

As a **VISIONARY** organisation, Eonmetall are dedicated to continuously researching and developing new innovative products to meet changing industrial demands.



***Moving forward***



Sunrise heralds the beginning of another bright, new day and the possibility for opportunities and growth. The sun's rays symbolise optimism, hope and Eonmetall **MOVING FORWARD!**

As ocean waves are in constant motion, always moving forwards, Eonmetall will continue to pursue excellence with an unparalleled dedication, perseverance, drive and **PASSION**.



***Strength***



In a business environment that is affected by the winds of change, Eonmetall have the **STRENGTH** and experience to weather any storm and convert tough challenges into new innovations!



**EONMETALL GROUP BERHAD**

821817-01



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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the FOURTH ANNUAL GENERAL MEETING of shareholders of the Company will be held at 2<sup>nd</sup> Floor, Lot 1258 & 1259, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Monday, 28 May 2007 at 3:00 p.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 2006 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) Dato' Goh Cheng Huat
- ii) Goh Kee Seng

**Ordinary Resolution 2**

**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
- ii) Tan Sri Dato' Soong Siew Hoong

**Ordinary Resolution 4**

**Ordinary Resolution 5**

- 3 To declare a First and Final Tax Exempt Dividend of 5% for the year ended 31 December 2006

**Ordinary Resolution 6**

- 4 To approve Directors' fees for the year ended 31 December 2006.

**Ordinary Resolution 7**

- 5 To re-appoint Messrs. KPMG as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

**Ordinary Resolution 8**

- 6 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 ("the Act") 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 ("Bursa Securities") 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 9**

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### b) 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 Securities, a general mandate of the shareholders be and is hereby granted for the Company and 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 Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); 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 and
- ii) Leader Steel Holdings Berhad and its subsidiaries."

**Ordinary Resolution 10**

### c) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT the amendments to the Articles of Association of the Company contained in Appendix I be and are hereby approved."

**Special Resolution 1**

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

### BY ORDER OF THE BOARD

**LAM VOON KEAN**  
**(MIA 4793)**  
Company Secretary

Penang, 4 May 2007.



## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### **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, 2<sup>nd</sup> 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 12 to 14 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, if passed, will approve the Proposed Shareholders' Mandate and allow the Company and its subsidiaries to enter into the existing 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 Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); 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 Articles of Association of the Company to be in compliance with the recent amendments to Chapter 7 of the Listing Requirements of the Bursa Securities.

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Appendix I

**THAT** the Articles of Association of the Company be amended in the following manner:-

1 (a) *Existing Article 5(1)*

"The holder of a preference share shall be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up."

(b) *The existing Article 5(1) be deleted in its entirety.*

2. (a) *Existing Article 5(2)*

"Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed but the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time. If the Company at any time issues preference capital, it shall indicate at the same time whether it reserves the right to issue further preference capital ranking equally with, or in priority to, preference shares already issued. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or on a proposal to wind up the Company or during the winding up of the Company, or on a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and privileges attached to the shares, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months."

(b) *The existing Article 5(2) be amended by deleting the words "but the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time" in the third line of the Article to be read as follows:-*

"Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. If the Company at any time issues preference capital, it shall indicate at the same time whether it reserves the right to issue further preference capital ranking equally with, or in priority to, preference shares already issued. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or on a proposal to wind up the Company or during the winding up of the Company, or on a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and privileges attached to the shares, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months."

3. (a) *Existing Article 28*

"Subject to the Rules and Listing Requirements, the transfer of any Securities may be suspended at such times and for such periods as the Directors may from time to time determine. Twelve (12) clear market days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) market days prior notice shall be given to the Bursa Depository to prepare the appropriate Record of Depositors."



## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Appendix I

(b) *The present Article 28 be amended to read as follows:-*

"Subject to the Rules and Listing Requirements, the transfer of any Securities may be suspended at such times and for such periods as the Directors may from time to time determine. Any intention to fix a books closing date and the reason therefor, stating the books closing date, which shall be at least ten (10) Market Days after the date of announcement to the Exchange. At least three (3) Market Days prior notice shall be given to the Bursa Depository to prepare the appropriate Record of Depositors."

4. (a) *Existing 37*

"In the event that:-

- (a) the Securities are listed on an Approved Market Place; and
- (b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such Securities,

The Company shall, upon the request of a securities holder, permit a transmission of Securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "Malaysian Register") provided that there shall be no change in ownership of such Securities."

(b) *The existing Article 37 be amended to read as follows:-*

"In the event that:-

- (a) the Securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such Securities,

The Company shall, upon the request of a securities holder, permit a transmission of Securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in ownership of such Securities."

5. (a) *Existing Article 38*

"The Company shall not allow any transmission of Securities from the Malaysian Register to the Foreign Register."

(b) *The existing Article 38 be deleted in its entirety.*

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Appendix I

6. (a) *Existing Article 62*

"The Company shall request the Bursa Depository, in accordance with the Rules, to issue a Record of Depositors, as at a date not less than three (3) Market Days prior to and not including the date of the general meeting (hereinafter referred to as the "General Meeting Record of Depositors")."

(b) *The existing Article 62 be amended to read as follows:-*

"The Company shall also request the Bursa Depository in accordance with the Rules of the Bursa Depository, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than three (3) Market Days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors")."

7. (a) *Existing Article 85*

"All the Directors shall be natural persons of full age and until otherwise determined by general meeting, the number of Directors shall not be less than two (2) or more than fifteen (15), but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum, the continuing Director or Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company but not for any other purpose. The first Directors shall be Hooy Lih Ling and Lee Wai Fang."

(b) *The existing Article 85 be amended by deleting the words "All the Directors shall be natural persons of full age and" in the first line of the Article to be read as follows:-*

"Until otherwise determined by general meeting, the number of Directors shall not be less than two (2) or more than fifteen (15), but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum, the continuing Director or Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company but not for any other purpose. The first Directors shall be Hooy Lih Ling and Lee Wai Fang."

8. (i) (a) *Existing Article 97(a)*

"has a Receiving Order in bankruptcy made against him or makes any arrangement or composition with his creditor generally;"

(b) *The existing Article 97(a) be amended to read as follows:-*

"becomes of unsound mind or bankrupt during his term of office;"

(ii) (a) *Existing Article 97(c)*

"becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;"

(b) *The existing Article 97(c) be deleted in its entirety.*





## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Appendix I

8. (iii) (a) Existing Article 97(f)

"is absent from more than fifty percent (50%) of the total Board of Directors' Meeting held during a financial year."

(b) *The existing Article 97(f) be deleted in its entirety.*

(iv) *Accordingly the sub-articles of the Article 97 be renumbered to read as follows:-*

"The office of a Director shall become vacant if the Director :-

- (a) becomes of unsound mind or bankrupt during his term of office;
- (b) ceases to be a Director by virtue of any provision of the Act or becomes prohibited by law from being a Director;
- (c) resigns from his office by notice in writing to the Company and deposited at the Office of the Company; or
- (d) is removed from his office of Director by resolution of the Company in general meeting of which special notice has been given."

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Tan Sri Dato' Mohd Desa bin Pachi**

*Chairman/ Non-Executive Director*

**Dato' Goh Cheng Huat**

*Managing Director*

**Yeoh Cheng Chye**

*Executive Director*

**Tan Sri Dato' Soong Siew Hoong**

*Non-Executive Director*

**Goh Kee Seng**

*Non-Executive Director*

**Tang Yin Kham**

*Independent Non-Executive Director*

**Ibrahim Mahdi Phee**

*Independent Non-Executive Director*

### COMPANY SECRETARY

**Lam Voon Kean (MIA 4793)**

### AUDIT COMMITTEE

**Tang Yin Kham**

*Chairman*

**Ibrahim Mahdi Phee**

*Member*

**Dato' Goh Cheng Huat**

*Member*

### NOMINATING COMMITTEE

**Tang Yin Kham**

*Chairman*

**Ibrahim Mahdi Phee**

*Member*

**Goh Kee Seng**

*Member*

### REMUNERATION COMMITTEE

**Ibrahim Mahdi Phee**

*Chairman*

**Tang Yin Kham**

*Member*

**Goh Kee Seng**

*Member*

### REGISTERED OFFICE

**Suite 2-1, 2<sup>nd</sup> 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)  
2<sup>nd</sup> 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**

**1<sup>st</sup> Floor, Wisma Penang Garden,**

**42, Jalan Sultan Ahmad Shah, 10050 Penang**

Telephone No : (04) 227 2288

Facsimile No : (04) 227 1888

### PRINCIPAL BANKERS

CIMB Bank Berhad (13491-P)

United Overseas Bank (Malaysia) Bhd (271809-K)

Standard Chartered Bank Malaysia Berhad (115793-P)

Malayan Banking Berhad (3813-K)

### STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad**

**Main Board**

Stock Code : 7217

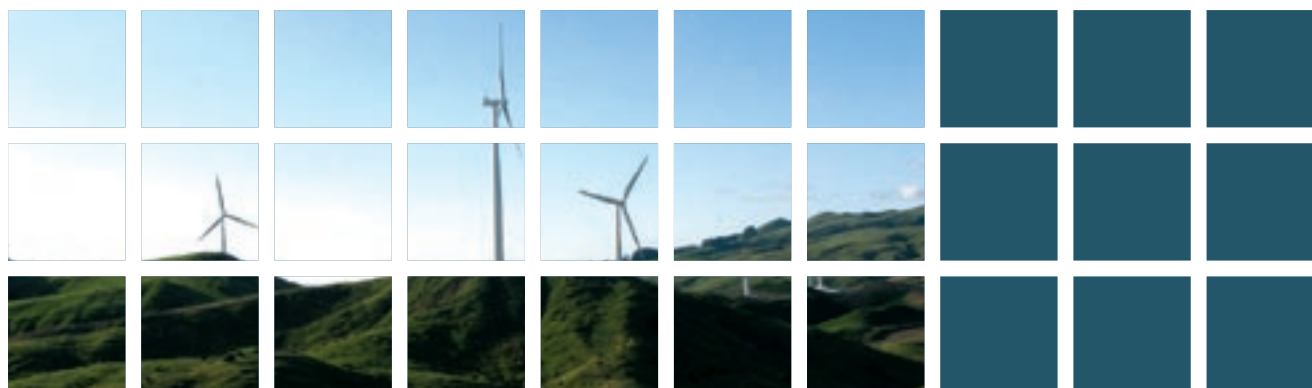
Stock Name : EMETALL

# GROUP STRUCTURE AND PRINCIPAL ACTIVITIES



## GROUP STRUCTURE AND PRINCIPAL ACTIVITIES (cont'd)

Company	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
Eonmetall Industries Sdn Bhd (207322-V) "EMI"	07.11.1990/ Malaysia	2,500,000	100.00	Manufacture and distribution of steel products, focusing on Secondary Flat Steel Products
Eonmetall Technology Sdn Bhd (327604-K) "EMT"	17.12.1994/ Malaysia	2,500,000	100.00	Manufacture of Metalwork Machinery and Equipment
Eonmetall Systems Sdn Bhd (360239-H) "EMS"	19.09.1995/ Malaysia	2,500,000	100.00	Manufacture of steel products, focusing on Steel Storage Systems
Eontarr IT Solutions Sdn Bhd (365987-M) "EIT"	06.11.1995/ Malaysia	100,000	100.00	Provider of IT solutions including software development
Eonchem Technology Sdn Bhd (542450-K) "ECH"	21.03.2001/ Malaysia	1,000,000	100.00	Manufacture of Industrial Process Machinery and Equipment
Eonsteel Sdn Bhd (733791-D) "ESL"	16.05.2006/ Malaysia	2	100.00	Dormant
De Bio Channel (M) Sdn Bhd (735322-H) "DBC"	26.05.2006/ Malaysia	100,000	100.00	Dormant
Eonmetall Petro-Chem (M) Sdn Bhd (768609-M) "EPC"	06.04.07/ Malaysia	2	100.00	Dormant





## PROFILES OF DIRECTORS

### TAN SRI DATO' MOHD DESA BIN PACHI

aged 73, 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 Shell group of companies in 1962 and served in various capacities in the 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 was also Chairman of Bumiputra- Commerce Holdings Berhad until July 2006.

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 Maybank Unit Trust Berhad.

### DATO' GOH CHENG HUAT

aged 46, 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 machine and its 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 products 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, Leader Steel Holdings Berhad.

He is the brother of Goh Kee Seng.



### YEOW CHENG CHYE

aged 38, 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 also 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 with 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 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.

### TAN SRI DATO' SOONG SIEW HOONG

aged 81, Malaysian, is the Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005.

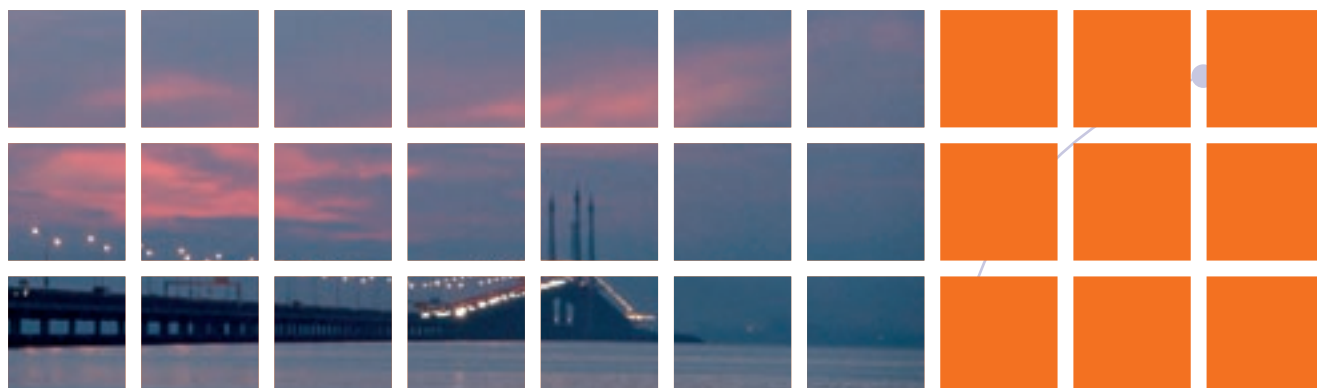
His career started in 1973 when he ventured into manufacturing rubber-processing machinery by establishing Kuan Cheong Engineering Sdn Bhd. The company ceased operation in 2002. He was conferred Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang DiPertuan Agong on 6 June 1998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

On experiences, he has 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 Chairmanship in the Malaysian Iron and Steel Industry Federation (MISIF), 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 51, Malaysian, is the Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005. He graduated from National Taiwan University of Taiwan in year 1979 with a Bachelor of Science Degree in Agricultural Chemistry. His career started in 1980 when he joined Brion Research Institute of Taiwan in year 1981. Following that he spent the rest 10 years on extensive travelling in the Asean countries while taking up regional posting in Brunei, Singapore and Malaysia. In 1981 he started his own business and has since ventured into various industries in software, biotechnology and food industries. Currently he is actively running a regional food business covering from beverage ingredient manufacturing of Eonlipids Sdn Bhd to regional franchise operation in various countries.

He is the brother of Dato' Goh Cheng Huat.

### TANG YIN KHAM

aged 55, 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 public accounting sector. She is a Chartered Accountant of Malaysia Institute of Accountants, a fellow member of the Association of Chartered Certified Accountants, United Kingdom and the Malaysian Institute of Taxation and a member of the Financial Planning Association of Malaysia. 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.

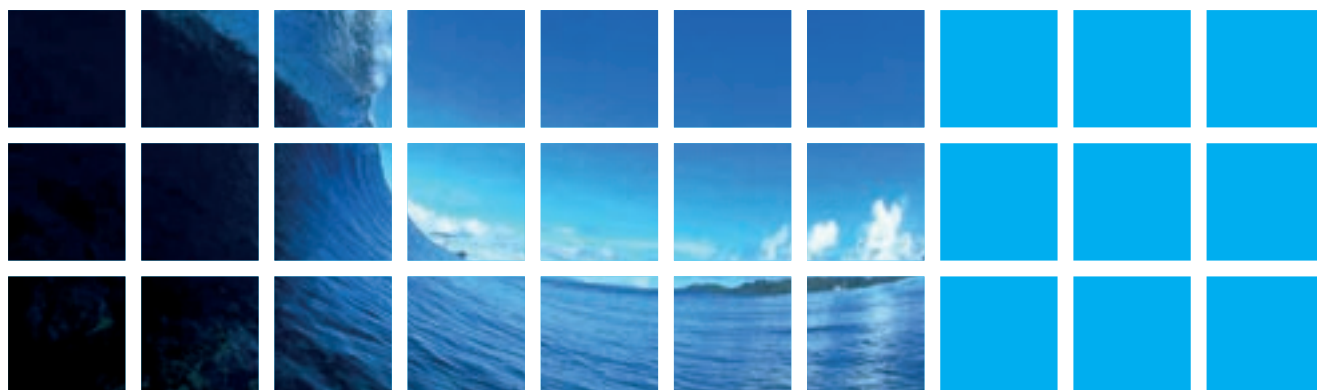
She also sits on the board of several private limited companies and the following public companies:- Rex Industry Berhad and Wong Engineering Corporation Berhad.

### IBRAHIM MAHDI PHEE

aged 35, 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.

#### Notes : Additional Information for Directors

- All the Directors do not have any conflict of interest with the Group.
- All the Directors have not been convicted for any offences within the past ten years other than for traffic offences, if any.
- None of the Directors have any family relationship with any director and/or substantial shareholders of the Company other than Dato' Goh Cheng Huat who is the spouse of Datin' Tan Pak Say.
- The Directors' shareholdings are as disclosed in page 84 of this report.





## CHAIRMAN'S STATEMENT

### Dear Shareholders,

On behalf of the Board of Directors, it is our pleasure to present our Annual Report and Audited Financial Statements of Eonmetall Group Berhad ("Eonmetall") for the financial year ended 31 December 2006.

### Operations Review

Eonmetall was listed on the Second Board of Bursa Malaysia Securities Berhad on 3 August 2005, and subsequently transferred its entire issued and paid-up share capital to the Main Board on the 2 March 2007.

Over the years, Eonmetall has grown and proven itself as the industry leader in the design and fabrication of metalwork and industrial process machinery, manufacturing of secondary flat steel products and steel storage system, and development of information technology solutions.

### Overall Performance

For the financial year ended 2006, Eonmetall has recorded an increase in revenue from RM70.0 million to RM93.9 million, an increase of RM23.9 million as compared to the previous financial period. The Group achieved a profit before tax of RM16.5 million compared to RM26.5 million which is inclusive of a negative goodwill of RM11.9 million recognised for the corresponding financial year.

During this financial period, the Group has embarked on a capacity expansion by constructing a second steel processing manufacturing facility (phase I), a built-up of approximately 28,000 square meters which is expected to commence operations by the second quarter of financial year 2007. Eonmetall is expected to commence operations of its second steel processing manufacturing plant facility (phase II) of another 28,000 square meters by early 2008.

The demand for Eonmetall products is promising, with the export market contributing heavily to the Group's revenue. We have exported to more than 27 countries across Asia, Africa, Europe and North America. Asia and Africa continue to be our biggest export market.



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.



## CHAIRMAN'S STATEMENT (cont'd)

### Outlook and Prospects

Year 2007 is expected to be another bullish year ahead for Eonmetall. Asia will continue to lead the growth in 2007, with the Chinese economy expected to grow above 9%, India at between 8% and 9% and Vietnam above 7%, where the growth in Asia is expected to offset the impact of a slowdown in the US economy. On the domestic front, the Malaysian economy is projected to grow at a sustainable rate of between 5.2% and 5.8% for 2007. Growth will be driven by projects being implemented under the Ninth Malaysia Plan (9MP), to stimulate domestic economy. Lower oil prices, a more vibrant stock market and a stronger ringgit are also expected to be catalysts for global growth. All in all, the macro-economic picture looks vibrant.

With Asia being our biggest export market, we hope to tap on this growth opportunity mainly by expanding our presence in at the ASEAN, Middle East and Africa market. At the same time, Eonmetall shall also embark and take advantage on the domestic demand from the recently announced government blueprint for development.



### Dividend

The Directors recommended a first and final dividend of 5% tax exempt in respect of the year ended 31 December 2006 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

### Bonus Issue

Eonmetall is also glad to announce our recent completion of bonus issue of one (1) new ordinary share for every two (2) existing ordinary shares, allotted on 14 February 2007.

### 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 least, congratulations again to the management team of Eonmetall for the successful transfer of listing from the Second Board to the Main Board of Bursa Malaysia Securities Berhad.



# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Eonmetall Group Berhad (the "Company") fully appreciates the importance of adopting high standards of corporate governance within the Group, comprising the Company and its subsidiaries. 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. BOARD OF DIRECTORS

#### Board duties and responsibilities

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 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 Managing Director and Executive Director, who have vast experience in the business of the Group.

#### Meetings

The Board is scheduled to meet at least four (4) 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 2006, the Board met on four (4) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, strategic decisions and the direction of the Group. The Directors attended all the meetings convened during the year.

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. During the meetings, the Board is briefed on matters dealt with in the agenda and, where appropriate, additional information is made available to Directors. All proceedings of Board meetings 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 and 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 and such reports are normally incorporated in the minutes of the full Board meeting.



## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

### A. BOARD OF DIRECTORS (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 12 to 14 of the Annual Report.

The concept of independence adopted by the Board is in tandem 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 the higher, are independent Directors.

The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations.

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 Dato' Goh Cheng Huat, the Managing Director.

Although the roles of Chairman and the Managing Director are not defined with 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. 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.

### A. BOARD OF DIRECTORS (CONT'D)

#### Supply of information (cont'd)

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. However, where necessary and under appropriate circumstances in furtherance of his duties, any Director may do so with the prior consent and approval of the Chairman.

#### Appointments to the Board

##### *Nominating Committee*

The Nominating Committee comprises the following members:

- Tang Yin Kham
- Ibrahim Mahdi Phee
- Goh Kee Seng
- Chairman, Independent Non-Executive Director
- Independent Non-Executive Director
- 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 for the Committee 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.

The Committee met once during the financial year to review the size and composition of the Board as well as performance of the other Board Committees. The Committee had also discussed and deliberated on the qualifications and contributions of the Board and Nominating Committee with the respective members of the Nominating Committee abstaining from the process. In addition, the Committee deliberated 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.

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. As at the date of this Statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia. The Directors continue to undergo the Continuous Education Program to enhance their skills and knowledge, where relevant.

Subsequent to the repeal of the CEP programme in 2006 and inception of the new requirement that the Board identifies and determines the training needs of its members, the Board takes the view that besides the CEP attended during the year, familiarization visits to the various operational sites would equip its members with a thorough understanding of the Group's operations.

##### *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.

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## A. BOARD OF DIRECTORS (CONT'D)

### Re-election (cont'd)

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.

## B. DIRECTORS' REMUNERATION

### Remuneration Committee

The Remuneration Committee comprises the following members:

- Ibrahim Mahdi Phee - Chairman, Independent Non-Executive Director
- Tang Yin Kham - Independent Non-Executive Director
- Goh Kee Seng - Non-Executive Director

The Committee consists entirely of Non-Executive Directors, a majority of whom are independent. 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 once, 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 Directors' remuneration

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 2006, are as follows:

Directors	Executive Directors RM'000	Non-Executive Directors RM'000	Independent Non- Executive Directors RM'000	Total RM'000
Fees	48	73	48	169
Salary and bonus	1,020	—	—	1,020
Other emoluments	127	56	6	189
<b>Total</b>	<b>1,195</b>	<b>129</b>	<b>54</b>	<b>1,378</b>

The remuneration paid/payable to Directors, analysed into bands of RM50,000 each for the year ended 31 December 2006, is summarised as follows:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	—	4
RM50,001 – RM100,000	—	1
RM300,001 – RM350,000	1	—
RM850,001 – RM900,000	1	—

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

### C. SHAREHOLDERS

The Company recognises the importance of accountability to its shareholders and investors through proper communication. The Board acknowledges that shareholders should be informed of all material business matters which influence the Group. Timely release of quarterly financial results to Bursa Securities and other information and corporate actions taken by the Group that warrant an announcement to Bursa Securities under the Listing Requirements provide shareholders with a current overview of the Group's performance.

Whilst the Annual Report provides a comprehensive source of information on the Group's financial and operational performance, the Annual General Meeting and Extraordinary General Meetings 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 Board and Management welcome any form of visit by fund managers and analysts as the Board believes that this will give investors and interested parties on one hand, a better appreciation and understanding of the Group's performance and on the other, awareness of the expectations and concerns of investors and such interested parties. Besides, the Company also maintains an official web site at [www.eonmetall.com](http://www.eonmetall.com) that provides background information of the Group to the public. However, in any circumstances, 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 23 to 24 of the Annual Report, provides an overview on the state of internal controls within the Group.



## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

### D. ACCOUNTABILITY AND AUDIT (CONT'D)

#### 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 26 to 27 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 page 25 of the Annual Report.

#### Compliance statement

The Group has complied throughout the financial year ended 31 December 2006, 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;
- The Board has not developed position description for the Board and the Managing Director nor has a 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. Moreover, this is due to the current set-up of the Board whereby a majority of the members have been with the Group since its commencement and thus, are cognisant of their respective roles and responsibilities over the years;

This statement is issued in accordance with a resolution of the Directors dated 26 April 2007.



# 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 of public listed companies 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 is pleased to present 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 acknowledges its responsibility for maintaining sound internal control systems to safeguard shareholders' interest and the Group's assets and for reviewing the adequacy and integrity of these systems. 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, inter alia, financial, operational and compliance controls and risk management procedures.

The Board is fully aware of the publication on the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Internal Control Guidance") and has established a process for identifying, evaluating and managing significant risks faced by the Group. The process was established during the financial year subsequent to the listing of the Company on Bursa Securities.

## ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Board fully supports the contents of the Internal Control Guidance and, with the assistance of external consultants and through the Audit Committee, continually reviews the adequacy and effectiveness of the existing risk management processes in place within the Company and principal operating subsidiaries, with the aim of strengthening the risk management function across the Group.

Management is responsible for the management of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so in accordance with the policies adopted by the Board. Further independent assurance is provided by the outsourced internal audit function, which operates across the Group.

The formalisation of an enterprise risk management framework encompasses 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 principal companies 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;
- A risk profile of the Group was developed, which together with a summary of the key findings, was discussed at the Audit Committee meeting; and
- Key Management of each major business unit has been entrusted to prepare action plans, with implementation time scales, to address any risk and control issues; and
- Periodic cycles of internal audit were carried out by a professional firm of consultants which highlighted areas of concerns, including improvement opportunities for Management to strengthen internal control.





## STATEMENT ON INTERNAL CONTROL (cont'd)

### INTERNAL AUDIT FUNCTION

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. Opportunity for improvements to the system of internal control are identified and presented to the Audit Committee via internal audit reports whilst Management formulates the relevant action plans to address the issues noted on a periodic basis.

During the financial year ended 31 December 2006, 2 cycles of internal audit were carried out. The findings of the internal audit function, including its recommendations and Management's responses, were reported to the Audit Committee. In addition, the internal audit function followed up on the implementation of recommendations from previous cycles of internal audit and updated the Audit Committee on the status of Management-agreed action plan implementation.

### 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. The procedures include the establishment of limits of authority coupled with internal checks and appropriate segregation of duties. These procedures are relevant across the 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 vis-à-vis the market situation.

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 2006 resulting from weaknesses in internal control. Management continues to take measures to strengthen the control environment.

This statement is issued in accordance with the resolution of the Directors dated 26 April 2007.

# AUDIT COMMITTEE REPORT

## MEMBERSHIP

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

- |                        |  |
|------------------------|--|
| • Tang Yin Kham        | - Chairman, Independent Non-Executive Director |
| • Ibrahim Mahdi Phee   | - Independent Non-Executive Director           |
| • Dato' 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 on pages 26 to 27 of the Annual Report.

## MEETINGS

The Committee convened five (5) meetings, which were attended by all members, during the financial year. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

The Executive Directors and the Company Secretary were present by invitation in all the meetings. Representatives of the external auditors and internal auditors were also invited to attend the meetings 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 year. The main activities undertaken by the Committee were as follows:

- Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan;
- Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response for the financial year ended 31 December 2006;
- Reviewed the letter of professional independence tabled by KPMG;
- Reviewed and approved the internal audit plan for the financial year 2006;
- Reviewed the reports on internal audit, carried out by an independent firm of consultants, which highlighted the audit issues, recommendations and Management's response, including the implementation status of Management-agreed actions to address findings highlighted in previous cycles of internal audit;
- In respect of the quarterly and year end financial statements, reviewed the Company's compliance with the Bursa Securities Listing Requirements, financial reporting standards and other relevant legal and regulatory requirements, before recommending them for the Board's approval; and
- Reviewed related party transactions entered into by the Group.

## 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.

During the financial year ended 31 December 2006, the internal audit function carried out 2 cycles of internal audit on the internal control system of the Group. The third cycle of internal audit will be performed subsequent to the end of the financial year. The opportunities for improvement noted, together with the recommendations thereof and agreed management action plans, will be presented to the Audit Committee for consideration.

Further details on the internal audit function and its activities are set out in the Statement on Internal Control on pages 23 to 24 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 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 (3) 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 (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he/she is not a member of MIA, he 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 (3) years.

### Quorum and Committee's procedures

Meetings shall be convened at least four (4) 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.

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

#### 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.
- To review and verify the allocation of shares to employees under the Employees' Share Option Scheme.



## ADDITIONAL INFORMATION

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### 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 and/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 RM115,300 for the Group and RM83,700 for the Company were paid to the external auditors for the financial year ended 31 December 2006.

### 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. Status of Utilisation of Proceeds Raised from Any Proposal

As at 31 Decemehr 2006, the Company has fully utilised 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.



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## DIRECTORS' REPORT

for the year ended 31 December 2006

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 2006.

### PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of its subsidiaries are as set out in Note 4 to the financial statements.

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

### RESULTS

	Group RM	Company RM
Profit for the year	<b>14,289,063</b>	<b>23,110,465</b>

### RESERVES AND PROVISIONS

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

### DIVIDEND

No dividend was paid since the end of the previous financial year.

The directors recommended a first and final dividend of 5% tax exempt in respect of the year ended 31 December 2006 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

### DIRECTORS OF THE COMPANY

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

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

(Name change converted from Phee Boon Leng on 26.9.2006)

## 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	Balance at 1.1.2006	Bought	(Sold)	Balance at 31.12.2006
<b>Number of ordinary shares of RM0.50 each</b>				
<b><u>The Company</u></b>				
<i>Direct interest</i>				
Tan Sri Dato' Mohd Desa bin Pachi	150,000	–	–	150,000
Dato' Goh Cheng Huat	10,940,000	6,490,000	–	17,430,000
Yeoh Cheng Chye	1,487,424	–	(436,200)	1,051,224
Tan Sri Dato' Soong Siew Hoong	200,000	–	–	200,000
Goh Kee Seng	1,604,224	–	–	1,604,224
Ibrahim Mahdi Phee	100,000	–	–	100,000
<i>Deemed interest</i>				
Tan Sri Dato' Mohd Desa bin Pachi	15,793,000	–	(10,100,600)	5,692,400
Dato' Goh Cheng Huat	56,032,752	–	–	56,032,752
<b>Number of ordinary shares of RM1.00 each</b>				

### **The holding company**

#### **- Eonmetall Corporation Sdn. Bhd. ("ECSB")**

<i>Direct interest</i>				
Dato' Goh Cheng Huat	2,250,000	–	–	2,250,000
<i>Deemed interest</i>				
Dato' Goh Cheng Huat	250,000	–	–	250,000

### **Related companies of ECSB**

#### **- Eonlipids Sdn. Bhd.**

<i>Direct interest</i>				
Goh Kee Seng	456,000	–	–	456,000
<i>Deemed interest</i>				
Dato' Goh Cheng Huat	1,224,000	–	–	1,224,000

#### **- Eonlipids Nutrition Specialties Sdn. Bhd.**

<i>Deemed interest</i>				
Dato' Goh Cheng Huat	500,000	–	–	500,000
Goh Kee Seng	500,000	–	–	500,000

#### **- Eonlipids Holdings Sdn. Bhd.**

<i>Deemed interest</i>				
Dato' Goh Cheng Huat	2	–	–	2
Goh Kee Seng	2	–	–	2



# DIRECTORS REPORT (cont'd)

## DIRECTORS' INTERESTS (CONT'D)

### Name of Directors

#### The Company

	Number of Options over ordinary shares of RM0.50 each				Balance at 31.12.2006
	Balance at 1.1.2006	Granted	(Exercised)	(Lapsed)	
Tan Sri Dato' Mohd Desa bin Pachi	450,000	—	—	—	450,000
Dato' Goh Cheng Huat	550,000	—	—	—	550,000
Yeoh Cheng Chye	450,000	—	—	—	450,000
Tan Sri Dato' Soong Siew Hoong	350,000	—	—	—	350,000
Goh Kee Seng	350,000	—	—	—	350,000
Tang Yin Kham	350,000	—	—	—	350,000
Ibrahim Mahdi Phee	350,000	—	—	—	350,000

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

## 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) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director are members, or with a company in which the Director have a substantial financial interest other than:

- 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 23 to the financial statements; and
- certain Directors who received fixed salaries as full time employees in a subsidiary.

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 AND DEBENTURES

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

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the Employees' Share Option Scheme ("ESOS" or "the Scheme").

The Company's ESOS 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.

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

The main features of the Scheme are as follows :

- 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;
- 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;

## OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

- 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.
- vi) The option price shall be :
  - a) 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
  - b) 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 Option granted to take up unissued ordinar share RM0.50 each and the option price are as follows :

Date of offer	Option Price RM	Options over number of ordinary shares of RM0.50 each				Balance at 31.12.2006
		Balance at 1.1.2006	Granted	(Lapsed)	(Exercised)	
2 August 2005	*1.00	10,750,000	–	(1,260,000)	–	9,490,000

\* Due to the bonus issue in February 2007, the exercise price has been adjusted accordingly to RM 0.67.

## OTHER STATUTORY INFORMATION

Before the balance sheets and income 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.



## DIRECTORS REPORT (cont'd)

### OTHER STATUTORY INFORMATION (CONT'D)

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
- 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, except for the effects arising from the change in accounting policies, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

### SIGNIFICANT EVENTS DURING THE YEAR

The details of such events are disclosed in Note 27 to the financial statements.

### SUBSEQUENT EVENTS

The details of such events are disclosed in Note 28 to the financial statements.

### AUDITORS

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

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

.....  
**Dato' Goh Cheng Huat**

.....  
**Yeoh Cheng Chye**

Penang,

Date : 26 April 2007

## 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 37 to 83 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 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 :

.....  
**Dato' Goh Cheng Huat**

.....  
**Yeoh Cheng Chye**

Penang,

Date : 26 April 2007

## STATUTORY DECLARATION

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

I, **Dato' 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 37 to 83 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 .....

.....  
**Dato' Goh Cheng Huat**

Before me :

Date : 26 April 2007



## REPORT OF THE AUDITORS

to the members of Eonmetall Group Berhad

We have audited the financial statements set out on pages 37 to 83. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 for entities other than private entities issued by the Malaysian Accounting Standards Board 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 2006 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 : 26 April 2007

# CONSOLIDATED BALANCE SHEET

at 31 December 2006

	Note	2006 RM	2005 RM (Restated)
<b>Assets</b>			
Property, plant and equipment	3	70,838,134	47,721,101
Other investment	5	57,046	32,000
<b>Total non-current assets</b>		<b>70,895,180</b>	47,753,101
Receivables, deposits and prepayments	6	31,107,928	26,815,396
Inventories	7	37,497,716	31,208,205
Current tax assets		875,722	1,051,945
Cash and cash equivalents	8	7,284,020	11,167,427
<b>Total current assets</b>		<b>76,765,386</b>	70,242,973
<b>Total assets</b>		<b>147,660,566</b>	117,996,074
<b>Equity</b>			
Share capital	9	55,000,000	55,000,000
Share premium	10	9,199,959	9,199,959
Share option reserve	11	1,020,546	347,185
Retained earnings		36,545,981	22,256,918
<b>Total equity</b>		<b>101,766,486</b>	86,804,062
<b>Liabilities</b>			
Loans and borrowings	12	7,085,679	2,709,874
Deferred tax liabilities	13	6,695,398	5,420,049
<b>Total non-current liabilities</b>		<b>13,781,077</b>	8,129,923
Payables and accruals	14	10,277,541	6,404,753
Loans and borrowings	12	21,830,962	16,592,599
Current tax liabilities		4,500	64,737
<b>Total current liabilities</b>		<b>32,113,003</b>	23,062,089
<b>Total liabilities</b>		<b>45,894,080</b>	31,192,012
<b>Total equity and liabilities</b>		<b>147,660,566</b>	117,996,074

The notes on pages 46 to 83 are an integral part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2006

## Continuing operations

Revenue

Cost of sales

## Gross profit

Distribution costs

Administrative expenses

Other operating expenses

Other operating income

## Results from operating activities

Finance costs

## Profit before tax

Tax expense

## Profit for the year

## Attributable to :

Shareholders of the Company

## Basic earnings per ordinary share (sen)

## Dividends per ordinary share - gross (%)

Note	2006 RM	2005 RM (Restated)
15	93,887,799	70,012,017
	(62,082,643)	(46,180,979)
	<b>31,805,156</b>	23,831,038
	(4,382,247)	(2,111,386)
	(6,960,121)	(5,207,573)
	(1,827,368)	(238,085)
	815,391	11,874,288
16	<b>19,450,811</b>	28,148,282
18	(2,915,476)	(1,661,083)
	<b>16,535,335</b>	26,487,199
19	(2,246,272)	(258,227)
	<b>14,289,063</b>	26,228,972
	<b>14,289,063</b>	26,228,972
20	<b>8.66</b>	20.93
21	<b>5.00</b>	10.00

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

		Non-distributable			Distributable	
	Note	Share capital RM	Share premium RM	Share option reserve RM	Retained earnings/ (Accumulated losses) RM	Total equity RM
<b>At 1 January 2005</b>		2	–	–	(12,054)	(12,052)
Issue of shares	9					
- 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
Profit for the year						
As previously reported		–	–	–	26,576,157	26,576,157
Effect of adopting FRS 2	29	–	–	347,185	(347,185)	–
As restated		–	–	347,185	26,228,972	26,576,157
Dividends	21	–	–	–	(3,960,000)	(3,960,000)
<b>At 31 December 2005, restated</b>		55,000,000	9,199,959	347,185	22,256,918	86,804,062
Profit for the year		–	–	–	14,289,063	14,289,063
Share-based payment	11	–	–	673,361	–	673,361
<b>At 31 December 2006</b>		<b>55,000,000</b>	<b>9,199,959</b>	<b>1,020,546</b>	<b>36,545,981</b>	<b>101,766,486</b>

The notes on pages 46 to 83 are an integral part of these financial statements.



# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

## Cash flows from operating activities

Profit before tax from continuing operations

### Adjustments for :

Depreciation  
(Gain) /Loss on disposal of plant and equipment  
Interest income  
Interest expense  
Negative goodwill recognised  
Share-based payment  
Plant and equipment written off  
Dividend income

## Operating profit before changes in working capital

Increase in :

Receivables, deposits and prepayments  
Inventories

Increase/(Decrease) in payables and accruals

## Cash generated from/(used in) operations

Tax paid

## Net cash generated from/(used in) operating activities

## Cash flows from investing activities

Purchase of other investment  
Acquisition of subsidiaries, net of cash acquired  
Purchase of property, plant and equipment  
Proceeds from disposal of plant and equipment  
Withdrawal/(Placement) of deposit with a licensed bank  
Interest received  
Dividend received

## Net cash used in investing activities

## Cash flows from financing activities

Short term borrowings, net  
Repayment of term loans  
Repayment of finance lease creditors  
Share issue expenses paid  
Proceeds from rights and public issue  
Interests paid  
Dividends paid to shareholders of the company  
Drawdown of term loan

## Net cash generated from financing activities

Net (decrease)/increase in cash and cash equivalents

Cash and cash equivalents at 1 January

## Cash and cash equivalents at 31 December

Note	2006 RM	2005 RM (Restated)
	16,535,335	26,487,199
3	4,326,997	3,176,130
	(82,973)	92,753
	(96,996)	(197,073)
18	2,915,476	1,661,083
	–	(11,851,957)
11	673,361	347,185
	14,148	–
	(2,500)	–
	24,282,848	19,715,320
	(4,292,532)	(5,955,181)
	(6,289,511)	(10,983,107)
	3,872,788	(5,745,117)
	17,573,593	(2,968,085)
	(854,237)	(2,060,842)
	16,719,356	(5,028,927)
	(25,046)	–
4	–	8,415
A	(27,589,975)	(2,310,319)
	214,770	601,106
8	77,072	(77,072)
	96,996	197,073
	1,800	–
	(27,224,383)	(1,580,797)
	2,785,000	3,047,275
	(855,764)	(656,342)
	(41,355)	(12,670)
	–	(1,800,041)
	–	22,022,359
18	(2,915,476)	(1,661,083)
21	–	(3,960,000)
	5,595,375	–
	4,567,780	16,979,498
	(5,937,247)	10,369,774
	10,369,776	2
B	4,432,529	10,369,776

## CONSOLIDATED CASH FLOW STATEMENT (cont'd)

for the year ended 31 December 2006

Notes

### A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM27,589,975 (2005 : RM2,542,319) of which RM Nil (2005 : RM232,000) was acquired through finance lease. The balance of RM27,589,975 (2005 : 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:

	Note	2006 RM	2005 RM
Deposits with licensed banks (excluding deposits pledged)	8	80,031	8,350,000
Cash and bank balances	8	7,203,989	2,740,355
Bank overdrafts	12	(2,851,491)	(720,579)
		<b>4,432,529</b>	10,369,776

The notes on pages 46 to 83 are an integral part of these financial statements.

# BALANCE SHEET

at 31 December 2006

## Assets

Investments in subsidiaries

## Total non-current assets

Receivables, deposits and prepayments

Cash and cash equivalents

## Total current assets

## Total assets

## Equity

Share capital

Share premium

Share option reserve

Retained earnings

## Total equity

## Liabilities

Payables and accruals

Current tax liabilities

## Total current liabilities

## Total equity and liabilities

Note	2006 RM	2005 RM (Restated)
4	<b>44,899,243</b>	44,257,146
	<b>44,899,243</b>	44,257,146
6	<b>43,973,318</b>	12,390,770
8	<b>33,530</b>	8,408,224
	<b>44,006,848</b>	20,798,994
	<b>88,906,091</b>	65,056,140
9	<b>55,000,000</b>	55,000,000
10	<b>9,199,959</b>	9,199,959
11	<b>1,020,546</b>	347,185
	<b>23,488,598</b>	378,133
	<b>88,709,103</b>	64,925,277
14	<b>192,488</b>	99,263
	<b>4,500</b>	31,600
	<b>196,988</b>	130,863
	<b>88,906,091</b>	65,056,140

# INCOME STATEMENT

for the year ended 31 December 2006

	Note	2006 RM	2005 RM (Restated)
<b>Continuing operations</b>			
Revenue	15	<b>26,804,020</b>	6,138,321
Administrative expenses		<b>(563,954)</b>	(216,674)
Other operating income		–	140
<b>Results from operating activities</b>	16	<b>26,240,066</b>	5,921,787
Tax expense	19	<b>(3,129,601)</b>	(1,571,600)
<b>Profit for the year</b>		<b>23,110,465</b>	4,350,187
<b>Dividends per ordinary share - gross (%)</b>	21	<b>5.00</b>	10.00

The notes on pages 46 to 83 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

			Non-distributable		Distributable	
		Share capital RM	Share premium RM	Share option reserve RM	Retained earnings/ (Accumulated losses) RM	Total equity RM
<b>At 1 January 2005</b>		2	–	–	(12,054)	(12,052)
Issue of shares	9					
- 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
Profit for the year / Share-based payments						
As previously reported		–	–	–	4,417,865	4,417,865
Effect of adopting FRS 2	29	–	–	347,185	(67,678)	279,507
As restated		–	–	347,185	4,350,187	4,697,372
Dividends	21	–	–	–	(3,960,000)	(3,960,000)
<b>At 31 December 2005, restated</b>		55,000,000	9,199,959	347,185	378,133	64,925,277
Profit for the year		–	–		23,110,465	23,110,465
Share-based payment	11	–	–	673,361	–	673,361
<b>At 31 December 2006</b>		<b>55,000,000</b>	<b>9,199,959</b>	<b>1,020,546</b>	<b>23,488,598</b>	<b>88,709,103</b>

# CASH FLOW STATEMENT

for the year ended 31 December 2006

	Note	2006 RM	2005 RM (Restated)
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		26,240,066	5,921,787
<b>Adjustments for :</b>			
Dividends income	15	(26,711,112)	(6,000,000)
Interest income	15	(92,908)	(138,321)
Share-based payment	11	131,266	67,678
<b>Operating loss before changes in working capital</b>		<b>(432,688)</b>	<b>(148,856)</b>
Increase in receivables, deposits and prepayments		(31,582,548)	(12,390,770)
Increase in payables and accruals		93,225	87,209
<b>Cash used in operations</b>		<b>(31,922,011)</b>	<b>(12,452,417)</b>
Dividends received		23,600,000	4,460,000
Tax paid		(45,589)	–
<b>Net cash used in operating activities</b>		<b>(8,367,600)</b>	<b>(7,992,417)</b>
<b>Cash flows from investing activity</b>			
Interest received	15	92,908	138,321
<b>Net cash generated from investing activity</b>		<b>92,908</b>	<b>138,321</b>
<b>Cash flows from financing activities</b>			
Investment in new subsidiaries		(100,002)	–
Proceeds from rights and public issue		–	22,022,359
Dividends paid to shareholder of the company	21	–	(3,960,000)
Share issue expenses paid		–	(1,800,041)
<b>Net cash (used in)/generated from financing activities</b>		<b>(100,002)</b>	<b>16,262,318</b>
Net (decrease)/increase in cash and cash equivalents		<b>(8,374,694)</b>	<b>8,408,222</b>
Cash and cash equivalents at 1 January		<b>8,408,224</b>	<b>2</b>
<b>Cash and cash equivalents at 31 December</b>	8	<b>33,530</b>	<b>8,408,224</b>

Note

## Acquisition of new subsidiaries

During the previous financial 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 on pages 46 to 83 are an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

Eonmetall Group Berhad ("EGB") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Bursa Malaysia Securities Berhad. EGB was transferred from the Second Board to the Main Board of the Bursa Malaysia Securities Berhad with effect from 2 March 2007.

The addresses of its registered office and principal place of business are as follows:

### **Registered office**

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

### **Principal place of business**

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

The consolidated financial statements as at and for the financial year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the financial year ended 31 December 2006 do not include other entities.

The Company is principally engaged as an investment holding company. The principal activities of its subsidiaries are as set out in Note 4 to the financial statements.

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

## **1. BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. BASIS OF PREPARATION (CONT'D)

#### (a) Statement of compliance (Cont'd)

The MASB has issued the following Financial Reporting Standards ("FRSs") and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements :

Standard/Interpretation	Effective date
FRS 117, Leases	1 October 2006
FRS 124, Related Party Disclosures	1 October 2006
FRS 139, Financial Instruments : Recognition and Measurement	To be announced
Amendment to FRS 119 <sub>2004'</sub> Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129 <sub>2004</sub> Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

The Group and the Company plan to apply FRS 117 and FRS 124 initially for the annual period beginning 1 January 2007 and to apply FRS 139 (which its effective date has yet to be announced), for the annual period beginning 1 January 2008.

By virtue of the exemptions granted in the transitional provision of the respective FRSs, the impact of applying FRS 117, FRS124 and FRS 139 on its financial statements upon first adoption of these standards as required by paragraph 30 (b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.





## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. BASIS OF PREPARATION (CONT'D)

#### (a) Statement of compliance (Cont'd)

FRS 6, the Amendment to FRS 119<sup>2004</sup>, the Amendment to FRS 121 and the Interpretations listed above are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

The effects of adopting the new/revised FRSs in 2006 are set out in Note 29.

The financial statements were approved by the Board of Directors on 26 April 2007.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

#### (d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 6 - measurement of allowance for doubtful debts.

Note 13 - recognition of unutilised tax losses and capital allowances.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

Certain comparative financial statements have been restated to take into account the effect of adopting FRS 2, Share-based Payment, FRS 133, Earning Per Share (see Note 29) and to conform with current year's presentation (see Note 30).

#### (a) Basis of consolidation

##### (i) Subsidiaries

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

##### (ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

##### (iii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) Foreign currency

##### (i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

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

	2006 RM	2005 RM
1 US Dollar	3.53	3.77
1 Euro	4.65	5.20

#### (c) Property, plant and equipment

##### (i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

##### (ii) Subsequent costs

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Property, plant and equipment (Cont'd)

#### (iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

	%
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

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date

### (d) Impairment of assets

The carrying amounts of assets except for inventories and financial assets (other than investment in a subsidiaries) are measured at fair value are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

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

An impairment loss in respect of other assets, impairment losses recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Investment in equity securities

Investment in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition, investments in non-current equity securities other than investments in subsidiaries, are stated at cost less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

The investment in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to :

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

#### (f) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

#### (g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

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

#### (h) 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (i) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

#### (j) Provisions

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

#### *Contingent liabilities*

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

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

#### (k) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

#### (l) Revenue

##### *(i) Goods sold*

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

##### *(ii) Services*

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 surveys of work performed.

##### *(iii) Construction contracts*

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (l) Revenue (Cont'd)

##### *(iv) Dividend income*

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

#### **(m) Interest income and borrowing costs**

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

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

#### **(n) Tax expense**

Tax expense comprises current and deferred tax. Tax expense 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 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 recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

#### **(o) Employee benefits**

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

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

The Group's contribution to the Employee's Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Employee benefits (Cont'd)

#### (ii) *Share-based payment transactions*

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, Share-based Payment, the grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee stock options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

### (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. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

### (q) Share capital

#### *Shares issue expenses*

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

### (r) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### (s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Factory buildings RM	Plant and machinery, tools and equipment RM	Furniture, fittings, office equipment and computer software RM	Motor vehicles RM	Electrical installation and renovation RM	Capital work-in-progress RM	Total RM
<b>Cost</b>								
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
Disposals	–	–	(750,962)	(2,367)	–	–	–	(753,329)
At 31 December 2005/ 1 January 2006	9,776,654	15,410,000	23,628,722	771,146	881,062	332,151	38,026	50,837,761
Additions	2,866,196	13,200	1,796,104	845,843	52,000	1,708,135	20,308,497	27,589,975
Disposals	–	–	(147,782)	–	(12,000)	–	–	(159,782)
Write off	–	–	–	(20,727)	–	–	–	(20,727)
At 31 December 2006	12,642,850	15,423,200	25,277,044	1,596,262	921,062	2,040,286	20,346,523	78,247,227
<b>Accumulated depreciation</b>								
Depreciation for the year	–	130,593	2,646,234	161,129	179,461	58,713	–	3,176,130
Disposals	–	–	(58,208)	(1,262)	–	–	–	(59,470)
At 31 December 2005 / 1 January 2006	–	130,593	2,588,026	159,867	179,461	58,713	–	3,116,660
Depreciation for the year	–	157,083	3,594,980	256,702	175,195	143,037	–	4,326,997
Disposals	–	–	(26,185)	–	(1,800)	–	–	(27,985)
Write off	–	–	–	(6,579)	–	–	–	(6,579)
At 31 December 2006	–	287,676	6,156,821	409,990	352,856	201,750	–	7,409,093
Carrying amounts								
At 31 December 2005/ 1 January 2006	9,776,654	15,279,407	21,040,696	611,279	701,601	273,438	38,026	47,721,101
At 31 December 2006	<b>12,642,850</b>	<b>15,135,524</b>	<b>19,120,223</b>	<b>1,186,272</b>	<b>568,206</b>	<b>1,838,536</b>	<b>20,346,523</b>	<b>70,838,134</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

#### 3.1 Assets under finance lease

Included in property, plant and equipment of the Group are motor vehicles acquired under finance lease agreements with a net book value of RM191,527 (2005 : RM243,982).

#### 3.2 Securities

At 31 December 2006, property, plant and equipment with a carrying amount of RM14,910,624 (2005 : RM25,056,061) are subject to registered charge to secure bank loans and borrowings (see Note 12).

#### 3.3 Adjustments to fair value

The freehold land and buildings of a subsidiary acquired in 2005 had 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 in the previous year has been increased by RM9,084,669 with the corresponding adjustment made to negative goodwill.

### 4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 RM	2005 RM
At cost :		
Unquoted shares	44,077,641	43,977,639
Add : Effect of adopting FRS 2 (Note 29)	821,602	279,507
	<b>44,899,243</b>	<b>44,257,146</b>

Details of the subsidiaries are as follows :

Name of subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest	
				2006 %	2005 %
Eonmetall Industries Sdn. Bhd.		Malaysia	Manufacture and distribution of steel products, focusing on secondary flat steel products	100	100
Eonmetall Technology Sdn. Bhd.		Malaysia	Manufacture of metalwork machinery and equipment	100	100
Eonmetall Systems Sdn. Bhd.		Malaysia	Manufacture of steel products, focusing on steel storage systems	100	100
Eontarr IT Solutions Sdn. Bhd.		Malaysia	Provider of IT solutions including software development	100	100
Eonchem Technology Sdn. Bhd.		Malaysia	Manufacture of industrial process machinery and equipment	100	100
Eonsteel Sdn. Bhd.	27	Malaysia	Dormant	100	—
De Bio Channel (M) Sdn. Bhd.	27	Malaysia	Dormant	100	—

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 4. INVESTMENTS IN SUBSIDIARIES (CONT'D)

At 28 February 2005, the Company acquired 100% equity interests in all the subsidiaries at 31 December 2005, 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 net assets acquired, negative goodwill and cash flow arising from the acquisition in the previous year were as follows :

	Note	At date of acquisition RM
Property, plant and equipment	3	49,048,771
Other investments		32,000
Inventories		20,225,098
Receivables, deposits and prepayments		20,860,215
Current tax assets		430,276
Cash and cash equivalents		4,819,103
Payables and accruals		(12,137,816)
Loans and borrowings		(20,782,319)
Current tax liabilities		(1,100,334)
Deferred tax liabilities		(5,565,398)
Fair value of net assets acquired at 28 February 2005		55,829,596
Negative goodwill		(11,851,957)
Total purchase consideration		43,977,639
Purchase consideration discharged by shares issued	9	(43,977,639)
Add : Cash and cash equivalents of subsidiaries acquired		8,415
Cash inflow of the Group on acquisition		8,415

### 5. OTHER INVESTMENT

	Group 2006 RM	2005 RM
<b>Non-current</b>		
At cost :		
Quoted shares in Malaysia, at cost	57,046	32,000
Market value	53,500	9,800

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 6. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Trade</b>					
Related company		–	4,009	–	–
Company in which certain Directors have substantial financial interests		<b>538,317</b>	225,344	–	–
Others		<b>28,086,617</b>	24,902,853	–	–
		<b>28,624,934</b>	25,132,206	–	–
Less : Allowance for doubtful debts		<b>(1,284,438)</b>	(1,284,438)	–	–
a		<b>27,340,496</b>	23,847,768	–	–
<b>Non-trade</b>					
Subsidiaries	b	–	–	<b>43,972,318</b>	12,368,809
Other receivables		<b>204,412</b>	1,071,639	–	20,961
Deposits		<b>3,300,778</b>	725,175	<b>1,000</b>	1,000
Prepayments		<b>262,242</b>	1,170,814	–	–
		<b>3,767,432</b>	2,967,628	<b>43,973,318</b>	12,390,770
		<b>31,107,928</b>	26,815,396	<b>43,973,318</b>	12,390,770

#### Note a

Trade receivables denominated in currencies other than the functional currency comprise RM18,565,107 (2005 : RM15,831,313) of trade receivables denominated in US Dollar and RM1,744,132 (2005 : RM Nil) denominated in EURO.

Trade receivables net of allowance for doubtful debts which are outstanding for more than 1 year amounted to RM12,047,039 (2005 : RM2,972,766). The directors are of the opinion that these debts are recoverable.

#### Note b

The non-trade amount due from to subsidiaries is unsecured, interest-free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 7. INVENTORIES - GROUP

At cost

	2006 RM	2005 RM
Raw materials	12,418,761	10,153,663
Work-in-progress	11,000,976	14,718,670
Manufactured inventories	13,007,407	5,265,300
Construction-in-progress	1,040,472	1,040,472
Trading inventories	30,100	30,100
	<b>37,497,716</b>	<b>31,208,205</b>

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

	2006 RM	2005 RM
Cost of construction-in-progress	4,161,887	4,161,887
Add : Attributable profits	478,585	478,585
	<b>4,640,472</b>	<b>4,640,472</b>
Less : Progress billings	(3,600,000)	(3,600,000)
	<b>1,040,472</b>	<b>1,040,472</b>

### 8. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash and bank balances	7,203,989	2,740,355	33,530	58,224
Fixed deposit with a licensed bank	80,031	77,072	–	–
Short term deposits with a licensed bank	–	8,350,000	–	8,350,000
	<b>7,284,020</b>	<b>11,167,427</b>	<b>33,530</b>	<b>8,408,224</b>

At the previous financial year end, fixed deposits of the Group of RM77,072 was pledged to the bank as collateral for bank facilities granted to a subsidiary. 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 were restricted in utilisation for purposes as approved by the Securities Commission.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 9. SHARE CAPITAL

	Group and Company			
	2006 RM	2006 Number of shares	2005 RM	2005 Number of shares
Ordinary shares of RM0.50 each				
Authorised :				
Balance at beginning of year	100,000,000	200,000,000	100,000	200,000
Created during the year	–	–	99,900,000	199,800,000
Balance at end of year	100,000,000	200,000,000	100,000,000	200,000,000
Issued and fully paid :				
Balance at beginning of year	55,000,000	110,000,000	2	4
Issued during the year :				
Acquisition of subsidiaries	–	–	43,977,639	87,955,278
Rights issue	–	–	22,359	44,718
Public issue	–	–	11,000,000	22,000,000
	–	–	54,999,998	109,999,996
Balance at end of year	55,000,000	110,000,000	55,000,000	110,000,000

#### 9.1 Ordinary shares issued for acquisition of subsidiaries

During the previous 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 at 31 December 2005. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

#### 9.2 Rights issue

During the previous 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.

#### 9.3 Public issue

During the previous 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. SHARE PREMIUM - GROUP AND COMPANY

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 11. SHARE OPTION RESERVE, NON - DISTRIBUTABLE

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

*Share-based payment*

The number and exercise price of share options are as follows :

	<b>Group and Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>Number of</b>	<b>Number of</b>
	<b>options</b>	<b>options</b>
		<b>(Restated)</b>
Outstanding at 1 January	<b>10,750,000</b>	–
Granted during the year	–	11,040,000
Lapsed during the year	<b>(1,260,000)</b>	(290,000)
Outstanding at 31 December	<b>9,490,000</b>	10,750,000
Exercisable at 31 December	<b>3,796,000</b>	2,150,000

The options outstanding at 31 December 2006 have an exercise price of RM1.00 and a contractual life of 5 years. Due to the bonus issue in February 2007, the exercise price has been adjusted accordingly to RM0.67

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 11. SHARE OPTION RESERVE, NON - DISTRIBUTABLE (CONT'D)

The fair value of services received in return for share options granted is based on the fair value of share options granted to Directors and employees of the Group and of the Company measured using a binomial lattice model, with the following inputs :

	Group and Company	
	2006 RM	2005 (Restated)
<b>Fair value per share option and assumptions</b>		
Fair value at grant date based on the following vesting dates :		
2 August 2005	–	0.182
2 August 2006	–	0.215
2 August 2007	–	0.245
2 August 2008	–	0.265
2 August 2009	–	0.278
Share price at grant date	<b>1.00</b>	1.00
Exercise price	<b>1.00</b>	1.00
Expected volatility (weighted average volatility)	<b>35%</b>	35%
Option life (expected weighted average life)	<b>5 years</b>	5 years
Expected dividends	<b>2.5%</b>	2.5%
Risk-free interest rate (based on Malaysian government bonds)	<b>3.238%</b>	3.238%

#### Value of employee services received for issue of share options

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Total expense recognised as share-based payment</b>				
- Share options granted in 2005	<b>673,361</b>	347,185	<b>131,266</b>	67,678



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 12. LOANS AND BORROWINGS

### Non-current

#### Secured

Term loans  
Finance lease liabilities

Group	
2006	2005
RM	RM
6,952,557	2,533,250
133,122	176,624
<b>7,085,679</b>	<b>2,709,874</b>

### Current

#### Secured

Bank overdrafts  
Bankers' acceptances  
Term loans  
Finance lease liabilities

–	675,641
–	2,016,000
<b>1,301,618</b>	<b>981,314</b>
<b>44,853</b>	<b>42,706</b>
<b>1,346,471</b>	<b>3,715,661</b>

#### Unsecured

Bank overdrafts  
Bankers' acceptances  
Short term advance

<b>2,851,491</b>	44,938
<b>17,633,000</b>	10,174,000
–	2,658,000
<b>20,484,491</b>	<b>12,876,938</b>
<b>21,830,962</b>	<b>16,592,599</b>

## 12. LOANS AND BORROWINGS (CONT'D)

### a) Interest rates

Bank overdrafts	0.75% to 1.75% (2005 : 0.75% to 2.50%) above prevailing base lending rates per annum
Bankers' acceptances	0.75% to 1.25% (2005 : 0.75% to 2.00%) above cost of funds per annum
Short term advances	Nil (2005 : 1.00%) above prevailing base lending rate per annum
Finance lease liabilities	2.34% to 2.37% (2005 : 2.34% to 2.37%) per annum
Term loans	
- floating rates	1.00% (2005 : 1.00%) above cost of funds per annum
- fixed rates	4.00% - 5.60% (2005 : 9.00%) per annum

### b) Securities

#### Secured bank overdrafts and bankers' acceptances

During the previous financial year, the above borrowings were secured by way of fixed charges over a subsidiary's entire freehold land and factory buildings.

#### Term loans

Term loans are secured by way of a fixed charge over the following carrying amounts :

- i) Certain subsidiaries' freehold lands of RM7,956,724 (2005 : RM4,956,653); and
- ii) Plant and machinery, moulds and, tools and equipment of RM6,953,900 (2005 : RM Nil).

#### Finance lease liabilities

Finance lease liabilities are effectively secured as the rights to the assets under finance lease revert to the lessor in the event of default.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 12. LOANS AND BORROWINGS (CONT'D)

### c) Terms and repayment schedule

	Year of maturity	Carrying amount RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	Over 5 years RM
<b>Group</b>						
<b>2006</b>						
Secured						
Term loans	2010 – 2017	8,254,175	1,301,618	1,357,390	4,369,771	1,225,396
Finance lease liabilities	2010	177,975	44,853	47,002	86,120	–
Unsecured						
Bank overdrafts	2007	2,851,491	2,851,491	–	–	–
Bankers' acceptances	2007	17,633,000	17,633,000	–	–	–
		<b>28,916,641</b>	<b>21,830,962</b>	<b>1,404,392</b>	<b>4,455,891</b>	<b>1,225,396</b>
<b>2005</b>						
Secured						
Term loans	2007 – 2012	3,514,564	981,314	436,907	1,449,473	646,870
Bank overdrafts	2006	675,641	675,641	–	–	–
Bankers' acceptances	2006	2,016,000	2,016,000	–	–	–
Finance lease liabilities	2010	219,330	42,706	44,853	131,771	–
Unsecured						
Bank overdrafts	2006	44,938	44,938	–	–	–
Bankers' acceptances	2006	10,174,000	10,174,000	–	–	–
Short term advances	2006	2,658,000	2,658,000	–	–	–
		<b>19,302,473</b>	<b>16,592,599</b>	<b>481,760</b>	<b>1,581,244</b>	<b>646,870</b>

The term loans of the Group are repayable by equal monthly instalments over a period of 5 to 10 years.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 12. LOANS AND BORROWINGS (CONT'D)

#### d) Finance lease liabilities

The finance lease liabilities are payable as follows :

Group	2006			2005		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Between 1 year	51,876	7,023	44,853	51,876	9,170	42,706
1 to 2 years	51,876	4,874	47,002	51,876	7,023	44,853
2 to 5 years	89,511	3,391	86,120	141,387	9,616	131,771
	<b>193,263</b>	<b>15,288</b>	<b>177,975</b>	<b>245,139</b>	<b>25,809</b>	<b>219,330</b>

### 13. DEFERRED TAX LIABILITIES

The recognised deferred tax liabilities are as follows :

	Group	
	2006 RM	2005 RM
Property, plant and equipment		
- capital allowances	4,615,000	3,291,651
- fair value adjustment	2,333,398	2,333,398
Other deductible temporary differences	(253,000)	(205,000)
	<b>6,695,398</b>	<b>5,420,049</b>

*Movement of temporary differences during the year*

	Group	
	2006 RM	2005 RM
At 1 January/Acquisition date	5,420,049	5,565,398
Recognised in the income statement	1,275,349	(145,349)
At 31 December	<b>6,695,398</b>	<b>5,420,049</b>

#### Unrecognised deferred tax liabilities

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

	Group	
	2006 RM	2005 RM
Taxable temporary differences	15,404	20,922
Unutilised tax losses	(665,780)	(588,408)
Unabsorbed capital allowance	(19,382)	(16,034)
	<b>(669,758)</b>	<b>(583,520)</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 13. DEFERRED TAX LIABILITIES (CONT'D)

The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation unless there is substantial change in shareholders (more than 50%). If there is substantial change in shareholders, the entire unutilised tax losses and unabsorbed capital allowances will not be available to the Group. 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 there from.

### 14. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Trade</b>					
Company in which a Director has a substantial financial interest		82,616	35	–	–
Others		5,488,916	2,560,454	–	–
	a	5,571,532	2,560,489	–	–
<b>Non-trade</b>					
Related companies	b	–	57,990	–	–
Company in which a Director has a substantial financial interest	b	–	2,302	–	–
Amount due to a Director	b	600	600	–	–
Other payables		2,925,565	2,428,436		99,263
Accrued expenses		1,779,844	1,354,936	192,488	–
		4,706,009	3,844,264	192,488	99,263
		10,277,541	6,404,753	192,488	99,263

#### Note a

Payables denominated in currencies other than functional currency comprise RM2,247,410 (2005 : RM805,217) of trade payables denominated in US Dollar.

#### Note b

The amounts due to related companies, company in which a Director has a substantial financial interest and a Director are unsecured, interest-free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 15. REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Invoiced value of goods sold less discounts and returns	<b>93,794,891</b>	69,873,696	–	–
Interest income	<b>92,908</b>	138,321	<b>92,908</b>	138,321
Gross dividends from subsidiaries	–	–	<b>26,711,112</b>	6,000,000
	<b>93,887,799</b>	70,012,017	<b>26,804,020</b>	6,138,321

### 16. RESULTS FROM OPERATING ACTIVITIES

Results from operating activities are arrived at :

	Group		Company	
	2006 RM	2005 RM (Restated)	2006 RM	2005 RM (Restated)
After charging :				
Auditors' remuneration				
Current year				
- Statutory audit	<b>78,000</b>	66,667	<b>20,000</b>	20,000
- Other services	<b>115,300</b>	182,100	<b>83,700</b>	163,000
Prior year				
- Other services	–	19,100	–	–
Directors' emoluments				
Directors of the Company				
- Fees	<b>169,417</b>	70,000	<b>169,417</b>	70,000
- Others	<b>1,208,602</b>	888,666	<b>20,500</b>	7,000
Directors of the subsidiaries				
- Others	<b>44,800</b>	134,400	–	–
Loss on foreign exchange	–	–	–	–
- realised	–	8,424	–	–
- unrealised	<b>1,631,315</b>	178,700	–	–
Depreciation (Note 3)	<b>4,326,997</b>	3,176,130	–	–
Loss on disposal of plant and equipment	–	92,753	–	–
Rental of premises	<b>350,283</b>	16,384	–	–
Research and development	<b>469,398</b>	361,852	–	–
Share-based payment (Note 11)	<b>673,361</b>	347,185	<b>131,266</b>	67,678
Plant and equipment written off	<b>14,148</b>	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 16. RESULTS FROM OPERATING ACTIVITIES (CONT'D)

and crediting :

Dividend income from :

- other investments

- subsidiaries

Negative goodwill recognised

Allowance for doubtful debts written back

Profit from sale of raw materials

Gain on foreign exchange

- realised

Interest income

Gain on disposal of plant and equipment

Group		Company	
2006	2005	2006	2005
RM	RM	RM	RM
	(Restated)		(Restated)
2,500	—	—	—
—	—	26,711,112	6,000,000
—	11,851,957	—	—
—	342,505	—	—
—	130,000	—	—
562,115	—	—	—
96,996	197,073	92,908	138,321
82,973	—	—	—

### 17. EMPLOYEE INFORMATION

Staff costs (including executive Directors)

Group	
2006	2005
RM	RM
7,601,033	5,834,647

Included in the staff costs above are :

- an amount of RM469,398 (2005 : RM361,852) charged out as research and development expenses disclosed under Note 16 to the financial statements; and
- an amount of RM564,473 (2005 : RM458,897) representing contributions made to the Employees' Provident Fund.

### 18. FINANCE COSTS

Interest expense on :

Bank overdrafts

Term loans

Finance lease liabilities

Bankers' acceptances

Others

Group	
2006	2005
RM	RM
120,403	150,521
325,893	356,921
10,521	1,485
676,744	582,288
1,781,915	569,868
2,915,476	1,661,083

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 19. TAX EXPENSE

#### Recognised in the income statement

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Current tax expense</b>				
Current year	<b>1,110,439</b>	949,602	<b>3,129,112</b>	1,571,600
Prior year	<b>(139,516)</b>	(546,026)	<b>489</b>	–
Total current tax recognised in the income statement	<b>970,923</b>	403,576	<b>3,129,601</b>	1,571,600
<b>Deferred tax expense</b>				
Current	<b>662,000</b>	(108,349)	–	–
Prior year	<b>613,349</b>	(37,000)	–	–
Total deferred tax recognised in the income statement	<b>1,275,349</b>	(145,349)	–	–
Total tax expense	<b>2,246,272</b>	258,227	<b>3,129,601</b>	1,571,600

#### Recognised in the income statement

	Group		Company	
	2006 RM	2005 RM (Restated)	2006 RM	2005 RM (Restated)
Profit before tax from continuing operations	<b>16,535,335</b>	26,487,199	<b>26,240,066</b>	5,921,787
Tax calculated using Malaysian tax rate of 28% (2005 : 28%)	<b>4,629,894</b>	7,416,416	<b>7,347,219</b>	1,658,100
Non-deductible expenses	<b>881,596</b>	274,479	<b>149,437</b>	53,495
Tax incentives	<b>(3,809,625)</b>	(3,581,653)	–	–
Income not subject to tax	–	(3,318,548)	<b>(4,368,000)</b>	(140,000)
Utilisation of deferred tax asset previously not recognised	<b>(12,463)</b>	(56,000)	–	–
Deferred tax assets not recognised	<b>80,285</b>	114,049	–	–
Others	<b>2,752</b>	(7,490)	<b>456</b>	5
	<b>1,772,439</b>	841,253	<b>3,129,112</b>	1,571,600
Under/(Over) provided in prior year	<b>473,833</b>	(583,026)	<b>489</b>	–
Tax expense	<b>2,246,272</b>	258,227	<b>3,129,601</b>	1,571,600

Subject to agreement with Inland Revenue Board :

- a) the Company has sufficient :
  - i) Section 108 tax credit to frank approximately RM8,034,700 of its retained profits at 31 December 2006; and
  - ii) tax exempt account to distribute approximately RM16,100,000 of its retained profits at 31 December 2006; if paid out as dividends.
- b) the Group has unutilised reinvestment allowances of RM16,020,000 (2005 : RM11,807,000).



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 20. EARNINGS PER ORDINARY SHARE

#### *Basic earnings per ordinary share*

The earnings per ordinary share has been calculated based on the net profit attributable to shareholders of RM14,289,063 (2005 : RM26,228,972) and the weighted average number of ordinary shares outstanding during the financial year of 165,000,000 (2005 : 125,300,586).

#### *Weighted average number of ordinary shares*

	<b>Group</b>	
	<b>2006</b>	2005
Issued ordinary shares at beginning of year	<b>110,000,000</b>	4
Effect of shares issued in 2005	–	73,978,823
Rights issue in 2005	–	31,609
Public issue in 2005	–	9,523,288
Bonus issue in February 2007 (Note 29)	<b>55,000,000</b>	41,766,862
	<b>165,000,000</b>	125,300,586

#### *Diluted earnings per ordinary share*

Diluted earnings per ordinary share has not been computed and presented as the effect of the employees' share options is anti-dilutive.

### 21. DIVIDENDS

	<b>Group and Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Interim dividend of Nil (2005 : 5%) less 28% tax	–	1,980,000
Special interim dividend of Nil (2005 : 5%) less 28% tax	–	1,980,000
	–	3,960,000

The Directors recommended a first and final dividend of 5% tax exempt, in respect of the year ended 31 December 2006 subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements do not reflect these first and final dividend which will be accounted for as an appropriation of retained earnings from the shareholders' equity in the financial year ending 31 December 2007.

The dividends per ordinary share as disclosed in the Income Statements reflect the first and final dividend recommended for the year.

### 22. SEGMENTAL INFORMATION

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 arm's length basis.

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 investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 22. SEGMENTAL INFORMATION - GROUP (CONT'D)

#### Business segments

	Machinery and equipment RM	Secondary flat steel and related products RM	IT solutions and automation RM	Investment holding RM	Elimination RM	Consolidated RM
<b>2006</b>						
Total external revenue	30,156,999	62,404,756	1,233,135	92,909	–	93,887,799
Inter-segment revenue	19,428,020	1,500,344	69,675	–	(20,998,039)	–
Total segment revenue	<b>49,585,019</b>	<b>63,905,100</b>	<b>1,302,810</b>	<b>92,909</b>	<b>(20,998,039)</b>	<b>93,887,799</b>
<b>Segment results</b>	<b>21,874,427</b>	<b>4,379,036</b>	<b>17,282</b>	<b>(495,725)</b>	<b>(6,324,209)</b>	<b>19,450,811</b>
Finance cost						(2,915,476)
Profit before tax						<b>16,535,335</b>
Tax expense						(2,246,272)
Profit for the year						<b>14,289,063</b>
<b>Segment assets</b>	<b>67,264,250</b>	<b>83,461,876</b>	<b>3,845,259</b>	<b>460,284</b>	<b>(8,246,825)</b>	<b>146,784,844</b>
Unallocated assets						875,722
<b>Total assets</b>						<b>147,660,566</b>
<b>Segment liabilities</b>	<b>2,075,970</b>	<b>7,942,823</b>	<b>61,546</b>	<b>197,202</b>	<b>–</b>	<b>10,277,541</b>
Unallocated liabilities						35,616,539
<b>Total liabilities</b>						<b>45,894,080</b>
Capital expenditure	178,989	26,666,701	744,285	–	–	27,589,975
Depreciation and amortisation	645,432	3,552,040	129,525	–	–	4,326,997
Non-cash expenses other than depreciation and amortisation	1,585,844	423,007	164,559	131,266	–	2,304,676

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 22. SEGMENTAL INFORMATION - GROUP (CONT'D)

2005, restated

	Machinery and equipment RM	Secondary flat steel and related products RM	IT solutions and automation RM	Investment holding RM	Elimination RM	Consolidated RM
Total external revenue	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)	–
Total segment revenue	26,396,299	51,868,974	3,183,851	138,321	(11,575,428)	70,012,017
<b>Segment results</b>	11,256,126	4,792,200	3,016,242	11,841,422	(2,410,523)	28,495,467
Finance cost						(1,661,083)
Profit before tax						26,834,384
Tax expense						(258,227)
Profit for the year						26,576,157
<b>Segment assets</b>	56,739,288	49,964,898	3,968,147	8,430,185	(2,158,389)	116,944,129
Unallocated assets						1,051,945
<b>Total assets</b>						117,996,074
<b>Segment liabilities</b>	3,580,696	2,689,067	35,727	99,263	–	6,404,753
Unallocated liabilities						24,787,259
<b>Total liabilities</b>						31,192,012
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	721,205	115,253	10,243	67,678	–	914,379

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 22. 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.

	Malaysia RM	African countries RM	Asia RM	Others RM	Consolidated RM
<b>2006</b>					
Revenue from external customers by location of customers	40,999,434	18,184,558	33,120,244	1,583,563	93,887,799
Segment assets by location of assets	146,784,844	–	–	–	146,784,844
Capital expenditure by location of assets	27,589,975	–	–	–	27,589,975
<b>2005</b>					
Revenue from external customers by location of customers	32,004,246	–	32,271,816	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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 23. RELATED PARTIES TRANSACTIONS - GROUP/COMPANY

### 23.1 Identity of related parties relationships

#### 23.1.1 Controlling related party relationships are as follows :

- a) The holding company, Eonmetall Corporation Sdn Bhd ("ECSB") as disclosed in the notes to the financial statements;
- b) Subsidiaries of the Company as disclosed in Note 4 to the financial statements;
- c) Related companies of the holding company; and
- d) Companies in which the majority shareholder, Dato' Goh Cheng Huat and/or his spouse have controlling interests
  - i) Leader Steel Holdings Berhad and its subsidiaries; and
  - ii) Universal Bedframe Inc.

#### 23.1.2 Key Directors and key management personnel of the Group

- Dato' Goh Cheng Huat
- Yeoh Cheng Chye
- Leong Koi Seong
- Goh Khang Leng
- Taran Tej Singh
- Hooy Lih Ling

### 23.2 Related party transactions

#### 23.2.1 Transactions with Directors and key management personnel

There were no transactions with key Directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment.

#### 23.2.2 Transactions with companies in which the major shareholder and his spouse have controlling interests

	Group	
	2006 RM	2005 RM
Sales	686,823	165,182
Purchases	948,560	—
Purchase of plant and equipment	40,000	—

#### 23.2.3 Transaction with a related company of ECSB

	Group	
	2006 RM	2005 RM
Sales	—	66,687

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 23. SIGNIFICANT RELATED PARTIES TRANSACTIONS - GROUP/COMPANY (CONT'D)

#### 23.2 Related party transactions (cont'd)

##### 23.2.4 Transaction with a subsidiaries

	Company	
	2006	2005
	RM	RM
Dividend income from a subsidiaries	26,711,112	6,000,000

Non-trade balances with related parties are as disclosed in Note 6 and Note 14 to the financial statements.

### 24. CAPITAL COMMITMENT

	Group	
	2006	2005
	RM	RM
<i>Property, plant and equipment</i>		
Contracted but not provided for in the financial statements	1,400,050	734,310

### 25. 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 RM125.96 (2005 : RM115.50) million of which RM36.31 (2005 : RM16.61) million was utilised at balance sheet date.

#### b) Continuing financial support

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



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. 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 at balance sheet date except for a Vietnamese customer of RM7,478,074 (2005 : RM8,952,233). 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

The Group borrows for operations at variable rates using its overdrafts 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 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

Group	Note	Average effective interest rate per annum %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
<b>2006</b>									
<b>Financial assets</b>									
<i>Fixed rate instrument</i>									
Fixed deposit with a licensed bank	8	3.10	80,031	80,031	-	-	-	-	-
<b>Financial liabilities</b>									
<i>Fixed rate instruments</i>									
Secured term loans	12	5.60	2,230,000	446,004	446,004	446,004	446,004	445,984	-
Finance lease liabilities	12	2.36	177,975	44,853	47,002	47,362	38,758	-	-
<i>Floating rate instruments</i>									
Secured term loans	12	4.98	6,024,175	6,024,175	-	-	-	-	-
Unsecured bank overdrafts	12	8.01	2,851,491	2,851,491	-	-	-	-	-
Unsecured bankers' acceptances	12	4.81	17,633,000	17,633,000	-	-	-	-	-
<b>Group</b>									
<b>2005</b>									
<b>Financial assets</b>									
<i>Fixed rate instruments</i>									
Short term deposits with a licensed bank	8	2.45	8,350,000	8,350,000	-	-	-	-	-
Fixed deposit with a licensed bank	8	3.00	77,072	77,072	-	-	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

	Note	Average effective interest rate per annum %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
<b>Financial liabilities</b>									
<i>Fixed rate instruments</i>									
Secured term loans	12	9.00	419,714	419,714	—	—	—	—	—
Finance lease liabilities	12	2.36	219,330	42,706	47,002	—	37,407	—	—
<b>Floating rate instruments</b>									
Secured term loans	12	7.50	3,094,850	3,094,850	—	—	—	—	—
Secured bank overdrafts	12	7.75	675,641	675,641	—	—	—	—	—
Secured bankers' acceptances	12	4.39	2,016,000	2,016,000	—	—	—	—	—
Unsecured bank overdrafts	12	7.75	44,938	44,938	—	—	—	—	—
Unsecured bankers' acceptances	12	4.34	10,174,000	10,174,000	—	—	—	—	—
Short term advances	12	7.25	2,658,000	2,658,000	—	—	—	—	—
<b>Company</b>									
<b>2006</b>									
<b>Financial assets</b>									
<i>Fixed rate instrument</i>									
Short term deposits with a licensed bank	8	—	—	—	—	—	—	—	—
<b>2005</b>									
<b>Financial assets</b>									
<b>Fixed rate instrument</b>									
Short term deposits with a licensed bank	8	2.45	8,350,000	8,350,000	—	—	—	—	—

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. 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, receivables, deposits and prepayments, payables and accruals 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 5 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 :

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
<i>Forward foreign exchange sales contracts</i>		
- contractual value	<b>5,645,000</b>	1,542,000
- unrealised gain	<b>(3,000)</b>	(1,600)
Fair value	<b>5,642,000</b>	1,540,400

### 27. SIGNIFICANT EVENTS DURING THE YEAR

- a) On 16 May 2006, EGB incorporated a new wholly-owned subsidiary, Eonsteel Sdn. Bhd. ("Eonsteel") which has a paid-up share capital of RM2. Eonsteel will be principally involved in upstream steel products processing including research and development in processing of steel.
- b) On 8 August 2006, the Company acquired 2 ordinary shares of RM1 each, representing 100% equity interest in De Bio Channel (M) Sdn. Bhd. ("De Bio") for a total cash consideration of RM2, satisfied in cash. On 15 December 2006, the paid-up share capital was increased to RM100,000. De Bio will be principally involved in extraction of palm kernel oil.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 28. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- a) On 23 January 2007, the issued and paid-up share capital of the Company was increased from 110,000,000 ordinary shares of RM0.50 each to 110,401,000 ordinary shares of RM0.50 each via the allotment of 401,000 ordinary shares issued pursuant to the exercise of Employee Share Option Scheme at the exercise price of RM1.00 per share.
- b) On 14 February 2007, the Company issued Bonus Shares of 55,200,500 new ordinary shares of RM0.50 each on the basis of 1 new ordinary share for every 2 existing ordinary shares held. The issued and paid-up share capital of the Company was increased from 110,401,000 ordinary shares of RM0.50 each to 165,601,500 ordinary shares of RM0.50 each.
- c) The entire enlarged issued and paid-up share capital of RM82,800,750 comprising 165,601,500 ordinary shares of RM0.50 each of the Company was transferred from the Second Board to the Main Board of Bursa Malaysia Securities Berhad with effect from 2 March 2007.
- d) On 6 April 2007, EGB incorporated a new wholly-owned subsidiary, Eonmetall Petro-Chem (M) Sdn. Bhd. ("EMPC") which has a paid-up share capital of RM2. EMPC will be principally involved in the business of engineering services in oil, gas and chemical industry.
- e) On 15 March 2007 and 25 April 2007, the issued and paid-up share capital of the Company was increased from 165,601,500 ordinary shares of RM0.50 each to 165,901,500 ordinary shares of RM0.50 each via the allotment of 30,000 and 270,000 ordinary shares respectively issued pursuant to the exercise of Employee Share Option Scheme at the exercise price of RM0.67 per share.

### 29. CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The changes in accounting policy arising from the adoption of FRS 2, Share-based Payment and FRS 133, Earnings per share are summarised below :

#### FRS 2, Share-based Payment

In accordance with the transitional provisions, FRS 2 has been applied to all grants after 1 January 2005. The adoption of FRS 2 has resulted in a change in the Group's accounting policy for share-based payments, whereby the Group charges the cost of share options to the income statement. The change in accounting policy is made in accordance with their transitional provisions.

The adoption of FRS 2 resulted in :

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
		(Restated)		(Restated)
Income statement for the year ended 31 December				
Increase in administrative expenses	<b>673,361</b>	347,185	<b>131,266</b>	67,678
Balance sheet at 31 December				
Cumulative increase in investment in subsidiaries	—	—	<b>821,602</b>	279,507
Cumulative decrease in opening retained earnings	<b>(347,185)</b>	—	<b>(67,678)</b>	—
Cumulative increase in opening share option reserve	<b>347,185</b>	—	<b>347,185</b>	—

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 29. CHANGES IN ACCOUNTING POLICIES (CONT'D)

#### FRS 133, Earnings per share

FRS 133 requires a retrospective adjustment to the basic and diluted earnings per share for changes to the number of ordinary shares or potential ordinary shares outstanding occurring after the balance sheet date but before the financial statements are authorised for issue. The bonus issue subsequent to year end has therefore been included in the basic earnings per share computation for the current and prior year.

The adoption of FRS 2 and FRS 133 resulted in :

	Group 2006	2005 (Restated)
Decrease in basic earnings per ordinary share (sen)	<b>4.94</b>	10.88

### 30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 29 and to conform with the presentation requirements of FRS 101 :

	Group		Company	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
<b>Balance sheet</b>				
Retained earnings	22,256,918	22,604,103	378,133	445,811
Share option reserve	347,185	–	67,678	–
<b>Income statements</b>				
Administrative expenses	5,207,573	4,860,388	216,674	148,996
Results from operating activities	28,148,282	28,495,467	5,921,787	5,989,465
Profit before tax	26,487,199	26,834,384	5,921,787	5,989,465
Profit for the year	26,228,972	26,576,157	4,350,187	4,417,865
Basic earnings per ordinary share (sen)	20.93	31.81	–	–
<b>Statements of changes in equity</b>				
Share option reserve	374,185	–	67,678	–
Retained earnings at 1 December 2006	22,256,918	22,604,103	378,133	445,811

# ANALYSIS OF SHAREHOLDINGS

## Analysis of Shareholdings as at 16 April 2007

Authorised share capital	: RM100,000,000.00
Issued and fully paid-up share capital	: RM82,815,750.00
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

## Substantial Shareholders as at 16 April 2007

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Dato' Goh Cheng Huat	26,145,000	15.79	84,049,128	50.74
3	Datin Tan Pak Say	–	–	110,194,128	66.53
4	Eonmetall Corporation Sdn. Bhd.	84,049,128	50.74	–	–

## Directors' Shareholdings as at 16 April 2007

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	^Tan Sri Dato' Mohd Desa bin Pachi	375,000	0.23	–	–
2	#Dato' Goh Cheng Huat	26,145,000	15.79	84,049,128	50.74
3	*Yeoh Cheng Chye	1,500,336	0.91	–	–
4	^Goh Kee Seng	2,406,336	1.45	–	–
5	^Tan Sri Dato' Soong Siew Hoong	300,000	0.18	–	–
6	^Tang Yin Kham	–	–	–	–
7	^Ibrahim Mahdi Phee	150,000	0.09	–	–

By virtue of his interests in the shares of the Company, Dato' 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 675,000 shares in the Company pursuant to Employee Share Option Scheme.

# Option to subscribe for 825,000 shares in the Company pursuant to Employee Share Option Scheme.

^Option to subscribe for 525,000 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	6	0.37	325	0.00
100 - 1,000	423	25.82	113,825	0.07
1,001 - 10,000	810	49.45	3,576,050	2.16
10,001 - 100,000	340	20.76	9,844,500	5.94
100,001 - 8,281,574	55	3.36	41,992,672	25.35
8,281,575 - 165,631,500	4	0.24	110,104,128	66.48
TOTAL	1,638	100.00	165,631,500	100.00

## ANALYSIS OF SHAREHOLDINGS (cont'd)

### Thirty Largest Shareholders

	Name	No. of Shares	% of Issued Share Capital
1	Eonmetall Corporation Sdn. Bhd.	74,299,128	44.86
2	Goh Cheng Huat	16,305,000	9.84
3	CIMB Group Nominees (Tempatan) Sdn. Bhd. Goh Cheng Huat for Eonmetall Corporation Sdn. Bhd. (36843 Prai)	9,750,000	5.89
4	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Goh Cheng Huat (SBK)	9,750,000	5.89
5	Metastech Sdn. Bhd.	6,405,000	3.87
6	A.A. Anthony Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Tay Kim Seng	5,513,100	3.33
7	A.A. Anthony Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Tooh Lucy	3,142,800	1.90
8	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kock Nai Suan	2,986,350	1.80
9	Mohd Desman Annuar Bin Md Desa	2,774,100	1.68
10	AMSEC Nominees (Tempatan) Sdn. Bhd. AMBANK (M) Berhad for Goh Kee Seng (EGB)	2,406,336	1.45
11	Lembaga Tabung Angkatan Tentera	2,400,000	1.45
12	Ch'ng Chiap Kang	1,714,500	1.04
13	Impian Mawar Sdn. Bhd.	1,578,000	0.95
14	CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for A.A. Anthony Securities Sdn. Bhd. (3193 HPZA)	1,441,500	0.87
15	Yeoh Cheng Chye	918,636	0.55
16	Kock Nai Suan	680,050	0.41
17	Wong Yang Chong	631,500	0.38
18	Chua Chai Lai	625,500	0.38
19	Goh Li Li	604,500	0.37
20	AMSEC Nominees (Tempatan) Sdn. Bhd. AMBANK (M) Berhad for Yeoh Cheng Chye (EGB)	581,700	0.35
21	Oh Kong Yin	450,000	0.27
22	Chuah Choon Imm	447,000	0.27
23	Goh Khang Leng	396,150	0.24
24	Md Desa Bin Pachi	375,000	0.23
25	Ng Yoon Peng	373,700	0.23
26	Soong @ Soong Siew Hoong	300,000	0.18
27	Kee Sai Hong	250,000	0.15
28	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Chow Hai (E-BPT)	225,500	0.14
29	Michiel Leo A/L Leo Philip	225,000	0.13
30	Tan Ching Kee	225,000	0.13
	<b>Total</b>	<b>147,775,050</b>	<b>89.22</b>

## 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 2006 RM'000
<b>Eonmetall Technology Sdn Bhd</b>						
Grant 64234, Lot 1258, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	3 August 2004 / 08 August 2000	Freehold	6 yrs	39,159	A factory building is erected on the adjoining parcels of the land	19,955
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	3 August 2004 / 08 August 2000	Freehold	6 yrs	11,198		
<b>Eonmetall Industries Sdn Bhd</b>						
Grant 33124, Lot 385, Mukim 12, Seberang Perai Selatan, Penang.	- / 18 July 2003	Freehold	–	57,509	A factory building is erected on the adjoining parcels of the land - construction in progress	13,358
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang.	- / 18 July 2003	Freehold	–	62,887		
Lot No. T-2317, HS(D) 34585, PT 1499, Mukim 13, Seberang Perai Selatan, Penang.	- / 01 April 2006	Freehold	–	116	Single storey terrace house - Construction in progress	67
Lot No. T-2318, HS(D) 34586, PT 1500, Mukim 13, Seberag Perai Selatan, Penang.	- / 01 April 2006	Freehold	–	116	Single storey terrace house - Construction in progress	67
<b>Eonmetall Systems Sdn Bhd</b>						
HS(D) 491, Lot 1596, MK12, Seberang Perai Selatan, Penang.	-/20 July 2006	Freehold	–	39,252	Vacant Land	2,866

# PROXY FORM

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 FOURTH ANNUAL GENERAL MEETING of the Company to be held at 2<sup>nd</sup> Floor, Lot 1258 & 1259, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Monday, 28 May 2007 at 3:00 p.m. and at any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
1.	Ordinary Resolution 1		
2a (i).	Ordinary Resolution 2		
2a (ii).	Ordinary Resolution 3		
2b (i).	Ordinary Resolution 4		
2b (ii).	Ordinary Resolution 5		
3	Ordinary Resolution 6		
4.	Ordinary Resolution 7		
5.	Ordinary Resolution 8		
6a.	Ordinary Resolution 9		
6b.	Ordinary Resolution 10		
6c.	Special 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).

No. of Ordinary Shares Held

Signed this..... day of May, 2007.

.....  
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 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, 2<sup>nd</sup> 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.



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STAMP  
HERE

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

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**EONMETALL GROUP BERHAD (631617-D)**

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

Tel: 604-582 8323 Fax: 604-582 1525

E-mail: [info@eonmetall.com](mailto:info@eonmetall.com)

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

Designed by | INTACT Communications

