

Annual Report **2007**

MEETING
EVERY
CHALLENGE
WITH
INNOVATION



EONMETALL GROUP BERHAD

(631617-D)

CONTENTS

Notice of Annual General Meeting	2
Corporate Information	5
Corporate Structure and Principal Activities	6
Profiles of Directors	8
Chairman's Statement	11
Statement on Corporate Governance	14
Statement on Corporate Social Responsibility	20
Statement on Internal Control	21
Audit Committee Report	23
Additional Information	27
Financial Statements	29
Analysis of Shareholdings	87
List of Properties Owned by the Group	89
Proxy Form	ENCLOSED

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FIFTH ANNUAL GENERAL MEETING of shareholders of the Company will be held at 2nd Floor, Lot 1258 & 1259, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Thursday, 29 May 2008 at 2:00 p.m. for the following purposes: -

1. To receive the audited Financial Statements of the Company and the Group for the year ended 31 December 2007 and the Reports of the Directors and Auditors thereon.
- 2a. To re-elect the following Directors who retire pursuant to Article 86 of the Company's Articles of Association:-
 - i) Mr Yeoh Cheng Chye *Ordinary Resolution 1*
 - ii) Madam Tang Yin Kham *Ordinary Resolution 2*
- 2b. To re-elect the following Directors who retire pursuant to Section 129 of the Companies Act, 1965:-
 - i) Tan Sri Dato' Mohd Desa bin Pachi *Ordinary Resolution 3*
 - ii) Tan Sri Dato' Soong Siew Hoong *Ordinary Resolution 4*
3. To declare and approve the payment of a first and final dividend of 5% tax exempt for the year ended 31 December 2007. *Ordinary Resolution 5*
4. To approve Directors' fees for the year ended 31 December 2007. *Ordinary Resolution 6*
5. To re-appoint Messrs. KPMG as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. *Ordinary Resolution 7*
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 8

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) Leader Steel Holdings Berhad and its subsidiaries
- ii) Genrizt Storage System
- iii) Sin Zhang Enterprise
- iv) Eonlipids Sdn. Bhd."

Ordinary Resolution 9
Ordinary Resolution 10
Ordinary Resolution 11
Ordinary Resolution 12

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a First and Final Dividend of 5% tax exempt for the year ended 31 December 2007, if approved by the shareholders at the AGM, will be paid on 30 June 2008 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 9 June 2008.

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

- a. Shares transferred into the depositor's securities account before 4:00 p.m. on 9 June 2008 in respect of ordinary transfers; and
- b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

LAM VOON KEAN
(MIA 4793)
 Company Secretary

Penang, 7 May 2008.

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.
2. To be valid, this form, duly completed must be deposited at the Registered Office of the Company at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time for holding the meeting Provided That in the event the Member(s) duly executes the form of proxy but does not name any proxy, such Member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member(s).
3. A Member shall be entitled to appoint two (2) or more proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a Member 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.
5. If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. The details of the Directors standing for re-election as in Agenda 2 are as more particularly disclosed in pages 8 to 10 of the Annual Report of the Company.

Explanatory Notes on Special Business:

1. The proposed Resolution 8, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.
2. The proposed Resolutions 9, 10, 11 and 12 if passed, will approve the Proposed Shareholders' Mandate and allow the Company and its subsidiaries to enter into the existing and new recurrent related party transactions as set out in Section 2.4 of the Circular. This approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the 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.

Corporate Information

BOARD OF DIRECTORS	:	Tan Sri Dato' Mohd Desa bin Pachi	<i>Chairman/ Non-Executive Director</i>
	:	Dato' Goh Cheng Huat	<i>Managing Director</i>
	:	Yeoh Cheng Chye	<i>Executive Director</i>
	:	Tan Sri Dato' Soong Siew Hoong	<i>Non-Executive Director</i>
	:	Goh Kee Seng	<i>Non-Executive Director</i>
	:	Tang Yin Kham	<i>Independent Non-Executive Director</i>
	:	Ibrahim Mahdi Phee	<i>Independent Non-Executive Director</i>
COMPANY SECRETARY	:	Lam Voon Kean (MIA 4793)	
AUDIT COMMITTEE	:	Tang Yin Kham	<i>Chairman</i>
	:	Ibrahim Mahdi Phee	<i>Member</i>
	:	Dato' Goh Cheng Huat (Resigned on 29 February 2008)	<i>Member</i>
	:	Goh Kee Seng (Appointed on 29 February 2008)	<i>Member</i>
NOMINATING COMMITTEE	:	Tang Yin Kham	<i>Chairman</i>
	:	Ibrahim Mahdi Phee	<i>Member</i>
	:	Goh Kee Seng	<i>Member</i>
REMUNERATION COMMITTEE	:	Ibrahim Mahdi Phee	<i>Chairman</i>
	:	Tang Yin Kham	<i>Member</i>
	:	Goh Kee Seng	<i>Member</i>
REGISTERED OFFICE	:	Suite 2-1, 2nd Floor Menara Penang Garden 42A, Jalan Sultan Ahmad Shah 10050 Penang Telephone No : (04) 229 4390 Facsimile No : (04) 226 5860 Email : mcsvpg@boardroomlimited.com	
HEAD OFFICE	:	Lot 1258 & 1259, MK 12 Jalan Seruling Kawasan Perusahaan Valdor 14200 Sungai Bakap, Penang Telephone No : (04) 582 8323 Facsimile No : (04) 582 1525 Email : info@eonmetall.com Website : http://www.eonmetall.com	
REGISTRARS	:	AGRITEUM Share Registration Services Sdn Bhd (578473-T) 2nd Floor, Wisma Penang Garden 42, Jalan Sultan Ahmad Shah 10050 Penang Telephone No : 04-228 2321 Facsimile No : 04-227 2391	
AUDITORS	:	KPMG (Firm No. AF 0758) Chartered Accountants 1st Floor, Wisma Penang Garden 42, Jalan Sultan Ahmad Shah 10050 Penang Telephone No : (04) 227 2288 Facsimile No : (04) 227 1888	
PRINCIPAL BANKERS	:	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



100%

Eonmetall Industries Sdn Bhd
(207322-V)

100%

Eonmetall Technology Sdn Bhd
(327604-K)

100%

Eonmetall Systems sdn Bhd
(360239-H)

100%

Eontarr IT Solutions Sdn Bhd
(365987-M)

100%

Eonchem Technology Sdn Bhd
(542450-K)

100%

Eonsteel sdn Bhd
(733791-D)

100%

De Bio Channel (M) Sdn Bhd
(735322-H)

100%

Eonmetall Petro-Chem (M) Sdn Bhd
(768609-M)

30%

**Eonmetall Global Composites
LLC**

100%

**Coolrich District Cooling
Services LLC**



Factory 2, Penang, Malaysia

Group Structure and Principal Activities (cont'd)

The details of the subsidiaries and associated companies of Eonmetall Group Berhad are as follows:-

Company	Date/Place of Incorporation	Principal Activities
Eonmetall Industries Sdn Bhd (207322-V) "EMI"	07.11.1990/ Malaysia	Manufacture and distribution of steel products, focusing on Secondary Flat Steel Products
Eonmetall Technology Sdn Bhd (327604-K) "EMT"	17.12.1994/ Malaysia	Manufacture of Metalwork Machinery and Equipment
Eonmetall Systems Sdn Bhd (360239-H) "EMS"	19.09.1995/ Malaysia	Manufacture of steel products, focusing on Steel Storage Systems
Eontarr IT Solutions Sdn Bhd (365987-M) "EIT"	06.11.1995/ Malaysia	Provider of IT solutions including software development
Eonchem Technology Sdn Bhd (542450-K) "ECH"	21.03.2001/ Malaysia	Manufacture of Industrial Process Machinery and Equipment
Eonsteel Sdn Bhd (733791-D) "ESL"	16.05.2006/ Malaysia	Dormant
De Bio Channel (M) Sdn. Bhd. (735322-H) "DBC"	26.05.2006/ Malaysia	Property holding company
Eonmetall Petro-Chem (M) Sdn. Bhd. (768609-M) "EPC"	06.04.2007/ Malaysia	Investment holding company
Eonmetall Global Composites LLC "EGC"	10.05.2007/ United Arab Emirates	Specialised in piping and related fittings contracting
Coolrich District Cooling Services LLC "Coolrich"	17.11.2003/ United Arab Emirates	Engaged in the business of electromechanical equipment installation, district cooling system and chilled water system cleaning and maintenance services.



Factory 1, Penang, Malaysia

Profiles of Directors

Tan Sri Dato' Mohd Desa bin Pachi

aged 74, Malaysian, is the Chairman/Non-Executive Director of Eonmetall Group Berhad ("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 Chairman of Bumiputra-Commerce Holdings Berhad from 1984 to 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 and Tracoma Holdings Berhad (Chairman).

Dato' Goh Cheng Huat

aged 47, 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.

Metalwork Machinery



Angle Bar Machine



Slitting Line Machine



Continuous Hot Dipped Galvanizing Line

Profiles of Directors (cont'd)

Yeoh Cheng Chye

aged 39, 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 in Computer Science (Hons) in year 1993. In year 2004, he also obtained his Master 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 82, 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 President in the Malaysian Iron and Steel Industry Federation (MISIF). He is also the Vice 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).

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



Metalwork Machinery - 6H Cold Rolling Mill

Profiles of Directors (cont'd)

Goh Kee Seng

aged 52, 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. Following that he spent the rest 10 years on extensive travelling in the Asean countries while taking up regional postings in Brunei, Singapore and Malaysia. In 1991 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 to regional franchise operation in various countries.

He is the brother of Dato' Goh Cheng Huat.

Tang Yin Kham

aged 56, 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 Accountants Firm in Malaysia and has more than 20 years of exposure in public accounting sector. She is a Chartered Accountant of the Malaysian 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.

Ibrahim Mahdi Phee

aged 36, 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 pages 87 of this report.



Centralized District Cooling Systems Project

Chairman's statement

On behalf of the Board of Directors of Eonmetall Group Berhad ("Eonmetall"), it is my pleasure to present our Annual Report and Audited Accounts of the Group for the financial ended 31 December 2007.

Operations Review

We are pleased to announce on our successful transfer of the Group from the Second to Main Board of Bursa Malaysia Securities Berhad on 2 March 2007.

Year 2007 marks another historical achievement of Eonmetall expanding beyond traditional boundaries from its existing business. With the recent business venture into centralized district cooling systems in United Arab Emirates and the handover of the country's first palm fibre oil extraction plant ("PFOE"), Eonmetall has embarked into a truly global player. The Group business has now grown into 3 main business clusters ranging from manufacturing of machinery and equipment specializing in metalwork machinery and PFOE plants, steel product manufacturing, engineering and IT.

Financial Performance

The Group recorded a sales turnover of RM140.4 million which is an increase of 49.5% as compared to previous financial year. The increase of turnover is inclusive of steel trading activity which contributed about RM28.9 million. This sector normally operates on a very thin operating margin. However, the Group's profit before tax dropped from RM16.5 million down to RM8.2 million which includes of a provision for long outstanding debts of RM6.4 million. The Group recorded a lower profit before tax for the year, mainly due to the lower production yield for the trial run of newly incorporated galvanizing line. In addition, the escalating steel raw material price also increases the operating cost of the company as a whole.

The provision is made after taking into consideration of debts of more than 2 years but not later than 3 years incurred mainly by two of the Group's wholly owned subsidiaries involved in the business of machinery fabricating and IT. However, the management is of the opinion that a major portion of the provision would be recoverable considering the nature of business and the long established relationship with the customers.



Palm Fibre Oil Extraction Plant (PFOE)

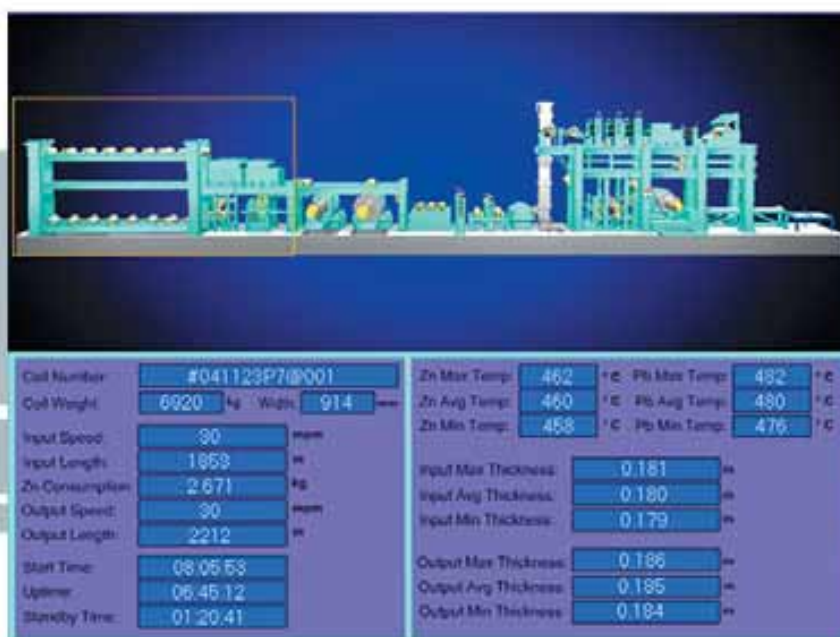
Chairman's Statement (cont'd)

**EES - MES****Outlook and Prospect**

Year-2007 was a very challenging year for Eonmetall. We acknowledged the crisis of rising commodity prices such as steel raw material and crude oil will eventually lead to our higher operating cost. The Group is also exposed to the effect of foreign exchange losses as more than 60% of its revenue is generated from the export market. The ringgit has risen by about 16% since its peg to the US dollar of RM3.80 was dismantled in 2005 and is expected to further strengthen considering Malaysia's rising international foreign exchange reserves and current account surpluses.

Hence, it is important for the Group to operate more efficiently on the usage of resources and technology to substantially increase actual output. The company shall divert more business transactions in non-US currency and adopting strategic hedging to minimize foreign exchange losses due to the weakening dollar.

The Group is positioned positively to take advantage of the continuous record spiraling of oil prices through its investments in the area of District Cooling System ("DCS") related projects and the successful development and hand-over of the PFOE plant. The intensive pace of development in Middle East, by oil rich countries, will drive the DCS business while PFOE will be driven by the potential of oil recovery from the palm fibre. The Group anticipates that these 2 areas will enable the Group to diversify and enhance its future income stream.

**EES - SCADA/HMI Systems**

Chairman's Statement (cont'd)

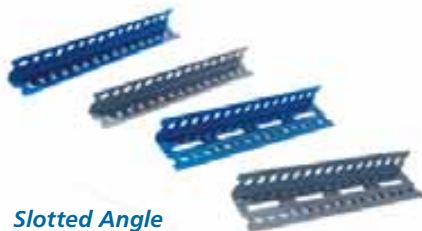
Dividend

During the financial year, the Company paid a first and final dividend of 5% or 2.5 sen per share (Tax Exempt) totaling RM4,147,537.49 in respect of the financial year ended 31 December 2006 on 29 June 2007.

The Directors recommended a first and final dividend of 5% tax exempt in respect of the financial ended 31 December 2007 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Acknowledgement

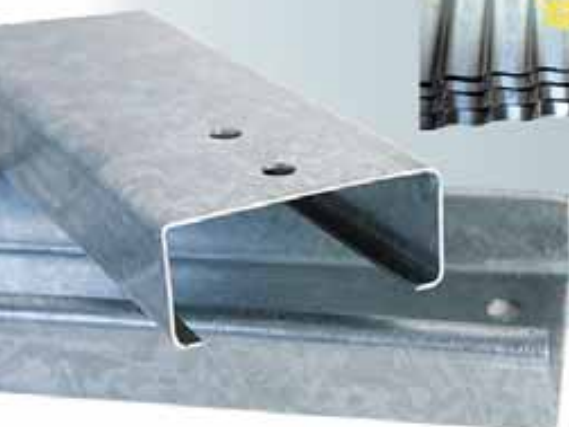
On behalf of the Board, I would like to take this opportunity to thank our shareholders, esteemed customers and suppliers, financial institutions and other stakeholders for their continued support and confidence in the company. I also hope for the consistent dedication from the management and employees of the company to strive for greater achievements as we endeavor to become a global and world class organization.



Slotted Angle



Roofing Sheets



C-Purlins



Steel Storage Systems

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 2007, 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 attendance of the Directors during the financial year are as follows:-

Name of director	No. of meetings	
	Held	Attended
Tan Sri Dato’ Mohd Desa bin Pachi	4	4
Dato’ Goh Cheng Huat	4	4
Yeoh Cheng Chye	4	4
Tan Sri Soong Siew Hoong	4	4
Goh Kee Seng	4	3
Tang Yin Kham	4	4
Ibrahim Mahdi Phee	4	4

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.

Statement on Corporate Governance (cont'd)

Board Committees

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

All Board Committees have written terms of reference and the Board receives reports of their proceedings and deliberations, where relevant. The Chairman of various Committees reports to the Board the outcome of the Committee meetings and such reports are normally incorporated in the minutes of the full Board meeting.

Board balance

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

Statement on Corporate Governance (cont'd)

Supply of information (cont'd)

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

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

The Board as a whole will determine, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties, at the Group's expense. 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 | - Chairman, Independent Non-Executive Director |
| • Ibrahim Mahdi Phee | - Independent Non-Executive Director |
| • Goh Kee Seng | - Non-Executive Director |

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

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

The Committee shall meet whenever there is a need 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 ("CEP") to enhance their skills and knowledge, where relevant.

Although there is no formal training or orientation programme for Directors, the Board takes the view that besides the CEP training attended, familiarization visits to the various operational sites would equip its members with a thorough understanding of the Group's operations.

Statement on Corporate Governance (cont'd)

Re-election

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

The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates.

The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished in a separate statement accompanying the Notice of the AGM.

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

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 2007, 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	1,069	-	-	1,069
Other emoluments	134	55	7	196
Total	1,251	128	55	1,434

The remuneration paid/payable to Directors, analysed into bands of RM50,000 each for the financial year ended 31 December 2007, is summarised as follows:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	4
RM50,001 – RM100,000	-	1
RM100,001 – RM350,000	1	-
RM350,001 – RM950,000	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 of Bursa Securities 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) days before the meeting.

In addition, the Board and Management welcome any form of visit by fund managers and analysts and conduct regular briefings to them 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 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 21 and 22 of the Annual Report, provides an overview on the state of internal controls within the Group.

Statement on Corporate Governance (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 24 to 26 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 23 of the Annual Report.

Compliance statement

The Group has complied throughout the financial year ended 31 December 2007, 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 30 April 2008.

Statement on Corporate Social Responsibility

The Board of Directors of Eonmetall Group Berhad have long recognised and acknowledged the importance of a corporate culture that emphasises on good corporate social responsibility ("CSR") and good corporate citizenship. The Group not only increases the stakeholder value through its core business but also bearing in mind of its responsibilities for the betterment of the community and the environment.

The CSR contributions of the Group are as follows:-

ENVIRONMENT

The Group complies to environmental laws and regulations. During the year, the Group was not penalised for any instance of non-compliance with environment laws and regulations.

The Group undertook initiative to make available separate bins to collect "production waste" and arrange for proper disposition by a licensed waste disposal company on a periodic basis. Additionally production metal scraps generated are sold to scrap collectors for recycling process.

COMMUNITY

The Group plays its role as a socially responsible corporate citizen in the community whenever the need arises. The group shall continue to uphold and support by providing assistance in cash and in kind to governmental agency annual events, for development and promotion of sports and recreation, and to community at large of various non-profitable organizations, schools and individuals.

WORKPLACE

The Group recognises that its employees are important assets. It take good care of the welfare of its employees and employ them under fair and equitable terms besides offering equal opportunity for career advancement based on performance and academic qualification. The Group constantly upgrades the employees' skill, knowledge and experiences which would enhance the individual employee's competency. Monthly contributions are made to Human Resource Development Fund to support the Government effort to encourage corporate bodies to invest in training and skills upgrading for employees.

The Group also provides Hospitalisation and Surgical insurance coverage and Group Personal Accident insurance on top of the statutory SOCSO contribution for workers to mitigate medical and accidental contingencies of the workers.

The Group is actively ensuring safety, health and welfare of all employees are not being compromised. Consistent education, training, counselling or industrial accident prevention programmes are being held to ensure a high level of awareness of safety requirements being disseminated to all employees at all levels.

Statement on Internal Control

Pursuant to Paragraph 15.27(b) of the Listing Requirements of Bursa Securities, the Board of Directors of Eonmetall Group Berhad is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Internal Control Guidance") issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound system of internal control. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

RISK MANAGEMENT

The Board and management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board.

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional accounting and consulting firm, Messrs UHY Diong to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan has in place to improve the controls. For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational, financial and human resource management, which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Regular visits to operating units by members of the Board and senior management.

Statement on Internal Control (cont'd)

Based on the internal auditors' report for the financial year ended 31 December 2007, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.24 of the Listing Requirements of Bursa Securities.

This statement is issued in accordance with a resolution of the Directors dated 30 April 2008.

Audit Committee Report

Membership

The Audit Committee (the "Committee") comprises the following members:-

- Tang Yin Kham - Chairman, Independent Non-Executive Director
- Ibrahim Mahdi Phee - Independent Non-Executive Director
- Dato' Goh Cheng Huat - Managing Director (Resigned on 29 February 2008)
- Goh Kee Seng - Non-Independent Non-Executive Director (Appointed on 29 February 2008)

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 24 to 26 of the Annual Report.

Meetings

During the financial year ended 31 December 2007, the Audit Committee held a total of five (5) meetings. The attendance of the Committee members are as follows:-

Name of Committee Member	No. of Committee Meetings	
	Held	Attended
Tang Yin Kham	5	5
Ibrahim Mahdi Phee	5	5
Dato' Goh Cheng Huat (Resigned on 29 February 2008)	5	5
Goh Kee Seng (Appointed on 29 February 2008)	-	-

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. The Company Secretary was 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 2007;
- Reviewed the letter of professional independence tabled by KPMG;
- Reviewed and approved the internal audit plan for the financial year 2008;
- 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 Listing Requirements of Bursa Securities, 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.

Audit Committee Report (cont'd)

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 2007, the internal audit function carried out 2 cycles of internal audit on the internal control system of the Group. 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 21 and 22 of the Annual Report.

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, all must be Non-Executive Directors, with a majority of them being Independent Directors. Following the resignation of Dato' Goh Cheng Huat on 29 February 2008, all the members of the Audit Committee are now made up of Non-Executive Directors.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- (i) a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
 - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (b) he must be a member of one of the association of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfills such other requirements as prescribed or approved by the Bursa Securities.

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 (3), the Board shall within three (3) 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 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.

Audit Committee Report (cont'd)

Terms of reference of the Audit Committee (cont'd)

Quorum and Committee's procedures

Meetings shall be convened at least four (4) times annually, or more frequently as circumstances dictate.

The quorum for a meeting of the Committee shall be two (2) members, majority of whom must be Independent 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 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.

The Company shall ensure that the attendance of the other Directors and employees of the Company at any particular Audit Committee meeting is only at the Audit Committee's invitation and is specific to the relevant meeting.

Authority

The Audit Committee shall, wherever necessary and reasonable for the performance of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- (a) have authority to investigate any matter within its term of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external Auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with external Auditors, the internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

Audit Committee Report (cont'd)

Terms of reference of the Audit Committee (cont'd)

Responsibilities and duties

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

- a) To review the following and to report the same to the Board:-
 - i) To review the quarterly announcements to the Bursa Securities and year end annual financial statements prior to the approval by the Board, focusing on: -
 - changes in or implementation of major accounting policy changes;
 - significant and unusual events or adjustments;
 - going concern assumption; and
 - compliance with accounting standards and other legal requirements.
 - ii) To review with the external Auditors the following:-
 - the audit plan;
 - the evaluation of the system of internal controls;
 - auditor's management letter and management response; and
 - problems and reservation arising from the interim and final audit.
 - iii) To review the internal audit functions on the following: -
 - adequacy of the scope, function, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - internal audit plan, consider the major findings of internal audit, fraud investigations and actions and steps taken by management in response to audit findings;
 - adequacy of risk management system to safeguard the company's assets; and
 - assessment of the performance of the outsourced internal audit team.
 - iv) To review:-
 - any letter of resignation from the external Auditors of the Company or Group; and
 - whether there is reason (support by grounds) to believe that the Company or Group's external Auditor is not suitable for re-appointment;
 - the assistance given by the employees of the Company or Group to the external Auditors; and
 - any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- b) To recommend the nomination of a person or persons as external Auditors and the audit fees.
- c) To act upon the Board of Director's request to investigate and report on any issues or concerns in regards to the management of the Company.
- d) To promptly report to the Bursa Securities on matters reported by the Audit Committee to the Board of Directors of the Company which has not been satisfactorily resolved resulting in breach of the Listing Requirements of Bursa Securities.
- e) To undertake such other responsibilities as may be agreed by the Committee and the Board.
- f) To verify the allocation of options pursuant to the Employee Share Option Scheme ("Scheme") of the Company and to ensure that the allocation is in compliance with the By-Laws of the Scheme.

Additional Information

1. Share Buybacks

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

2. Options, Warrants or Convertible Securities

During the financial year, no warrants or convertible securities were exercised by the company. However, 401,000 new ordinary shares of RM0.50 each at exercise price of RM1.00 per ordinary share and 5,144,500 new ordinary shares of RM0.50 each at an exercise price of RM0.67 per ordinary share for cash pursuant to the Employee' Share Option Scheme of the Company.

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 RM48,700 for the Group and RM25,800 for the Company were paid to the external auditors for the financial year ended 31 December 2007.

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

There were no proceeds raised by the Company from any corporate proposals during the financial year.

Additional Information (cont'd)

11. Recurrent Related Party Transactions of a Revenue or Trading Nature for the year ended 31 December 2007.

Details of recurrent related party transactions made during the financial year ended 31 December 2007 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 28 May 2007 are as follows:-

Related Party with whom the Group is transacting	Company within the Group involved in RRPT	Amount (RM'000)	Nature of Transaction	Interested Related Party
Leader Steel Sdn Bhd	Eonmetall Industries Sdn Bhd	150	Sale of steel products	<i>Interested Director and Major Shareholder</i> Dato' Goh Cheng Huat
		263	Purchase of steel products and servicing charges	
Leader Steel Service Centre Sdn Bhd	Eonmetall Technology Sdn Bhd	4,851	Sale of machinery	<i>Person Connected and Major Shareholder</i> Datin Tan Pak Say
	Eonmetall Industries Sdn Bhd	469	Servicing income of steel products	
		230	Purchase of steel products	

FINANCIAL STATEMENTS

Directors' Report	30
Statement of Directors	35
Statutory Declaration	35
Report of the Auditors	36
Consolidated Balance Sheet	37
Consolidated Income Statement	38
Consolidated Statement of Changes in Equity	39
Consolidated cash Flow Statement	41
Balance Sheet	43
Income Statement	44
Statement of Changes in Equity	45
Cash Flow Statement	46
Notes to the Financial Statements	47

Directors' Report

for the year ended 31 December 2007

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 2007.

Principal activities

The Company is principally engaged as an investment holding company whilst the principal activities of the subsidiaries are as stated 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 attributable to shareholders of the Company	11,714,293	4,312,422

Reserves and provisions

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

Dividend

Since the end of the previous financial year, the Company paid a first and final dividend of 5% tax exempt per ordinary share, totalling RM4,147,537 in respect of the financial year ended 31 December 2006 on 29 June 2007.

A first and final dividend of 5% tax exempt was recommended by the Directors in respect of the year ended 31 December 2007, 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

Directors' Report

for the year ended 31 December 2007 (cont'd)

Directors' interests

The interests and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors) as recorded in the Register of Directors' Shareholdings are as follows:

Name of Directors	Balance at 1.1.2007/*	Bought	Bonus issue	(Sold)	Balance at 31.12.2007
Number of ordinary shares of RM0.50 each					
Tan Sri Dato' Mohd Desa bin Pachi:					
Interest in the company:					
- own	150,000	220,000	125,000	-	495,000
Deemed interest in the Company:					
- own	5,692,400	-	924,700	(6,617,100)	-
- others	* 2,613,800	-	-	(12,800)	2,601,000
Dato' Goh Cheng Huat:					
Interest in the company:					
- own	17,430,000	210,000	8,715,000	-	26,355,000
Deemed interest in the Company:					
- own	56,032,752	-	28,016,376	-	84,049,128
Yeoh Cheng Chye:					
Interest in the company:					
- own	1,051,224	-	525,612	(676,500)	900,336
Tan Sri Dato' Soong Siew Hoong:					
Interest in the company:					
- own	200,000	210,000	100,000	-	510,000
Goh Kee Seng:					
Interest in the company:					
- own	1,604,224	315,000	802,112	-	2,721,336
Tang Yin Kham:					
Interest in the company:					
- own	-	210,000	-	(210,000)	-
Ibrahim Mahdi Phee:					
Interest in the company:					
- own	100,000	-	50,000	(120,000)	30,000

* These are shares held in the name of the child and are regarded as interest of the Director in accordance with Section 134(12)(c) of the Companies Act, 1965 with effect from 15 August 2007.

Directors' Report

for the year ended 31 December 2007 (cont'd)

Directors' interests (cont'd)

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.

Name of Directors	Number of options over ordinary shares of RM0.50 each						At 31.12.2007
	At 1.1.2007	(Exercised)	Balance before bonus issue	Adjustment arising from bonus issue	Granted/ (Lapsed)	(Exercised)	
The Company							
Tan Sri Dato’ Mohd Desa bin Pachi	450,000	(100,000)	350,000	175,000	-	(120,000)	405,000
Dato’ Goh Cheng Huat	550,000	-	550,000	275,000	-	(210,000)	615,000
Yeoh Cheng Chye	450,000	-	450,000	225,000	-	-	675,000
Tan Sri Dato’ Soong Siew Hoong	350,000	-	350,000	175,000	-	(210,000)	315,000
Goh Kee Seng	350,000	-	350,000	175,000	-	(315,000)	210,000
Tang Yin Kham	350,000	-	350,000	175,000	-	(210,000)	315,000
Ibrahim Mahdi Phee	350,000	-	350,000	175,000	-	-	525,000

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 Directors as shown in the financial statements of the Company and its related company) by reason of a contract made by the Company or a related company with the Directors or with a firm of which the Directors are members, or with a company in which the Directors have 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 25 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 option granted under the Employees' Share Option Scheme.

Issue of shares

During the financial year, the Company issued:

- 55,200,500 new ordinary shares of RM0.50 each at par for bonus shares on the basis of 1 new ordinary share for every 2 existing ordinary shares held; and
- 401,000 new ordinary shares of RM0.50 each and 5,144,500 new ordinary shares of RM0.50 each for cash arising from the exercise of ESOS at a weighted average exercise price of RM1.00 and RM0.67 per ordinary share respectively.

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

Directors' Report

for the year ended 31 December 2007 (cont'd)

Employees' Share Option Scheme

The Company implemented an Employees' Share Option Scheme ("ESOS") on 2 August 2005 for a period of 10 years from the date of implementation. The ESOS is governed by the by-laws which were approved by the shareholders on 30 May 2005.

The salient features and other terms of the ESOS are disclosed in Note 12 to the financial statements.

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

		Number of options over ordinary shares of RM0.50 each								
Date of offer	Option price RM	At 1.1.2007	Restatement	Exercised	Lapsed	Balance before bonus issue	Adjustment arising from Bonus issue	Lapsed	Exercised	At 31.12.2007
2 August 2005	* 0.67	9,490,000	80,000	(401,000)	(20,000)	9,149,000	4,574,500	(816,000)	(5,144,500)	7,763,000

* The option price was adjusted from RM1.00 to RM0.67 pursuant to the bonus issue in February 2007.

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

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:

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

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

- 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
- that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- 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
- 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:

- 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
- 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.

Directors' Report

for the year ended 31 December 2007 (cont'd)

Other statutory information (cont'd)

In the opinion of the Directors, except for the allowance for doubtful debts made during the year amounting to RM6.4 million as disclosed in Note 18 and the recognition of deferred tax assets arising from unutilised Reinvestment Allowances ("RAs") following the early adoption of FRS 112, Income Taxes as disclosed in Note 31 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 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 that financial year and the date of this report.

Significant events

The details of such events are disclosed in Note 29 to the financial statements.

Subsequent events

The details of such events are disclosed in Note 30 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: 30 April 2008

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 86 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards 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 2007 and of the results of their operations and cash flows for the year ended on that date.

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: 30 April 2008

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 86 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 30 April 2008.

Dato' Goh Cheng Huat

Before me:

CHEAH BENG SUN

DJN, AMN, PKT, PJK, PJM, PK
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Penang

Report of the Auditors

to the members of Eonmetall Group Berhad

We have audited the financial statements set out on pages 37 to 86. 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 Financial Reporting Standards 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 2007 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 the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiary in respect of which we have not acted as auditors are identified in Note 4 to the financial statements and we have considered its financial statements.

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: 1414/03/10 (J/PH)

Penang,

Date: 30 April 2008

Consolidated Balance Sheet

at 31 December 2007

	Note	2007 RM	2006 RM (Restated)
Assets			
Property, plant and equipment	3	83,811,990	70,838,134
Prepaid land lease payments	5	1,061,193	-
Investment in associates	6	2,493,568	-
Other investment	7	-	57,046
Deferred tax assets	8	4,286,000	440,000
Total non-current assets		91,652,751	71,335,180
Receivables, deposits and prepayments	9	35,991,301	31,107,928
Inventories	10	55,996,269	37,497,716
Current tax assets		288,469	875,722
Cash and cash equivalents	11	7,393,075	7,284,020
Total current assets		99,669,114	76,765,386
Total assets		191,321,865	148,100,566
Equity			
Share capital	12	85,373,000	55,000,000
Reserves	13	2,351,334	10,220,505
Retained earnings		30,284,118	40,846,981
Total equity attributable to shareholders of the Company		118,008,452	106,067,486
Minority interest		92	-
Total equity		118,008,544	106,067,486
Liabilities			
Loans and borrowings	14	28,419,478	7,085,679
Deferred tax liabilities	8	2,642,523	2,834,398
Total non-current liabilities		31,062,001	9,920,077
Payables and accruals	15	18,767,325	10,277,541
Loans and borrowings	14	23,483,995	21,830,962
Current tax liabilities		-	4,500
Total current liabilities		42,251,320	32,113,003
Total liabilities		73,313,321	42,033,080
Total equity and liabilities		191,321,865	148,100,566

The notes on pages 47 to 86 are an integral part of these financial statements.

Consolidated income statement

for the year ended 31 December 2007

	Note	2007 RM	2006 RM (Restated)
Continuing operations			
Revenue	16	140,360,978	93,887,799
Cost of goods sold		(105,522,972)	(62,082,643)
Gross profit		34,838,006	31,805,156
Other income		1,285,608	815,391
Distribution expenses		(14,524,849)	(4,382,247)
Administrative expenses		(8,056,234)	(6,960,121)
Other expenses		(2,132,621)	(1,827,368)
Results from operating activities		11,409,910	19,450,811
Interest expense	17	(4,269,911)	(2,915,476)
Operating profit	18	7,139,999	16,535,335
Share of profit after tax of equity accounted associates		1,053,536	-
Profit before tax		8,193,535	16,535,335
Tax expense	21	3,520,758	(1,251,272)
Profit for the year		11,714,293	15,284,063
Attributable to:			
Shareholders of the Company		11,714,293	15,284,063
Basic earnings per ordinary share (sen)	22	6.99	9.26
Diluted earnings per ordinary share (sen)	22	6.89	-
Dividend per ordinary share - gross (%)	23	5.00	5.00

The notes on pages 47 to 86 are an integral part of these financial statements.

		Attributable to shareholders of the Company							
		Non-distributable			Distributable			Minority	
Note		Share capital	Share premium	Share option reserve	Statutory reserve	Translation reserve	Retained earnings	Total equity	interest
		RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2006									
As previously reported		55,000,000	9,199,959	347,185	-	-	22,256,918	86,804,062	-
Effect of adopting FRS 112	8	-	-	-	-	-	3,306,000	3,306,000	-
As restated		55,000,000	9,199,959	347,185	-	-	25,562,918	90,110,062	-
Profit for the year									
As previously reported		-	-	-	-	-	14,289,063	14,289,063	-
Effect of adopting FRS 112	8	-	-	-	-	-	995,000	995,000	-
As restated		-	-	-	-	-	15,284,063	15,284,063	-
Share-based payment	13.3	-	-	673,361	-	-	-	673,361	-
At 31 December 2006, restated		55,000,000	9,199,959	1,020,546	-	-	40,846,981	106,067,486	-

		Attributable to shareholders of the Company								
		Non-distributable				Distributable				
Note		Share capital RM	Share premium RM	Share option reserve RM	Statutory reserve RM	Translation reserve RM	Retained earnings RM	Total equity RM	Minority interest RM	Total equity RM
At 1 January 2007		55,000,000	9,199,959	1,020,546	-	-	40,846,981	106,067,486	-	106,067,486
Issue to shares pursuant to Esos	12	2,772,750	1,075,065	-	-	-	-	3,847,815	-	3,847,815
Bonus issue (1 for 2)	12	27,600,250	(9,400,459)	-	-	-	(18,199,791)	-	-	-
Profit for the year		-	-	-	-	-	11,714,293	11,714,293	-	11,714,293
Shares issued to minority interest		-	-	-	-	-	-	-	92	92
Foreign currency translation - associates		-	-	-	-	69,239	-	69,239	-	69,239
Statutory reserve - associates		-	-	-	101,793	-	-	101,793	-	101,793
Share-based payment	13.3	-	-	355,363	-	-	-	355,363	-	355,363
Option exercised and lapsed due to resignation		-	555,382	(625,554)	-	-	70,172	-	-	-
Dividends to shareholders	23	-	-	-	-	-	(4,147,537)	(4,147,537)	-	(4,147,537)
At 31 December 2007		85,373,000	1,429,947	750,355	101,793	69,239	30,284,118	118,008,452	92	118,088,544

The notes on pages 47 to 86 are an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	Note	2007 RM	2006 RM (Restated)
Cash flows from operating activities			
Profit before tax from continuing operations		8,193,535	16,535,335
Adjustments for:			
Depreciation of property, plant and equipment	3	5,507,419	4,326,997
Amortisation of prepaid land lease payments	5	17,986	-
Loss/(Gain) on disposal of plant and equipment		3,300	(82,973)
Interest income		(10,597)	(96,996)
Interest expense	17	4,269,911	2,915,476
Share of profit of associates		(1,053,536)	-
Share-based payment	13.3	355,363	673,361
Plant and equipment written off		9,353	14,148
Dividend income		-	(2,500)
Gain on disposal of other investment		(17,894)	-
Operating profit before changes in working capital		17,274,840	24,282,848
Changes in working capital:			
Receivables, deposits and prepayments		(4,883,373)	(4,292,532)
Inventories		(18,498,553)	(6,289,511)
Payables and accruals		7,929,984	3,872,788
Cash generated from operations		1,822,898	17,573,593
Tax refunded/(paid)		65,636	(854,237)
Net cash generated from operating activities		1,888,534	16,719,356

Consolidated Cash Flow Statement

for the year ended 31 December 2007 (cont'd)

	Note	2007 RM	2006 RM (Restated)
Cash flows from investing activities			
Prepayment of land lease	5	(1,079,179)	-
Purchase of other investment	7	-	(25,046)
Investment in associates	6	(709,200)	-
Shares issued to minority interest		92	-
Purchase of property, plant and equipment	A	(18,415,313)	(27,589,975)
Proceeds from disposal of plant and equipment		6,385	214,770
Withdrawal of pledged deposit with a licensed bank		-	77,072
Proceeds from disposal of other investment		74,940	-
Interest received		10,597	96,996
Dividend received		-	1,800
Net cash used in investing activities		(20,111,678)	(27,224,383)
Cash flows from financing activities			
Proceeds from short term borrowings, net		1,179,000	2,785,000
Repayment of term loans		(2,214,864)	(855,764)
Repayment of finance lease liabilities		(56,444)	(41,355)
Proceeds from issuance of shares		3,847,815	-
Interests paid	17	(4,269,911)	(2,915,476)
Dividend paid to shareholders of the Company	23	(4,147,537)	-
Proceeds from term loans		26,657,347	5,595,375
Net cash generated from financing activities		20,995,406	4,567,780
Net increase/(decrease) in cash and cash equivalents		2,772,262	(5,937,247)
Cash and cash equivalents at 1 January		4,432,529	10,369,776
Cash and cash equivalents at 31 December	B	7,204,791	4,432,529

Notes

A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM18,500,313 (2006: RM27,589,975) of which RM85,000 (2006: RM Nil) was acquired through finance lease. The balance of RM18,415,313 (2006: RM27,589,975) was settled in cash.

B. Cash and cash equivalents

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

	Note	2007 RM	2006 RM
Deposits with licensed bank	11	2,032,541	80,031
Cash and bank balances	11	5,360,534	7,203,989
Bank overdrafts repayable on demand, unsecured	14	(188,284)	(2,851,491)
		7,204,791	4,432,529

The notes on pages 47 to 86 are an integral part of these financial statements.

Balance Sheet

at 31 December 2007

	Note	2007 RM	2006 RM
Assets			
Investments in subsidiaries	4	52,685,333	44,899,243
Total non-current assets		52,685,333	44,899,243
Receivables, deposits and prepayments	9	40,352,033	43,973,318
Current tax assets		63,825	-
Cash and cash equivalents	11	215,275	33,530
Total current assets		40,631,133	44,006,848
Total assets		93,316,466	88,906,091
Equity			
Share capital	12	85,373,000	55,000,000
Reserves	13	2,250,474	10,220,505
Retained earnings		5,453,692	23,488,598
Total equity		93,077,166	88,709,103
Liabilities			
Payables and accruals	15	239,300	192,488
Current tax liabilities		-	4,500
Total current liabilities		239,300	196,988
Total equity and liabilities		93,316,466	88,906,091

The notes on pages 47 to 86 are an integral part of these financial statements.

Income Statement

for the year ended 31 December 2007

	Note	2007 RM	2006 RM
Continuing operations			
Revenue	16	5,000,000	26,804,020
Administrative expenses		(739,928)	(563,954)
Operating profit	18	4,260,072	26,240,066
Tax expense	21	52,350	(3,129,601)
Profit for the year		4,312,422	23,110,465
Dividend per ordinary share - gross (%)	23	5.00	5.00

The notes on pages 47 to 86 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2007

			← Non-distributable →		Distributable	
	Note	Share capital RM	Share premium RM	Share option reserve RM	Retained earnings RM	Total equity RM
At 1 January 2006		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	13.3	-	-	673,361	-	673,361
At 31 December 2006		55,000,000	9,199,959	1,020,546	23,488,598	88,709,103
Issue of shares pursuant to ESOS		2,772,750	1,075,065	-	-	3,847,815
Bonus issue (1 for 2)		27,600,250	(9,400,459)	-	(18,199,791)	-
Profit for the year		-	-	-	4,312,422	4,312,422
Share-based payment	13.3	-	-	355,363	-	355,363
Option exercised		-	97,139	(97,139)	-	-
Dividends to shareholders	23	-	-	-	(4,147,537)	(4,147,537)
At 31 December 2007		85,373,000	971,704	1,278,770	5,453,692	93,077,166

The notes on pages 47 to 86 are an integral part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2007

	Note	2007 RM	2006 RM
Cash flows from operating activities			
Profit before tax from continuing operations		4,260,072	26,240,066
Adjustments for:			
Dividend income	18	(5,000,000)	(26,711,112)
Interest income	18	-	(92,908)
Share-based payment		69,275	131,266
Operating loss before changes in working capital		(670,653)	(432,688)
Changes in working capital:			
Receivables, deposits and prepayments	A	(3,878,715)	(31,582,548)
Payables and accruals		46,812	93,225
Cash used in operations		(4,502,556)	(31,922,011)
Interest received		-	92,908
Dividend received		5,000,000	23,600,000
Tax paid		(15,975)	(45,589)
Net cash generated from/(used in) operating activities		481,469	(8,274,692)
Cash flows from financing activities			
Investment in subsidiaries	A	(2)	(100,002)
Proceeds from issuance of share capital		3,847,815	-
Dividends paid to shareholders of the Company	23	(4,147,537)	-
Net cash used in financing activities		(299,724)	(100,002)
Net increase/(decrease) in cash and cash equivalents		181,745	(8,374,694)
Cash and cash equivalents at 1 January		33,530	8,408,224
Cash and cash equivalents at 31 December	11	215,275	33,530

NOTE TO CASH FLOW STATEMENT

A. Investment in subsidiary

The additional investment in a subsidiary of RM7,500,000 (2006: RM Nil) was made by way of capitalisation of debt due from the subsidiary during the year.

The notes on pages 47 to 86 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 Main Board of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business of the Company 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 of the Company as at and for the financial year ended 31 December 2007 comprise the Company and its subsidiaries and the Group's interest in associates.

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 financial statements were approved by the Board of Directors on 30 April 2008.

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 Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The MASB has also issued the following FRSs and Interpretations that are effective for annual periods beginning on or after the date stated below, and that have not been applied in preparing these financial statements except for FRS 112 which has been early adopted:

FRSs/Interpretations	Effective date
FRS 107, Cash Flow Statements	1 July 2007
FRS 111, Construction Contracts	1 July 2007
FRS 112, Income Taxes	1 July 2007
FRS 118, Revenue	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

Notes to the Financial Statements (cont'd)

1. Basis of preparation (cont'd)**(a) Statement of compliance** (cont'd)

FRSs/Interpretations	Effective date
FRS 139, Financial Instruments : Recognition and Measurement	To be announced
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 Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year except for the adoption of FRS 112. The effect of early adopting FRS 112, Income Taxes in the current financial year are set out in Note 31.

FRS 111, FRS 120 and the Interpretations (except IC Interpretation 8) listed above are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

The Group and the Company plan to apply the rest of the above-mentioned FRSs and IC Interpretation 8 for the annual period beginning 1 January 2008 except for FRS 139, Financial Instruments : Recognition and Measurement which the effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs are not expected to have any material impact on the financial statements of the Group and of the Company.

(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.

Notes to the Financial Statements (cont'd)

1. Basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 8 - recognition of deferred tax assets

Note 9 - measurement of allowance for doubtful debts

2. Significant accounting policies

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

Certain comparative amounts have been restated to take into account the effect of the early adoption of FRS 112, Income Taxes (see Note 32).

(a) Basis of consolidation

(i) *Subsidiaries*

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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, 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) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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

(iii) *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 statements.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)**(a) Basis of consolidation (cont'd)****(iii) Changes in Group composition (cont'd)**

When a group purchases a subsidiary's equity shares from minority interest 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 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.

(iv) Minority interest

Minority interest at the balance sheet date, being the portion of the net assets (excluding goodwill) of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, 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.

(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 statements.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated to RM at exchange rates at the date of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)**(c) Property, plant and equipment****(i) Recognition and measurement**

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and 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 also 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements.

(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 the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iii) Depreciation

Depreciation is recognised in the income statements 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 unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)**(d) Leased assets****(i) Finance lease**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(e) Investments in equity securities

Investments 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 and associates, 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 investments in subsidiaries and associates, 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 statements.

The investments 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(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 the estimated costs necessary to make the sale.

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 inventories.

(h) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of receivables, deposits and prepayments in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

(i) Cash and cash equivalents

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

(j) Impairment of assets

The carrying amounts of assets except for inventories, deferred tax assets and financial assets, 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.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)**(j) Impairment of assets (cont'd)**

Impairment losses recognised in prior periods are 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 statements in the year in which the reversals are recognised.

(k) 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.

(l) Loans and borrowings

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

(m) 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 Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(n) 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.

(o) Revenue recognition**(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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(o) Revenue recognition (cont'd)

(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 statements.

(iv) *Dividend income*

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

(p) 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.

(q) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements 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. The Group accounts for reinvestment allowances by applying the analogy of the accounting treatment for unused tax losses in FRS 112 and recognise the deferred tax assets arising from the unutilised RA.

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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)**(r) 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.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to statutory pension funds 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.

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee share 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.

(s) 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 statements 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 statements as an expense as incurred. Capitalised development expenditure is stated at cost less any accumulated amortisation and any impairment losses.

(t) 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 or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(u) 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.

(v) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Forward foreign exchange contracts are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

3. Property, plant and equipment

Group	Freehold land RM	Factory buildings RM	Plant and machinery, moulds, tools and equipment RM	Furniture, fittings, office equipment and computer software RM	Motor vehicle RM	Electrical installation and renovation RM	Capital work-in- progress RM	Total RM
Cost								
At 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/ 1 January 2007	12,642,850	15,423,200	25,277,044	1,596,262	921,062	2,040,286	20,346,523	78,247,227
Additions	9,734	2,800	6,546,108	282,316	379,468	2,600	11,277,287	18,500,313
Disposals	-	-	-	(3,600)	(12,000)	-	-	(15,600)
Write-off	-	-	-	(16,649)	-	-	-	(16,649)
Reclassification	-	-	11,812,000	-	-	-	(11,812,000)	-
At 31 December 2007	12,652,584	15,426,000	43,635,152	1,858,329	1,288,530	2,042,886	19,811,810	96,715,291

3. Property, plant and equipment (cont'd)

Group	Freehold land RM	Factory buildings RM	Plant and machinery, moulds, tools and equipment RM	Furniture, fittings, office equipment and computer software RM	Motor vehicle RM	Electrical installation and renovation RM	Capital work-in-progress RM	Total RM
Accumulated depreciation								
At 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/ 1 January 2007	-	287,676	6,156,821	409,990	352,856	201,750	-	7,409,093
Depreciation for the year	-	157,232	4,572,377	320,596	215,886	241,328	-	5,507,419
Disposals	-	-	-	(3,115)	(2,800)	-	-	(5,915)
Write-off	-	-	-	(7,296)	-	-	-	(7,296)
At 31 December 2007	-	444,908	10,729,198	720,175	565,942	443,078	-	12,903,301
Carrying amounts								
At 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/ 1 January 2007	12,642,850	15,135,524	19,120,223	1,186,272	568,206	1,838,536	20,346,523	70,838,134
At 31 December 2007	12,652,584	14,981,092	32,905,954	1,138,154	722,588	1,599,808	19,811,810	83,811,990

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 leased motor vehicles with a carrying amount of RM217,322 (2006: RM191,527).

3.2 Security

At 31 December 2007, property, plant and equipment with a carrying amount of RM62,097,493 (2006: RM23,311,272) are subject to registered charge to secure bank loans and borrowings (see Note 14.2).

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 has been increased by RM9,084,669 with the corresponding adjustment made to negative goodwill.

4. Investments in subsidiaries

	2007 RM	Company 2006 RM
At cost:		
Unquoted shares	51,577,643	44,077,641
Add : Share-based payments	1,107,690	821,602
	52,685,333	44,899,243

Details of the subsidiaries are as follows:

Name of subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest	
				2007 %	2006 %
Eonmetall Technology Sdn. Bhd.		Malaysia	Manufacture of metalwork machinery and equipment	100	100
Eonmetall Industries Sdn. Bhd.		Malaysia	Manufacture and distribution of steel products, focusing on secondary flat steel products	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

Notes to the Financial Statements (cont'd)

4. Investments in subsidiaries (cont'd)

Name of subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest	
				2007 %	2006 %
Eonsteel Sdn. Bhd.		Malaysia	Dormant	100	100
De Bio Channel (M) Sdn. Bhd.		Malaysia	Property holding company	100	100
Eonmetall Petro-Chem (M) Sdn. Bhd. ("EPC")		Malaysia	Investment holding company	100	-
<i>Subsidiary of EPC</i>					
Eonmetall Bintai Koyo JV Pte. Ltd. (Formerly known as Victorious Builders Pte. Ltd.) #		Singapore	Dormant	60	-

Not audited by KPMG

5. Prepaid land lease payments

	2007 RM	Group 2006 RM
At 1 January	-	-
Acquisition	1,079,179	-
Amortisation for the year (Note 18)	(17,986)	-
At 31 December	1,061,193	-
Analysed as:		
Long term leasehold land	1,061,193	-

At 31 December 2007, the property was charged to bank as security for borrowings granted to the subsidiary (Note 14.2).

6. Investment in associates

	2007 RM	Group 2006 RM
At cost:		
Unquoted shares	1,269,000	-
Share of post-acquisition reserves	1,224,568	-
	2,493,568	-

Notes to the Financial Statements (cont'd)

6. Investment in associates (cont'd)

Summary financial information on associates:

	Principal activities	Country of incorporation	Effective ownership interest (%)	Revenue (100%) RM'000	Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2007							
Eonmetall Global Composites L.L.C ("EGC")	Specialised in piping and related fittings contracting	Dubai, United Arab Emirates	30	3,158	1,929	4,462	4,223
Subsidiary of EGC							
Coolrich District Cooling Services L.L.C	Engaged in the business of electro mechanical equipment installation, district cooling system and chilled water system cleaning and maintenance services	Dubai, United Arab Emirates	30	5,908	1,583	8,243	3,453
				9,066	3,512	12,705	7,676

Contingent liabilities

There are no contingent liabilities of the associates incurred jointly with other investors to be shared.

7. Other investment

	2007 RM	Group 2006 RM
Non-current		
At cost:		
Quoted shares in Malaysia	-	57,046
Market value	-	53,500

Notes to the Financial Statements (cont'd)

8. Deferred tax assets and liabilities

	2007 RM	Group 2006 RM (Restated)
At 1 January	2,394,398	5,420,049
Effect of FRS 112	-	(3,306,000)
	2,394,398	2,114,049
Recognised in income statement		
- Effect of adopting FRS 112 (Note 21)	(3,376,000)	(995,000)
- Reversal due to change in tax rate	(209,125)	
- Originating/Reversal of other temporary differences	(452,750)	1,275,349
	(4,037,875)	280,349
	(1,643,477)	2,394,398
Presented after appropriate offsetting as follows:		
Deferred tax assets	(4,286,000)	(440,000)
Deferred tax liabilities	2,642,523	2,834,398
	(1,643,477)	2,394,398

8.1 Recognised deferred tax assets and liabilities

The recognised deferred tax assets and liabilities prior to offsetting are attributable to the following :

	2007 RM	Group 2006 RM (Restated)
Recognised deferred tax asset		
Unutilised reinvestment allowances	7,677,000	4,301,000
Other deductible temporary differences	410,000	253,000
	8,087,000	4,554,000

Recognised deferred tax liabilities are as follows:

	2007 RM	Group 2006 RM
Property, plant and equipment		
- capital allowances	4,319,250	4,615,000
- fair value adjustment	2,124,273	2,333,398
	6,443,523	6,948,398

FRS 112 addresses the accounting treatment for income taxes. However, FRS 112 does not prescribe the accounting treatment for reinvestment allowance ("RA"). In the previous accounting policy for income taxes, RA is treated as the tax base of an asset. On early adoption of FRS 112, the Group has accounted for RA by applying the analogy of the accounting treatment for unused tax losses in FRS 112 and recognise the deferred tax assets arising from the unutilised RA. The change in accounting policy is applied retrospectively and the effects on the change in accounting policy are disclosed in Note 31 to the financial statements.

Notes to the Financial Statements (cont'd)

8. Deferred tax assets and liabilities (cont'd)**8.1 Recognised deferred tax assets and liabilities** (cont'd)**Unrecognised deferred tax assets**

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

	2007 RM	Group 2006 RM
Taxable temporary differences	139,905	11,958
Unutilised tax losses	(39,917)	(14,800)
Unabsorbed capital allowances	(917,953)	(469,535)
	<u>(817,965)</u>	<u>(472,377)</u>

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

The corporate tax rates are 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

The comparative figures of the unrecognised deferred tax assets have been restated to reflect the revised unutilised tax losses and unabsorbed capital allowances available to the Group.

8.2 Movement in temporary differences in deferred tax assets during the year

	At 1.1.2006 RM (Restated)	Recognised in the income statement (Note 21) RM	At 31.12.2006 RM (Restated)	Recognised in the income statement (Note 21) RM	At 31.12.2007 RM
Group					
Unutilised reinvestment allowances	3,306,000	995,000	4,301,000	3,376,000	7,677,000
Other deductible temporary differences	205,000	48,000	253,000	157,000	410,000
	<u>3,511,000</u>	<u>1,043,000</u>	<u>4,554,000</u>	<u>3,533,000</u>	<u>8,087,000</u>

8.3 Movement in temporary differences in deferred tax liabilities during the year

	At 1.1.2006 RM	Recognised in the income statement (Note 21) RM	At 31.12.2006 RM	Recognised in the income statement (Note 21) RM	At 31.12.2007 RM
Group					
Property, plant and equipment					
- capital allowances	3,291,651	1,323,349	4,615,000	(295,750)	4,319,250
- revaluation	2,333,398	-	2,333,398	(209,125)	2,124,273
	<u>5,625,049</u>	<u>1,323,349</u>	<u>6,948,398</u>	<u>(504,875)</u>	<u>6,443,523</u>

Notes to the Financial Statements (cont'd)

9. Receivables, deposits and prepayments

	Note	2007 RM	Group 2006 RM	2007 RM	Company 2006 RM
Trade					
Companies in which a Director has substantial financial interests	9.2	1,004,699	538,317	-	-
External parties		38,878,373	28,086,617	-	-
		39,883,072	28,624,934	-	-
Less: Allowance for doubtful debts		(7,645,949)	(1,284,438)	-	-
	9.3	32,237,123	27,340,496	-	-
Non-trade					
Subsidiaries	9.4	-	-	40,351,033	43,972,318
Associates	9.4	119,110	-	-	-
Other receivables		546,084	204,412	-	-
Deposits		2,798,043	3,300,778	1,000	1,000
Prepayments		290,941	262,242	-	-
		3,754,178	3,767,432	40,352,033	43,973,318
		35,991,301	31,107,928	40,352,033	43,973,318

9.1 Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end (net of allowance for doubtful debts) that are not in the functional currencies of the Group entities are as follows:

Functional currency	Foreign currency	2007 RM	Group 2006 RM
RM	USD	15,714,821	18,565,107
RM	Euro	8,920,644	1,744,132

9.2 Amount due from companies in which a Director has substantial financial interests

The trade receivables from companies in which a Director has substantial financial interests are subjected to normal trade terms.

9.3 Long outstanding debts

Trade receivables net of allowance for doubtful debts which are outstanding for more than 1 year amounted to RM9,908,786 (2006: RM12,047,038). The Directors are of the opinion that these debts are recoverable.

9.4 Amount due from subsidiaries and associates

The non-trade receivables due from subsidiaries and associates are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements (cont'd)

10. Inventories

	2007 RM	Group 2006 RM
At cost:		
Raw materials	17,212,752	12,418,761
Work-in-progress	17,504,358	11,000,976
Manufactured inventories	20,206,247	13,007,407
Construction-in-progress	1,040,472	1,040,472
Trading inventories	32,440	30,100
	<u>55,996,269</u>	<u>37,497,716</u>

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

	2007 RM	2006 RM
Cost of construction-in-progress	4,161,887	4,161,887
Add: Attributable profits	<u>478,585</u>	<u>478,585</u>
	4,640,472	4,640,472
Less: Progress billings	<u>(3,600,000)</u>	<u>(3,600,000)</u>
	<u>1,040,472</u>	<u>1,040,472</u>

11. Cash and cash equivalents

	2007 RM	Group 2006 RM	2007 RM	Company 2006 RM
Cash and bank balances	5,360,534	7,203,989	215,275	33,530
Deposit placed with licensed banks	<u>2,032,541</u>	<u>80,031</u>	<u>-</u>	<u>-</u>
	<u>7,393,075</u>	<u>7,284,020</u>	<u>215,275</u>	<u>33,530</u>

11.1 Analysis of foreign currency exposure for significant cash and cash equivalents

Significant cash and cash equivalents outstanding at year end that are not in the functional currencies of the Group entities are as follows:

Functional currency	Foreign currency	2007 RM	Group 2006 RM
RM	USD	582,159	4,047,900
RM	Euro	<u>3,198</u>	<u>-</u>

Notes to the Financial Statements (cont'd)

12. Share capital

	Group and Company			
	RM	2007 Number of Shares	RM	2006 Number of Shares
Ordinary shares of RM0.50 each				
Authorised:	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	55,000,000	110,000,000
Issued during the year:				
Share option exercised	2,772,750	5,545,500	-	-
Bonus issue	27,600,250	55,200,500	-	-
	30,373,000	60,746,000	-	-
Balance at end of year	85,373,000	170,746,000	55,000,000	110,000,000

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM55,000,000 to RM85,373,000 by way of:

- Issuance of 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; and
- Issuance of 401,000 new ordinary shares of RM0.50 each at an exercise price of RM1.00 per ordinary share and 5,144,500 new ordinary shares of RM0.50 each at an exercise price of RM0.67 for cash pursuant to the Employees' Share Option Scheme of the Company.

Employee Share Option Scheme

The Company implemented an Employees' Share Option Scheme ("ESOS") on 2 August 2005 for a period of 10 years from the date of implementation. The ESOS is governed by the by-laws which were approved by the shareholders on 30 May 2005.

The salient features of the ESOS 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;
- 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;
- No employee or Director shall participate at any time in more than one (1) employee share option scheme by any company within the Group;

Notes to the Financial Statements (cont'd)

12. Share capital (cont'd)

Employee Share Option Scheme (cont'd)

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

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

Date of offer	Option price RM	Number of options over ordinary shares of RM0.50 each								Balance at 31 December	Exercisable at 31 December
		Balance at 1 January	Restatement	Exercised	Lapsed	Balance before Bonus issue	Adjustment arising from Bonus issue	Lapsed	Exercised		
2007											
2 August 2005	* 0.67	9,490,000	80,000	(401,000)	(20,000)	9,149,000	4,574,500	(816,000)	(5,144,500)	7,763,000	2,600,000
2006											
2 August 2005	* 0.67	10,750,000	-	-	(1,260,000)	-	-	-	-	9,490,000	3,796,000

* The option price was adjusted from RM1.00 to RM0.67 pursuant to the bonus issue in February 2007.

13. Reserves

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable				
Share premium	1,429,947	9,199,959	971,704	9,199,959
Share option reserve	750,355	1,020,546	1,278,770	1,020,546
Translation reserve	69,239	-	-	-
Statutory reserve	101,793	-	-	-
	<u>2,351,334</u>	<u>10,220,505</u>	<u>2,250,474</u>	<u>10,220,505</u>

Notes to the Financial Statements (cont'd)

13. Reserves (cont'd)**13.1 Share premium**

The share premium account for the Group and the Company arose from the public issue in 2005 and the issuance of share under ESOS.

13.2 Statutory reserve

This represents the reserve of associates created in accordance with the U.A.E. Federal Law No. 8 of 1984. According to the law, an amount of 10% of net profit must be kept as reserve annually accumulating to 50% of total capital.

13.3 Share option reserve

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.

Value of employee services received for issue of share options

	Group and Company	
	2007	2006
	RM	RM
Balance at 1 January	1,020,546	347,185
Value of employee services received for issuance of share options granted in 2005 (Note 18)	355,363	673,361
Balance at 31 December	<u>1,375,909</u>	<u>1,020,546</u>

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	
	2007	2006
Fair value per share option and assumptions		
Fair value at grant date (RM)	1.00	1.00
Exercise price (RM)	* 0.67	1.00
Risk-free interest rate (based on Malaysian government bonds)	3.2%	3.2%
Expected volatility (weighted average volatility)	35%	35%
Option life (expected weighted average life)	5 years	5 years
Expected dividend yield	<u>2.5%</u>	<u>2.5%</u>

* The option price was adjusted from RM1.00 to RM0.67 pursuant to the bonus issue in February 2007.

Notes to the Financial Statements (cont'd)

14. Loans and borrowings

	2007 RM	Group 2006 RM
Non-current		
<i>Secured</i>		
Term loans	28,275,866	6,952,557
Finance lease liabilities	143,612	133,122
	<u>28,419,478</u>	<u>7,085,679</u>
Current		
<i>Secured</i>		
Term loans	4,420,792	1,301,618
Finance lease liabilities	62,919	44,853
	<u>4,483,711</u>	<u>1,346,471</u>
<i>Unsecured</i>		
Bank overdrafts	188,284	2,851,491
Bankers' acceptances	18,812,000	17,633,000
	<u>19,000,284</u>	<u>20,484,491</u>
	<u>23,483,995</u>	<u>21,830,962</u>

14.1 Interest rates

Term loans	
- floating rates	1.00% to 1.50% (2006: 1.00%) above cost of funds
- fixed rates	5.60% to 6.40% (2006: 4.00% to 5.60%) per annum
Finance lease liabilities	2.34% to 2.50% (2006: 2.34% to 2.37%) per annum
Bank overdrafts	1.50% to 1.75% (2006: 0.75% to 1.75%) above prevailing base lending rates per annum
Bankers' acceptances	0.75% to 1.25% (2006: 0.75% to 1.25%) above cost of funds per annum

Notes to the Financial Statements (cont'd)

14. Loans and borrowings (cont'd)**14.2 Securities**Term loans

Term loans are secured by way of a fixed charges over the following assets of the Group:

	Note	2007 RM	2006 RM
Freehold land and buildings		27,634,075	7,822,849
Plant and machinery, moulds, tools and equipment		14,811,608	6,953,900
Capital work-in-progress		19,651,810	8,534,523
Property, plant and equipment	3.2	62,097,493	23,311,272
Prepaid land lease payments	5	1,061,193	-
		<u>63,158,686</u>	<u>23,311,272</u>

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.

14.3 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
Group						
2007						
Secured						
Term loans	2012 - 2017	32,696,658	4,420,792	5,199,020	16,637,714	6,439,132
Finance lease liabilities	2010 - 2012	206,531	62,919	64,113	79,499	-
Unsecured						
Bank overdrafts	2008	188,284	188,284	-	-	-
Bankers' acceptances	2008	18,812,000	18,812,000	-	-	-
		<u>51,903,473</u>	<u>23,483,995</u>	<u>5,263,133</u>	<u>16,717,213</u>	<u>6,439,132</u>
2006						
Secured						
Term loans	2012 - 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	-	-	-
		<u>28,916,641</u>	<u>21,830,962</u>	<u>1,404,392</u>	<u>4,455,891</u>	<u>1,225,396</u>

Notes to the Financial Statements (cont'd)

14. Loans and borrowings (cont'd)**14.4 Finance lease liabilities**

The finance lease liabilities are payable as follows:

	2007			2006		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Group						
Less than 1 year	70,956	8,037	62,919	51,876	7,023	44,853
Between 1 to 2 years	70,956	6,843	64,113	51,876	4,874	47,002
Between 2 to 5 years	82,430	2,931	79,499	89,511	3,391	86,120
	<u>224,342</u>	<u>17,811</u>	<u>206,531</u>	<u>193,263</u>	<u>15,288</u>	<u>177,975</u>

15. Payables and accruals

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Trade					
Companies in which a Director has substantial financial interests	15.2	317,142	82,616	-	-
Others		10,406,518	5,488,916	-	-
		<u>10,723,660</u>	<u>5,571,532</u>	<u>-</u>	<u>-</u>
Non-trade					
Amount due to an associate	15.3	500,833	-	-	-
Amount due to a Director	15.4	600	600	-	-
Other payables		6,037,703	2,925,565	33,500	-
Accrued expenses		1,504,529	1,779,844	205,800	192,488
		<u>8,043,665</u>	<u>4,706,009</u>	<u>239,300</u>	<u>192,488</u>
		<u>18,767,325</u>	<u>10,277,541</u>	<u>239,300</u>	<u>192,488</u>

15.1 Analysis of foreign currency exposure for significant payables

Significant payables that are not in the functional currencies of the Group entities are as follows:

Functional currency	Foreign currency	Group 2007 RM	Group 2006 RM
RM	USD	<u>3,490,607</u>	<u>2,247,410</u>

Notes to the Financial Statements (cont'd)

15. Payables and accruals (cont'd)**15.2 Amount due to companies in which a Director has substantial financial interests**

The trade payable due to companies in which a Director has substantial financial interests is subject to normal trade terms.

15.3 Amount due to an associate

The amount due to an associate is unsecured, interest-free and repayable on demand.

15.4 Amount due to a Director

The amount due to a Director is unsecured, interest-free and repayable on demand.

16. Revenue

	2007 RM	Group 2006 RM	2007 RM	Company 2006 RM
Invoiced value of goods sold less discounts and returns	140,360,978	93,794,891	-	-
Interest income	-	92,908	-	92,908
Gross dividends from subsidiaries	-		5,000,000	26,711,112
	<u>140,360,978</u>	<u>93,887,799</u>	<u>5,000,000</u>	<u>26,804,020</u>

17. Interest expense

	2007 RM	Group 2006 RM
Interest expense on:		
Bank overdrafts	203,735	120,403
Term loans	1,225,966	325,893
Finance lease liabilities	9,942	10,521
Bankers' acceptances	1,443,278	676,744
Others	1,386,990	1,781,915
	<u>4,269,911</u>	<u>2,915,476</u>

Notes to the Financial Statements (cont'd)

18. Operating profit

Operating profit is arrived at:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
After charging:				
Auditors' remuneration				
- Statutory audit				
- current year	213,000	78,000	35,000	20,000
- prior year	5,000	-	5,000	-
- Other services				
- current year	48,700	115,300	25,800	83,700
- prior year	(700)	-	-	-
Directors' emoluments				
- Directors of the Company				
- fees	169,000	169,417	169,000	169,417
- others	1,264,892	1,208,602	31,500	20,500
- share based payment	71,148	134,816	38,944	73,794
- Other Directors of the Group				
- others	-	44,800	-	-
- share based payment	5,242	9,934	5,242	9,934
Unrealised loss on foreign exchange	2,064,594	1,631,315	-	-
Depreciation of property, plant and equipment (Note 3)	5,507,419	4,326,997	-	-
Amortisation of prepaid land lease payments (Note 5)	17,986	-	-	-
Allowance for doubtful debts	6,361,511	-	-	-
Loss on disposal of plant and equipment	3,300	-	-	-
Rental of premises	36,172	32,763	-	-
Research and development expenses	531,335	469,398	-	-
Share-based payment (Note 13.3)	355,363	673,361	69,275	131,266
Plant and equipment written off	9,353	14,148	-	-
and crediting:				
Dividend income from:				
- other investment	-	2,500	-	-
- subsidiaries	-	-	5,000,000	26,711,112
Gain on disposal of other investment	17,894	-	-	-
Gain on foreign exchange				
- realised	910,134	562,115	-	-
Interest income	10,597	96,996	-	92,908
Gain on disposal of plant and equipment	-	82,973	-	-

Notes to the Financial Statements (cont'd)

19. Key management personnel compensations

The key management personnel compensations are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors of the Company				
- Fees	48,000	48,000	48,000	48,000
- Remuneration	1,202,892	1,147,102	5,500	5,000
Total short term employee benefits	1,250,892	1,195,102	53,500	53,000

20. Employees information

	Group	
	2007 RM	2006 RM
Staff costs (including executive Directors)	8,532,728	7,601,033

Included in the staff costs above are:

- an amount of RM531,335 (2006 : RM469,398) charged out as research and development expenses disclosed under Note 18 to the financial statements; and
- an amount of RM621,658 (2006 : RM564,473) representing contributions made to the Employees' Provident Fund.

21. Tax expense

Recognised in the income statement

	Group		Company	
	2007 RM	2006 RM (Restated)	2007 RM	2006 RM
Current tax expense				
Current year	674,888	1,110,439	-	3,129,112
Prior year	(157,771)	(139,516)	(52,350)	489
Total current tax recognised in the income statement	517,117	970,923	(52,350)	3,129,601
Deferred tax expense				
Origination and reversal of temporary differences	(294,750)	662,000	-	-
Effect of adopting FRS 112 (Note 8.2)	(3,376,000)	(995,000)	-	-
Prior year	(367,125)	613,349	-	-
Total deferred tax recognised in the income statement	(4,037,875)	280,349	-	-
Total tax expense	(3,520,758)	1,251,272	(52,350)	3,129,601

Notes to the Financial Statements (cont'd)

21. Tax expense (cont'd)**Reconciliation of effective tax expense**

	2007 RM	Group 2006 RM (Restated)	2007 RM	Company 2006 RM
Profit before tax	8,193,535	16,535,335	4,260,072	26,240,066
Tax calculated using Malaysian tax rate of 27% (2006 : 28%)	2,212,254	4,629,894	1,150,219	7,347,219
Non-deductible expenses	619,685	943,254	199,781	149,437
Tax incentives	(2,680,840)	(3,769,625)	-	-
Income not subject to tax	-	-	(1,350,000)	(4,368,000)
Deferred tax asset recognised	(3,376,000)	(1,343,463)	-	-
Deferred tax assets not recognised	345,588	402,249	-	-
Effect of lower tax rate for certain subsidiaries *	(128,632)	(87,622)	-	-
Others	12,083	2,752	-	456
	(2,995,862)	777,439	-	3,129,112
(Over)/Under provided in prior year	(524,896)	473,833	(52,350)	489
	(3,520,758)	1,251,272	(52,350)	3,129,601

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank/distribute its entire retained earnings at 31 December 2007 if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

Notes to the Financial Statements (cont'd)

22. Earnings per ordinary share*Basic earnings per ordinary share*

The basic earnings per ordinary share has been calculated based on the net profit attributable to ordinary shareholders of RM11,714,293 (2006: RM15,284,063) and the weighted average number of ordinary shares outstanding during the financial year of RM167,600,816 (2006: 165,000,000).

Weighted average number of ordinary shares

	2007 RM	Group 2006 RM
Issued ordinary shares at beginning of year	110,000,000	110,000,000
Share options exercised	2,600,816	-
Bonus issue in February 2007	55,000,000	55,000,000
Weighted average number of ordinary shares	<u>167,600,816</u>	<u>165,000,000</u>

Diluted earnings per ordinary share

The diluted earnings per ordinary share has been calculated based on the net profit attributable to ordinary shareholders of RM11,714,293 (2006: RM15,284,063) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares diluted

	2007	Group 2006
Weighted average number of ordinary shares in issue	167,600,816	-
Effect of dilution of share options	2,345,073	-
Weighted average number of ordinary shares for diluted earnings per share	<u>169,945,889</u>	<u>-</u>

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

	2007 Sen	Group 2006 Sen
Diluted earnings per ordinary share	<u>6.89</u>	<u>*</u>

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

23. Dividend

	Group and Company 2007	2006
Paid:		
First and final dividend of 5% tax exempt for 2006 (2005: Nil) on 165,901,480 (2005: Nil) ordinary shares of RM0.50 each	<u>4,147,537</u>	<u>-</u>

The Directors recommended a first and final dividend of 5% tax exempt, in respect of the year ended 31 December 2007 subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements do not reflect this 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 2008.

The dividend per ordinary share as disclosed in the income statements reflects the first and final dividend recommended for the year.

Notes to the Financial Statements (cont'd)

24. Segmental information - Group

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

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 comprise mainly 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.

Inter-segment pricing is determined on an arm's length basis in a manner similar to transactions with third parties.

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
2007						
Total external revenue	39,824,651	100,519,049	17,278	-	-	140,360,978
Inter-segment revenue	9,810,000	1,424,273	345,190	-	(11,579,463)	-
Total segment revenue	49,634,651	101,943,322	362,468	-	(11,579,463)	140,360,978
Segment results	16,196,802	2,582,646	(2,045,214)	(816,706)	(4,507,618)	11,409,910
Interest expense						(4,269,911)
Operating profit						7,139,999
Share of profit after tax of equity accounted associate						1,053,536
Profit before tax						8,193,535
Tax expense						3,520,758
Profit for the year						11,714,293
Segment assets	78,712,016	114,730,419	1,560,368	1,431,865	(12,180,840)	184,253,828
Unallocated assets						7,068,037
Total assets						191,321,865
Segment liabilities	9,457,196	8,429,987	50,707	829,435	-	18,767,325
Unallocated liabilities						54,545,996
Total liabilities						73,313,321
Capital expenditure	712,715	17,781,768	5,830	-	-	18,500,313
Depreciation and amortisation	653,116	4,653,085	201,218	17,986	-	5,525,405
Non-cash expenses other than depreciation and amortisation	6,451,590	197,419	2,063,184	69,275	-	8,781,468

Notes to the Financial Statements (cont'd)

24. Segmental information - Group (cont'd)

	Machinery and equipment RM	Secondary flat steel and related products RM	IT solutions and automation RM	Investment holding RM	Elimination RM	Consolidated RM
2006, restated						
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	49,585,019	63,905,100	1,302,810	92,909	(20,998,039)	93,887,799
Segment results	21,874,427	4,379,036	17,282	(495,725)	(6,324,209)	19,450,811
Interest expense						(2,915,476)
Operating profit						16,535,335
Tax expense						(1,251,271)
Profit for the year						15,284,064
Segment assets	67,264,250	83,461,876	3,845,259	460,284	(8,246,825)	146,784,844
Unallocated assets						1,315,722
Total assets						148,100,566
Segment liabilities	2,075,970	7,942,823	61,546	197,202	-	10,277,541
Unallocated liabilities						31,755,539
Total liabilities						42,033,080
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

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	Africa RM	Asia RM	Others RM	Consolidated RM
2007					
Revenue from external customers by location of customers	55,440,105	44,841,608	25,244,056	14,835,209	140,360,978
Segment assets by location of assets	184,253,828	-	-	-	184,253,828
Capital expenditure by location of assets	18,500,313	-	-	-	18,500,313

Notes to the Financial Statements (cont'd)

24. Segmental information - Group (cont'd)

	Malaysia RM	Africa RM	Asia RM	Others RM	Consolidated RM
2006					
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

25. Related parties - Group/Company

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

25.1.1 Controlling related party relationships are as follows:

- a) The substantial shareholder, Eonmetall Corporation Sdn Bhd ("ECSB") which holds a 49% interest in the Company and presumed to exercise significant influence over the Company;
- b) Subsidiaries and indirect associates of the Company as disclosed in Note 4 and Note 6 respectively to the financial statements;
- c) Related companies of ECSB and the direct (hereinafter referred as "ECSB Group of Companies"); and
- d) Companies in which the director, Dato' Goh Cheng Huat and/or his spouse have controlling interests
 - i) Leader Steel Holdings Berhad and its subsidiaries; and
 - ii) Universal Bedframe Inc.

25.1.2 Key Directors and key management personnel of the Company

- Dato' Goh Cheng Huat
- Yeoh Cheng Chye

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the key Director mentioned above.

Notes to the Financial Statements (cont'd)

25. Related parties - Group/Company (cont'd)**25.2 Related party transactions***25.2.1 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 as disclosed in Note 19.

25.2.2 Transactions with companies in which a Director and his spouse have controlling interests

	2007 RM	Group 2006 RM
Sales	5,470,059	686,823
Purchases	477,924	948,560
Purchase of plant and equipment	-	40,000

25.2.3 Transactions with the indirect associate

	2007 RM	Group 2006 RM
Sales	404,351	-

25.2.4 Transaction with subsidiaries

	2007 RM	Company 2006 RM
Dividend income from subsidiaries	5,000,000	26,711,112

Non-trade balances with related parties are as disclosed in Note 9 and Note 15 to the financial statements.

The terms and conditions for the above transactions are based on normal trade terms.

26. Capital commitment

	2007 RM	Group 2006 RM
<i>Property, plant and equipment</i>		
Authorised but not contracted for	25,428,217	-
Contracted but not provided for in the financial statements	643,175	1,400,050

27. 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 RM187.80 (2006: RM125.96) million of which RM59.90 (2006: RM36.31) 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)

28. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Credit risk

At balance sheet date, there were no significant concentration of credit risk (net of allowance for doubtful debts) at balance sheet date except for the following debts:

	2007 RM	Group 2006 RM
Customers in:-		
Middle-east countries	4,922,027	5,155,928
Vietnam	3,170,015	7,484,369
	<u>8,092,042</u>	<u>12,640,297</u>

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.

As at balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amounts and maturities:-

		← Maturities →		
	Currency	Within 1 year RM	1-2 years RM	Total notional amount RM
At 31 December 2007				
Forward used to hedge anticipated sales	Euro	1,522,000	-	1,522,000
At 31 December 2006				
Forward used to hedge anticipated sales	USD	5,645,000	-	5,645,000

28. Financial instruments (cont'd)

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.

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
2007									
Financial asset									
<i>Fixed rate instrument</i>									
Deposits with licensed banks	11	2.05	2,032,541	2,032,541	-	-	-	-	-
Financial liabilities									
<i>Fixed rate instruments</i>									
Secured term loans	14	6.23	12,267,167	1,778,847	1,891,386	2,011,066	2,138,350	1,683,165	2,764,353
Finance lease liabilities	14	2.41	206,531	62,919	64,113	56,345	18,420	4,734	-
<i>Floating rate instruments</i>									
Secured term loans	14	5.82	20,429,491	20,429,491	-	-	-	-	-
Unsecured bank overdrafts	14	8.50	188,284	188,284	-	-	-	-	-
Unsecured bankers' acceptances	14	4.68	18,812,000	18,812,000	-	-	-	-	-

28. Financial instruments (cont'd)**Effective interest rates and repricing analysis** (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
2006									
Financial assets									
<i>Fixed rate instrument</i>									
Deposit with a licensed bank	11	3.10	80,031	80,031	-	-	-	-	-
Financial liabilities									
<i>Fixed rate instruments</i>									
Secured term loans	14	5.60	2,230,000	446,004	446,004	446,004	446,004	445,984	-
Finance lease liabilities	14	2.36	177,975	44,853	47,002	47,362	38,758	-	-
<i>Floating rate instruments</i>									
Secured term loans	14	4.98	6,024,175	6,024,175	-	-	-	-	-
Unsecured bank overdrafts	14	8.01	2,851,491	2,851,491	-	-	-	-	-
Unsecured bankers' acceptances	14	4.81	17,633,000	17,633,000	-	-	-	-	-

Notes to the Financial Statements (cont'd)

28. Financial instruments (cont'd)**Fair values***Recognised financial instruments*

The carrying amounts of cash and cash equivalents, receivables, payables and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The fair value of the term loan carried on the balance sheet as at 31 December is shown below:

	2007		2006	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Fixed rate term loans	12,267,167	10,902,000	2,230,000	2,230,000

Fair value of fixed rate term loans has been determined using discounted cash flows. The discount rates used are the current market incremental lending rates for similar type of borrowings.

The fair value of quoted investment at the balance sheet date is its market value as disclosed in Note 7 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:

	2007		2006	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Forward foreign exchange contracts	-	(34,000)	-	(3,000)

The fair value of forward foreign exchange contracts is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

Notes to the Financial Statements (cont'd)

29. Significant events during the year

- a) On 16 April 2007, the Company incorporated a new subsidiary known as Eonmetall Petro-Chem (M) Sdn. Bhd. ("EPC"). EPC is principally involved in the business of engineering service of oil, gas and chemical industry and commenced its operations during the year as an investment holding company.
- b) On 10 May 2007, Eonmetall Global Composites L.L.C ("EGC") was incorporated with a total paid up capital of AED 300,000 and EPC subscribed for a 30% equity in EGC for AED 90,000; satisfied in cash. EGC has subsequently increased its paid-up capital to AED 1,000,000 during the year. On 23 August 2007, EGC acquired the entire equity interest in Coolrich District Cooling Services L.L.C. ("Coolrich") for a consideration of AED 4.50 million. EGC specialises in piping and related fittings contracting whilst its wholly-owned subsidiary, Coolrich is principally engaged in the business of electromechanical equipment installation, district cooling system and chilled water system cleaning and maintenance services.
- c) On 30 October 2007, EPC acquired 60% of equity interest in Eonmetall Bintai Koyo JV Pte. Ltd. (formerly known as Victorious Builders Pte. Ltd.) for a total cash consideration of SGD60; satisfied in cash.

The acquisition of the subsidiaries and associate has no significant effect on the results of the group for the year and the financial position of the Group at balance sheet date.

30. Event subsequent to balance sheet date

- a) Subsequent to year end, the issued and paid-up share capital of the Company was increased from 170,746,000 ordinary shares of RM0.50 each to 171,166,000 ordinary shares of RM0.50 each via the allotment of 420,000 ordinary shares issued pursuant to the exercise of Employee Share Option Scheme at the exercise price of RM0.67 per share.
- b) On 1 April 2008, its wholly-owned subsidiary, EPC disposed of all equity interest in Eonmetall Bintai Koyo JV Pte. Ltd. (formerly known as Victorious Builders Pte. Ltd.) for a total cash consideration of SGD60.

31. Changes in accounting policies - Group

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2007.

The changes in accounting policy arising from the adoption of FRS 112, Income Taxes are summarised below:

FRS 112 addresses the accounting treatment for income taxes. However, FRS 112 does not prescribe the accounting treatment for reinvestment allowance. Upon the early adoption of FRS 112 this financial year, the Group and the Company accounted for these tax incentives by applying the analogy of the accounting treatment for unused tax losses in FRS 112.

Notes to the Financial Statements (cont'd)

31. Changes in accounting policies - Group (cont'd)

The change in accounting policy is applied retrospectively and has the following impact on the financial statements :

	2007 RM	2006 RM (Restated)
Consolidated income statement for the year ended 31 December		
Decrease in tax expense	3,376,000	995,000
Consolidated balance sheet at 31 December		
Cumulative increase in deferred tax assets	7,677,000	4,301,000
Cumulative increase in retained earnings	7,677,000	4,301,000
Earnings per share		
	2007 Sen	2006 Sen (Restated)
Increase in basic earnings per share	2.01	0.60
Increase in diluted earnings per share	1.99	-

32. Comparative figures - Group

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 31:

	As restated RM	As previously stated RM
Consolidated balance sheet		
Deferred tax assets	440,000	-
Retained earnings	40,846,981	36,545,981
Deferred tax liabilities	2,834,398	6,695,398
Consolidated income statement		
Tax expense	1,251,272	2,246,272
Profit for the year	15,284,063	14,289,063
Basic earnings per ordinary share (sen)	9.26	8.66
Consolidated statement of changes in equity		
Retained earnings at 1 January 2006	25,562,918	22,256,918
Retained earnings at 31 December 2006	40,846,981	36,545,981

Analysis of Shareholdings

Analysis of Shareholdings as at 8 April 2008

Authorised share capital	:	RM100,000,000.00
Issued and fully paid-up share capital	:	RM85,583,000.00
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 8 April 2008

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Dato' Goh Cheng Huat	26,355,000	15.40	84,049,128	49.10
3	Datin Tan Pak Say	-	-	110,404,128	64.50
4	Eonmetall Corporation Sdn. Bhd.	84,049,128	49.10	-	-

Directors' Shareholdings as at 8 April 2008

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	*Tan Sri Dato' Mohd Desa bin Pachi	630,000	0.37	2,592,000	1.51
2	#Dato' Goh Cheng Huat	26,355,000	15.40	84,049,128	49.10
3	~Yeoh Cheng Chye	818,636	0.48	-	-
4	•Goh Kee Seng	2,721,336	1.59	-	-
5	^Tan Sri Dato' Soong Siew Hoong	510,000	0.30	-	-
6	^Tang Yin Kham	-	-	-	-
7	▣Ibrahim Mahdi Phee	30,000	0.02	-	-

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 270,000 shares in the Company pursuant to Employee Share Option Scheme.

Option to subscribe for 615,000 shares in the Company pursuant to Employee Share Option Scheme.

~ Option to subscribe for 675,000 shares in the Company pursuant to Employee Share Option Scheme.

• Option to subscribe for 210,000 shares in the Company pursuant to Employee Share Option Scheme.

^ Option to subscribe for 315,000 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 as at 8 April 2008

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	26	1.68	1,325	0.00
100 - 1,000	361	23.38	144,475	0.08
1,001 - 10,000	820	53.11	3,650,327	2.13
10,001 - 100,000	274	17.75	8,321,423	4.86
100,001 - 8,558,299	60	3.89	48,854,322	28.54
8,558,300 - 171,166,000	3	0.19	110,194,128	64.39
TOTAL	1,544	100.00	171,166,000	100.00

Analysis of Shareholdings (cont'd)

Thirty Largest Shareholders

	Name	No. of Shares	% of Issued Share Capital
1	Eonmetall Corporation Sdn. Bhd.	42,049,128	24.57
2	Eonmetall Corporation Sdn. Bhd.	21,000,000	12.26
3	Eonmetall Corporation Sdn. Bhd.	21,000,000	12.26
4	Goh Cheng Huat	13,428,000	7.85
5	EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Goh Cheng Huat (SBK)</i>	9,750,000	5.70
6	A.A. Anthony Nominees (Asing) Sdn. Bhd. <i>Pledged Securities Account for Tay Kim Seng</i>	5,296,800	3.10
7	A.A. Anthony Nominees (Asing) Sdn. Bhd. <i>Pledged Securities Account for Tooh Lucy</i>	3,813,100	2.23
8	Metastech Sdn. Bhd.	3,765,300	2.20
9	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Kock Nai Suan</i>	3,386,400	1.98
10	Goh Cheng Huat	2,967,000	1.73
11	TA Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Mohd Desman Annuar Bin Md Desa</i>	2,492,000	1.46
12	AMSEC Nominees (Tempatan) Sdn. Bhd. <i>AmBank (M) Berhad for Goh Kee Seng (EGB)</i>	2,406,336	1.41
13	Mayban Nominees (Tempatan) Sdn. Bhd. <i>Mayban Life Assurance Berhad (Prem Equity FD)</i>	2,000,000	1.17
14	Mayban Nominees (Tempatan) Sdn. Bhd. <i>ETIQA Insurance Berhad (Life Par Fund)</i>	1,790,000	1.05
15	Ch'ng Chiap Kang	1,624,500	0.95
16	Mayban Nominees (Tempatan) Sdn. Bhd. <i>Mayban General Assurance Berhad (Insurance Fund)</i>	1,570,000	0.92
17	Impian Mawar Sdn. Bhd.	1,570,000	0.92
18	HDM Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Goh Chuan Kiong (M01)</i>	1,200,000	0.70
19	Mayban Nominees (Tempatan) Sdn. Bhd. <i>ETIQA Insurance Berhad (Shareholder's FD)</i>	1,080,000	0.63
20	Tai Ho Fah	1,000,000	0.58
21	RHB Nominees (Asing) Sdn. Bhd. <i>OCBC Securities Private Limited for OCBC PB A/C Primevest Holdings Pte. Ltd.</i>	1,000,000	0.58
22	Foo Chek Heng	1,000,000	0.58
23	CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for A.A. Anthony Securities Sdn. Bhd. (2555 PENG)</i>	853,000	0.50
24	Yeoh Cheng Chye	818,636	0.48
25	Mayban Nominees (Tempatan) Sdn. Bhd. <i>ETIQA Insurance Berhad (Life Non-Par FD)</i>	665,000	0.39
26	Ke-Zan Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Goh Chuan Kiong</i>	651,100	0.38
27	Md Desa Bin Pachi	630,000	0.37
28	Mayban Nominees (Tempatan) Sdn. Bhd. <i>ETIQA Insurance Berhad (General Fund)</i>	545,000	0.32
29	Mayban Nominees (Tempatan) Sdn. Bhd. <i>Mayban Life Assurance Bhd (PCG Fund 5)</i>	525,000	0.30
30	Goh Kee Seng	525,000	0.30
Total		150,401,300	87.87

List of Properties Owned by the Group

Location	Date of Revaluation/ Acquisition	Tenure	Approximate Age of Building	Area (Square metres)	Description of Property/ Existing use	Net book Value at 31 December 2007 RM'000
Eonmetall Technology Sdn Bhd						
Grant 64234, Lot 1258, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	3 August 2004 08 August 2000	Freehold	7 yrs	39,159	A factory building is erected on the adjoining parcels of the land	19,801
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawsan Perusahaan Valdor, 14200 Sungai Bakap, Penang	3 August 2004 08 August 2000	Freehold	7 yrs	11,198		
Eonmetall Industries Sdn Bhd						
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	23,971
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	1 yr	116	Single storey terrace house/ Residential premise for factory workers	89
Lot No. T-2318, HS(D) 34586, PT 1500, Mukim 13, Seberang Perai Selatan, Penang.	- / 01 April 2006	Freehold	1 yr	116	Single storey terrace house/ Residential premise for factory workers	89
Lot No. 4610, Mukim 14, No. 6, Lorong Kasawari 4, Taman Kasawari, 14100 Simpang Ampat, Seberang Perai Selatan, Penang.	- / 14 May 2007	Freehold	1 yr	208	Double storey semi-detached house/ Residential premise rented out	160
Eonmetall Systems Sdn Bhd						
HS(D) 491, Lot 1596, MK12, Seberang Perai Selatan, Penang.	-/20 July 2006	Freehold	-	39,252	Vacant Land	3,334
De Bio Channel (M) Sdn Bhd						
PLO 724, Zone 12, Pasir Gudang Industrial Area, Johor.	-/26 July 2006	Leasehold 60 years, expiring 25 July 2066	-	8,094	Vacant Land	1,061

**PROXY FORM**

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

of _____
(Address)

being a member of Eonmetall Group Berhad hereby appoint _____
(Full name in block letters)

of _____
(Address)

or failing him, _____
(Full name in block letters)

of _____
(Address)

as my/our proxy, to vote for me/us and on my/our behalf at the FIFTH ANNUAL GENERAL MEETING of the Company to be held at 2nd Floor, Lot 1258 & 1259, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Thursday, 29 May 2008 at 2:00 p.m. and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		
Ordinary Resolution 10		
Ordinary Resolution 11		
Ordinary Resolution 12		

(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, 2008.

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.
2. To be valid, this form, duly completed must be deposited at the Registered Office of the Company at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time for holding the meeting Provided That in the event the Member(s) duly executes the form of proxy but does not name any proxy, such Member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member(s).
3. A Member shall be entitled to appoint two (2) or more proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a Member 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.
5. If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.



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Stamp Here

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

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EONMETALL GROUP BERHAD (631617-D)

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

Tel: 04-582 8323

Fax: 04-582 1525

Email: info@eonmetall.com