of MIA, the person must have at least three years of working experience and:
 - the person must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - the person must be a member of the associations of accountants specified in part II of the Accountants Act 1967.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three, the Board shall within three months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

The Board shall review the terms of office of each of its members at least once every three years.

QUORUM AND COMMITTEE'S PROCEDURES

Meetings shall be convened at least four times annually, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one week prior to each meeting to members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend its meetings.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least annually with Management, and at least once every year with the internal auditors and external auditors in separate sessions to discuss any matters with the Committee, if necessary, without the presence of any executive member of the Board.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal convention on such matter.

AUTHORITY

The Committee is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal auditors and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee shall promptly report such matter to Bursa Securities.

RESPONSIBILITIES AND DUTIES

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

- To consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal;
- To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Company, focusing particularly on:
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of Management, where necessary);
- To review the external auditors' management letter and management's response;
- To do the following where an internal audit function exists:
 - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- To consider any related party transactions that may arise within the Company or Group;
- To consider the major findings of internal investigations and management's response; and
- To consider other topics as defined by the Board.

ADDITIONAL INFORMATION

1. Share Buybacks

During the financial year, there were no share buybacks by the Company.

2. Options, Warrants or Convertible Securities

No options, warrants or convertible securities were exercised by the Company during the year.

3. American Depositary Receipt (ADR) Global Depositary Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR and GDR programme.

4. Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by any relevant bodies during the financial year.

5. Non-audit fees

Non-audit fees amounting to RM153,000 for the Group and RM140,000 for the Company were paid to the external auditors for the financial year ended 31 December 2005.

6. Variation in Results

There was no significant variance between the results for the financial year and the unaudited results previously announced.

7. Profit Guarantee

No profit guarantee was given by the Company in respect of the financial year.

8. Material Contracts

During the financial year, there were no material contracts with the Company and its subsidiaries involving Directors' and major shareholders' interest.

9. Revaluation Policy

The Company has not adopted any revaluation policy on landed properties for the financial year.

10. Additional Information for Directors

- a) All the Directors do not have any conflict of interest with the Group.
- b) All the Directors have not been convicted for any offences within the past ten years other than for traffic offences, if any.
- c) None of the Directors have any family relationship with any substantial shareholders of the Company other than Goh Cheng Huat who is the spouse of Tan Pak Say.

11. Status of Utilisation of Proceeds

As at 31 March 2006, the Company has utilised RM16.3 million out of the total proceeds of RM22.0 million raised from the Rights Issue and Public Issue pertaining to the public listing on the Second Board of the Bursa Malaysia Securities Berhad on 3 August 2005. The balance of the proceeds of RM5.7 million is expected to be fully utilised by end of the financial year 2006.



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DIRECTORS' REPORT

for the year ended 31 December 2005

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of its subsidiaries are as set out in Note 3 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	<u>Group</u> RM	<u>Company</u> RM
Net profit for the year	<u>26,576,157</u>	<u>4,417,865</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the statements of changes in equity.

DIVIDENDS

Since the end of the previous financial year, the Company paid an interim dividend of 5% per share less 28% tax and a special interim dividend of 5% per share less 28% tax, totalling RM3,960,000 in respect of the year ended 31 December 2005 on 29 November 2005.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2005.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are :

Tan Sri Dato' Mohd Desa bin Pachi
Goh Cheng Huat
Yeoh Cheng Chye
Goh Kee Seng
Tan Sri Dato' Soong Siew Hoong
Tang Yin Kham
Phee Boon Leng

DIRECTORS REPORT (cont'd)

DIRECTORS' INTERESTS

The holdings and indirect holdings in the ordinary shares and options over shares of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

Name of Directors	Direct interest			Indirect interest	
	Balance at date of appointment	Bought/ (Sold)	Balance at 31.12.2005	Balance at date of appointment	Balance at 31.12.2005
Number of Ordinary Shares of RM0.50 each					
The Company					
Tan Sri Dato' Mohd Desa bin Pachi	–	150,000	150,000	–	15,793,000
Goh Cheng Huat	–	10,940,000	10,940,000	84,632,752	56,032,752
Yeoh Cheng Chye	1,087,424	400,000	1,487,424	–	–
Goh Kee Seng	1,304,224	300,000	1,604,224	–	–
Tan Sri Dato' Soong Siew Hoong	–	200,000	200,000	–	–
Phee Boon Leng	–	100,000	100,000	–	–

Number of Ordinary Shares of RM1.00 each					
The holding company					
- Eonmetall Corporation Sdn. Bhd. ("ECSB")					
Goh Cheng Huat	2,250,000	–	2,250,000	250,000	250,000
Related companies of ECSB					
- Eonlipids Sdn. Bhd.					
Goh Cheng Huat	–	–	–	1,224,000	1,224,000
Goh Kee Seng	456,000	–	456,000	–	–
- Eonlipids Nutrition Specialties Sdn. Bhd.					
Goh Cheng Huat	–	–	–	500,000	500,000
Goh Kee Seng	–	–	–	500,000	500,000
- Eonlipids Holdings Sdn. Bhd. (formerly known as Leader Steel Copper Wire Sdn Bhd)					
Goh Cheng Huat	–	–	–	2	2
Goh Kee Seng	–	–	–	2	2

Number of Options over Ordinary Shares of RM0.50 each					
Name of Directors	Balance at date of appointment	Granted	Exercised	Lapsed	Balance at 31.12.2005
The Company					
Tan Sri Dato' Mohd Desa bin Pachi	–	450,000	–	–	450,000
Goh Cheng Huat	–	550,000	–	–	550,000
Yeoh Cheng Chye	–	450,000	–	–	450,000
Goh Kee Seng	–	350,000	–	–	350,000
Tan Sri Dato' Soong Siew Hoong	–	350,000	–	–	350,000
Tang Yin Kham	–	350,000	–	–	350,000
Phee Boon Leng	–	350,000	–	–	350,000

By virtue of his interest of more than 15% in the Company, Mr Goh Cheng Huat is also deemed to be interested in the shares of its subsidiaries to the extent that the Company has an interest.

EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS" or "the Scheme") was approved by the shareholders at an Extraordinary General Meeting ("EGM") held on 30 May 2005 and the approval-in-principle by Bursa Malaysia Securities Berhad was obtained on 7 October 2004 for the listing of and quotation for such new shares that may be issued pursuant to the Scheme.

The salient features and other terms of the ESOS are disclosed in Note 10 to the financial statements.

The options granted to take up unissued ordinary shares of RM0.50 each and the option price are as follows :

<u>Date of offer</u>	<u>Option price</u>	Options over number of ordinary shares of RM0.50 each				Balance at 31.12.2005
		Balance at 1.1.2005	Granted	Lapsed	Exercised	
	RM					
2 August 2005	1.00	–	11,040,000	(290,000)	–	10,750,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of employees who have been granted options to subscribe for less than 300,000 ordinary shares of RM0.50 each. The employee (other than Directors) who is granted options to subscribe for 300,000 or more ordinary shares of RM0.50 each during the financial year is as follows:

<u>Name</u>	<u>Grant date</u>	<u>Expiry date</u>	<u>Exercise price</u>	Balance at date of appointment	Granted	Exercised	Balance at 31.12.2005
			RM				
Leong Koi Seong	2.8.2005	1.8.2010	1.00	–	300,000	–	300,000

Details of options granted to Directors are as disclosed in the section on Directors' interests in this report.

The ESOS Committee has verified the allocation of options granted during the financial year.

SIGNIFICANT EVENTS DURING THE YEAR

The details of such events are disclosed in Note 25 to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by a Director as shown in the financial statements of the Company and its related company) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than:

- certain Directors who may be deemed to derive a benefit from a restructuring scheme ("the Scheme") approved by the Securities Commission in January 2005. Under the scheme, the Company issued 87,955,278 ordinary shares of RM0.50 each, in exchange for the entire issued and paid-up share capital of subsidiary companies acquired during the year (as detailed in Note 25 to the financial statements) in which certain Directors of the Company have substantial financial interests;
- those transactions entered in the ordinary course of business between certain subsidiaries with companies in which certain Directors have substantial financial interests as disclosed in Note 21 to the financial statements; and
- certain Directors who received fixed salaries as full time employees in a subsidiary.

DIRECTORS REPORT (cont'd)

DIRECTORS' BENEFITS (cont'd)

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employees' Share Options Scheme.

ISSUE OF SHARES

During the financial year, the Company increased its :

- a) authorised ordinary share capital RM100,000 to RM100,000,000 through the creation of 199,800,000 ordinary shares of RM0.50 each; and
- b) issued and paid-up ordinary share capital from RM2 to RM55,000,000 by way of :
 - i) the issuance of 50,361,300 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration for the acquisition of Eonmetall Technology Sdn Bhd;
 - ii) the issuance of 19,671,920 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration for the acquisition of Eonmetall Industries Sdn Bhd;
 - iii) the issuance of 10,076,060 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration for the acquisition of Eonmetall Systems Sdn Bhd;
 - iv) the issuance of 5,437,122 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration for the acquisition of Eontarr IT Solutions Sdn Bhd;
 - v) the issuance of 2,408,876 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration for the acquisition of Eonchem Technology Sdn Bhd;
 - vi) the rights issue of 44,718 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share, for cash, for working capital purposes; and
 - vii) the public issue of 22,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per ordinary share, for cash, for purposes as approved by the Securities Commission.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

OTHER STATUTORY INFORMATION (cont'd)

- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors :

- i) the results of the operations of the Group and of the Company for the financial year ended 31 December 2005 have not been substantially affected by any item, transaction or event of a material and unusual nature other than the negative goodwill recognised as disclosed in Note 14 to the financial statements; and
- ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the year in which this report is made.

AUDITORS

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

Signed in accordance with a resolution of the Directors :

Goh Cheng Huat

Yeoh Cheng Chye

Penang,
Date : 21 April 2006

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 33 to 63 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2005 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Goh Cheng Huat

Yeoh Cheng Chye

Penang,
Date : 21 April 2006

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, **Goh Cheng Huat**, the Director primarily responsible for the financial management of Eonmetall Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 63 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 21 April 2006.

Goh Cheng Huat

Before me :

REPORT OF THE AUDITORS

to the members of Eonmetall Group Berhad

We have audited the financial statements set out on pages 33 to 63. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :
 - i) the state of affairs of the Group and of the Company at 31 December 2005 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;
- and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG

Firm Number : AF 0758
Chartered Accountants

Ng Swee Weng

Partner
Approval Number : 1414/03/08 (J/PH)

Penang,
Date : 21 April 2006

CONSOLIDATED BALANCE SHEET

at 31 December 2005

	<u>Note</u>	<u>2005</u> RM
Property, plant and equipment	2	47,721,101
Other investment	4	32,000
Current assets		
Inventories	5	31,208,205
Trade and other receivables	6	26,815,396
Tax recoverable		1,051,945
Deposits, cash and bank balances	7	11,167,427
		70,242,973
Current liabilities		
Trade and other payables	8	6,404,753
Borrowings	9	16,592,599
Taxation		64,737
		23,062,089
Net current assets		47,180,884
		94,933,985
Financed by :		
Capital and reserves		
Share capital	10	55,000,000
Share premium	11	9,199,959
Retained profits		22,604,103
Shareholders' funds		86,804,062
Long term and deferred liabilities		
Borrowings	9	2,709,874
Deferred tax liabilities	12	5,420,049
		94,933,985

The financial statements were approved and authorised for issue by the Board of Directors on 21 April 2006.

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2005

	<u>Note</u>	<u>2005</u> RM
Revenue	13	70,012,017
Cost of sales		(46,180,979)
Gross profit		23,831,038
Distribution costs		(2,111,386)
Administrative expenses		(4,860,388)
Other operating expenses		(238,085)
Other operating income		11,874,288
Operating profit		28,495,467
Interest expense		(1,661,083)
Profit before tax	14	26,834,384
Tax expense	16	(258,227)
Net profit for the year		26,576,157
Basic earnings per ordinary share (sen)	17	31.81
Dividends per ordinary share - gross (%)	18	10.00

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005

	<u>Share capital</u> RM	<u>Share premium, non- distributable</u> RM	<u>(Accumulated losses)/ Retained profits, distributable</u> RM	<u>Total</u> RM
At 1 January 2005	2	–	(12,054)	(12,052)
Issue of shares (Note 10)				
- Acquisition of subsidiaries	43,977,639	–	–	43,977,639
- Rights issue	22,359	–	–	22,359
- Public issue	11,000,000	11,000,000	–	22,000,000
- Share issue expenses	–	(1,800,041)	–	(1,800,041)
	54,999,998	9,199,959	–	64,199,957
Net profit for the year	–	–	26,576,157	26,576,157
Dividends (Note 18)	–	–	(3,960,000)	(3,960,000)
At 31 December 2005	55,000,000	9,199,959	22,604,103	86,804,062

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

	<u>2005</u> RM
Cash flows from operating activities	
Profit before tax	26,834,384
Adjustments for :	
Depreciation	3,176,130
Loss on disposal of plant and equipment	92,753
Interest income	(197,073)
Interest expense	1,661,083
Negative goodwill recognised	(11,851,957)
Operating profit before working capital changes	19,715,320
Increase in :	
Inventories	(10,983,107)
Trade and other receivables	(5,955,181)
Decrease in trade and other payables	(5,745,117)
Cash used in operations	(2,968,085)
Tax paid	(2,060,842)
Net cash used in operating activities	(5,028,927)
Cash flows from investing activities	
Acquisition of subsidiaries, net of cash acquired (Note 3)	8,415
Purchase of property, plant and equipment (Note A)	(2,310,319)
Proceeds from disposal of plant and equipment	601,106
Deposits pledged with licensed bank	(77,072)
Interest received	197,073
Net cash used in investing activities	(1,580,797)
Cash flows from financing activities	
Short term borrowings, net	3,047,275
Repayment of term loans	(656,342)
Repayment of hire purchase creditors	(12,670)
Share issue expenses paid	(1,800,041)
Proceeds from rights and public issue	22,022,359
Interests paid	(1,661,083)
Dividends paid	(3,960,000)
Net cash generated from financing activities	16,979,498
Net increase in cash and cash equivalents	10,369,774
Cash and cash equivalents at beginning of year	2
Cash and cash equivalents at end of year (Note B)	10,369,776

CONSOLIDATED CASH FLOW STATEMENT (cont'd)

for the year ended 31 December 2005

Notes

A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM2,542,319 of which RM232,000 was acquired through hire purchase. The balance of RM2,310,319 was made by cash payment.

B. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following consolidated balance sheet amounts:

	<u>2005</u> RM
Deposits with licensed banks (excluding deposits pledged)	8,350,000
Cash and bank balances	2,740,355
Bank overdrafts (Note 9)	(720,579)
	<u>10,369,776</u>

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

BALANCE SHEET

at 31 December 2005

	<u>Note</u>	<u>2005</u> RM	<u>2004</u> RM
Investment in subsidiaries	3	43,977,639	–
Current assets			
Trade and other receivables	6	12,390,770	–
Deposits, cash and bank balances	7	8,408,224	2
		20,798,994	2
Current liabilities			
Trade and other payables	8	99,263	12,054
Taxation		31,600	–
		130,863	12,054
Net current assets/(liabilities)		20,668,131	(12,052)
		64,645,770	(12,052)
Financed by :			
Capital and reserves			
Share capital	10	55,000,000	2
Share premium	11	9,199,959	–
Retained profit/(Accumulated losses)		445,811	(12,054)
Shareholders' funds		64,645,770	(12,052)

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENT

for the year ended 31 December 2005

	<u>Note</u>	<u>2005</u> RM	<u>2004</u> RM
Revenue	13	6,138,321	–
Administrative expenses		(148,996)	(6,655)
Other operating income		140	–
Profit/(Loss) before tax	14	5,989,465	(6,655)
Tax expense	16	(1,571,600)	–
Net profit/(loss) for the year		4,417,865	(6,655)
Dividends per ordinary share - gross (%)	18	10.00	–

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005

	<u>Share capital</u> RM	<u>Share premium, non-distributable</u> RM	<u>(Accumulated losses)/ Retained profit, distributable</u> RM	<u>Total</u> RM
At 1 January 2004	2	–	(5,399)	(5,397)
Net loss for the year	–	–	(6,655)	(6,655)
At 31 December 2004	2	–	(12,054)	(12,052)
Issue of shares (Note 10)				
- Acquisition of subsidiaries	43,977,639	–	–	43,977,639
- Rights issue	22,359	–	–	22,359
- Public issue	11,000,000	11,000,000	–	22,000,000
- Share issue expenses	–	(1,800,041)	–	(1,800,041)
	54,999,998	9,199,959	–	64,199,957
Net profit for the year	–	–	4,417,865	4,417,865
Dividends (Note 18)	–	–	(3,960,000)	(3,960,000)
At 31 December 2005	55,000,000	9,199,959	445,811	64,645,770

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

for the year ended 31 December 2005

	2005 RM	2004 RM
Cash flows from operating activities		
Profit/(Loss) before tax	5,989,465	(6,655)
Adjustments for :		
Dividends income	(6,000,000)	–
Interest income	(138,320)	–
Operating loss before working capital changes	(148,855)	(6,655)
Increase in trade and other receivables	(12,390,770)	–
Increase in trade and other payables	87,209	3,167
Cash used in operations	(12,452,416)	(3,488)
Dividends received	4,460,000	–
Net cash used in operating activities	(7,992,416)	(3,488)
Cash flows from investing activity		
Interest received	138,320	–
Net cash generated from investing activity	138,320	–
Cash flows from financing activities		
Advances from sundry payable	–	3,488
Proceeds from rights and public issue	22,022,359	–
Dividends paid	(3,960,000)	–
Share issue expenses paid	(1,800,041)	–
Net cash generated from financing activities	16,262,318	3,488
Net increase in cash and cash equivalents	8,408,222	–
Cash and cash equivalents at beginning of year	2	2
Cash and cash equivalents at end of year (Note 7)	8,408,224	2

Note

Acquisition of subsidiaries

During the year, the Company acquired subsidiaries with an aggregate consideration of RM43,977,639, settled by way of 87,955,278 ordinary shares issued at par value of RM0.50 each.

The notes set out on pages 42 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and by the Company and are consistently applied throughout the year.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the financial statements of the Group. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate (refer Note 1(f)).

Intragroup transactions, balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Property, plant and equipment

Freehold land is stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment retired from active use and held for disposal, if any, are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Freehold land and capital work-in-progress is not amortised.

The straight line method is used to write off the cost of other assets over the term of their estimated useful lives at the following principal annual rates:

	%
Factory buildings	2
Plant and machinery, moulds, tools and equipment	10
Furniture, fittings, office equipment and computer software	10 - 20
Motor vehicles	10 - 20
Electrical installation and renovation	10

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Impairment

The carrying amount of assets, other than inventories and financial assets (other than investment in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. It is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

(e) Investments

Long term investments other than investment in subsidiaries are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Long term investments in subsidiaries are stated at cost in the Company, less impairment loss, where applicable.

(f) Negative goodwill

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition.

Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

(g) Inventories

Raw materials, work-in-progress, trading and manufactured inventories are stated at the lower of cost and net realisable value with first-in, first-out being the main basis for cost. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

Construction-in-progress is stated at cost plus attributable profits less foreseeable losses and progress billings.

(h) Trade and other receivables

Trade and other receivables are stated at invoice amount less allowance for doubtful debts. Bad debts are written off when identified. An allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(i) Liabilities

Borrowings and trade and other payables are stated at cost.

(j) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(l) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows :

	<u>2005</u>
	<u>RM</u>
1 US Dollar	3.77
1 Euro	5.20
1 Singapore Dollar	2.30

(m) Income recognition

i) *Goods sold and services rendered*

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

ii) *Interest income*

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

iii) *Dividend income*

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

(n) Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

(o) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of assets or liabilities in a transaction which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Income tax (cont'd)

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(p) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

(q) Hire purchase obligation

Equipment acquired under hire purchase instalment plan is capitalised and the corresponding obligation is treated as a liability. Financing charges are allocated to the income statement over the hire purchase periods using the sum-of-digits method to give a constant periodical rate of interest on the remaining hire purchase liabilities.

(r) Employee benefits

i) Short term benefits

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii) Defined contribution plans

Obligations for contributions to defined contributions plans are recognised as an expense in the income statement as incurred.

iii) Equity and equity related compensation

The share option programme allows the Group's employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

(s) Share capital

i) Share issue expenses

Incremental external expenses directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

ii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue is only accounted for as a liability when the dividend becomes payable.

2. PROPERTY, PLANT AND EQUIPMENT - GROUP

Cost	Freehold land		Factory buildings		Plant and machinery, tools and equipment		Furniture, fittings, office equipment and computer software		Motor vehicles		Electrical installation and renovation		Capital work-in-progress		Total	
	RM		RM		RM		RM		RM		RM		RM		RM	
Additions through acquisition of subsidiaries	9,776,654		15,410,000		22,853,663		456,565		181,712		332,151		38,026		49,048,771	
Additions	-		-		1,526,021		316,948		699,350		-		-		2,542,319	
Disposal	-		-		(750,962)		(2,367)		-		-		-		(753,329)	
At end of year	9,776,654		15,410,000		23,628,722		771,146		881,062		332,151		38,026		50,837,761	
Accumulated depreciation																
Depreciation charge for the year	-		130,593		2,646,234		161,129		179,461		58,713		-		3,176,130	
Disposal	-		-		(58,208)		(1,262)		-		-		-		(59,470)	
At end of year	-		130,593		2,588,026		159,867		179,461		58,713		-		3,116,660	
Net book value																
At 31 December 2005	9,776,654		15,279,407		21,040,696		611,279		701,601		273,438		38,026		47,721,101	

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. PROPERTY, PLANT AND EQUIPMENT - GROUP (cont'd)

2.1 Assets under hire purchase

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase agreements with a net book value of RM243,982.

2.2 Securities

The entire freehold land and factory buildings are charged to bank for facilities granted to the subsidiaries (see Note 9).

2.3 Adjustments to fair value

The freehold land and buildings of a subsidiary acquired have been determined based on the valuation report of an independent registered valuer, CH Williams, Talhar & Wong in August 2004. As a result of the valuation, the value attributed to this property has been increased by RM9,084,669 with the corresponding adjustment made to negative goodwill.

3. INVESTMENT IN SUBSIDIARIES - COMPANY

	<u>2005</u> RM	<u>2004</u> RM
Unquoted shares, at cost	<u>43,977,639</u>	–

Details of subsidiaries are as follows :

<u>Name of Company</u>	<u>Effective equity interest</u> 2005 %	<u>Country of incorporation</u>	<u>Principal activities</u>
Eonmetall Industries Sdn. Bhd.	100	Malaysia	Manufacture and distribution of steel products, focusing on secondary flat steel products
Eonmetall Technology Sdn. Bhd.	100	Malaysia	Manufacture of metalwork machinery and equipment
Eonmetall Systems Sdn. Bhd.	100	Malaysia	Manufacture of steel products, focusing on steel storage systems
Eontarr IT Solutions Sdn. Bhd.	100	Malaysia	Provider of IT solutions including software development
Eonchem Technology Sdn. Bhd.	100	Malaysia	Manufacture of industrial process machinery and equipment

On 28 February 2005, the Company acquired 100% equity interests in all the subsidiaries, for a total consideration of RM43,977,639, satisfied by way of the issue of 87,955,278 new ordinary shares of RM0.50 each of the Company at an issue price of RM0.50 each. Details of these acquisitions are disclosed in Note 25 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. INVESTMENT IN SUBSIDIARIES - COMPANY (cont'd)

Details of net assets acquired, negative goodwill and cash flow arising from the acquisition were as follows :

	<u>At date of acquisition</u> RM
Property, plant and equipment (Note 2)	49,048,771
Other investments	32,000
Inventories	20,225,098
Trade and other receivables	20,860,215
Tax recoverable	430,276
Cash and cash equivalents	4,819,103
Trade and other payables	(12,137,816)
Bank borrowings	(20,782,319)
Current tax liabilities	(1,100,334)
Deferred tax liabilities	(5,565,398)
	<hr/>
Fair value of net assets acquired at 28 February 2005	55,829,596
	<hr/>
Negative goodwill (Note 14)	(11,851,957)
	<hr/>
Total purchase consideration	43,977,639
	<hr/>
Purchase consideration discharged by shares issued (Notes 10 and 25)	(43,977,639)
	<hr/>
Add : Cash and cash equivalents of subsidiaries acquired	8,415
	<hr/>
Cash inflow of the Group on acquisition	8,415
	<hr/>

4. OTHER INVESTMENT - GROUP

	<u>2005</u> RM
Quoted shares in Malaysia, at cost	32,000
	<hr/>
Market value	9,800
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVENTORIES - GROUP

	<u>2005</u>
At cost	
Raw materials	10,153,663
Work-in-progress	14,718,670
Manufactured inventories	5,265,300
Construction-in-progress	1,040,472
Trading inventories	30,100
	<u>31,208,205</u>

The above construction-in-progress is arrived at as follows :

	<u>2005</u> RM
Cost of construction-in-progress	4,161,887
Add : Attributable profits	478,585
	<u>4,640,472</u>
Less : Progress billings	<u>(3,600,000)</u>
	<u>1,040,472</u>

6. TRADE AND OTHER RECEIVABLES

	Group <u>2005</u> RM	Company <u>2005</u> RM	<u>2004</u> RM
Trade receivables			
Related company	4,009	-	-
Company in which certain Directors have substantial financial interest	225,344	-	-
Others	23,618,415	-	-
	<u>23,847,768</u>	-	-
Other receivables, deposits and prepayments			
Subsidiaries	-	12,368,809	-
Others	2,967,628	21,961	-
	<u>2,967,628</u>	<u>12,390,770</u>	-
	<u>26,815,396</u>	<u>12,390,770</u>	-

The non-trade advances to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. DEPOSITS, CASH AND BANK BALANCES

	Group <u>2005</u> RM	Company <u>2005</u> RM	<u>2004</u> RM
Cash and bank balances	2,740,355	58,224	2
Fixed deposit with a licensed bank	77,072	–	–
Short term deposits with a licensed bank	8,350,000	8,350,000	–
	11,167,427	8,408,224	2

The above fixed deposits of the Group of RM77,072 is pledged to the bank as collateral for bank facilities granted to a subsidiary company. The short term deposits of RM8,350,000 and cash and bank balances of RM3,509 of the Company and of the Group from the public issue are restricted in utilisation for purposes as approved by the Securities Commission.

8. TRADE AND OTHER PAYABLES

	Group <u>2005</u> RM	Company <u>2005</u> RM	<u>2004</u> RM
Trade payables			
Company in which a Director has a substantial financial interest	35	–	–
Others	2,560,454	–	–
	2,560,489	–	–
Other payables and accrued expenses			
Related companies	57,990	–	–
Company in which a Director has a substantial financial interest	2,302	–	–
Amount due to a Director	600	–	–
Others	3,783,372	99,263	12,054
	3,844,264	99,263	12,054
	6,404,753	99,263	12,054

The non-trade amounts due to a Director, related companies and company in which a Director has a substantial financial interest are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. BORROWINGS - GROUP

2005
RM

Current

Secured

Bank overdrafts	675,641
Bankers' acceptances	2,016,000
Term loans	981,314
Hire purchase obligations	42,706
	<hr/>
	3,715,661

Unsecured

Bank overdrafts	44,938
Bankers' acceptances	10,174,000
Short term advance	2,658,000
	<hr/>
	12,876,938
	<hr/>
	16,592,599

Non-current

Secured

Term loans	2,533,250
Hire purchase obligations	176,624
	<hr/>
	2,709,874

a) Interest rates

Bank overdrafts	0.75% to 2.50% above prevailing base lending rates per annum
Bankers' acceptances	0.75% to 2.00% above cost of funds per annum
Short term advances	1.00% above prevailing base lending rate per annum
Hire purchase obligations	2.34% and 2.37% per annum
Term loan I	First year - 8.25% per annum Second year - 8.50% per annum Third year - 9.00% per annum
Term loan II	1.00% above cost of funds per annum

b) Security

Secured bank overdrafts, bankers' acceptances and Term loan I

The above borrowings were secured by way of fixed charges over a subsidiary's entire freehold land and factory buildings.

Term loan II

Term loan II is secured by way of a fixed charge over another subsidiary's freehold land with carrying value of RM4,956,653.

Hire purchase obligations

Hire purchase liability is effectively secured as the rights to the assets under hire purchase revert to the hire purchase creditor in the event of default.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. BORROWINGS - GROUP (cont'd)

c) *Repayment terms*

Term loan I

The balance of fixed rate term loan I as at year end is all repayable within the next one (1) year.

Term loan II

Term loan II is repayable in equal monthly instalments over a period of seven (7) years.

Hire purchase obligations

The hire purchase obligations are payable as follows :

	2005		
	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>
	RM	RM	RM
Less than 1 year	51,876	9,170	42,706
Between 1 and 5 years	193,263	16,639	176,624
	245,139	25,809	219,330

10. SHARE CAPITAL

Ordinary shares of RM0.50 each
Authorised :

Balance at beginning of year
Created during the year
Balance at end of year

Issued and fully paid :

Balance at beginning of year
Issued during the year :

Acquisition of subsidiaries
Rights issue
Public issue

Balance at end of year

	<u>2005</u>	<u>2004</u>
	RM	RM
	100,000	100,000
	99,900,000	—
	100,000,000	100,000
	2	2
	43,977,639	—
	22,359	—
	11,000,000	—
	54,999,998	—
	55,000,000	2

10. SHARE CAPITAL (cont'd)

10.1 Ordinary shares issued for acquisition of subsidiaries

During the financial year, the Company issued 87,955,278 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share amounting to RM43,977,639 as full discharge of purchase consideration for the acquisition of all subsidiaries (Note 25). The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

10.2 Rights issue

During the financial year, the Company issued 44,718 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share on the basis of approximately fifty-one (51) new ordinary shares for every 100,000 existing ordinary shares held, based on the enlarged share capital of the Company of 87,955,282 ordinary shares of RM0.50 each in the Company after the above acquisition of subsidiaries.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

10.3 Public issue

During the financial year, the Company had a public issue of 22,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per ordinary share.

10.4 Employees' share option scheme

The Company's Employees' Share Option Scheme ("ESOS" or "the Scheme") was approved by the shareholders at an Extraordinary General Meeting ("EGM") held on 30 May 2005 and the approval-in-principle by Bursa Malaysia Securities Berhad was obtained on 7 October 2004 for the listing of and quotation for such new shares that may be issued pursuant to the Scheme.

The main features of the Scheme are as follows :

- i) The total number of options to be offered under the Scheme shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme, unless the issued and paid-up share capital of the Company is diminished as a result of a Share Buyback or an undertaking of any other corporate proposal, in which event, the options granted prior to the diminution of the issued and paid-up share capital shall remain valid and exercisable in accordance with the terms and conditions of the Scheme;
- ii) The Scheme shall be in force for a duration of up to five (5) years commencing from 2 August 2005, and may be extended for another five (5) years as provided in the By-Law;
- iii) Eligible persons are employees of the Group which have been confirmed in the employment of the Group and falls within any other criteria that the ESOS Committee may from time to time determine at its discretion. If an employee is serving under an employment contract, the contract should be for a duration for at least two (2) years, provided always that if such an employee has previously been employed permanently for a continuous period of at least two (2) years, then there shall be no minimum contractual duration imposed. Eligible Directors need not be a Malaysian;
- iv) No employee or Director shall participate at any time in more than one (1) employee share option scheme by any company within the Group;
- v) The number of options under the Scheme shall be allocated as follows :
 - a) not more than fifty percent (50%) of the new shares available under the Scheme should be allocated, in aggregate, to Directors and senior management; and
 - b) not more than ten percent (10%) of the new shares available under the Scheme shall be allocated to any individual eligible person who, either singly or collectively through persons connected with the eligible person, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. SHARE CAPITAL (cont'd)

- vi) The option price shall be :-
- the price not less than the price set for the offer for sale and/or public issue of the Shares of the Company if the option is granted before the Company is listed on the Bursa Securities; or
 - the price at a discount of not more than ten percent (10%) from the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer, or such lower or higher limit as approved by the relevant authorities.
- vii) The options granted do not confer any dividend or other distribution declared to the shareholders as at a date which precedes the date of exercise of the option and will be subject to all the provisions of the Articles of Association of the Company.

The options granted to take up unissued ordinary shares of RM0.50 each and the option price are as follows :

<u>Date of offer</u>	<u>Option price</u> <u>RM</u>	<u>Options over number of ordinary shares of RM0.50 each</u>				<u>Balance at</u> <u>31.12.2005</u>
		<u>Balance at</u> <u>1.1.2005</u>	<u>Granted</u>	<u>Lapsed</u>	<u>Exercised</u>	
2 Aug 2005	1.00	–	11,040,000	(290,000)	–	10,750,000

11. SHARE PREMIUM

The share premium account arose from the public issue and is presented net of share issue expenses.

12. DEFERRED TAX - GROUP

The recognised deferred tax liabilities are as follows :

	<u>2005</u> <u>RM</u>
Property, plant and equipment	
- capital allowances	3,291,651
- fair value adjustment	2,333,398
Other deductible temporary differences	(205,000)
	<u>5,420,049</u>

No deferred tax assets have been recognised for the following items :

	<u>2005</u> <u>RM</u>
Taxable temporary differences	20,922
Unutilised tax losses	(588,408)
Unabsorbed capital allowance	(16,034)
	<u>(583,520)</u>

The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. REVENUE

	Group 2005 RM	Company 2005 RM	2004 RM
Invoiced value of goods sold less discounts and returns	69,873,696	–	–
Interest income	138,321	138,321	–
Gross dividends from subsidiaries	–	6,000,000	–
	70,012,017	6,138,321	–

14. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at :

	Group 2005 RM	Company 2005 RM	2004 RM
After charging :			
Auditors' remuneration			
- current year	66,667	20,000	2,000
- prior year	850	–	–
Directors' emoluments			
- Fees	70,000	70,000	–
- Others	683,962	7,000	–
Loss on foreign exchange - realised	46,065	–	–
- unrealised	178,700	–	–
Depreciation (Note 2)	3,176,130	–	–
Loss on disposal of plant and equipment	92,753	–	–
Rental of premises	16,384	–	–
Research and development	361,852	–	–
and crediting :			
Negative goodwill recognised	11,851,957	–	–
Allowance for doubtful debts written back	342,505	–	–
Profit from sale of raw materials	130,000	–	–
Gain on foreign exchange - realised	37,641	–	–
Interest income	197,073	138,321	–

15. EMPLOYEE INFORMATION - GROUP

	2005 RM
Staff costs (including executive Directors)	5,834,647

Included in the staff costs above are :

- an amount of RM361,852 charged out as research and development expenses disclosed under Note 14 to the financial statements; and
- an amount of RM458,897 representing contributions made to the Employees' Provident Fund.

The number of employees of the Group (including executive Directors) at the end of the year was 237. The Company did not have any employee during and at the end of this financial year and last financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. TAX EXPENSE

	Group 2005 RM	Company 2005 RM	2004 RM
Current tax expense			
Based on results for the year	949,602	1,571,600	–
Prior year	(546,026)	–	–
	403,576	1,571,600	–
Deferred tax expense			
Based on results for the year	(108,349)	–	–
Prior year	(37,000)	–	–
	(145,349)	–	–
	258,227	1,571,600	–

Reconciliation of effective tax expense

	Group 2005 RM	Company 2005 RM	2004 RM
Profit/(Loss) before tax	26,834,384	5,989,465	(6,655)
Income tax using Malaysian tax rate	7,433,628	1,677,050	(1,331)
Non-deductible expenses	257,267	34,545	1,331
Tax incentives	(3,581,653)	–	–
Income not subject to tax	(3,318,548)	(140,000)	–
Utilisation of deferred tax asset previously not recognised	(56,000)	–	–
Deferred tax assets not recognised	114,049	–	–
Others	(7,490)	5	–
	841,253	1,571,600	–
Over provision in prior year	(583,026)	–	–
Tax expense	258,227	1,571,600	–

17. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The earnings per ordinary share has been calculated based on the net profit attributable to shareholders of RM26,576,157 and the weighted average number of ordinary shares outstanding during the financial year of 83,533,724.

Weighted average number of ordinary shares

	2005
Issued ordinary shares at beginning of year	4
Effect of shares issued	73,978,823
Rights issue	31,609
Public issue	9,523,288
Weighted average number of ordinary shares	83,533,724

Fully diluted earnings per share

Fully diluted earning per share has not been computed and presented as the effect of the employees' share options is anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. DIVIDENDS - GROUP/COMPANY

	<u>2005</u> RM	<u>2004</u> RM
Interim dividend of 5% less 28% tax (2004 : Nil)	1,980,000	–
Special interim dividend of 5% less 28% tax (2004 : Nil)	1,980,000	–
	<u>3,960,000</u>	<u>–</u>

19. SEGMENTAL INFORMATION - GROUP

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Business segments

	<u>Machinery and equipment</u> RM	<u>Secondary flat steel and related products</u> RM	<u>IT solutions and automation</u> RM	<u>Investment holding</u> RM	<u>Elimination</u> RM	<u>Consolidated</u> RM
2005						
Revenue from external customers	22,554,522	44,519,090	2,800,084	138,321	–	70,012,017
Inter-segment revenue	3,841,777	7,349,884	383,767	–	(11,575,428)	–
	<u>26,396,299</u>	<u>51,868,974</u>	<u>3,183,851</u>	<u>138,321</u>	<u>(11,575,428)</u>	<u>70,012,017</u>
Segment results	11,256,126	4,792,200	3,016,242	11,841,422	(2,410,523)	28,495,467
Interest expense						(1,661,083)
Profit before tax						26,834,384
Tax expense						(258,227)
Net profit for the year						<u>26,576,157</u>
Segment assets	56,739,288	49,964,898	3,968,147	8,430,185	(2,158,389)	116,944,129
Unallocated assets						1,051,945
Total assets						<u>117,996,074</u>
Segment liabilities	3,580,696	2,689,067	35,727	99,263	–	6,404,753
Unallocated liabilities						24,787,259
Total assets						<u>31,192,012</u>
Capital expenditure	899,160	1,405,433	237,726	–	–	2,542,319
Depreciation and amortisation	559,382	2,582,787	33,961	–	–	3,176,130
Non-cash expenses other than depreciation and amortisation	567,194	–	–	–	–	567,194

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. SEGMENTAL INFORMATION - GROUP (cont'd)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

	<u>Malaysia</u>	<u>Asean countries</u>	<u>Middle-east</u> <u>countries</u>	<u>Others</u>	<u>Eliminations</u>	<u>Consolidated</u>
	RM	RM	RM	RM	RM	RM
2005						
Revenue from external customers by location of customers	32,004,246	20,674,307	11,597,509	5,735,955	–	70,012,017
Segment assets by location of assets	116,944,129	–	–	–	–	116,944,129
Capital expenditure by location of assets	2,542,319	–	–	–	–	2,542,319

20. HOLDING COMPANY

The holding company is Eonmetall Corporation Sdn. Bhd., a company incorporated in Malaysia.

21. SIGNIFICANT RELATED PARTIES TRANSACTIONS - GROUP/COMPANY

21.1 Related party relationships

21.1.1 Controlling related party relationships are as follows :

- a) The holding company, Eonmetall Corporation Sdn Bhd ("ECSB") as disclosed in Note 20 to the financial statements;
- b) Subsidiaries of the Company as disclosed in Note 3 to the financial statements;
- c) Related companies of the holding company; and
- d) Companies in which the majority shareholder, Mr Goh Cheng Huat and/or his spouse have controlling interests
 - i) Leader Steel Holdings Berhad and its subsidiaries;
 - ii) Universal Bedframe Inc.; and
 - iii) Eonlipids Sdn. Bhd.

21.1.2 Key Directors and key management personnel of the Group

- Mr Goh Cheng Huat
- Mr Yeoh Cheng Chye
- Mr Leong Koi Seong
- Mr Goh Kheng Leng
- Mr Taran Tej Singh
- Miss Hooy Lih Ling

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. SIGNIFICANT RELATED PARTIES TRANSACTIONS - GROUP/COMPANY (cont'd)

21.2 Related party transactions

21.2.1 Transactions with Directors and key management personnel

There were no transactions with key Directors and key management personnel other than the following :

- i) Remuneration package paid to them in accordance with the terms and conditions of their appointment.
- ii) Share options granted to them as disclosed in the Directors' report of the Company

21.2.2 Transactions with companies in which the majority shareholder and his spouse have controlling interests

	Group
	<u>2005</u>
	RM
Sales	165,182

21.2.2 Transactions with related companies of ECSB

	Group
	<u>2005</u>
	RM
Sales	66,687

21.2.3 Transaction with a subsidiary

	Company	
	<u>2005</u>	<u>2004</u>
	RM	RM
Dividend income from subsidiary	6,000,000	–

Non-trade balances with related parties are as disclosed in Note 8 to the financial statements.

22. CAPITAL COMMITMENT - GROUP

	<u>2005</u>
	RM
<i>Plant and equipment</i>	
Contracted but not provided for in the financial statements	734,310

23. CONTINGENT LIABILITIES, UNSECURED - COMPANY

a) Corporate guarantees

The Company has given corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit up to RM115.50 million of which RM16.61 million was utilised at balance sheet date.

b) Continuing financial support

The Company has undertaken to provide continuing financial support to a subsidiary to enable the subsidiary to meet its financial obligations as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group's risk management is basically guided and monitored by the Board of Directors of the Group as summarised below :

Credit risk

The Group has no significant concentration of credit risk. Credit risks are minimised through the close monitoring by the Directors. The maximum exposures to credit risk are represented by the carrying amount of each financial asset.

Interest rate risk

In the current low interest rate scenario, the Group borrows for operations at variable rates using its overdrafts, trust receipts and bankers' acceptances facilities, whilst using the fixed rate term loan to finance its capital expenditure. The Group is not exposed to major long term financial commitments or obligations apart from the non-current term loan.

Currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollars, Singapore Dollars and Euro. The Directors monitor the risk on an ongoing basis, and forward exchange contracts will be taken to hedge the risk if deemed necessary.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the years in which they reprice or mature, whichever is earlier.

	Effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM
Group				
2005				
Financial assets				
Short term deposits with a licensed bank	2.45	8,350,000	8,350,000	—
Fixed deposit with a licensed bank	3.00	77,072	77,072	—
Financial liabilities				
Secured term loans				
- fixed rate	9.00	419,714	419,714	—
- variable rate	7.50	3,094,850	3,094,850	—
Secured bank overdrafts	7.75	675,641	675,641	—
Secured bankers' acceptances	4.39	2,016,000	2,016,000	—
Unsecured bank overdraft	7.75	44,938	44,938	—
Unsecured bankers' acceptances	4.34	10,174,000	10,174,000	—
Short term advances	7.25	2,658,000	2,658,000	—
Company				
2005				
Financial assets				
Short term deposits with a licensed bank	2.45	8,350,000	8,350,000	—

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. FINANCIAL INSTRUMENTS (cont'd)

Fair values

Recognised financial instruments

The carrying amounts approximately fair value due to the relatively short term nature of these financial instruments in respect of cash and cash equivalents, trade and other receivables, trade and other payables as well as short term borrowings.

The fair value of quoted investment at the balance sheet date is its market value as disclosed in Note 4 to the financial statements.

Unrecognised financial instruments

The valuation of financial instruments not recognised in the balance sheet date reflects their current market rates at the balance sheet date.

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 December are :

	<u>2005</u> <u>RM</u>
<i>Forward foreign exchange sales contracts</i>	
- contractual value	1,542,000
- unrealised gain	(1,600)
Fair value	<u>1,540,400</u>

25. SIGNIFICANT EVENTS DURING THE YEAR

(a) Acquisition of the equity interest in Eonmetall Technology Sdn. Bhd. ("EMT")

On 30 August 2004, the Company entered into a Conditional Share Sale Agreement with Eonmetall Corporation Sdn. Bhd. ("ECSB") as vendor and the Company as purchaser for the acquisition of the entire issued and paid up share capital of EMT comprising 2,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM25,180,650 satisfied wholly by the issuance of 50,361,300 new shares at an issue price of RM0.50 per share.

The purchase consideration of EMT of RM25,180,650 was arrived at based on the audited net assets of EMT as at 31 December 2003 and after adjusting for the revaluation surplus of RM7,069,499 (net of deferred tax) based on the open market value as valued by an independent registered valuer, CH Williams, Talhar & Wong in August 2004.

The acquisition of the equity interest in EMT was completed on 28 February 2005, thereby making EMT a wholly-owned subsidiary of the Company.

(b) Acquisition of the equity interest in Eonmetall Industries Sdn. Bhd. ("EMI")

On 30 August 2004, the Company entered into a Conditional Share Sale Agreement with ECSB as vendor and the Company as purchaser for the acquisition of the entire issued and paid up share capital of EMI comprising 2,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM9,835,960 satisfied wholly by the issuance of 19,671,920 new shares at an issue price of RM0.50 per share.

The acquisition of the equity interest in EMI was completed on 28 February 2005, thereby making EMI a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. SIGNIFICANT EVENTS DURING THE YEAR (cont'd)

(c) Acquisition of the equity interest in Eonmetall Systems Sdn. Bhd. ("EMS")

On 30 August 2004, the Company entered into a Conditional Share Sale Agreement with ECSB as vendor and the Company as purchaser for the acquisition of the entire issued and paid up share capital of EMS comprising 2,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM5,038,030 satisfied wholly by the issuance of 10,076,060 new shares at an issue price of RM0.50 per share.

The acquisition of the equity interest in EMS was completed on 28 February 2005, thereby making EMS a wholly-owned subsidiary of the Company.

(d) Acquisition of the equity interest in Eontarr IT Solutions Sdn. Bhd. ("EIT")

On 30 August 2004, a Conditional Share Sale Agreement was made between ECSB, Goh Kee Seng and Yeoh Cheng Chye as vendors and the Company as purchaser for the acquisition of the entire issued and paid up share capital of EIT comprising 100,000 ordinary shares of RM1.00 each for a purchase consideration of RM2,718,561 satisfied wholly by the issuance of 5,437,122 new shares at an issue price of RM0.50 per share.

The acquisition of the equity interest in EIT was completed on 28 February 2005, thereby making EIT a wholly-owned subsidiary of the Company.

(e) Acquisition of the equity interest in Eonchem Technology Sdn. Bhd. ("ECH")

On 30 August 2004, a Conditional Share Sale Agreement was made between ECSB, Goh Kee Seng, Lee Liang, Ng Chee Heong, V&M Mixtec Asia Sdn Bhd, Profina Teknik Sdn Bhd and Taran Tej Singh as vendors and the Company as purchaser for the acquisition of the entire issued and paid up share capital of ECH comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM1,204,438 satisfied wholly by the issuance of 2,408,876 new shares at an issue price of RM0.50 per share.

The acquisition of the equity interest in ECH was completed on 28 February 2005, thereby making ECH a wholly-owned subsidiary of Eonmetall.

(f) Increase in authorised share capital of Eonmetall

On 28 February 2005, the Company increased its :

- i) authorised share capital to RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each; and
- ii) issued and paid-up share capital from RM2 comprising 4 ordinary shares of RM0.50 each to RM43,977,641 comprising 87,955,282 ordinary shares of RM0.50 each as consideration for the acquisitions of EMT, EMI, EMS, EIT and ECH.

(g) Rights issue by the Company

On 18 April 2005, the issued and paid up share capital of the Company was further increased to RM44,000,000 comprising 88,000,000 ordinary shares of RM0.50 each by way of Rights Issue of approximately fifty-one (51) shares for every 100,000 existing shares held, based on the enlarged share capital of the Company (after the acquisitions mentioned above).

25. SIGNIFICANT EVENTS DURING THE YEAR (cont'd)

(h) Change in shareholdings

Following the completion of the acquisition of subsidiaries and the rights issue as mentioned above, ECSB became the holding company of the Company during the financial year.

(i) Public issue, Offer for Sale and listing of shares on the Second Board of Bursa Securities

On 27 July 2005, the Company completed the following transactions :

- i) the public issue of 22,000,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.00 per ordinary share;
- ii) Offer for Sale of 28,600,000 ordinary shares of RM0.50 each in the Company at an offer price of RM1.00 per ordinary share; and

On 3 August 2005, the entire issued and paid-up share capital of the Company was quoted on the Second Board of the Bursa Malaysia Securities Berhad.

26. COMPARATIVE FIGURES - GROUP

No comparative figures of the Group are presented as the Group was not formed as at the end of the preceding financial year.

ANALYSIS OF SHAREHOLDINGS

as at 11 May 2006

Substantial Shareholdings as at 11 May 2006

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Tan Sri Dato' Mohd Desa bin Pachi	150,000	0.14	14,803,000	13.46
2	Goh Cheng Huat	10,940,000	9.95	56,032,752	50.94
3	Tan Pak Say	–	–	66,972,752	60.88
4	Eonmetall Corporation Sdn. Bhd.	56,032,752	50.94	–	–
5	Variant Link Sdn. Bhd.	14,803,000	13.46	–	–

Directors' Shareholdings as at 11 May 2006

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	*Tan Sri Dato' Mohd Desa bin Pachi	150,000	0.14	14,803,000	13.46
2	#Goh Cheng Huat	10,940,000	9.95	56,032,752	50.94
3	*Yeoh Cheng Chye	1,487,424	1.35	–	–
4	^Goh Kee Seng	1,604,224	1.46	–	–
5	^Tan Sri Dato' Soong Siew Hoong	200,000	0.18	–	–
6	^Tang Yin Kham	–	–	–	–
7	^Phee Boon Leng	100,000	0.09	–	–

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

* Option to subscribe for 450,000 shares in the Company pursuant to Employee Share Option Scheme.

Option to subscribe for 550,000 shares in the Company pursuant to Employee Share Option Scheme.

^Option to subscribe for 350,000 shares in the Company pursuant to Employee Share Option Scheme.

Distribution Schedule

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	1	0.10	50	0.00
100 - 1,000	384	40.04	205,850	0.19
1,001 - 10,000	354	36.92	1,844,400	1.68
10,001 - 100,000	169	17.62	5,806,400	5.28
100,001 - 5,499,999	47	4.90	20,577,548	18.70
5,500,000 - 110,000,000	4	0.42	81,565,752	74.15
TOTAL	959	100.00	110,000,000	100.00

ANALYSIS OF SHAREHOLDINGS (cont'd)

as at 11 May 2006

Authorised share capital	: RM100,000,000/=
Issued and fully paid-up share capital	: RM55,000,000/=
Class of share	: Ordinary shares of RM0.50 each fully paid
Voting rights	: On a show of hands one vote for every shareholder
	: On a poll one vote for every ordinary share held

Thirty Largest Shareholders

Name	No. of Shares	% of Issued Share Capital
1 Eonmetall Corporation Sdn. Bhd.	49,532,752	45.03
2 AMSEC Nominees (Tempatan) Sdn. Bhd. AmBank (M) Berhad for Variant Link Sdn. Bhd.	14,803,000	13.46
3 Goh Cheng Huat	10,730,000	9.75
4 Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. Goh Cheng Huat for Eonmetall Corporation Sdn. Bhd.	6,500,000	5.91
5 Lembaga Tabung Angkatan Tentera	3,930,600	3.57
6 A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kock Nai Suan	1,984,400	1.80
7 Tay Kim Seng	1,772,800	1.61
8 AMSEC Nominees (Tempatan) Sdn. Bhd. AmBank (M) Berhad for Goh Kee Seng (EGB)	1,604,224	1.46
9 AMSEC Nominees (Tempatan) Sdn. Bhd. AmBank (M) Berhad for Yeoh Cheng Chye (EGB)	875,000	0.80
10 Yeoh Cheng Chye	612,424	0.56
11 Ng Swee Chiang	500,600	0.46
12 Affin Nominees (Asing) Sdn. Bhd. Eassetmanagement Sdn. Bhd. for Giancarlo Maccagno	500,000	0.45
13 Affin Nominees (Tempatan) Sdn. Bhd. Eassetmanagement Sdn. Bhd. for Ter Leong Hing	452,000	0.41
14 Tooh Lucy	423,100	0.39
15 Wong Yang Chong	422,000	0.38
16 Chua Chai Lai	417,000	0.38
17 Goh Li Li	403,000	0.37
18 AMSEC Nominees (Tempatan) Sdn. Bhd. AmBank (M) Berhad for Ng Chee Heong (EGB)	400,000	0.36
19 AMSEC Nominees (Tempatan) Sdn. Bhd. AmBank (M) Berhad for Ma Eng Yau (EGB)	350,000	0.32
20 AMSEC Nominees (Tempatan) Sdn. Bhd. AmBank (M) Berhad for Lee Liang (EGB)	330,000	0.30
21 AMSEC Nominees (Asing) Sdn. Bhd. AmBank (M) Berhad for Taran Tej Singh (EGB)	308,400	0.28
22 HDM Nominees (Tempatan) Sdn. Bhd. Phillip Securities Pte Ltd for Lim Kwee Gee	300,000	0.27
23 Oh Kong Yin	300,000	0.27
24 Kock Nai Suan	290,000	0.26
25 TCL Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Tian Chai	274,900	0.25
26 Lim Ham Choon	249,000	0.23
27 Ter Leong Hing	237,000	0.22
28 AMSEC Nominees (Tempatan) Sdn. Bhd. AmBank (M) Berhad for Goh Cheng Huat (EGB)	210,000	0.19
29 Tan Teng San	202,000	0.18
30 Goh Khang Leng	200,100	0.18
Total	99,114,300	90.10

LIST OF PROPERTIES OWNED BY THE GROUP

Location	Date of Revaluation/ Acquisition	Tenure	Approximate Age of Building	Area (Square metres)	Description	Net book Value at 31 December 2005 RM'000
Eonmetall Technology Sdn Bhd						
Grant 64234, Lot 1258, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	- / 08 August 2000	Freehold	5 yrs	39,159	A factory building is erected on the adjoining parcels of the land	20,099
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	- / 08 August 2000	Freehold	5 yrs	11,198		
Eonmetall Industries Sdn Bhd						
Grant 33124, Lot 385, Mukim 12, Seberang Perai Selatan, Penang.	- / 18 July 2003	Freehold	–	57,509	Vacant Land	4,957
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang.	- / 18 July 2003	Freehold	–	62,887	Vacant Land	

PROXY FORM



(631617-D)

I/We, _____
(Full name in block letters)

of _____
(Address)

being a member / members of Eonmetall Group Berhad hereby appoint _____

_____ (Full name in block letters)
of _____ (Address)

or failing him the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us and on my/our behalf at the THIRD ANNUAL GENERAL MEETING of the Company to be held at 2nd Floor, Lot 1258 & 1259, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Wednesday, 28 June 2006 at 11.00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To receive and adopt the audited Financial Statements.	Resolution 1		
2a.	To re-elect the following Directors :			
	i) Madam Tang Yin Kham	Resolution 2		
	ii) Mr Phee Boon Leng	Resolution 3		
2b.	To re-elect the following Directors:			
	i) Tan Sri Dato' Mohd Desa bin Pachi	Resolution 4		
	ii) Tan Sri Dato' Soong Siew Hoong	Resolution 5		
3.	To approve the Directors' fees.	Resolution 6		
4.	To re-appoint Messrs. KPMG.	Resolution 7		
5a.	Section 132D of the Companies Act, 1965.	Resolution 8		
5b.	Proposed Shareholders' Ratification	Resolution 9		
5c.	Proposed Shareholders' Mandate			
	i. Universal Bedframe Inc., US	Resolution 10		
	ii. Eonlipids Sdn. Bhd.	Resolution 11		
	iv. Leader Steel Sdn. Bhd.	Resolution 12		
SPECIAL RESOLUTION				
5d.	Proposed Amendments to the Memorandum of Association	Resolution 1		

(Please indicate with "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion).

Signed this _____ day of June, 2006.

No. of Ordinary Shares Held

Signature of Shareholder

Notes :

1. A proxy may but need not be a Member or a qualified legal practitioner or an approved company auditor or a person approved by the Registrar. Where a member appoints more than (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a duly notarized certified copy of that power or authority, shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.
4. The details of the Directors standing for re-election as in Agenda 2 are as more particularly disclosed in pages 8 to 10 of the Annual Report of the Company.

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STAMP
HERE

To:
The Company Secretary
Eonmetall Group Berhad (631617-D)
Suite 2-1,2nd Floor
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

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