

# Annual Report 2008



**EONMETALL GROUP BERHAD**

(631617-D)

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## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the SIXTH 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, 21 May 2009 at 2:00 p.m. for the following purposes:-

1. To receive the audited Financial Statements for the year ended 31 December 2008 and the Reports of the Directors and Auditors thereon.
 

*Ordinary Resolution 1*
- 2a. To re-elect the following Directors who retire pursuant to Article 86 of the Company's Articles of Association:-
  - i) En Ibrahim Mahdi Phee *Ordinary Resolution 2*
  - ii) Mr Goh Kee Seng
- 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 approve Directors' fees for the year ended 31 December 2008. *Ordinary Resolution 5*
4. To re-appoint Messrs. KPMG as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. *Ordinary Resolution 6*
5. As special Business

To consider and if thought fit, to pass the following Resolutions:-

a) **SECTION 132D OF THE COMPANIES ACT, 1965**

"THAT pursuant to Section 132D of the Companies Act, 1965 ("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 7*

## 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 8**  
**Ordinary Resolution 9**  
**Ordinary Resolution 10**  
**Ordinary Resolution 11**

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

### BY ORDER OF THE BOARD

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

Penang, 29 April 2009.

**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/his/his 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 7 to 9 of the Annual Report of the Company.

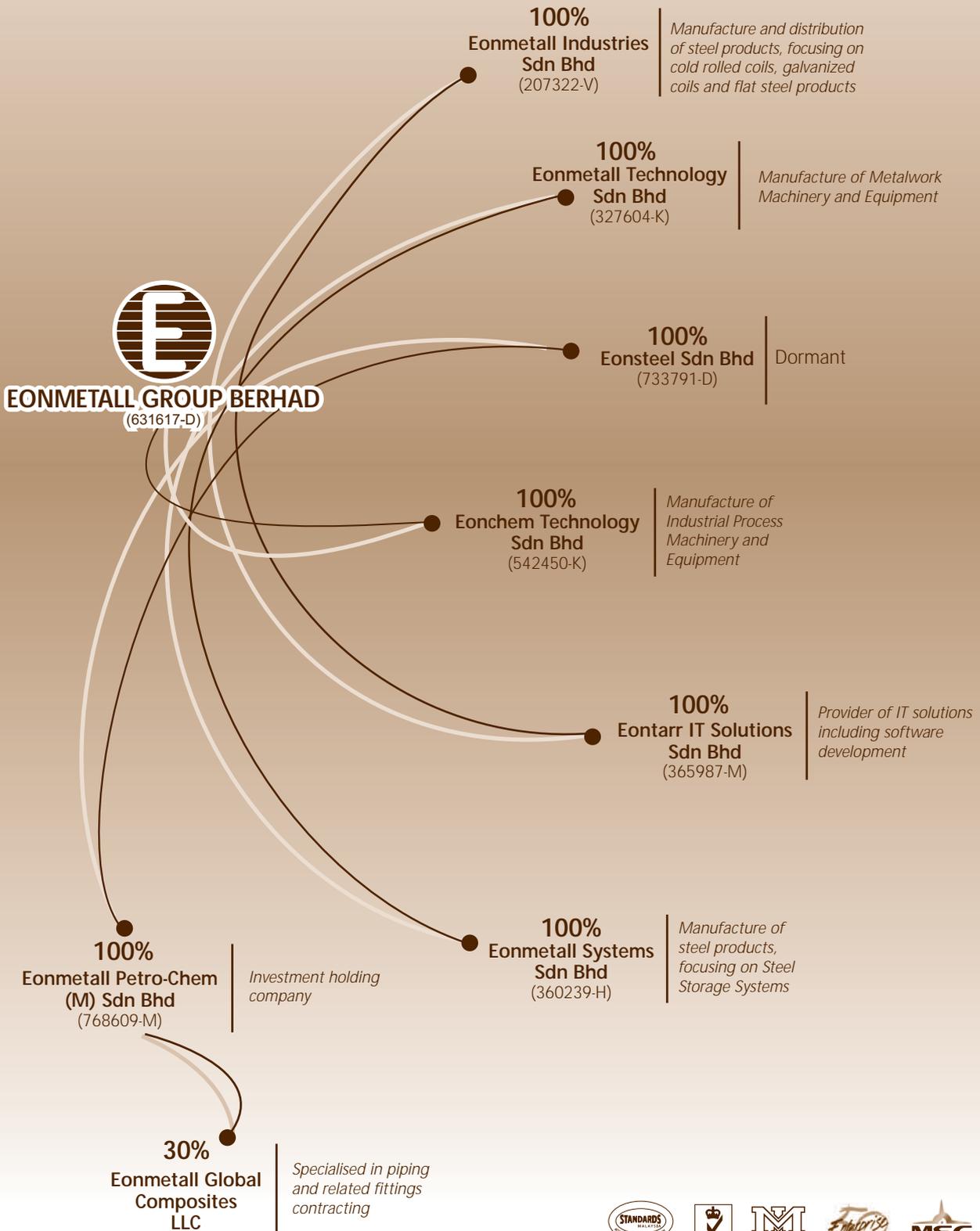
**Explanatory Notes on Special Business:**

1. The proposed Resolution 7, 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 8, 9, 10 and 11, if passed, will approve the Proposed Shareholders' Mandate and allow the Company and its subsidiaries to enter into the existing recurrent related party transactions as set out in Section 2.4 of the Circular. This approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earlier.

## Corporate Information

<b>BOARD OF DIRECTORS</b>	: : : : : : :	<b>Tan Sri Dato' Mohd Desa bin Pachi</b> <b>Dato' Goh Cheng Huat</b> <b>Yeoh Cheng Chye</b> <b>Tan Sri Dato' Soong Siew Hoong</b> <b>Goh Kee Seng</b> <b>Tang Yin Kham</b> <b>Ibrahim Mahdi Phee</b>	<i>Chairman/ Non-Executive Director</i> <i>Managing Director</i> <i>Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i>
<b>COMPANY SECRETARY</b>	:	Lam Voon Kean (MIA 4793)	
<b>AUDIT COMMITTEE</b>	: : :	Tang Yin Kham Ibrahim Mahdi Phee Goh Kee Seng	<i>Chairman</i> <i>Member</i> <i>Member</i>
<b>NOMINATING COMMITTEE</b>	: : :	Tang Yin Kham Ibrahim Mahdi Phee Goh Kee Seng	<i>Chairman</i> <i>Member</i> <i>Member</i>
<b>REMUNERATION COMMITTEE</b>	: : :	Ibrahim Mahdi Phee Tang Yin Kham Goh Kee Seng	<i>Chairman</i> <i>Member</i> <i>Member</i>
<b>REGISTERED OFFICE</b>	:	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	
<b>HEAD OFFICE</b>	:	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 : <a href="http://www.eonmetall.com">http://www.eonmetall.com</a>	
<b>REGISTRARS</b>	:	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	
<b>AUDITORS</b>	:	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	
<b>PRINCIPAL BANKERS</b>	: : : :	CIMB Bank Berhad (13491-P) Malayan Banking Berhad (3813-K) United Overseas Bank (Malaysia) Bhd (271809-K) Standard Chartered Bank Malaysia Berhad (115793-P)	
<b>STOCK EXCHANGE LISTING</b>	:	Bursa Malaysia Securities Berhad Main Board Stock Code : 7217 Stock Name : EMETALL	

## Group Structure and Principal Activities



## Profiles of Directors

### Tan Sri Dato' Mohd Desa bin Pachi

Tan Sri Dato' Mohd Desa bin Pachi, PSM, DSPN, KMN, aged 75, 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 by profession 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, Leader Steel Holdings Berhad (Chairman), Saujana Consolidated Berhad (Chairman), Xian Leng Holdings Berhad (Chairman), Amanah Saham Nasional Berhad and Amanah Mutual Berhad.

Tan Sri Dato' Mohd Desa bin Pachi has attended all board meetings held during the financial year ended 31 December 2008.

### Dato' Goh Cheng Huat

Dato' Goh Cheng Huat, aged 48, 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.

Dato' Goh Cheng Huat has attended all board meetings held during the financial year ended 31 December 2008.

### Yeoh Cheng Chye

Yeoh Cheng Chye, aged 40, 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.

Yeoh Cheng Chye has attended all board meetings held during the financial year ended 31 December 2008.

## Profiles of Directors (cont'd)

### Tan Sri Dato' Soong Siew Hoong

Tan Sri Dato' Soong Siew Hoong, PSM, KMN, SMS, DPSM, JSM, aged 83, 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 on the executive council of MASSA (Malaysia South South Association).

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.

Tan Sri Dato' Soong Siew Hoong has attended all board meetings held during the financial year ended 31 December 2008.

### Goh Kee Seng

Goh Kee Seng, aged 53, 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 posting 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.

Goh Kee Seng has attended all board meetings held during the financial year ended 31 December 2008.

### Tang Yin Kham

Tang Yin Kham, aged 57, 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 32 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.

Tang Yin Kham has attended all board meetings held during the financial year ended 31 December 2008.

## Profiles of Directors (cont'd)

### Ibrahim Mahdi Phee

Ibrahim Mahdi Phee, aged 37, Malaysian, is the independent and Non-Executive Director of Eonmetall and was appointed to the Board on 3 March 2005.

In year 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.

Ibrahim Mahdi Phee has attended three of four board meetings held during the financial year ended 31 December 2008.

### Notes : Additional Information for Directors

a)	All the Directors do not have any conflict of interest with the Group.
b)	All the Directors have not been convicted for any offences within the past ten years other than for traffic offences, if any.
c)	None of the Directors have any family relationship with any director and/or substantial shareholders of the Company other than Dato' Goh Cheng Huat who is the spouse of Datin' Tan Pak Say.
d)	The Directors' shareholdings are as disclosed in pages 85 of this report.

## 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 Financial Statements of the Group and the Company for the financial year ended 31 December 2008.

### Operations Review

We announced in year 2007 our new business expansion into Dubai, United Arab Emirates in the business of centralized district cooling systems ("DCS") and the historic handover of the maiden and the first in the country, our owned patented palm fibre oil extraction plant ("PFOE"). Although DCS business in Dubai is currently anticipating some slowdown but the PFOE business is gaining momentum and to-date, the Group had secured several more orders in Malaysia. We expect significant growth in this sector after the successful handover of a few more PFOE projects.

In year 2008, we are now a Malaysian licensed manufacturer of cold rolled coil/strips, galvanized coil/sheets and pre-painted galvanized coil, joining the other elite license holders of cold rollers and steel coaters in Malaysia. With such, we are now a full-fledged flat and secondary flat steel manufacturers.

### Financial Performance

For the financial year ended 31 December 2008, the Group registered lower revenue of RM112.6 million, representing a drop of 20% as compared to RM140.4 million in the preceding financial year. The decrease was due to the substantial drop in the sale of machinery and equipment segment and trading activity for the current year under review. However, the drop was cushioned by higher demand of secondary flat steel and related products segment which showed an encouraging growth of approximately 24% over preceding financial year. Secondary flat steel and related products segment contributed approximately 79% of the Group's total revenue in year 2008.

Similarly, the Group's profit before tax ("PBT") decreased by RM3.5 million, from RM8.2 million to RM4.7 million. The drop in Group's PBT was largely attributed to lower sale of machinery and equipment, share of lower profit from associated company in Dubai and write down of inventories of RM1.9 million in current year. Higher inventory costs coupled with a sharp fall in steel product selling price, in tandem with the collapse of steel commodity price from September 2008 onwards impacted significantly to the Group's earnings. In addition, higher depreciation costs as a result of capital investment undertaken by the Group also contributed to the drop in the Group's PBT.

### Outlook and Prospect

The world is in the midst of a major economic downturn and businesses of any open economies cannot be isolated from the worsening external environment. Business climate continues to be volatile and economic data emerging from across the world keeps deteriorating. The severity and the scale of the current economy crisis might turn into a similar great depression of year 1929.

The operating environment is very challenging which Eonmetall cannot be isolated as export market contributes significantly to our Group's revenue. We noted global growth estimates have been progressively cut. In January 2009 the International Monetary Fund (IMF) forecasted global growth at just 0.5% for 2009. Our owned Bank Negara Malaysia projected the Malaysian real gross domestic product (GDP) to grow between minus 1% and 1%, bearing the full effect of the global downturn.

On the brighter side, world governments are launching a coordinated move to restore market confidence and stem the slowdown such as aggressive interest rates cuts and large stimulus plans.

In view of the current challenging times, Eonmetall shall continue to adapt for operating efficiencies and cost cutting, while maintaining our product quality. We have to closely monitor the world commodity prices such as steel, to enter into the market at the right timing and to be conservative in our stocking strategy.

Eonmetall shall continue to expand into new emerging markets and hopefully to expand our market share and leverage on a bigger world markets besides the traditional markets of Asia, Middle East and Africa. Last year, we managed to penetrate Mexico and we hope this shall path the opportunity for more business penetration into the South America markets which is less affected by the current economy crisis as compared to the North America and Europe.

**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 RM4,279,276 in respect of the financial year ended 31 December 2007 on 30 June 2008.

The Board of Directors does not recommend any final dividend for the financial year ended 31 December 2008.

**Acknowledgement**

On behalf of the Board, I thanked our shareholders, esteemed customers and suppliers, financial institutions and other stakeholders for their continued support and confidence in the Group. I pledged for the utmost support and dedication from the management and all level of employees during this challenging operating environment.

## 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 2008, 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	4
Tang Yin Kham	4	4
Ibrahim Mahdi Phee	4	3

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 7 to 9 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.

## Statement on Corporate Governance (cont'd)

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

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

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

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

## Statement on Corporate Governance (cont'd)

The Directors continue to undergo the Continuous Education Program ("CEP") to enhance their skills and knowledge, where relevant. Training programmes attended by Directors are as follows:

Training Programmes
Building Tomorrow's Mind Today
Importance of Strategy Execution
Risk Management-challenges and Opportunities
Ideas for Corporate Development Planning
2nd International conference 2008(ICC2008)
MIA Regional Conference 2008 Kota Kinabalu "None will be left Behind"
MIA-Bursa Malaysia Business Conference 2008

### 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 2008, 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	1,141	-	-	1,141
Other emoluments	141	54	5	200
<b>Total</b>	<b>1,330</b>	<b>127</b>	<b>53</b>	<b>1,510</b>

## Statement on Corporate Governance (cont'd)

The remuneration paid/payable to Directors, analysed into bands of RM50,000 each for the financial year ended 31 December 2008, is summarised as follows:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	4
RM50,001 – RM100,000	-	1
RM350,001 – RM400,000	1	-
RM950,001 – RM1,000,000	1	-

### 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](http://www.eonmetall.com) that provides background information of the Group to the public. However, in any circumstances, while the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. However, in any of the circumstances, the Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to shareholders and stakeholders.

### D. ACCOUNTABILITY AND AUDIT

#### Financial reporting

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

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

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

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

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

## Statement on Corporate Governance (cont'd)

### State of internal controls

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

### Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee's terms of reference as detailed on pages 21 to 24 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 21 of the Annual Report.

### Compliance statement

The Group has complied throughout the financial year ended 31 December 2008, 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 24 April 2009.

## 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 (comprising the Company and its subsidiaries) 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 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 takes 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.

## 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 (comprising the Company and its subsidiaries), 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 and human resource management, which is subject to regular review and improvement;
- Regular and relevant 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 2008, 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 years, 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 24 April 2009.

# 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
- Goh Kee Seng
- Non-Executive Director

## Terms of reference

The Committee was established to act as a Committee to the Board of Directors, with terms of reference as set out on pages 22 to 24 of the Annual Report.

## Meetings

During the financial year ended 31 December 2008, 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
Goh Kee Seng	5	5

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. Executive Directors and representatives of the external auditors and internal auditors were also invited to attend the meetings as and when the need arises.

## 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 2008;
- Reviewed and approved the internal audit plan for the financial year 2009;
- 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 (comprising the Company and its subsidiaries).

## 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 2008, the internal audit function carried out 2 cycles of internal audit on the internal control system of the Group. The opportunities for improvement were noted, together with the recommendations thereof and agreed management action plans, were 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 19 to 20 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.

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 twice a 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 Directors' 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 a 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, 425,000 new ordinary shares of RM0.50 each were issued at exercise price of RM0.67 per ordinary share for cash pursuant to the Employee' Share Option Scheme of the company.
- 3. American Depository Receipt (ADR) Global Depository 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 RM56,800 for the Group and RM5,000 for the Company were paid to the external auditors for the financial year ended 31 December 2008.
- 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 2008

Details of recurrent related party transactions made during the financial year ended 31 December 2008 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 29 May 2008 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	108	Purchase of steel products and servicing charges	<i>Interested Director and Major Shareholder Dato' Goh Cheng Huat</i>	
	Eonmetall Technology Sdn Bhd	3,340	Sale of machinery		
Leader Steel Service Centre Sdn Bhd	Eonmetall Industries Sdn Bhd	8,008	Servicing income of steel products	<i>Interested Director Mr Goh Kee Seng</i>	
		8,679	Purchase of steel products and servicing charges		<i>Person Connected and Major Shareholder Datin Tan Pak Say</i>
		245	Letting of factory building		
	Eonmetall Systems Sdn Bhd	879	Purchase of steel products and servicing charges	<i>Interested Major Shareholder Eonmetall Corporation Sdn Bhd</i>	
Eonlipids Sdn Bhd	Eonmetall Technology Sdn Bhd	737	Sale of steel products		
Genrizt Storage System	Eonmetall Industries Sdn Bhd	615	Sale of steel products	<i>Person connected to Major Shareholder Mr Tan Kheng Hwa Madam Tan Phaik Hoon</i>	
Sin Zhang Enterprise	Eonmetall Industries Sdn Bhd	4	Purchase and servicing of products	<i>Person connected to Director and Major Shareholder Mr Wong Yang Chong</i>	
	Eonmetall Technology Sdn Bhd	13			
	Eonmetall Systems Sdn Bhd	3			

## Directors' Report

for the year ended 31 December 2008

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 2008.

### 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

	<b>Group RM</b>	<b>Company RM</b>
Profit attributable to shareholders of the Company	3,156,930	2,018,202

### 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 RM4,279,276 in respect of the financial year ended 31 December 2007 on 30 June 2008.

### 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 2008 (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	Number of ordinary shares of RM0.50 each			Balance at 31.12.2008
	Balance at 1.1.2008	Bought	(Sold)	
Tan Sri Dato' Mohd Desa bin Pachi :				
Interest in the Company :				
- own	495,000	135,000	-	630,000
Deemed interest in the Company :				
- others *	2,601,000	-	(9,000)	2,592,000
Dato' Goh Cheng Huat :				
Interest in the Company :				
- own	26,355,000	-	-	26,355,000
Deemed interest in the Company :				
- own	84,049,128	-	-	84,049,128
Yeoh Cheng Chye :				
Interest in the Company :				
- own	900,336	750,000	(96,700)	1,553,636
Tan Sri Dato' Soong Siew Hoong :				
Interest in the Company :				
- own	510,000	-	-	510,000
Deemed interest in the Company :				
- own	-	46,600	-	46,600
Goh Kee Seng :				
Interest in the Company :				
- own	2,721,336	-	-	2,721,336
Ibrahim Mahdi Phee :				
Interest in the Company :				
- own	30,000	-	-	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.

## Directors' Report

for the year ended 31 December 2008 (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 31.12.2008
	At 1.1.2008	Granted	(Exercised)	(Lapsed)	
<b>The Company</b>					
Tan Sri Dato' Mohd Desa bin Pachi	405,000	-	(135,000)	-	270,000
Dato' Goh Cheng Huat	615,000	-	-	-	615,000
Yeoh Cheng Chye	675,000	-	-	-	675,000
Tan Sri Dato' Soong Siew Hoong	315,000	-	-	-	315,000
Goh Kee Seng	210,000	-	-	-	210,000
Tang Yin Kham	315,000	-	-	-	315,000
Ibrahim Mahdi Phee	525,000	-	-	-	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 interests, other than :

- i) 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 24 to the financial statements; and
- ii) a Director who received fixed salaries as full time employees in a subsidiary.

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

### Issue of shares and debentures

During the financial year, the Company issued 425,000 new ordinary shares of RM0.50 each for cash arising from the exercise of ESOS at exercise price of RM0.67 per ordinary share.

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

### Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

The Company implemented an 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 11 to the financial statements.

## Directors' Report

for the year ended 31 December 2008 (cont'd)

### Options granted over unissued shares (cont'd)

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			At 31.12.2008
		At 1.1.2008	(Exercised)	(Lapsed)	
2 August 2005	* 0.67	7,763,000	(425,000)	(777,000)	6,561,000

\* 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 :

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

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 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.

**Directors' Report**  
for the year ended 31 December 2008 (cont'd)

**Significant events**

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

**Auditors**

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

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

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**Dato' Goh Cheng Huat**

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**Yeoh Cheng Chye**

Penang,

Date : 24 April 2009

## Consolidated Balance Sheet

at 31 December 2008

	Note	2008 RM	2007 RM
<b>Assets</b>			
Property, plant and equipment	3	101,606,254	83,811,990
Prepaid land lease payments	5	-	1,061,193
Investment in associates	6	2,529,715	2,493,568
Deferred tax assets	7	2,672,671	4,286,000
<b>Total non-current assets</b>		<b>106,808,640</b>	<b>91,652,751</b>
Receivables, deposits and prepayments	8	24,085,389	35,991,301
Inventories	9	54,497,420	55,996,269
Current tax assets		303,235	288,469
Cash and cash equivalents	10	2,805,510	7,393,075
<b>Total current assets</b>		<b>81,691,554</b>	<b>99,669,114</b>
<b>Total assets</b>		<b>188,500,194</b>	<b>191,321,865</b>
<b>Equity</b>			
Share capital	11	85,585,500	85,373,000
Reserves	12	2,435,689	2,351,334
Retained earnings		29,246,572	30,284,118
<b>Total equity attributable to shareholders of the Company</b>		<b>117,267,761</b>	<b>118,008,452</b>
<b>Minority interest</b>		<b>-</b>	<b>92</b>
<b>Total equity</b>		<b>117,267,761</b>	<b>118,008,544</b>
<b>Liabilities</b>			
Loans and borrowings	13	23,486,436	28,419,478
Deferred tax liabilities	7	2,042,570	2,642,523
<b>Total non-current liabilities</b>		<b>25,529,006</b>	<b>31,062,001</b>
Payables and accruals	14	19,304,904	18,767,325
Loans and borrowings	13	26,351,538	23,483,995
Current tax liabilities		46,985	-
<b>Total current liabilities</b>		<b>45,703,427</b>	<b>42,251,320</b>
<b>Total liabilities</b>		<b>71,232,433</b>	<b>73,313,321</b>
<b>Total equity and liabilities</b>		<b>188,500,194</b>	<b>191,321,865</b>

The notes on pages 43 to 80 are an integral part of these financial statements.

## Consolidated Income Statement

for the year ended 31 December 2008

	Note	2008 RM	2007 RM
<b>Continuing operations</b>			
Revenue	15	112,562,823	140,360,978
Cost of goods sold		(96,086,275)	(105,522,972)
<b>Gross profit</b>		16,476,548	34,838,006
Other income		1,223,906	307,587
Distribution expenses		(2,720,051)	(14,524,849)
Administrative expenses		(6,444,886)	(8,056,234)
Other expenses		(401,867)	(1,154,600)
<b>Results from operating activities</b>		8,133,650	11,409,910
Interest expense	16	(3,513,111)	(4,269,911)
<b>Operating profit</b>	17	4,620,539	7,139,999
Share of profit after tax of equity accounted associates		36,147	1,053,536
<b>Profit before tax</b>		4,656,686	8,193,535
Tax expense	20	(1,499,756)	3,520,758
<b>Profit for the year</b>		3,156,930	11,714,293
<b>Attributable to :</b>			
Shareholders of the Company		3,156,930	11,714,293
<b>Basic earnings per ordinary share (sen)</b>	21	1.84	6.99
<b>Diluted earnings per ordinary share (sen)</b>	21	1.83	6.89
<b>Dividend per ordinary share (%)</b>	22	-	5.00

The notes on pages 43 to 80 are an integral part of these financial statements.

Note	Attributable to shareholders of the Company						Total equity RM	Minority interest RM	Total equity RM	
	Share capital RM	Share premium RM	Share option reserve RM	Statutory reserve RM	Translation reserve RM	Distributable Retained earnings RM				
<b>At 1 January 2007</b>	55,000,000	9,199,959	1,020,546	-	-	40,846,981	106,067,486	-	106,067,486	
Issue of shares pursuant to ESOS	11	2,772,750	1,075,065	-	-	-	3,847,815	-	3,847,815	
Bonus issue (1 for 2)	11	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	12.2	-	-	355,363	-	-	355,363	-	355,363	
Option exercised and lapsed due to resignation		-	555,382	(625,554)	-	70,172	-	-	-	
Dividend to shareholders	22	-	-	-	-	(4,147,537)	(4,147,537)	-	(4,147,537)	
<b>At 31 December 2007</b>		85,373,000	1,429,947	750,355	101,793	69,239	30,284,118	118,008,452	92	118,008,544

Consolidated Statement of Changes in Equity  
for the year ended 31 December 2008 (cont'd)

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Note	Attributable to shareholders of the Company						Total equity RM	Minority interest RM	Total equity RM	
	Share capital RM	Share premium RM	Share option reserve RM	Statutory reserve RM	Translation reserve RM	Distributable Retained earnings RM				
<b>At 1 January 2008</b>	85,373,000	1,429,947	750,355	101,793	69,239	30,284,118	118,008,452	92	118,008,544	
Issue of shares pursuant to ESOS	11	212,500	72,250	-	-	-	284,750	-	284,750	
Profit for the year	-	-	-	-	-	3,156,930	3,156,930	-	3,156,930	
Share-based payment	12.2	-	-	96,905	-	-	96,905	-	96,905	
Option exercised and lapsed due to resignation	-	46,383	(131,183)	-	-	84,800	-	-	-	
Disposal of a subsidiary	-	-	-	-	-	-	-	(92)	(92)	
Dividend to shareholders	22	-	-	-	-	(4,279,276)	(4,279,276)	-	(4,279,276)	
<b>At 31 December 2008</b>		85,585,500	1,548,580	716,077	101,793	69,239	29,246,572	117,267,761	-	117,267,761

The notes on pages 43 to 80 are an integral part of these financial statements.

## Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Note	2008 RM	2007 RM
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		4,656,686	8,193,535
Adjustments for :			
Depreciation of property, plant and equipment	3	6,373,852	5,507,419
Amortisation of prepaid land lease payments	5	8,994	17,986
Loss on disposal of plant and equipment		-	3,300
Interest income		(63,077)	(10,597)
Interest expense	16	3,513,111	4,269,911
Share of profit after tax of equity accounted associates		(36,147)	(1,053,536)
Share-based payment	12.2	96,905	355,363
Plant and equipment written off		282	9,353
Gain on disposal of other investment		-	(17,894)
Gain on disposal of subsidiaries		(148,489)	-
Operating profit before changes in working capital		14,402,117	17,274,840
Changes in working capital:			
Receivables, deposits and prepayments		11,905,912	(4,883,373)
Inventories		1,498,849	(18,498,553)
Payables and accruals		983,925	7,929,984
Cash generated from operations		28,790,803	1,822,898
Tax (paid)/refunded		(454,161)	65,636
<b>Net cash from operating activities</b>		<b>28,336,642</b>	<b>1,888,534</b>

## Consolidated Cash Flow Statement

for the year ended 31 December 2008 (cont'd)

	Note	2008 RM	2007 RM
<b>Cash flows from investing activities</b>			
Acquisition of prepaid land lease payments	5	-	(1,079,179)
Investment in associates	6	-	(709,200)
Shares issued to minority interest		-	92
Purchase of property, plant and equipment	A	(24,038,398)	(18,415,313)
Proceeds from disposal of plant and equipment		-	6,385
Proceeds from disposal of other investment		-	74,940
Interest received		63,077	10,597
Net cash inflow on disposal of subsidiaries	B	78,982	-
<b>Net cash used in investing activities</b>		<b>(23,896,339)</b>	<b>(20,111,678)</b>
<b>Cash flows from financing activities</b>			
(Repayment)/Proceeds from short term borrowings, net		(665,925)	1,179,000
Repayment of term loans		(4,250,982)	(2,214,864)
Repayment of finance lease liabilities		(76,337)	(56,444)
Proceeds from issuance of shares		284,750	3,847,815
Interests paid	16	(3,513,111)	(4,269,911)
Dividend paid to shareholders of the Company	22	(4,279,276)	(4,147,537)
Proceeds from term loans		673,558	26,657,347
<b>Net cash (used in)/from financing activities</b>		<b>(11,827,323)</b>	<b>20,995,406</b>
Net (decrease)/increase in cash and cash equivalents		(7,387,020)	2,772,262
Cash and cash equivalents at 1 January		7,204,791	4,432,529
<b>Cash and cash equivalents at 31 December</b>	<b>C</b>	<b>(182,229)</b>	<b>7,204,791</b>

## Notes

*A. Purchase of property, plant and equipment*

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM24,168,398 (2007 : RM18,500,313) of which RM130,000 (2007 : RM85,000) was acquired by means of hire purchase plans. The balance of RM24,038,398 (2007 : RM18,415,313) was settled in cash.

## Consolidated Cash Flow Statement

for the year ended 31 December 2008 (cont'd)

### B. Disposal of subsidiaries

	2008 RM	2007 RM
Prepaid land lease payments	1,052,199	-
Cash and cash equivalents	29,706	-
Payables and accruals	(446,346)	-
Loans and borrowings	(675,268)	-
Minority interest	(92)	-
	<hr/>	<hr/>
	(39,801)	-
Add : Gain on disposal of subsidiaries	148,489	-
	<hr/>	<hr/>
Total disposal consideration	108,688	-
Less : Cash and bank balances disposed	(29,706)	-
	<hr/>	<hr/>
Cash flow on disposal, net of cash disposed	78,982	-
	<hr/>	<hr/>

### C. Cash and cash equivalents

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

	Note	2008 RM	2007 RM
Deposits placed with licensed bank	10	85,135	2,032,541
Cash and bank balances	10	2,720,375	5,360,534
Bank overdrafts repayable on demand, unsecured	13	(2,987,739)	(188,284)
		<hr/>	<hr/>
		(182,229)	7,204,791
		<hr/>	<hr/>

The notes on pages 43 to 80 are an integral part of these financial statements.

## Balance Sheet

as at 31 December 2008

	Note	2008 RM	2007 RM
<b>Assets</b>			
Investment in subsidiaries	4	52,660,145	52,685,333
<b>Total non-current asset</b>		52,660,145	52,685,333
Receivables, deposits and prepayments	8	38,611,864	40,352,033
Current tax assets		63,825	63,825
Cash and cash equivalents	10	67,913	215,275
<b>Total current assets</b>		38,743,602	40,631,133
<b>Total assets</b>		91,403,747	93,316,466
<b>Equity</b>			
Share capital	11	85,585,500	85,373,000
Reserves	12	2,419,629	2,250,474
Retained earnings		3,192,618	5,453,692
<b>Total equity</b>		91,197,747	93,077,166
<b>Liabilities</b>			
Payables and accruals	14	206,000	239,300
<b>Total current liabilities</b>		206,000	239,300
<b>Total equity and liabilities</b>		91,403,747	93,316,466

The notes on pages 43 to 80 are an integral part of these financial statements.

## Income Statement

for the year ended 31 December 2008

	Note	2008 RM	2007 RM
<b>Continuing operations</b>			
Revenue	15	2,500,000	5,000,000
Administrative expenses		(490,349)	(739,928)
Other income		8,551	-
<b>Operating profit</b>	17	<u>2,018,202</u>	<u>4,260,072</u>
Tax expense	20	-	52,350
<b>Profit for the year</b>		<u>2,018,202</u>	<u>4,312,422</u>
<b>Dividend per ordinary share - gross (%)</b>	22	<u>-</u>	<u>5.00</u>

The notes on pages 43 to 80 are an integral part of these financial statements.

## Statement of Changes in Equity

for the year ended 31 December 2008

	Note	Share capital RM	Non-distributable Share premium RM	Share option reserve RM	Distributable Retained earnings RM	Total equity RM
<b>At 1 January 2007</b>		55,000,000	9,199,959	1,020,546	23,488,598	88,709,103
Issue of shares pursuant to ESOS	11	2,772,750	1,075,065	-	-	3,847,815
Bonus issue (1 for 2)	11	27,600,250	(9,400,459)	-	(18,199,791)	-
Profit for the year		-	-	-	4,312,422	4,312,422
Share-based payment	12.2	-	-	355,363	-	355,363
Option exercised		-	97,139	(97,139)	-	-
Dividend to shareholders	22	-	-	-	(4,147,537)	(4,147,537)
<b>At 31 December 2007</b>		85,373,000	971,704	1,278,770	5,453,692	93,077,166
Issue of shares pursuant to ESOS	11	212,500	72,250	-	-	284,750
Profit for the year		-	-	-	2,018,202	2,018,202
Share-based payment	12.2	-	-	96,905	-	96,905
Option exercised		-	14,734	(14,734)	-	-
Dividend to shareholders	22	-	-	-	(4,279,276)	(4,279,276)
<b>At 31 December 2008</b>		85,585,500	1,058,688	1,360,941	3,192,618	91,197,747

The notes on pages 43 to 80 are an integral part of these financial statements.

## Cash Flow Statement

for the year ended 31 December 2008

	Note	2008 RM	2007 RM
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		2,018,202	4,260,072
Adjustments for :			
Dividend income	15	(2,500,000)	(5,000,000)
Share-based payment	12.2	22,093	69,275
Gain on disposal of a subsidiary		(8,551)	-
Operating loss before changes in working capital		(468,256)	(670,653)
Changes in working capital :			
Receivables, deposits and prepayments	A	1,740,169	(3,878,715)
Payables and accruals		(33,300)	46,812
Cash generated from/(used in) operations		1,238,613	(4,502,556)
Dividend received		2,500,000	5,000,000
Tax paid		-	(15,975)
<b>Net cash from operating activities</b>		<b>3,738,613</b>	<b>481,469</b>
<b>Cash flows from financing activities</b>			
Proceeds from disposal of a subsidiary		108,551	-
Investment in a subsidiary	A	-	(2)
Proceeds from issuance of shares		284,750	3,847,815
Dividend paid to shareholders of the Company	22	(4,279,276)	(4,147,537)
<b>Net cash used in financing activities</b>		<b>(3,885,975)</b>	<b>(299,724)</b>
Net (decrease)/increase in cash and cash equivalents		(147,362)	181,745
Cash and cash equivalents at 1 January		215,275	33,530
<b>Cash and cash equivalents at 31 December</b>	<b>10</b>	<b>67,913</b>	<b>215,275</b>

## NOTE

A. *Investment in a subsidiary*

In the previous financial year, the additional investment in a subsidiary of RM7,500,000 was made by way of capitalisation of debt due from the subsidiary.

The notes on pages 43 to 80 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 principal place of business and registered office of the Company are as follows :

### Principal place of business

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

### Registered office

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2008 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 24 April 2009.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS"), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective :

FRSs/Interpretations	Effective date
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs / Interpretations from the annual period beginning 1 January 2010 except for FRS 4 which is not applicable to the Group and the Company.

## Notes to the Financial Statements (cont'd)

### 1. Basis of preparation (cont'd)

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

The impact of applying FRS 7 and 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 exemptions given in the respective FRSs. Other than the changes in disclosures arising from the adoption of FRS 7 and 8, the initial application of the above standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and of the Company.

#### FRS 8, Operating Segments

FRS 8 will become effective for financial statements for the year ending 31 December 2010. FRS 8, which replaces FRS 114, *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see Note 23). The adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than changes in disclosures.

#### IC Interpretation 9, Reassessment of Embedded Derivatives

IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

#### IC Interpretation 10, Interim Financial Reporting and Impairment

IC Interpretation 10 prohibits the reversal of an impairment loss recognised in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IC Interpretation 10 will become effective for the financial statements for the year ending 31 December 2010, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group first applied the measurement criteria of FRS 136 and FRS 139 respectively.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for inventories as explained in Note 9.

#### (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.

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 7 - recognition of deferred tax assets

Note 8 - measurement of allowance for doubtful debts

## Notes to the Financial Statements (cont'd)

### 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.

#### (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.

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 purchase 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.

## Notes to the Financial Statements (cont'd)

### 2. Significant accounting policies (cont'd)

#### (a) Basis of consolidation (cont'd)

##### *(iv) Minority interest*

Minority interest at the balance sheet date, being the portion of the net identifiable assets 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 holders 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 holders 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 the Group entities at exchange rates at the dates of the transactions. 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 are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which 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 operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal of operations, 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 :

	%
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

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, 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 land 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) 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.

#### (f) 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.

## Notes to the Financial Statements (cont'd)

### 2. Significant accounting policies (cont'd)

#### (g) 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 inventories 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.

#### (h) Cash and cash equivalents

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

#### (i) 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.

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.

#### (j) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

##### *Issue expenses*

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

#### (k) Loans and borrowings

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

## Notes to the Financial Statements (cont'd)

### 2. Significant accounting policies (cont'd)

#### (l) 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.

#### (m) 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.

##### (ii) Services

Revenue from services rendered is recognised in the income statements 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 statements 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.

##### (v) Rental Income

Rental income is recognized in the income statements as they accrue, taking into account the effective yield on the assets.

## Notes to the Financial Statements (cont'd)

### 2. Significant accounting policies (cont'd)

#### (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. Following the adoption of the revised FRS 112 during the last financial year, a tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in the income statements as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

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.

#### (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.

## Notes to the Financial Statements (cont'd)

### 2. Significant accounting policies (cont'd)

#### (r) Employee benefits (cont'd)

##### (ii) Share-based payment transactions (cont'd)

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 exposure arising from operational activities.

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 recognized on the same basis as that arising from the related assets, liabilities or net assets.

## 3. Property, plant and equipment

Group	Freehold land RM	Buildings RM	Plant and machinery, moulds, tools and equipment RM	Furniture, fittings, office equipment and computer software RM	Motor vehicles RM	Electrical installation and renovation RM	Capital work-in-progress RM	Total RM
<b>Cost</b>								
At 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/ 1 January 2008	12,652,584	15,426,000	43,635,152	1,858,329	1,288,530	2,042,886	19,811,810	96,715,291
Additions	-	505,738	1,520,456	47,988	149,482	-	21,944,734	24,168,398
Write-off	-	-	-	(997)	-	-	-	(997)
Reclassification	-	21,189,999	-	-	-	-	(21,189,999)	-
At 31 December 2008	12,652,584	37,121,737	45,155,608	1,905,320	1,438,012	2,042,886	20,566,545	120,882,692

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

Group	Freehold land RM	Buildings RM	Plant and machinery, moulds, tools and equipment RM	Furniture, fittings, office equipment and computer software RM	Motor vehicles RM	Electrical installation and renovation RM	Capital work-in-progress RM	Total RM
<b>Accumulated depreciation</b>								
At 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/ 1 January 2008	-	444,908	10,729,198	720,175	565,942	443,078	-	12,903,301
Depreciation for the year	-	365,711	5,190,539	336,603	246,835	234,164	-	6,373,852
Write-off	-	-	-	(715)	-	-	-	(715)
At 31 December 2008	-	810,619	15,919,737	1,056,063	812,777	677,242	-	19,276,438
<b>Carrying amounts</b>								
At 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/ 1 January 2008	12,652,584	14,981,092	32,905,954	1,138,154	722,588	1,599,808	19,811,810	83,811,990
At 31 December 2008	12,652,584	36,311,118	29,235,871	849,257	625,235	1,365,644	20,566,545	101,606,254

## Notes to the Financial Statements (cont'd)

## 3. Property, plant and equipment - Group (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 RM280,621 (2007 : RM217,322).

## 3.2 Security

At 31 December 2008, property, plant and equipment with a carrying amount of RM71,507,846 (2007 : RM62,097,094) are subject to registered charge to secure bank loans and borrowings (see Note 13.2).

## 4. Investment in subsidiaries

	Company	
	2008 RM	2007 RM
At cost :		
Unquoted shares	51,477,643	51,577,643
Add : Share-based payment	1,182,502	1,107,690
	<u>52,660,145</u>	<u>52,685,333</u>

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %
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 cold rolled coils, galvanized coils and 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
Eonsteel Sdn. Bhd.	Malaysia	Dormant	100	100
De Bio Channel (M) Sdn. Bhd. #	Malaysia	Property holding company	-	100
Eonmetall Petro-Chem (M) Sdn. Bhd. ("EPC")	Malaysia	Investment holding company	100	100

## Notes to the Financial Statements (cont'd)

## 4. Investment in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %

*Subsidiary of EPC*

Eonmetall Bintai Koyo JV Pte. Ltd. #	Singapore	Dormant	-	60
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# Not audited by KPMG

## 5. Prepaid land lease payments

	Group	
	2008 RM	2007 RM
At 1 January	1,061,193	-
Acquisition	-	1,079,179
Amortisation for the year (Note 17)	(8,994)	(17,986)
Deletion through disposal of a subsidiary	(1,052,199)	-
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 a subsidiary (Note 13.2).

## 6. Investment in associates

	Group	
	2008 RM	2007 RM
At cost :		
Unquoted shares	1,269,000	1,269,000
Share of post-acquisition reserves	1,260,715	1,224,568
	2,529,715	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	(Loss)/ Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000				
<b>2008</b>											
	Eonmetall Global Composites L.L.C ("EGC")	Specialised in piping and related fittings contracting	Dubai, United Arab Emirates	30	2,028	(5,901)	6,591	11,009			
<i>Subsidiary of EGC</i>											
	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	28,853	6,023	16,761	6,886			
				30,881		122		23,352		17,895	
<b>2007</b>											
	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			
<i>Subsidiary of EGC</i>											
	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.

## Notes to the Financial Statements (cont'd)

## 7. Deferred tax assets and liabilities

	Group	
	2008 RM	2007 RM
At 1 January	(1,643,477)	2,394,398
Recognised in income statement		
- Effect of adopting FRS 112 (Note 20)	-	(3,376,000)
- Reversal due to change in tax rate	(81,703)	(209,125)
- Originating/(Reversal) of other temporary differences	1,095,079	(452,750)
	1,013,376	(4,037,875)
	(630,101)	(1,643,477)
Presented after appropriate offsetting as follows :		
Deferred tax assets	(2,672,671)	(4,286,000)
Deferred tax liabilities	2,042,570	2,642,523
	(630,101)	(1,643,477)

## 7.1 Recognised deferred tax assets and liabilities

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

	Group	
	2008 RM	2007 RM
<b>Recognised deferred tax assets</b>		
Unutilised reinvestment allowances	7,413,671	7,677,000
Other deductible temporary differences	-	410,000
	7,413,671	8,087,000

**Recognised deferred tax liabilities**

	Group	
	2008 RM	2007 RM
Property, plant and equipment		
- capital allowances	4,671,000	4,319,250
- fair value adjustment	2,042,570	2,124,273
Other taxable temporary differences	70,000	-
	6,783,570	6,443,523

The deferred tax provided on fair value adjustment of property, plant and equipment is in relation to the deferred tax impact arising from the fair value of freehold land and buildings of a subsidiary acquired in Year 2005 determined based on the valuation report of the independent registered valuer, CH Williams, Talhar & Wong in August 2004.

## Notes to the Financial Statements (cont'd)

## 7. Deferred tax assets and liabilities (cont'd)

*Unrecognised deferred tax assets*

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

	Group	
	2008 RM	2007 RM
Taxable temporary differences	733,000	733,000
Unutilised tax losses	(764,000)	(460,000)
Unabsorbed capital allowances	(93,000)	(90,000)
Provisions	(1,596,000)	(1,812,000)
	(1,720,000)	(1,629,000)

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 at 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.

## 7.2 Movement in temporary differences in deferred tax assets during the year

	Recognised in the income statement		Recognised in the income statement		
	At 1.1.2007 RM	(Note 20) RM	At 31.12.2007 RM	(Note 20) RM	At 31.12.2008 RM
<b>Group</b>					
Unutilised reinvestment allowances	4,301,000	3,376,000	7,677,000	(263,329)	7,413,671
Other deductible temporary differences	253,000	157,000	410,000	(410,000)	-
	4,554,000	3,533,000	8,087,000	(673,329)	7,413,671

## 7.3 Movement in temporary differences in deferred tax liabilities during the year

	Recognised in the income statement		Recognised in the income statement		
	At 1.1.2007 RM	(Note 20) RM	At 31.12.2007 RM	(Note 20) RM	At 31.12.2008 RM
<b>Group</b>					
Property, plant and equipment					
- capital allowances	4,615,000	(295,750)	4,319,250	351,750	4,671,000
- fair value adjustment	2,333,398	(209,125)	2,124,273	(81,703)	2,042,570
Other taxable temporary differences	-	-	-	70,000	70,000
	6,948,398	(504,875)	6,443,523	340,047	6,783,570

## Notes to the Financial Statements (cont'd)

## 8. Receivables, deposits and prepayments

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Trade</b>					
Associate	8.2	2,230,277	-	-	-
Companies in which certain Directors have substantial financial interests	8.2	1,705,906	1,004,699	-	-
External parties		22,138,615	38,878,373	-	-
		<u>26,074,798</u>	<u>39,883,072</u>	<u>-</u>	<u>-</u>
Less : Allowance for doubtful debts		(6,837,022)	(7,645,949)	-	-
	8.3	<u>19,237,776</u>	<u>32,237,123</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Subsidiaries	8.4	-	-	38,610,864	40,351,033
Associates	8.4	309,139	119,110	-	-
Other receivables		274,674	546,084	-	-
Deposits		3,645,640	2,798,043	1,000	1,000
Prepayments		618,160	290,941	-	-
		<u>4,847,613</u>	<u>3,754,178</u>	<u>38,611,864</u>	<u>40,352,033</u>
		<u>24,085,389</u>	<u>35,991,301</u>	<u>38,611,864</u>	<u>40,352,033</u>

## 8.1 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	Group	
		2008 RM	2007 RM
RM	USD	10,502,129	15,714,821
RM	Euro	<u>2,736,200</u>	<u>8,920,644</u>

## 8.2 Amount due from associate and companies in which certain Directors have substantial financial interests

The trade receivables from associate and companies in which certain Directors have substantial financial interests are subjected to normal trade terms.

## 8.3 Long outstanding debts

Trade receivables net of allowance for doubtful debts which are outstanding for more than 1 year amounted to RM9,554,295 (2007 : RM9,908,786).

Subsequent to year end and up to the date of the issuance of these financial statements, an amount of RM5,530,122 had been received from those debts outstanding for more than a year (including those with allowance for doubtful debts made previously). The Directors are of the opinion that the net remaining debts of RM4,024,173 as at the date of the issuance of these financial statements are recoverable.

## 8.4 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)

## 9. Inventories

	Note	Group	
		2008 RM	2007 RM
Raw materials		17,552,110	17,212,752
Work-in-progress		15,089,684	17,504,358
Manufactured inventories		20,785,054	20,206,247
Construction-in-progress	9.1	1,040,472	1,040,472
Trading inventories		30,100	32,440
		<u>54,497,420</u>	<u>55,996,269</u>

The write-down of inventories to net realisable value amounted to RM1,987,353 (2007 : RM Nil). The write-down is included in cost of sales.

## 9.1 Construction-in-progress

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

	Group	
	2008 RM	2007 RM
Aggregate costs incurred to date	4,161,887	4,161,887
Add : Attributable profits	478,585	478,585
	<u>4,640,472</u>	<u>4,640,472</u>
Less : Progress billings	(3,600,000)	(3,600,000)
	<u>1,040,472</u>	<u>1,040,472</u>

## 10. Cash and cash equivalents

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Deposits placed with licensed banks	85,135	2,032,541	-	-
Cash and bank balances	2,720,375	5,360,534	67,913	215,275
	<u>2,805,510</u>	<u>7,393,075</u>	<u>67,913</u>	<u>215,275</u>

## Notes to the Financial Statements (cont'd)

## 11. Share capital

	Group and Company			
	2008		2007	
	RM	Number of shares	RM	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	85,373,000	170,746,000	55,000,000	110,000,000
Issued during the year :				
Share option exercised	212,500	425,000	2,772,750	5,545,500
Bonus issue	-	-	27,600,250	55,200,500
	212,500	425,000	30,373,000	60,746,000
Balance at end of year	85,585,500	171,171,000	85,373,000	170,746,000

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM85,373,000 to RM85,585,500 by way of issuance of 425,000 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.

**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 of the ESOS are as follows :

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

## Notes to the Financial Statements (cont'd)

## 11. Share capital (cont'd)

## Employees' Share Option Scheme (cont'd)

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

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

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		
<b>2008</b>											
2 August 2005	* 0.67	7,763,000	-	(425,000)	(777,000)	6,561,000	-	-	-	6,561,000	2,004,000
<b>2007</b>											
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

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

## 12. Reserves

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Non-distributable</b>					
Share premium	12.1	1,548,580	1,429,947	1,058,688	971,704
Share option reserve	12.2	716,077	750,355	1,360,941	1,278,770
Statutory reserve	12.3	101,793	101,793	-	-
Translation reserve		69,239	69,239	-	-
		<u>2,435,689</u>	<u>2,351,334</u>	<u>2,419,629</u>	<u>2,250,474</u>

## 12.1 Share premium

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

## 12.2 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.

## Notes to the Financial Statements (cont'd)

## 12. Reserves (cont'd)

## 12.2 Share option reserve (cont'd)

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Balance at 1 January	750,355	1,020,546	1,278,770	1,020,546
Value of employee services received for issuance of share options granted in 2005				
- charged to income statements (Note 17)	96,905	355,363	22,093	69,275
- additions to investment in subsidiaries (Note 4)	-	-	74,812	286,088
	96,905	355,363	96,905	355,363
Option exercised	(131,183)	(625,554)	(14,734)	(97,139)
	<u>716,077</u>	<u>750,355</u>	<u>1,360,941</u>	<u>1,278,770</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 :

Fair value per share option and assumptions	Group and Company	
	2008	2007
Fair value at grant date (RM)	1.00	1.00
Exercise price (RM)	* 0.67	* 0.67
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.

## 12.3 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.

## Notes to the Financial Statements (cont'd)

## 13. Loans and borrowings

	Group	
	2008 RM	2007 RM
<b>Non-current</b>		
<i>Secured</i>		
Term loans	23,332,154	28,275,866
Finance lease liabilities	154,282	143,612
	23,486,436	28,419,478
<b>Current</b>		
<i>Secured</i>		
Term loans	5,111,812	4,420,792
Finance lease liabilities	105,912	62,919
	5,217,724	4,483,711
<i>Unsecured</i>		
Bank overdrafts	2,987,739	188,284
Bankers' acceptances	18,146,075	18,812,000
	21,133,814	19,000,284
	26,351,538	23,483,995

## 13.1 Interest rates

Term loans	
- floating rates	1.00% to 1.50% (2007 : 1.00% to 1.50%) above cost of funds per annum
- fixed rates	5.60% to 6.40% (2007 : 5.60% to 6.40%) per annum
Finance lease liabilities	2.34% to 2.75% (2007 : 2.34% to 2.50%) per annum
Bank overdrafts	0.75% to 1.75% (2007 : 1.50% to 1.75%) above prevailing base lending rates per annum
Bankers' acceptances	0.75% to 1.25% (2007 : 0.75% to 1.25%) above cost of funds per annum

## 13.2 Securities

Term loans

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

	Note	2008 RM	2007 RM
Freehold land and buildings		48,803,702	27,633,676
Plant and machinery, moulds, tools and equipment		13,222,258	14,811,608
Capital work-in-progress		9,481,886	19,651,810
Property, plant and equipment	3.2	71,507,846	62,097,094
Prepaid land lease payments	5	-	1,061,193
		71,507,846	63,158,287

## Notes to the Financial Statements (cont'd)

## 13. Loans and borrowings (cont'd)

13.2 *Securities* (cont'd)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.

13.3 *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
<b>Group</b>						
<b>2008</b>						
<b>Secured</b>						
Term loans	2002-2017	28,443,966	5,111,812	5,414,315	16,206,769	1,711,070
Finance lease liabilities	2010-2012	260,194	105,912	98,676	55,606	-
<b>Unsecured</b>						
Bank overdrafts		2,987,739	2,987,739	-	-	-
Bankers' acceptances	2009	18,146,075	18,146,075	-	-	-
		49,837,974	26,351,538	5,512,991	16,262,375	1,711,070
<b>2007</b>						
<b>Secured</b>						
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	-
<b>Unsecured</b>						
Bank overdrafts		188,284	188,284	-	-	-
Bankers' acceptances	2008	18,812,000	18,812,000	-	-	-
		51,903,473	23,483,995	5,263,133	16,717,213	6,439,132

## Notes to the Financial Statements (cont'd)

## 13. Loans and borrowings (cont'd)

## 13.4 Finance lease liabilities

The finance lease liabilities are payable as follows :

Group	2008			2007		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Less than 1 year	116,089	10,177	105,912	70,956	8,037	62,919
Between 1 to 2 years	103,635	4,959	98,676	70,956	6,843	64,113
Between 2 to 5 years	56,882	1,276	55,606	82,430	2,931	79,499
	<u>276,606</u>	<u>16,412</u>	<u>260,194</u>	<u>224,342</u>	<u>17,811</u>	<u>206,531</u>

## 14. Payables and accruals

Note	Group		Company		
	2008 RM	2007 RM	2008 RM	2007 RM	
<b>Trade</b>					
Companies in which certain Directors have substantial financial interests	14.2	336,428	317,142	-	-
Others		2,901,844	10,406,518	-	-
		<u>3,238,272</u>	<u>10,723,660</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Amount due to an associate	14.3	-	500,833	-	-
Amount due to a Director	14.4	2,430,000	600	-	-
Other payables		12,516,531	6,037,703	-	33,500
Accrued expenses		1,120,101	1,504,529	206,000	205,800
		<u>16,066,632</u>	<u>8,043,665</u>	<u>206,000</u>	<u>239,300</u>
		<u>19,304,904</u>	<u>18,767,325</u>	<u>206,000</u>	<u>239,300</u>

## 14.1 Analysis of foreign currency exposure for significant payables

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

Functional currency	Foreign currency	Group	
		2008 RM	2007 RM
RM	USD	<u>885,184</u>	<u>3,490,607</u>

## Notes to the Financial Statements (cont'd)

## 14. Payables and accruals (cont'd)

**14.2 Amount due to companies in which certain Directors have substantial financial interests**

The trade payables due to companies in which certain Directors have substantial financial interests are subject to normal trade terms.

**14.3 Amount due to an associate**

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

**14.4 Amount due to a Director**

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

## 15. Revenue

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Invoiced value of goods sold	112,562,823	140,360,978	-	-
less discounts and returns	-	-	2,500,000	5,000,000
Gross dividend from a subsidiary				
	<u>112,562,823</u>	<u>140,360,978</u>	<u>2,500,000</u>	<u>5,000,000</u>

## 16. Interest expense

	Group	
	2008 RM	2007 RM
Interest expense paid/payable on :		
Bank overdrafts	42,002	203,735
Term loans	1,867,338	1,225,966
Finance lease liabilities	10,259	9,942
Bankers' acceptances	1,259,026	1,443,278
Others	334,486	1,386,990
	<u>3,513,111</u>	<u>4,269,911</u>

## Notes to the Financial Statements (cont'd)

## 17. Operating profit

Operating profit is arrived at :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
After charging :				
Auditors' remuneration				
- Statutory audit				
- current year	212,000	213,000	35,000	35,000
- prior year	-	5,000	-	5,000
- Other services				
- current year	56,800	48,700	5,000	25,800
- prior year	1,000	(700)	200	-
Directors' emoluments				
- Directors of the Company				
- fees	169,000	169,000	169,000	169,000
- others	1,340,860	1,264,892	27,500	31,500
- share-based payment	36,509	76,390	20,408	44,186
Loss on foreign exchange (net)	274,237	1,154,460	-	-
Depreciation of property, plant and equipment (Note 3)	6,373,852	5,507,419	-	-
Amortisation of prepaid land lease payments (Note 5)	8,994	17,986	-	-
Allowance for doubtful debts	-	6,361,511	-	-
Loss on disposal of plant and equipment	-	3,300	-	-
Rental of premises	65,234	36,172	-	-
Research and development expenses	589,976	531,335	-	-
Share-based payment (Note 12.2)	96,905	355,363	22,093	69,275
Plant and equipment written off	282	9,353	-	-
Write-down of inventories	1,987,353	-	-	-
and crediting :				
Dividend income from a subsidiary	-	-	2,500,000	5,000,000
Gain on disposal of other investment	-	17,894	-	-
Interest income	63,077	10,597	-	-
Gain on disposal of subsidiaries	148,489	-	8,551	-
Rental of premise	249,400	-	-	-
Reversal of allowance for doubtful debts	808,926	-	-	-

## Notes to the Financial Statements (cont'd)

## 18. Key management personnel compensations

The key management personnel compensations are as follows :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors of the Company				
- Fees	48,000	48,000	48,000	48,000
- Remuneration	1,281,360	1,202,892	4,000	5,500
Total short term employee benefits	1,329,360	1,250,892	52,000	53,500

## 19. Employees information

	Group	
	2008 RM	2007 RM
Staff costs (including executive Directors)	7,385,468	8,532,728

Included in the staff costs above are :

- i) an amount of RM589,976 (2007 : RM531,335) charged out as research and development expenses disclosed under Note 17 to the financial statements; and
- ii) an amount of RM543,477 (2007 : RM621,658) representing contributions made to the Employees' Provident Fund.

## 20. Tax expense

Recognised in the income statement

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Current tax expense</b>				
Current year	621,749	674,888	-	-
Prior year	(135,369)	(157,771)	-	(52,350)
Total current tax recognised in the income statement	486,380	517,117	-	(52,350)
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	1,337,000	(294,750)	-	-
Effect of adopting FRS 112 (Note 7.2)	-	(3,376,000)	-	-
Prior year	(323,624)	(367,125)	-	-
Total deferred tax recognised in the income statement	1,013,376	(4,037,875)	-	-
Total tax expense	1,499,756	(3,520,758)	-	(52,350)

## Notes to the Financial Statements (cont'd)

## 20. Tax expense (cont'd)

## Reconciliation of effective tax expenses

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit before tax	4,656,686	8,193,535	2,018,202	4,260,072
Tax calculated using Malaysian tax rate of 26% (2007 : 27%)	1,210,738	2,212,254	524,732	1,150,219
Non-deductible expenses	669,854	619,685	127,491	199,781
Tax incentives	-	(2,680,840)	-	-
Income not subject to tax	(38,607)	-	(652,223)	(1,350,000)
Deferred tax asset recognised	-	(3,376,000)	-	-
Deferred tax assets not recognised	91,086	345,588	-	-
Effect of lower tax rate for certain subsidiaries *	(57,973)	(128,632)	-	-
Others	83,651	12,083	-	-
	1,958,749	(2,995,862)	-	-
Over provided in prior years	(458,993)	(524,896)	-	(52,350)
	1,499,756	(3,520,758)	-	(52,350)

\* 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 2008 if paid out as dividends.

The Finance Act, 2007 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 2008 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)

## 21. Earnings per ordinary share

*Basic earnings per ordinary share*

The calculation basic earnings per ordinary share at 31 December 2008 was based on the net profit attributable to ordinary shareholders of RM3,156,930 (2007 : RM11,714,293) and a weighted average number of ordinary shares outstanding of 171,139,399 (2007 : 167,600,816).

*Weighted average number of ordinary shares*

	Group	
	2008	2007
Issued ordinary shares at beginning of year	170,746,000	110,000,000
Share options exercised	393,399	2,600,816
Bonus issue in February 2007	-	55,000,000
	171,139,399	167,600,816

*Diluted earnings per ordinary share*

The calculation of diluted earnings per ordinary share at 31 December 2008 was based on the net profit attributable to ordinary shareholders of RM3,156,930 (2007 : RM11,714,293) and a 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*

	Group	
	2008	2007
Weighted average number of ordinary shares in issue	171,139,399	167,600,816
Effect of dilution of share options	1,621,820	2,345,073
	172,761,219	169,945,889

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.

	Group	
	2008 Sen	2007 Sen
Diluted earnings per ordinary share	1.83	6.89

## 22. Dividend

	Group and Company	
	2008 RM	2007 RM
Paid :		
First and final dividend of 5% tax exempt for 2007 (2006 : 5% tax exempt) on 171,171,000 (2006 : 165,901,480) ordinary shares of RM0.50 each	4,279,276	4,147,537

## Notes to the Financial Statements (cont'd)

## 23. Segment reporting - 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	Property and Investment holding RM	Elimination RM	Consolidated RM
<b>2008</b>						
Total external revenue	17,365,771	95,584,489	(387,437)	-	-	112,562,823
Inter-segment revenue	21,412,600	6,175,864	55,765	-	(27,644,229)	-
<b>Total segment revenue</b>	<b>38,778,371</b>	<b>101,760,353</b>	<b>(331,672)</b>	<b>-</b>	<b>(27,644,229)</b>	<b>112,562,823</b>
Segment results	8,530,847	8,312,355	(599,520)	(508,876)	(7,601,156)	8,133,650
Interest expense						(3,513,111)
<b>Operating profit</b>						<b>4,620,539</b>
Share of profit after tax of equity accounted associates						36,147
<b>Profit before tax</b>						<b>4,656,686</b>
Tax expense						(1,499,756)
<b>Profit for the year</b>						<b>3,156,930</b>
<b>Segment assets</b>	65,544,329	136,332,407	728,628	192,241	(19,803,032)	182,994,573
Investment in associates						2,529,715
Unallocated assets						2,975,906
<b>Total assets</b>						<b>188,500,194</b>
<b>Segment liabilities</b>	9,978,826	8,514,098	21,656	790,324	-	19,304,904
Unallocated liabilities						51,927,529
<b>Total liabilities</b>						<b>71,232,433</b>
Capital expenditure	399,500	23,768,898	-	-	-	24,168,398
Depreciation and amortisation	693,790	5,479,964	200,098	8,994	-	6,382,846
Non-cash expenses other than depreciation and amortisation	527,370	1,977,628	83,346	22,093	-	2,610,437

## Notes to the Financial Statements (cont'd)

## 23. Segmental reporting - Group (cont'd)

	Machinery and equipment RM	Secondary flat steel and related products RM	IT solutions and automation RM	Property and Investment holding RM	Elimination RM	Consolidated RM
<b>2007</b>						
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
<b>Segment results</b>						
Interest expense	16,196,802	2,582,646	(2,045,214)	(816,706)	(4,507,618)	11,409,910 (4,269,911)
Operating profit						7,139,999
Share of profit after tax of equity accounted associates						1,053,536
Profit before tax						8,193,535
Tax expense						3,520,758
Profit for the year						11,714,293
<b>Segment assets</b>						
Unallocated assets	78,712,016	114,730,419	1,560,368	1,431,865	(12,180,840)	184,253,828 7,068,037
<b>Total assets</b>						191,321,865
<b>Segment liabilities</b>						
Unallocated liabilities	9,457,196	8,429,987	50,707	829,435	-	18,767,325 54,545,996
<b>Total liabilities</b>						73,313,321
Capital expenditure	712,715	17,781,768	5,830	1,079,179	-	19,579,492
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)

## 23. Segment reporting - Group (cont'd)

*Geographical segments*

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

	Malaysia RM	Africa RM	Asia RM	Middle-East countries RM	Others RM	Consolidated RM
<b>2008</b>						
Revenue from external customers by location of customers	67,695,763	6,297,174	11,833,229	25,185,653	1,551,004	112,562,823
Segment assets by location of assets	182,994,573	-	-	-	-	182,994,573
Capital expenditure by location of assets	24,168,398	-	-	-	-	24,168,398
<b>2007</b>						
Revenue from external customers by location of customers	55,440,105	44,841,608	25,244,056	13,027,627	1,807,582	140,360,978
Segment assets by location of assets	184,253,828	-	-	-	-	184,253,828
Capital expenditure by location of assets	19,579,492	-	-	-	-	19,579,492

## 24. Related parties - Group/Company

24.1 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.

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 certain key Directors of the Company.

## 24.2 Related party transactions

24.2.1 *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 18.

## Notes to the Financial Statements (cont'd)

## 24. Related parties - Group/Company (cont'd)

## 24.2 Related party transactions (cont'd)

24.2.2 Transactions with companies in which a Director and his spouse have controlling interests and persons connected to them

	Group	
	2008 RM	2007 RM
Rental of premise receivable	245,000	-
Sales	12,699,488	5,962,582
Purchases	9,686,068	596,937

24.2.3 Transactions with the indirect associates

	Group	
	2008 RM	2007 RM
Sales	13,902,090	404,351

24.2.4 Transaction with a subsidiary

	Company	
	2008 RM	2007 RM
Dividend income from a subsidiary	2,500,000	5,000,000

Non-trade balances with related parties are as disclosed in Note 8 and Note 14 to the financial statements.

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

## 25. Capital commitment

	Group	
	2008 RM	2007 RM
<i>Property, plant and equipment</i>		
Authorised but not contracted for	-	25,428,217
Contracted but not provided for	1,323,694	643,175

## 26. 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 RM177.15 (2007 : RM187.80) million of which RM48.67 (2007 : RM59.90) 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)

## 27. 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) other than the followings :

	Group	
	2008 RM	2007 RM
Customers in :		
Middle-east countries	5,145,080	4,922,027
Vietnam	295,736	3,170,015
	5,440,816	8,092,042

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 and floating rates 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.

**Foreign 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 :

	Currency	← Maturities →		Total notional amount RM
		Within 1 year RM	1-2 years RM	
<b>At 31 December 2008</b>				
Forward foreign exchange contracts used to hedge anticipated sales	USD	1,708,000	-	1,708,000
<b>At 31 December 2007</b>				
Forward foreign exchange contracts used to hedge anticipated sales	USD	1,522,000	-	1,522,000

The unrealised loss on forward foreign exchange contracts of RM129,139 at 31.12.2008 has been recognised in the Group's income statement.

## 27. 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.

	Note	Average effective interest rate per annum %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
<b>Group</b>									
<b>2008</b>									
<b>Financial asset</b>									
<i>Fixed rate instrument</i>									
Deposits placed with licensed banks	10	3.10	85,135	85,135	-	-	-	-	-
<b>Financial liabilities</b>									
<i>Fixed rate instruments</i>									
Secured term loans	13	6.28	9,901,000	1,714,849	1,824,129	1,940,420	1,620,889	1,644,571	1,156,142
Finance lease liabilities	13	2.56	260,194	105,912	98,676	50,872	4,734	-	-
<i>Floating rate instruments</i>									
Secured term loans	13	5.87	18,542,966	18,542,966	-	-	-	-	-
Unsecured bank overdrafts	13	7.75	2,987,739	2,987,739	-	-	-	-	-
Unsecured bankers' acceptances	13	4.51	18,146,075	18,146,075	-	-	-	-	-

27. 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
<b>2007</b>									
<b>Financial asset</b>									
<i>Fixed rate instrument</i>									
Deposits placed with licensed banks	10	2.05	2,032,541	2,032,541	-	-	-	-	-
<b>Financial liabilities</b>									
<i>Fixed rate instruments</i>									
Secured term loans	13	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	13	2.41	206,531	62,919	64,113	56,345	18,420	4,734	-
<i>Floating rate instruments</i>									
Secured term loans	13	5.82	20,429,491	20,429,491	-	-	-	-	-
Unsecured bank overdrafts	13	8.50	188,284	188,284	-	-	-	-	-
Unsecured bankers' acceptances	13	4.68	18,812,000	18,812,000	-	-	-	-	-

## Notes to the Financial Statements (cont'd)

## 27. 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 certain financial institutions 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 values of the term loans carried on the balance sheet as at 31 December are shown below :

Group	2008		2007	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Fixed rate term loans	9,901,000	10,153,000	12,267,167	10,902,000

# 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.

*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 :

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

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.

## 28. Significant events during the year

- On 1 April 2008, Eonmetall Petro-Chem (M) Sdn. Bhd. ("EPC"), a wholly-owned subsidiary of the Company disposed of its entire equity interest in Eonmetall Bintai Koyo JV Pte. Ltd. ("EBK"), for a total cash consideration of RM137 which was equivalent to EPC's carrying amount of the investment.
- On 18 June 2008, the Company disposed of its entire equity interest in De Bio Channel (M) Sdn. Bhd., for a total cash consideration of RM108,551.

## 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 32 to 80 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2008 and of their financial performance and cash flows for the year then ended.

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

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**Dato' Goh Cheng Huat**

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**Yeoh Cheng Chye**

Penang,

Date : 24 April 2009

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## 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 32 to 80 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 24 April 2009.

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**Dato' Goh Cheng Huat**

Before me :

**CHEAH BENG SUN**

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

## Independent Auditors' Report to the members of Eonmetall Group Berhad

### Report on the Financial Statements

We have audited the financial statements of Eonmetall Group Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 80.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 8.3 to the financial statements. The Group has not made allowance for doubtful debts in relation to those debts outstanding for more than a year and remained outstanding at the date of this report of RM4,024,173 as the Directors are of the opinion that the debts are recoverable.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Independent Auditors' Report**  
to the members of Eonmetall Group Berhad (cont'd)

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG**  
AF 0758  
Chartered Accountants

**Lee Kean Teong**  
1857/02/10 (J)  
Chartered Accountant

Date : 24 April 2009

Penang

## 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 2008 RM'000
<b>Eonmetall Technology Sdn Bhd</b>						
Grant 64234, Lot 1258, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	3 August 2004 08 August 2000	Freehold	8 yrs	39,159	A factory building is erected on the adjoining parcels of the land	19,644
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	3 August 2004 08 August 2000	Freehold	8 yrs	11,198		
<b>Eonmetall Industries Sdn Bhd</b>						
Grant 33124, Lot 385, Mukim 12, Seberang Perai Selatan, Penang.	- / 18 July 2003	Freehold	-	57,509	A factory building is erected on the adjoining parcels of the land – Phase 1 - completed Phase II - construction in progress	34,993
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang.	- / 18 July 2003	Freehold	1 yr	62,887		
Lot No. T-2317, Mukim 13, No. 35, Lorong Cempaka 28, 14110 Simpang Ampat, Seberang Perai Selatan, Penang.	- / 01 April 2006	Freehold	2 yrs	116	Single storey terrace house/ Residential premise for factory workers	89
Lot No. T-2318, Mukim 13, No. 37, Lorong Cempaka 28, 14110 Simpang Ampat, Seberang Perai Selatan, Penang.	- / 01 April 2006	Freehold	2 yrs	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	2 yrs	208	Double storey semi-detached house/ Residential premise rented out	160
<b>Eonmetall Systems Sdn Bhd</b>						
HS(D) 491, Lot 1596, MK12, Seberang Perai Selatan, Penang.	-/20 July 2006	Freehold	-	39,252	Vacant Land	3,471

## Analysis of Shareholdings

### Analysis of Shareholdings as at 31 March 2009

Authorised share capital	:	RM100,000,000.00
Issued and fully paid-up share capital	:	RM85,585,500.00
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 31 March 2009

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
2	Datin Tan Pak Say	-	-	110,404,128	64.50
3	Eonmetall Corporation Sdn. Bhd.	84,049,128	49.10	-	-

### Directors' Shareholdings as at 31 March 2009

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	1,553,636	0.91	-	-
4	• Goh Kee Seng	2,721,336	1.59	-	-
5	^Tan Sri Dato' Soong Siew Hoong	510,000	0.30	96,600	0.06
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 31 March 2009

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	25	1.63	1,275	0.00
100 - 1,000	357	23.24	139,025	0.08
1,001 - 10,000	806	52.47	3,629,077	2.12
10,001 - 100,000	288	18.75	8,612,073	5.03
100,001 - 8,558,549	58	3.78	53,490,422	31.25
8,558,550 - 171,171,000	2	0.13	105,299,128	61.52
<b>TOTAL</b>	<b>1,536</b>	<b>100.00</b>	<b>171,171,000</b>	<b>100.00</b>

## Analysis of Shareholdings (cont'd)

## Thirty Largest Shareholders as at 31 March 2009

	Name	No. of Shares	% of Issued Share Capital
1	Eonmetall Corporation Sdn. Bhd.	42,049,128	24.57
2	EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Goh Cheng Huat (SBK)</i>	21,250,000	12.41
3	Eonmetall Corporation Sdn. Bhd.	21,000,000	12.27
4	Eonmetall Corporation Sdn. Bhd.	21,000,000	12.27
5	Marajati Sdn. Bhd.	5,555,000	3.25
6	A.A. Anthony Nominees (Asing) Sdn. Bhd. <i>Pledged Securities Account for Tay Kim Seng</i>	4,252,300	2.48
7	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Kock Nai Suan</i>	3,758,600	2.20
8	Goh Cheng Huat	2,967,000	1.73
9	TA Nominess (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Mohd Desman Annuar Bin Md Desa</i>	2,492,000	1.46
10	AMSEC Nominees (Tempatan) Sdn. Bhd. <i>AmBank (M) Berhad for Goh Kee Seng (EGB)</i>	2,406,336	1.41
11	Metastech Sdn. Bhd.	2,000,000	1.17
12	Mayban Nominees (Tempatan) Sdn. Bhd. <i>Mayban Life Assurance Berhad (Prem Equity FD)</i>	2,000,000	1.17
13	HDM Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Goh Chuan Kiong (M01)</i>	2,000,000	1.17
14	Goh Cheng Huat	1,928,000	1.13
15	Mayban Nominees (Tempatan) Sdn. Bhd. <i>ETIQQA Insurance Berhad (Life Par Fund)</i>	1,790,000	1.05
16	Ch'ng Chiap Kang	1,624,500	0.95
17	Mayban Nominees (Tempatan) Sdn. Bhd. <i>Mayban General Assurance Berhad (Insurance Fund)</i>	1,570,000	0.92
18	Impian Mawar Sdn. Bhd.	1,570,000	0.92
19	Mayban Nominees (Tempatan) Sdn. Bhd. <i>ETIQQA Insurance Berhad (Shareholder's FD)</i>	1,080,000	0.63
20	Citigroup Nominees (Asing) Sdn. Bhd. <i>Exempt An for OCBC Securities Private Limited (Client A/C-NR)</i>	1,007,000	0.59
21	Tai Ho Fah	1,000,000	0.58
22	Foo Chek Heng	1,000,000	0.58
23	Yeoh Cheng Chye	803,636	0.47
24	Yeoh Cheng Chye	750,000	0.44
25	Mayban Nominees (Tempatan) Sdn. Bhd. <i>ETIQQA 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>ETIQQA Insurance Berhad (General Fund)</i>	545,000	0.32
29	Goh Kee Seng	525,000	0.31
30	Soong @ Soong Siew Hoong	510,000	0.30



## 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 SIXTH 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, 21 May 2009 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		

(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, 2009.

\_\_\_\_\_  
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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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.

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