# Annual Report 2010

EONMETALL GROUP BERHAD
(631617-D)

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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the EIGHTH ANNUAL GENERAL MEETING of shareholders of the Company will be held at Ground Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Monday, 27 June 2011 at 2:00 p.m. for the following purposes: -

As Ordinary Business:

1. To receive the audited Financial Statements for the year ended 31 December 2010 and the Reports of the Directors and Auditors thereon. **Please refer to Note 1**

2a. To re-elect the following Directors who retire pursuant to Article 86 of the Company's Articles of Association:-

   i) Mr Yeoh Cheng Chye **Ordinary Resolution 1**
   ii) En Ibrahim Mahdi Phee **Ordinary Resolution 2**

2b. To re-elect Dato' Wahab Bin Hamid who retires pursuant to Article 93 of the Company's Articles of Association. **Ordinary Resolution 3**

2c. To re-elect the following Directors who retire pursuant to Section 129 of the Companies Act, 1965:-

   i) Tan Sri Dato' Mohd Desa bin Pachi **Ordinary Resolution 4**
   ii) Tan Sri Dato' Soong Siew Hoong **Ordinary Resolution 5**

3. To declare a Final Tax Exempt Dividend of 5.0% per ordinary share for the year ended 31 December 2010. **Ordinary Resolution 6**

4. To approve Directors' fees of RM202,800 for the year ended 31 December 2010. **Ordinary Resolution 7**

5. To appoint Messrs BDO as Auditors of the Company for the ensuing year in place of the retiring Auditors, Messrs KPMG to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**

As Special Business:

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

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

   "THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act") and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorized to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." **Ordinary Resolution 9**

   b) **PROPOSED AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY**

   "THAT subject to the Act, rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of the Bursa Securities and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of RM0.50 each in the Company's issued and paid-up capital through the Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following:- **Ordinary Resolution 10**

      i) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital of the Company for the time being ("Eonmetall Shares");

b) **PROPOSED AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY (cont'd)**

ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Eonmetall Shares shall not exceed the aggregate of the retained profits and share premium account RM42,266,000 and RM1,549,000 respectively of the Company, otherwise available for dividend for the time being, based on the latest Audited Financial Statements as 31 December 2010;

iii) the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:-

a) the conclusion of the next AGM of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

b) the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of the Bursa Securities or any other relevant authorities;

iv) upon completion of the purchase(s) of the Eonmetall Shares by the Company, the Directors of the Company be hereby authorised to deal with the Eonmetall shares in the following manner:-

a) to cancel the Eonmetall Shares so purchased; or

b) to retain the Eonmetall Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities and/or for cancellation subsequently; or

c) to retain part of the Eonmetall Shares so purchased as treasury shares and cancel the remainder; or

d) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such actions and steps as are necessary or expedient to implement or to effect the purchase of Eonmetall Shares."

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

"THAT pursuant to Chapter 10.09 of the Bursa Securities Main Market Listing Requirements ("Listing Requirements"), 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 **Ordinary Resolution 11**
ii) Genrizt Storage System **Ordinary Resolution 12**
iii) Eonlipids Sdn. Bhd. **Ordinary Resolution 13**
iv) Sin Zhang Enterprise" **Ordinary Resolution 14**

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

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS ALSO HEREBY GIVEN** that a Final Tax Exempt Dividend of 5.0% per ordinary share for the year ended 31 December 2010, if approved by the shareholders at the AGM, will be paid on 8 September 2011 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 12 August 2011.

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

a. Shares transferred into the depositor's securities account before 4:00 p.m. on 12 August 2011 in respect of ordinary transfers; and

b. Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

**BY ORDER OF THE BOARD**
**LAM VOON KEAN**
**(MIA 4793)**
Company Secretary
Penang, 3 June 2011.

***Notes:***

**Appointment of Proxy**

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.

***Explanatory Notes on Ordinary Business:***

1. Agenda 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders of the Company and hence, Agenda 1 is not put forward for voting.
2. The proposed Ordinary Resolution 8, is to appoint Messrs BDO in place of Messrs KPMG whose term expiring at the conclusion of this forthcoming Eighth AGM and do not wish to seek re-appointment.

***Explanatory Notes on Special Business:***

1. The proposed Ordinary Resolution 9, is for the purpose of granting a renewed general mandate ("General Mandate") and 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.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 27 May 2010 and which will lapse at the conclusion of the Eighth AGM.

   The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.
2. The proposed Resolution 10, if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.
3. The proposed Ordinary Resolutions 11, 12, 13 and 14, 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.

### Statement Accompanying Notice of AGM
### (Pursuant to Paragraph 8.27(2) of the Listing Requirements)

1. No individual is seeking election as a Director at the forthcoming Eighth AGM of the Company.
2. The Letter of Nomination dated 9 May 2011, which the Company had received from its shareholder in respect of the appointment of Messrs BDO in place of Messrs KPMG (whose term expires at the conclusion of the forthcoming Eighth AGM) and at a remuneration to be determined by the Directors, is as reproduced on the next page.

Yeoh Cheng Chye
40 Persiaran Perpaduan
B Garden
14000 Bukit Mertajam

Date: 9 May 2011

The Board of Directors
Eonmetall Group Berhad
Suite 2-1, 2nd Floor
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang

Dear Sir/Madam

**NOTICE OF NOMINATION OF MESSRS BDO AS AUDITORS**

Pursuant to Section 172(12) of the Companies Act, 1965, I, being a shareholder of the Company, hereby give notice of my intention to nominate Messrs BDO for appointment as auditors of the Company and to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company, to replace the retiring auditors, Messrs KPMG.

*"To appoint Messrs BDO as Auditors of the Company for the ensuing year in place of the retiring Auditors, Messrs KPMG to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration."*

Yours sincerely

**Yeoh Cheng Chye**
(I/C No. 681225-07-5115)

# Corporate Information

| | | | |
|---|---|---|---|
| **BOARD OF DIRECTORS** | : | **Tan Sri Dato' Mohd Desa bin Pachi** | *Chairman/Non-Executive Director* |
| | : | **Dato' Goh Cheng Huat** | *Managing Director* |
| | : | **Yeoh Cheng Chye** | *Executive Director* |
| | : | **Tan Sri Dato' Soong Siew Hoong** | *Non-Executive Director* |
| | : | **Goh Kee Seng** | *Non-Executive Director* |
| | : | **Tang Yin Kham** | *Independent Non-Executive Director* |
| | : | **Ibrahim Mahdi Phee** | *Independent Non-Executive Director* |
| | : | **Dato' Wahab Bin Hamid** | *Independent Non-Executive Director* |
| **COMPANY SECRETARY** | : | Lam Voon Kean (MIA 4793) | |
| **AUDIT COMMITTEE** | : | Tang Yin Kham | *Chairman* |
| | : | Ibrahim Mahdi Phee | *Member* |
| | : | Goh Kee Seng | *Member* |
| **NOMINATING COMMITTEE** | : | Tang Yin Kham | *Chairman* |
| | : | Ibrahim Mahdi Phee | *Member* |
| | : | Goh Kee Seng | *Member* |
| **REMUNERATION COMMITTEE** | : | Ibrahim Mahdi Phee | *Chairman* |
| | : | Tang Yin Kham | *Member* |
| | : | Goh Kee Seng | *Member* |

**REGISTERED OFFICE** : Suite 2-1, 2nd Floor
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang
Telephone No : (04) 229 4390
Facsimile No : (04) 226 5860
Email : mcsvpg@boardroomlimited.com

**HEAD OFFICE** : Lot 1258 & 1259, MK 12
Jalan Seruling
Kawasan Perusahaan Valdor
14200 Sungai Bakap, Penang
Telephone No : (04) 582 8323
Facsimile No : (04) 582 1525
Email : info@eonmetall.com
Website : http://www.eonmetall.com

**REGISTRARS** : AGRITEUM Share Registration Services Sdn Bhd (578473-T)
2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang
Telephone No : (04) 228 2321
Facsimile No : (04) 227 2391

**AUDITORS** : KPMG (Firm No. AF 0758)
Chartered Accountants
1st Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang
Telephone No : (04) 227 2288
Facsimile No : (04) 227 1888

**PRINCIPAL BANKERS** : CIMB Bank Berhad (13491-P)
: Malayan Banking Berhad (3813-K)
: United Overseas Bank (Malaysia) Bhd (271809-K)
: Citibank Berhad (297089-M)

**STOCK EXCHANGE LISTING** : Bursa Malaysia Securities Berhad
Main Market
Stock Code : 7217
Stock Name : EMETALL

# Group Structure and Principal Activities

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

**100%**
**Eonmetall Industries Sdn Bhd** "EMI" (207322-V)
*Manufacture and distribution of steel products, focusing on cold rolled coils, galvanised coils and flat steel products*

**100%**
**Eonmetall Technology Sdn Bhd** "EMT" (327604-K)
*Manufacture of metalwork and industrial process machinery and equipment*

**100%**
**Eonmetall Systems Sdn Bhd** "EMS" (360239-H)
*Manufacture of steel products, focusing on steel storage systems*

**100%**
**Eontarr IT Solutions Sdn Bhd** "EIT" (365987-M)
*Provider of IT solutions including software development*

**100%**
**Eonchem Technology Sdn Bhd** "ECH" (542450-K)
*Manufacture of industrial process machinery and equipment*

**100%**
**Eonsteel Sdn Bhd** "ESL"(733791-D)
*Property holding*

**100%**
**Eonmetall International Limited** "EIL" (LL07325)
*Dormant*

**100%**
**Eonchem Biomass Sdn Bhd** "EBSB" (906441-M)
*Dormant*

**100%**
**Eonmetall Agro Sdn Bhd** "EASB" (922037-A)
*Formerly known as Stable Palms Sdn Bhd*
*Dormant*

**100%**
**Eonmetall Petro-Chem (M) Sdn Bhd** "EPC" (768609-M)
*Investment holding*

**30%**
**Eonmetall Global Composites LLC** "EGC"
*Specialised in piping and related fittings contracting*

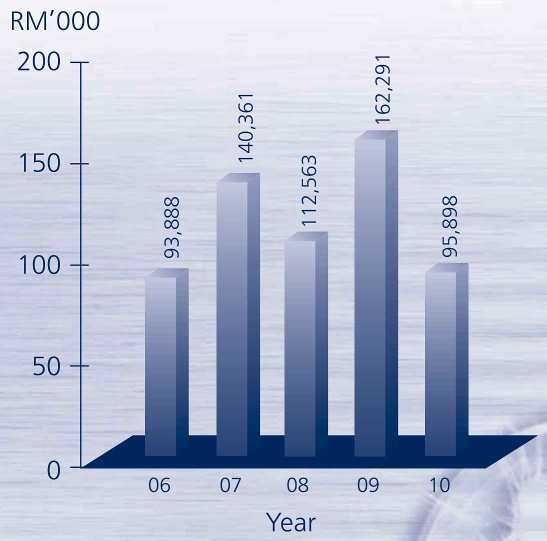
MOODY INTERNATIONAL · STANDARDS MALAYSIA MS ISO/IEC 17021:2006 QS 10082001 CB 02 · UKAS QUALITY MANAGEMENT 014 · Enterprise 2000 Celebrating Malaysia's Enterprising Spirit · MSC MALAYSIA Status Company

# Group Financial Highlight

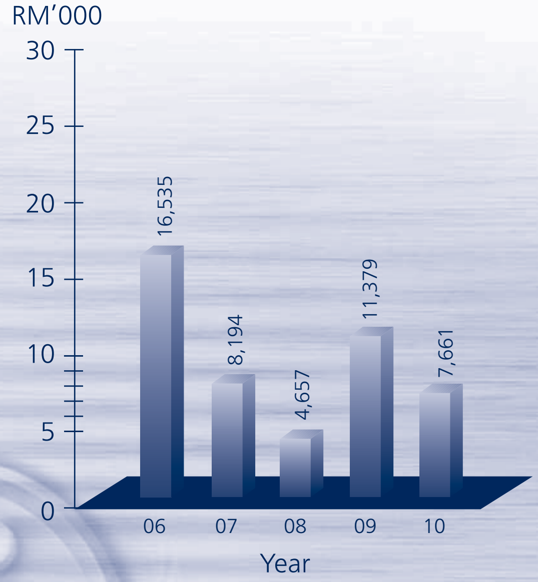
| | Year Ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2006 (Restated) RM | 2007 RM | 2008 RM | 2009 RM | 2010 RM |
| **Turnover (RM'000)** | 93,888 | 140,361 | 112,563 | 162,291 | 95,898 |
| **Profit Before Tax (RM'000)** | 16,535 | 8,194 | 4,657 | 11,379 | 7,661 |
| **Shareholders' Fund (RM'000)** | 106,067 | 118,008 | 117,268 | 124,347 | 130,375 |
| **Basic Earnings Per Share (sen)** | 9.26 | 6.99 | 1.84 | 5.37 | 4.69 |

*Notes:* The earnings per ordinary share has been calculated on the net profit attributable to shareholders divided by weighted average number of ordinary shares in issue

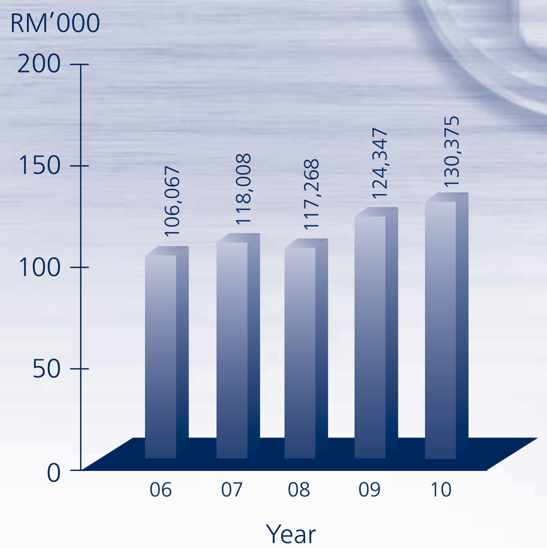
## Turnover



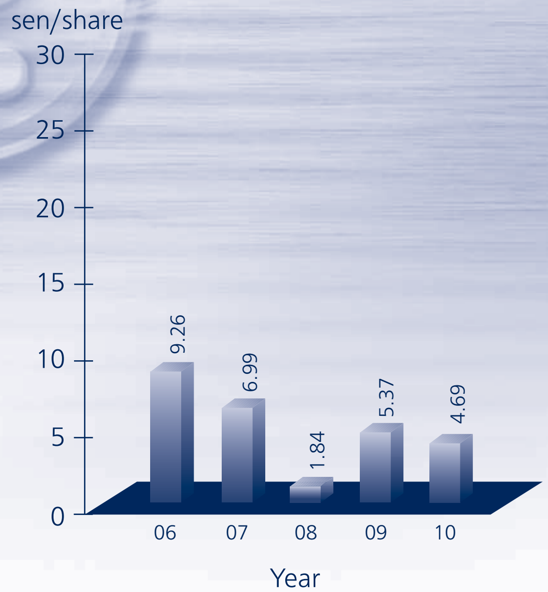

## Profit Before Tax




## Shareholders' Fund




## Basic Earnings Per Share



# Profiles of Directors

**Tan Sri Dato' Mohd Desa bin Pachi**, PSM, DSPN, KMN, aged 77, 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. He is a fellow member of the Malaysian Institute of Management.

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 CIMB Group Holdings Berhad (Formerly known as 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, Amanah Mutual Berhad and Saujana Resort (M) Berhad (Chairman).

Tan Sri Dato' Mohd Desa bin Pachi has attended all four (4) board meetings held during the financial year ended 31 December 2010.

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**Dato' Goh Cheng Huat**, aged 50, 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". He is also the key inventor for "Recovery Oil from Palm Mesocarp Fibres", where the patent was granted in year 2009. 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 four (4) board meetings held during the financial year ended 31 December 2010.

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**Yeoh Cheng Chye**, aged 42, 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 four (4) board meetings held during the financial year ended 31 December 2010.

# Profiles of Directors (cont'd)

**Tan Sri Dato' Soong Siew Hoong**, PSM, KMN, SMS, DPSM, JSM, aged 85, 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 Kwan 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 Executive Advisor of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and have held various other honorary positions such as President in the Malaysian Iron and Steel Industry Federation (MISIF). He is a current council member of Federation of Malaysian Manufacturers (FMM), and advisor to the Myanmar Industry Association & Combodia Chamber of Commerce.

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 a public company, Leader Steel Holdings Berhad.

Tan Sri Dato' Soong Siew Hoong has attended all four (4) board meetings held during the financial year ended 31 December 2010.

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**Goh Kee Seng**, aged 55, Malaysian, is a member of Audit Committee, Nominating Committee and Remuneration Committee. He 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 four (4) board meetings held during the financial year ended 31 December 2010.

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**Tang Yin Kham**, aged 59, Malaysian, is the Chairman of Audit Committee and Nominating Committee, a member of Remuneration Committee. She 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 34 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, a fellow member of the Chartered Tax Institute of Malaysia 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 four (4) board meetings held during the financial year ended 31 December 2010.

**Ibrahim Mahdi Phee**, aged 39, Malaysian, is the Chairman of Remuneration Committee and a member of Audit Committee and Nominating Committee. He 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 sudsequently 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 , Chen & Ung. He is an accredited mediator with Malaysian Mediation Centre and the Kuala Lumpur Regional Centre of Arbitration.

Ibrahim Mahdi Phee has attended all four (4) board meetings held during the financial year ended 31 December 2010.

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**Dato' Wahab Bin Hamid**, DPMS, aged 58, Malaysian, is the Independent and Non-Executive Director of Eonmetall and was appointed to the Board on 1 June 2011.

He graduated from National University of Malaysia with a Bachelor in Arts (Hons), major in Economics in year 1977. He was conferred with Darjah Kebesaran Datuk Setia Diraja Kedah (DSDK) in year 2009 and Darjah Kebesaran Datuk Paduka Mahkota Selangor (DPMS) in year 2010 respectively. Both awards carries the title of "Dato".

He has 33 years of service in Malaysian Industrial Development Authority (MIDA) in various Divisions and capacities including serving as a Director of MIDA Sarawak, Director of MIDA Korea, Director of MIDA Selangor, Director of MIDA Germany, Director of Human Resource Division, Director of Industry Support Division and Senior Director of Resource Based Industry Division. He was also the Deputy Director General II since June 2008 to April 2011.

He has previously served as a Chairman of National Duty Exemption Committee and various Technical Working Group Committee under the Industrial Master Plan 3 (IMP 3), a Member of Standard Malaysia Council and National Committee on Investment. He was also a permanent member of ECER Investment Committee, Sabah Industrial Development and Finance Committee, Negeri Sembilan Investment Committee and Perak State Investment Management Committee.

He was appointed as Independent Non-Executive Deputy Chairman of Starshine Holdings Berhad on 1 June 2011.

***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 page 95 of this report.*

# Chairman's Statement

On behalf of the Board of Directors of Eonmetall Group Berhad, 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 2010.

## Operations Review

Year 2010 was the turning point of the Group's contribution from the machinery and equipment segment mainly from the patented Palm Fibre Oil Extraction (PFOE) plant. The Group managed to commission and handover several PFOE plants besides securing several new orders. This contribution has cushioned the impact on the drop of business from other segments mainly from the steel products and trading activities.

The Group is keen to further explore our technical capabilities to design and fabricate other similar oil extraction plants for other oils such from palm kernel, rice bran, etc.

## Financial Performance

For the financial year under review, the Group registered lower revenue of RM95.9 million as compared to preceding year's revenue of RM162.3 million. The decline in the Group's revenue was mainly due to lower sales recorded in steel product and trading activity segments.

The Group's profit before tax ("PBT") of RM7.7million in the financial year was RM3.0 million lower as compared to the previous financial year. The decrease in Group's PBT was largely attributed to lower sales of steel product and trading activities and share of loss from associated company in Dubai (from share of profit of RM1.1 million down to a share of loss of RM0.2 million). During current financial year, the Group made an allowance for doubtful debts of RM1.6 million which has partially set off with a write back of allowance for doubtful debts of RM0.7 million.

## Outlook and Prospect

Palm oil industry is the 4th largest contributor to the Malaysian economy and is identified as one of the 12 National Key Economic Areas (NKEA). The Group has identified this industry as the Group's main business focus with the potentials from the PFOE plants both in Malaysia and Indonesia. These two countries presently contributed about 85% of the world's palm oil and by extracting and unlocking the potentials of FTAs, mainly of AFTA (Asean Free Trade Area) shall provide the market access not only to Indonesia in palm oil sector but also other oil extractions in other ASEAN countries.

The Group shall continue to embark on the vast opportunities of PFOE plants to create further value added byproducts and downstream products which these materials can be utilised as renewable energy besides supporting the Green Technology concept.

Besides tapping into the opportunities of palm oil related industry, the Group hope to contribute partly on the valuing and preservation of nation's environment endowments.

## Dividend

During the financial year, the Company paid a final tax exempt dividend of 2.5% or 1.25 sen per ordinary share, totaling RM2,139,639 in respect of the financial year ended 31 December 2009 on 30 July 2010.

The Directors recommended a final tax exempt dividend of 5.0% or 2.50 sen per ordinary share in respect of the financial year ended 31 December 2010, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## Acknowledgement

On behalf of the Board, I thank our shareholders, esteemed customers and suppliers, financial institutions and other stakeholders for their continued support and confidence in the Group. I pledge the utmost support and dedication from the management and all level of employees to embark on further growth and business opportunities.

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

# 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 2010, 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:-

| | **No. of meetings** | |
|---|---|---|
| | **Held** | **Attended** |
| **Name of director** | | |
| 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 | 4 |
| Dato' Wahab bin Hamid (appointed on 01.06.2011) | - | - |

All Directors are furnished with an agenda and documents on matters requiring their consideration in advance of each Board meeting. The Chairman, with the assistance of the Company Secretary, undertakes the primary responsibility for organising information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis. During the meetings, the Board is briefed on matters dealt with in the agenda and, where appropriate, additional information is made available to Directors. All proceedings of Board meetings are duly recorded and the minutes thereof signed by the Chairman of the Board.

**Board Committees**

The Board of Directors delegates certain responsibilities to Board Committees, namely an Audit Committee, a Nominating Committee, 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 eight (8) members; comprising two (2) Executive Directors, three (3) Non-Executive Directors and three (3) Independent Non-Executive Directors. A brief profile of each Director is presented on pages 9 to 11 of the Annual Report.

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

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

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

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

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

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

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

## Supply of information

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

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

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

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

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

The Board as a whole will determine, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties, at the Group's expense. However, where necessary and under appropriate circumstances in furtherance of his duties, any Director may do so with the prior consent and approval of the Chairman.

## Appointments to the Board

### *Nominating Committee*

The Nominating Committee comprises the following members:

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

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

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

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

The Committee met once during the financial year to review the size and composition of the Board as well as performance of the other Board Committees. The Committee had also discussed and deliberated on the qualifications and contributions of the Board and Nominating Committee with the respective members of the Nominating Committee abstaining from the process. In addition, the Committee deliberated on the retirement of Directors and their eligibility for re-election at the Annual General Meeting ("AGM"), the performance of the Board and the various Board Committees as well as contribution of individual Directors.

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

***Directors' training***

The Board, through the Nominating Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. As at the date of this Statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia.

The Directors are encouraged to attend various external professional programmes to keep abreast with developments of the business environment as well as with the new statutory and regulatory requirements.

Training programmes attended by Directors are as follows:

| **Training Programmes** |
|---|
| Continuing Obligation of Directors of Listed Corporation Companies |
| Directors & Senior Management Series – Global Investment Performance Standards |
| Directors & Senior Management Series – Strategic Islamic Finance |
| MIA Professional Development Programme – Understanding The Latest Public Rulings |
| MIA Professional Development Programme – Financial Planning For Business Growth-Accessing The Malaysian Bond Market |
| 2010 National Seminar – Palm Oil Milling, Refining, Environment and Quality |
| 9th Conference on Status & Outlook of the Malaysian Iron & Steel Industry |
| MIA Professional Development Programme - 2010 Tax Updates |
| National Tax Conference 2010 |
| Seminar Percukaian Kebangsaan 2010 |
| The 2011 Budget And Tax Issues |

***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 twice, attended by all the members.

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

### Details of the 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 2010, are as follows:

| Directors | Executive Directors RM'000 | Non-Executive Directors RM'000 | Total RM'000 |
|---|---|---|---|
| Fees | 48 | 121 | 169 |
| Salary and bonus | 912 | - | 912 |
| Other emoluments | 786 | 61 | 847 |
| **Total** | **1,746** | **182** | **1,928** |

The remuneration paid/payable to Directors, analysed into bands of RM50,000 each for the financial year ended 31 December 2010, is summarised as follows:

| Range of remuneration | Number of Directors Executive | Number of Directors Non-Executive |
|---|---|---|
| Below RM50,000 | - | 4 |
| RM50,001 – RM100,000 | - | 1 |
| RM450,001 – RM500,000 | 1 | - |
| RM1,250,001 – RM1,300,000 | 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 provide shareholders with a current overview of the Group's performance.

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

In addition, the Board and Management welcome any form of visit by fund managers and analysts and conduct regular briefings to them as the Board believes that this will give investors and interested parties on one hand, a better appreciation and understanding of the Group's performance and on the other, awareness of the expectations and concerns of investors and such interested parties. Besides, the Company also maintains an official web site at www.eonmetall.com that provides background information of the Group to the public. However, in any circumstances, while the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. However, in any of the circumstances, the Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to shareholders and stakeholders.

## D. ACCOUNTABILITY AND AUDIT

### Financial reporting

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

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

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

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

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

**State of internal controls**

The Statement on Internal Control furnished on pages 20 to 21 of the Annual Report, provides an overview on the state of internal controls within the Group.

**Relationship with the Auditors**

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee's terms of reference as detailed on pages 22 to 25 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 22 of the Annual Report.

**Compliance statement**

The Group has complied throughout the financial year ended 31 December 2010, 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 of 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 28 April 2011.

# Statement on Corporate Social Responsibility

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

The CSR contributions of the Group are as follows:-

**ENVIRONMENT**

The Group 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. Employees are encouranged to reduce the use of paper, recycle any recyclable items and reduce wastages. Efforts have also been made to conserve energy by ensuring that all lights and air-conditioning are operating only when there is a need.

**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 employs 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’ skills, 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 15.26(b) of Listing Requirements, 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 Malaysia Securities Berhad ("Bursa Securities"). The associated companies of the Group have not been dealt with as part of the Group for the purposes of applying this guidance.

## 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 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 2010, 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 year, 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 15.23 of Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 28 April 2011.

# 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 23 to 25 of the Annual Report.

## Meetings

During the financial year ended 31 December 2010, the Audit Committee held a total of four (4) meetings. The attendance of the Committee members are as follows:-

| | No. of Committee Meetings | |
|---|---|---|
| **Name of Committee Member** | **Held** | **Attended** |
| Tang Yin Kham | 4 | 4 |
| Ibrahim Mahdi Phee | 4 | 4 |
| Goh Kee Seng | 4 | 4 |

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 needs arises.

During the financial year under review, the Committee meet three (3) times with the external auditors without presence of Executive Directors which complies to the requirement of the Best Practices in Corporate Governance in Part II of the Code.

## 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 2010;

- Reviewed and approved the internal audit plan for the financial year 2011;

- 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, 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).

### Internal audit function

The Group outsourced its internal audit function to an independent professional accounting and consulting firm, Messrs. UHY, to carry out internal audit of the Group. The cost incurred for the internal audit function in respect of the financial year is RM20,500.00.

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 2010, 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 20 to 21 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.

**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.

**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;
   - whether there is reason (support by grounds) to believe that the Company or Group's external Auditor is not suitable for re-appointment;
   - the assistance given by the employees of the Company or Group to the external Auditors; and
   - any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

b) To recommend the nomination of a person or persons as external Auditors and the audit fees.

c) To act upon the Board of Director's request to investigate and report on any issues or concerns in regards to the management of the Company.

d) To promptly report to the Bursa Securities on matters reported by the Audit Committee to the Board of Directors of the Company which has not been satisfactorily resolved resulting in breach of the Listing Requirements.

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**
   No options, warrants and convertible securities were issued by the company during the financial year under review.

3. **Depository Receipt Programme**
   During the financial year, the Company did not sponsor any Depository Receipt 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 RM26,100 for the Group and RM4,800 for the Company were paid to the external auditors for the financial year ended 31 December 2010.

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.

## 11. Recurrent Related Party Transactions of a Revenue or Trading Nature for the year ended 31 December 2010

Details of recurrent related party transactions made during the financial year ended 31 December 2010 pursuant to the shareholders'mandate obtained by the Company at the Annual General Meeting held on 27 May 2010 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 | 379 | Purchase of steel products and servicing charges | *Interested Director and Major Shareholder*<br>Dato' Goh Cheng Huat<br><br>*Interested Director*<br>Mr Goh Kee Seng<br><br>*Person Connected and Major Shareholder*<br>Datin Tan Pak Say<br><br>*Interested Major Shareholder*<br>Eonmetall Corporation Sdn Bhd |
| | | 15 | Sale of steel products and servicing income of steel products | |
| | Eonmetall Systems Sdn Bhd | 181 | Purchase of steel products and servicing charges | |
| | | 258 | Letting of factory building | |
| | Eonmetall Technology Sdn Bhd | 270 | Maintenance of machinery | |
| | | 899 | Purchase of steel products | |
| | Eonsteel Sdn Bhd | 13 | Purchase of steel products | |
| Leader Steel Service Centre Sdn Bhd | Eonmetall Industries Sdn Bhd | 18,616 | Sale of steel products and servicing income of steel products | |
| | | 335 | Purchase of steel products and servicing charges | |
| | | 420 | Letting of factory building | |
| | Eonmetall Systems Sdn Bhd | 39 | Purchase of steel products and servicing charges | |
| | Eonmetall Technology Sdn Bhd | 896 | Sale and maintenance of machinery | |
| | | 235 | Purchase of steel products | |
| GCH Metal Service Centre Sdn Bhd | Eonmetall Industries Sdn Bhd | 1,000 | Sale of steel products | |
| Genrizt Storage System | Eonmetall Industries Sdn Bhd | 516 | Sale of steel products | *Person connected to Major Shareholder*<br>Mr Tan Kheng Hwa<br>Madam Tan Phaik Hoon |

# Directors' Report
for the year ended 31 December 2010

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 2010.

## Principal activities

The Company is principally engaged as an investment holding company whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

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

## Results

| | Group RM | Company RM |
|---|---|---|
| Profit for the year attributable to owners of the Company | 8,034,252 | 4,634,463 |

## 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 final tax exempt dividend of 2.5% per ordinary share, totalling RM2,139,639 in respect of the financial year ended 31 December 2009 on 30 July 2010.

A final tax exempt dividend of 5.0% per ordinary share was recommended by the Directors in respect of the year ended 31 December 2010, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## Directors of the Company

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

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

**Directors' interests**

The interests and deemed interests in the ordinary shares and options over shares 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 who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|
| **Name of Directors** | **Balance at 1.1.2010** | **Bought** | **(Sold)** | **Balance at 31.12.2010** |
| Tan Sri Dato' Mohd Desa bin Pachi: | | | | |
| Interest in the Company: | | | | |
| - own | 630,000 | - | - | 630,000 |
| Deemed interest in the Company: | | | | |
| - others* | 2,588,000 | - | (419,600) | 2,168,400 |
| Dato' Goh Cheng Huat: | | | | |
| Interest in the Company: | | | | |
| - own | 26,355,000 | 1,365,000 | - | 27,720,000 |
| Deemed interest in the Company: | | | | |
| - own | 84,049,128 | - | - | 84,049,128 |
| Yeoh Cheng Chye: | | | | |
| Interest in the Company: | | | | |
| - own | 1,553,636 | - | - | 1,553,636 |
| Tan Sri Dato' Soong Siew Hoong: | | | | |
| Interest in the Company: | | | | |
| - own | 510,000 | - | - | 510,000 |
| Deemed interest in the Company: | | | | |
| - own | 196,600 | 50,000 | - | 246,600 |
| 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.

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.

| | Number of options over ordinary shares of RM0.50 each | | | | |
|---|---|---|---|---|---|
| **Name of Directors** | **At 1.1.2010** | **Granted** | **(Exercised)** | **(Lapsed)** | **At 31.12.2010** |
| **The Company** | | | | | |
| Tan Sri Dato' Mohd Desa bin Pachi | 270,000 | - | - | - | 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 |

Madam Tang Yin Kham did not have any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## 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 Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than:

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 26 to the financial statements; and

ii) a Director who received fixed salary as a full time employee 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

There were no 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 five (5) years from the date of implementation and the ESOS was extended for another five (5) years from 1 August 2010. 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.

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

| | | Number of options over ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|---|
| **Date of offer** | **Option price** | **At 1.1.2010** | **(Exercised)** | **(Lapsed)** | **At 31.12.2010** |
| 2 August 2005 | * RM0.67 | 6,290,000 | - | (340,000) | 5,950,000 |

* 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 under the section of Directors' interests in this report.

## Other statutory information

Before the statements of comprehensive income and statements of financial position 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 which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 financial performance of the Group and of the Company for the financial year ended 31 December 2010 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.

**Auditors**

The auditors, Messrs KPMG do not wish to seek re-appointment.

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

Dato' Goh Cheng Huat

Yeoh Cheng Chye

Penang,

Date: 28 April 2011

# Consolidated Statement of Financial Position
at 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 3 | 104,872,839 | 109,814,229 |
| Investment properties | 4 | 6,488,979 | - |
| Investment in associates | 6 | 3,335,116 | 3,676,002 |
| Deferred tax assets | 7 | 2,267,000 | 2,014,671 |
| **Total non-current assets** | | 116,963,934 | 115,504,902 |
| Trade and other receivables | 8 | 15,830,758 | 19,770,998 |
| Inventories | 9 | 65,301,594 | 61,541,781 |
| Current tax assets | | 174,437 | 162,521 |
| Cash and cash equivalents | 10 | 7,412,060 | 11,642,159 |
| **Total current assets** | | 88,718,849 | 93,117,459 |
| **Total assets** | | 205,682,783 | 208,622,361 |
| **Equity** | | | |
| Share capital | 11 | 85,585,500 | 85,585,500 |
| Reserves | 12 | 2,523,234 | 2,431,090 |
| Retained earnings | | 42,266,302 | 36,330,293 |
| **Total equity** | | 130,375,036 | 124,346,883 |
| **Liabilities** | | | |
| Loans and borrowings | 13 | 20,234,272 | 26,333,177 |
| Deferred tax liabilities | 7 | 2,693,570 | 2,652,570 |
| **Total non-current liabilities** | | 22,927,842 | 28,985,747 |
| Trade and other payables | 14 | 12,751,204 | 10,048,496 |
| Loans and borrowings | 13 | 39,628,701 | 44,689,525 |
| Current tax liabilities | | - | 551,710 |
| **Total current liabilities** | | 52,379,905 | 55,289,731 |
| **Total liabilities** | | 75,307,747 | 84,275,478 |
| **Total equity and liabilities** | | 205,682,783 | 208,622,361 |

The notes on pages 41 to 90 are an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income
for the year ended 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 15 | 95,897,947 | 162,291,275 |
| Cost of sales | | (72,647,280) | (140,770,068) |
| **Gross profit** | | 23,250,667 | 21,521,207 |
| Other income | | 2,284,810 | 2,966,280 |
| Distribution expenses | | (5,431,926) | (5,399,908) |
| Administrative expenses | | (8,817,552) | (6,211,253) |
| Other expenses | | (1,035,012) | - |
| **Results from operating activities** | | 10,250,987 | 12,876,326 |
| Finance costs | 16 | (2,374,954) | (2,643,317) |
| **Operating profit** | 17 | 7,876,033 | 10,233,009 |
| Share of (loss)/profit of equity accounted associates, net of tax | | (215,490) | 1,146,287 |
| **Profit before tax** | | 7,660,543 | 11,379,296 |
| Income tax expense | 20 | 373,709 | (2,186,588) |
| **Profit for the year representing total comprehensive income for the year** | | 8,034,252 | 9,192,708 |
| **Attributable to:** | | | |
| Owners of the Company | | 8,034,252 | 9,192,708 |
| **Basic earnings per ordinary share (sen)** | 21 | 4.69 | 5.37 |
| **Diluted earnings per ordinary share (sen)** | 21 | - | - |

The notes on pages 41 to 90 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

| | Note | Share capital RM | Share premium RM | Share option reserve RM | Statutory reserve RM | Translation reserve RM | Retained earnings RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | |
| | | | Non-distributable | | | | Distributable | |
| **At 1 January 2009** | | 85,585,500 | 1,548,580 | 716,077 | 101,793 | 69,239 | 29,246,572 | 117,267,761 |
| Profit for the year | | - | - | - | - | - | 9,192,708 | 9,192,708 |
| Share-based payment | 12.2 | - | - | 26,053 | - | - | - | 26,053 |
| Option lapsed due to resignation | 12.2 | - | - | (30,652) | - | - | 30,652 | - |
| Dividend to shareholders | 22 | - | - | - | - | - | (2,139,639) | (2,139,639) |
| **At 31 December 2009** | | 85,585,500 | 1,548,580 | 711,478 | 101,793 | 69,239 | 36,330,293 | 124,346,883 |
| **At 1 January 2010** | | 85,585,500 | 1,548,580 | 711,478 | 101,793 | 69,239 | 36,330,293 | 124,346,883 |
| Foreign exchange translation differences | | - | - | - | - | 11,600 | - | 11,600 |
| Net gain recognised directly in equity | | - | - | - | - | 11,600 | - | 11,600 |
| Profit for the year | | - | - | - | - | - | 8,034,252 | 8,034,252 |
| Share-based payment | 12.2 | - | - | 121,940 | - | - | - | 121,940 |
| Option lapsed due to resignation | 12.2 | - | - | (41,396) | - | - | 41,396 | - |
| Dividend to shareholders | 22 | - | - | - | - | - | (2,139,639) | (2,139,639) |
| **At 31 December 2010** | | 85,585,500 | 1,548,580 | 792,022 | 101,793 | 80,839 | 42,266,302 | 130,375,036 |

The notes on pages 41 to 90 are an integral part of these financial statements.

# Consolidated Statement of Cash Flow
for the year ended 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax from continuing operations | | 7,660,543 | 11,379,296 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 3 | 7,561,630 | 7,273,797 |
| Gain on disposal of plant and equipment | | (9,999) | (311,879) |
| Interest income | | (225,380) | (32,650) |
| Interest expense | 16 | 2,374,954 | 2,643,317 |
| Share of loss/(profit) of equity accounted associates, net tax | | 215,490 | (1,146,287) |
| Share-based payment | 12.2 | 121,940 | 26,053 |
| Operating profit before changes in working capital | | 17,699,178 | 19,831,647 |
| Changes in working capital: | | | |
| Trade and other receivables | | 3,940,186 | 5,354,863 |
| Inventories | | (3,759,813) | (8,084,833) |
| Trade and other payables | | 2,714,362 | (9,256,408) |
| Cash generated from operations | | 20,593,913 | 7,845,269 |
| Tax paid | | (401,246) | (273,149) |
| **Net cash from operating activities** | | 20,192,667 | 7,572,120 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | A | (6,198,480) | (15,898,190) |
| Additions to investment property | 4 | (1,830,740) | - |
| Proceeds from disposal of plant and equipment | | 10,000 | 728,297 |
| Interest received | | 225,380 | 32,650 |
| Dividend received from an associate | | 125,396 | - |
| **Net cash used in investing activities** | | (7,668,444) | (15,137,243) |
| **Cash flows from financing activities** | | | |
| (Repayment)/Proceeds from short term borrowings, net | | (10,135,551) | 19,504,925 |
| Repayment of term loans | | (6,728,810) | (5,901,152) |
| Repayment of finance lease liabilities | | (202,197) | (112,022) |
| Interests paid | 16 | (2,374,954) | (2,643,317) |
| Dividend paid to shareholders of the Company | 22 | (2,139,639) | (2,139,639) |
| Proceeds from term loans | | - | 10,491,130 |
| **Net cash (used in)/from financing activities** | | (21,581,151) | 19,199,925 |
| Net (decrease)/increase in cash and cash equivalents | | (9,056,928) | 11,634,802 |
| Cash and cash equivalents at 1 January | | 11,452,573 | (182,229) |
| **Cash and cash equivalents at 31 December** | B | 2,395,645 | 11,452,573 |

# Consolidated Statement of Cash Flow
for the year ended 31 December 2010 (cont'd)

NOTE

A. *Purchase of property, plant and equipment*

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM7,278,480 (2009 : RM15,898,190) of which RM1,080,000 (2009 : Nil) was acquired by means of finance leases. The balance of RM6,198,480 (2009 : RM15,898,190) was settled in cash.

B. *Cash and cash equivalents*

Cash and cash equivalents included in the consolidated statement of cash flow comprise the following consolidated statement of financial position amounts :

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| Short term deposits placed with a licensed bank | 10 | - | 3,300,000 |
| Deposits placed with licensed banks | 10 | 200,000 | 290,056 |
| Cash and bank balances | 10 | 7,212,060 | 8,052,103 |
| Bank overdrafts repayable on demand, unsecured | 13 | (5,016,415) | (189,586) |
| | | 2,395,645 | 11,452,573 |

The notes on pages 41 to 90 are an integral part of these financial statements.

# Statement of Financial Position
at 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Assets** | | | |
| Investment in subsidiaries | 5 | 53,368,952 | 53,179,710 |
| **Total non-current asset** | | 53,368,952 | 53,179,710 |
| Trade and other receivables | 8 | 49,312,975 | 37,751,310 |
| Current tax assets | | 66,803 | 65,881 |
| Cash and cash equivalents | 10 | 7,876 | 22,296 |
| **Total current assets** | | 49,387,654 | 37,839,487 |
| **Total assets** | | 102,756,606 | 91,019,197 |
| **Equity** | | | |
| Share capital | 11 | 85,585,500 | 85,585,500 |
| Reserves | 12 | 2,567,622 | 2,445,682 |
| Retained earnings | | 5,251,535 | 2,756,711 |
| **Total equity** | | 93,404,657 | 90,787,893 |
| **Liabilities** | | | |
| Trade and other payables | 14 | 9,351,949 | 231,304 |
| **Total current liabilities** | | 9,351,949 | 231,304 |
| **Total equity and liabilities** | | 102,756,606 | 91,019,197 |

The notes on pages 41 to 90 are an integral part of these financial statements.

# Statement of Comprehensive Income
for the year ended 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 15 | 5,000,000 | 2,000,000 |
| Administrative expenses | | (365,653) | (296,848) |
| Other income | | 246 | 580 |
| **Operating profit** | 17 | 4,634,593 | 1,703,732 |
| Income tax expense | 20 | (130) | - |
| **Profit for the year representing total comprehensive income for the year** | | 4,634,463 | 1,703,732 |

The notes on pages 41 to 90 are an integral part of these financial statements.

# Statement of Changes in Equity
for the year ended 31 December 2010

| | Note | | ← Non-distributable → | | Distributable | |
|---|---|---|---|---|---|---|
| | | Share capital RM | Share premium RM | Share option reserve RM | Retained earnings RM | Total equity RM |
| **At 1 January 2009** | | 85,585,500 | 1,058,688 | 1,360,941 | 3,192,618 | 91,197,747 |
| Profit for the year | | - | - | - | 1,703,732 | 1,703,732 |
| Share-based payment | 12.2 | - | - | 26,053 | - | 26,053 |
| Dividend to shareholders | 22 | - | - | - | (2,139,639) | (2,139,639) |
| **At 31 December 2009** | | 85,585,500 | 1,058,688 | 1,386,994 | 2,756,711 | 90,787,893 |
| Profit for the year | | - | - | - | 4,634,463 | 4,634,463 |
| Share-based payment | 12.2 | - | - | 121,940 | - | 121,940 |
| Dividend to shareholders | 22 | - | - | - | (2,139,639) | (2,139,639) |
| **At 31 December 2010** | | 85,585,500 | 1,058,688 | 1,508,934 | 5,251,535 | 93,404,657 |

The notes on pages 41 to 90 are an integral part of these financial statements.

# Statement of Cash Flows
for the year ended 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax from continuing operations | | 4,634,593 | 1,703,732 |
| Adjustments for: | | | |
| Dividend income | 15 | (5,000,000) | (2,000,000) |
| Share-based payment | 12.2 | 32,700 | 6,489 |
| Interest income | | (246) | (580) |
| Operating loss before changes in working capital | | (332,953) | (290,359) |
| Changes in working capital: | | | |
| Trade and other receivables | | (11,561,665) | 860,554 |
| Trade and other payables | | 9,120,645 | 25,304 |
| Cash (used in)/generated from operations | | (2,773,973) | 595,499 |
| Dividend received | 15 | 5,000,000 | 2,000,000 |
| Tax paid | | (1,052) | (2,056) |
| **Net cash from operating activities** | | 2,224,975 | 2,593,443 |
| **Cash flows from investing activity** | | | |
| Interest received | | 246 | 580 |
| **Net cash from investing activity** | | 246 | 580 |
| **Cash flows from financing activities** | | | |
| Investment in subsidiaries | | (100,002) | (500,001) |
| Dividend paid to shareholders of the Company | 22 | (2,139,639) | (2,139,639) |
| **Net cash used in financing activities** | | (2,239,641) | (2,639,640) |
| Net decrease in cash and cash equivalents | | (14,420) | (45,617) |
| Cash and cash equivalents at 1 January | | 22,296 | 67,913 |
| **Cash and cash equivalents at 31 December** | 10 | 7,876 | 22,296 |

The notes on pages 41 to 90 are an integral part of these financial statements.

Eonmetall Group Berhad ("EGB") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the 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

Lot 385 & 393
MK 12
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 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") 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 5 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 April 2011.

## 1. Basis of preparation

### (a) Statement of compliance

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

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

***Amendments effective for annual periods beginning on or after 1 March 2010***
- Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Rights Issues*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010***
- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

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

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

***Interpretations and amendments effective for annual periods beginning on or after 1 January 2011***

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

***Interpretations and amendments effective for annual periods beginning on or after 1 July 2011***

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

***FRS and Interpretation effective for annual periods beginning on or after 1 January 2012***

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for IC Interpretation 12 and IC Interpretation 16 which are not applicable to the Group and the Company; and

- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for Amendments to IC Interpretation 14 and IC Interpretation 15 which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

(i) **IC Interpretation 4, *Determining whether an Arrangement contains a Lease***

IC Interpretation 4 provides guidance on determining whether certain arrangements are, or contain, leases that are required to be accounted for in accordance with FRS 117, *Leases*. Where an arrangement is within the scope of FRS 117, the Group and the Company apply FRS 117 in determining whether the arrangement is a finance or an operating lease.

The adoption of IC Interpretation 4 will result in a change in accounting policy which will be applied retrospectively in accordance with FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* in which certain arrangements are to be accounted for as a finance lease.

Following the announcement by the MASB on 1 August 2008, the Group's and the Company financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

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

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the financial instruments as explained in Note 2(c) to the financial statements.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in nearest RM, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs 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 estimates are 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 3 - impairment assessment of property, plant and equipment
- Note 7 - recognition of deferred tax assets
- Note 8 - impairment loss assessment of trade receivables
- Note 9 - potential write down of inventories

## 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 the Group entities, other than those disclosed in the following notes:

- Note 2(c) - Financial instruments
- Note 2(f) - Investment properties
- Note 2(g) - Receivables
- Note 2(u) - Operating segments

### (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 measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale.

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

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

#### (ii) Associates

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

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income 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 associate, the carrying amount of that interest (including any long-term investments) is reduced to zero, 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 statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale. The cost of the investment includes transaction costs.

#### (iii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests 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 profit or loss.

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

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

#### (iv) Transactions eliminated on consolidation

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

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

### (b) Foreign currency

#### (i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

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

### (b) Foreign currency *(cont'd)*

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

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

### (c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 29.

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

***Financial assets***

***(a) Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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

### (c) Financial instruments *(cont'd)*

#### (ii) Financial instrument categories and subsequent measurement *(cont'd)*

***(b) Held-to-maturity investments***

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

***(c) Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

***(d) Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)).

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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

### (c) Financial instruments *(cont'd)*

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as financial liability and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

#### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

### (d) Property, plant and equipment *(cont'd)*

#### (i) Recognition and measurement *(cont'd)*

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 knowledgeable willing parties 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 available and replacement cost when appropriate.

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.

The gains or 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 profit or loss.

#### (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 or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss 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 reviewed, and adjusted as appropriate at the end of the reporting period.

### (e) 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. On 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.

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

### (e) Leased assets *(cont'd)*

#### (i) Finance lease *(cont'd)*

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 statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group has adopted the amendment made to FRS 117, *Leases* in 2010 in relation to the classification of lease of land.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

### (f) Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include land held for a currently undetermined future use, if any.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

Transfers between investment property, property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

An investment property under construction before 1 January 2010 was classified as property, plant and equipment and measured at cost. Such property is measured at cost until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

Following the amendment made to FRS 140, *Investment Property*, with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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

### (g) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with note 2(c).

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, 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 inventories 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.

### (i) 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. For qualifying contracts, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

### (j) Cash and cash equivalents

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

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy note 2(c).

### (k) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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

(k) **Impairment** *(cont'd)*

(i) **Financial assets** *(cont'd)*

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) **Other assets**

The carrying amounts of other assets (except for inventories, assets arising from construction contract, deferred tax asset, assets arising from employee benefits, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. 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"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. 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.

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

**(k) Impairment** *(cont'd)*

**(ii) Other assets** *(cont'd)*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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 profit or loss in the year in which the reversals are recognised.

**(l) Equity instruments**

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

**Issue expenses**

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

**(m) Provisions**

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

**(n) 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.

**(o) Revenue and other income**

**(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 profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

**(iii) Construction contracts**

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. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract.

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

**(o) Revenue and other income** *(cont'd)*

**(iii) Construction contracts** *(cont'd)*

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

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 profit or loss.

**(iv) Dividend income**

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

**(v) Rental income**

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

**(vi) Interest income**

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

**(p) Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of revised FRS 123, *Borrowing Costs*, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**(q) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

### (q) Income tax *(cont'd)*

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. 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 or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting period.

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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss 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.

### (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 liability 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.

#### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### (iii) 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 number of share options that vest.

The fair value of employee share options is measured using a binomial tree 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.

#### (iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a detailed formal plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as expenses if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

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

### (s) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

### (t) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares (EPS).

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 Directors and employees of the Group and of the Company.

### (u) Operating segments

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

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**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 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2009 | 12,652,584 | 37,121,737 | 45,155,608 | 1,905,320 | 1,438,012 | 2,042,886 | 20,566,545 | 120,882,692 |
| Additions | 7,079,717 | 136,465 | 1,321,413 | 58,781 | - | - | 7,301,814 | 15,898,190 |
| Disposals | (89,460) | - | (665,000) | - | - | - | - | (754,460) |
| Reclassification | - | - | 12,440,049 | - | - | - | (12,440,049) | - |
| At 31 December 2009/ 1 January 2010 | 19,642,841 | 37,258,202 | 58,252,070 | 1,964,101 | 1,438,012 | 2,042,886 | 15,428,310 | 136,026,422 |
| Additions | - | 2,935,985 | 1,524,836 | 144,500 | 1,309,958 | 6,950 | 1,356,251 | 7,278,480 |
| Disposals | - | - | - | - | (130,350) | - | - | (130,350) |
| Reclassification | - | 15,787,680 | - | - | - | - | (15,787,680) | - |
| Transfer to investment properties (Note 4) | (2,875,931) | (1,816,898) | - | - | - | - | - | (4,692,829) |
| At 31 December 2010 | 16,766,910 | 54,164,969 | 59,776,906 | 2,108,601 | 2,617,620 | 2,049,836 | 996,881 | 138,481,723 |

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 |
|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2009 | - | 810,619 | 15,919,737 | 1,056,063 | 812,777 | 677,242 | - | 19,276,438 |
| Depreciation for the year | - | 592,486 | 5,888,272 | 316,376 | 252,472 | 224,191 | - | 7,273,797 |
| Disposals | - | - | (338,042) | - | - | - | - | (338,042) |
| At 31 December 2009/ 1 January 2010 | - | 1,403,105 | 21,469,967 | 1,372,439 | 1,065,249 | 901,433 | - | 26,212,193 |
| Depreciation for the year | - | 798,475 | 5,896,430 | 325,833 | 363,567 | 177,325 | - | 7,561,630 |
| Disposals | - | - | - | - | (130,349) | - | - | (130,349) |
| Transfer to investment properties (Note 4) | - | (34,590) | - | - | - | - | - | (34,590) |
| At 31 December 2010 | - | 2,166,990 | 27,366,397 | 1,698,272 | 1,298,467 | 1,078,758 | - | 33,608,884 |
| **Carrying amounts** | | | | | | | | |
| At 1 January 2009 | 12,652,584 | 36,311,118 | 29,235,871 | 849,257 | 625,235 | 1,365,644 | 20,566,545 | 101,606,254 |
| At 31 December 2009/ 1 January 2010 | 19,642,841 | 35,855,097 | 36,782,103 | 591,662 | 372,763 | 1,141,453 | 15,428,310 | 109,814,229 |
| At 31 December 2010 | 16,766,910 | 51,997,979 | 32,410,509 | 410,329 | 1,319,153 | 971,078 | 996,881 | 104,872,839 |

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

### 3.1 Impairment loss assessment

During the financial year, the Group carried out a review of the recoverable amount of its plant and machinery for one of the subsidiaries due to the low utilisation. The machinery earmarked for the project has yet to achieve its optimum level of commercial production as planned due to the constraints encountered by the subsidiary in getting the supply of raw materials. The recoverable amount of the plant and machinery was based on its value in use and the pre-tax discount rate used was 5%.

No impairment loss was however recognised in the profit or loss for the financial year ended 31 December 2010 in view that the estimated recoverable amount is still higher than the carrying value of these machinery of approximately RM18.6 million at year end. This is, however, dependent on the successful implementation of the project according to the planned utilisation which hinges heavily on the assumption that the Group will have constant supply of raw materials at the right price and demand to achieve the forecasted/projected results.

### 3.2 Leased motor vehicles

At 31 December 2010, the net carrying amount of leased motor vehicles was RM1,190,236 (2009 : RM179,493).

### 3.3 Securities

At 31 December 2010, property, plant and equipment with a carrying amount of RM79,585,269 (2009 : RM82,268,119) are subject to registered charge to secure bank loans and borrowings (see Note 13.2).

## 4. Investment properties

| | Group | |
|---|---|---|
| | 2010<br>RM | 2009<br>RM |
| **Cost** | | |
| At 1 January | - | - |
| Transfer from property, plant and equipment (Note 3) | 4,692,829 | - |
| Additions during the year | 1,830,740 | - |
| At 31 December | 6,523,569 | - |
| **Accumulated depreciation** | | |
| At 1 January | - | - |
| Transfer from property, plant and equipment (Note 3) | 34,590 | - |
| | 34,590 | - |
| **Net carrying amount** | | |
| At 31 December | 6,488,979 | - |
| Included in the above net carrying amount is: | | |
| Freehold land | 2,875,931 | - |
| Building | 3,613,048 | - |
| At 31 December | 6,488,979 | - |

Investment properties comprise the land and building leased to a company in which a Director and his spouse have controlling interests.

## 4. Investment properties *(cont'd)*

The fair value of the Group's freehold land as at 31 December 2010 is estimated to be approximately RM4.4 million, which has been determined based on valuations performed by accredited independent valuers on 2 March 2010 with recent experience in the location and category of properties being valued. The fair value of the Group's freehold building is estimated to approximate the actual costs incurred. The valuation of the freehold land is based on the direct comparison method that makes reference to transactions of similar properties in the neighbourhood at and/or close to the material date of valuation and use these sales as comparisons with due allowances and adjustments given for factors such as dates of sales, location, nature of sales and site areas.

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM** | **RM** |
| Freehold land | 4,436,000 | - |
| Building | 3,600,000 | - |
| At 31 December | 8,036,000 | - |

At 31 December 2010, the entire investment properties are subject to registered charge to secure the bank loans granted to a subsidiary of the Group.

| | **2010** | **2009** |
|---|---|---|
| | **RM** | **RM** |
| Rental income | 258,000 | - |
| Direct operating expenses: | | |
| - income generating investment properties | 79,938 | - |

## 5. Investment in subsidiaries

| | Company | |
|---|---|---|
| | **2010** | **2009** |
| | **RM** | **RM** |
| At cost: | | |
| Unquoted shares | 52,077,646 | 51,977,644 |
| Add : Share-based payment | 1,291,306 | 1,202,066 |
| | 53,368,952 | 53,179,710 |

## 5. Investment in subsidiaries *(cont'd)*

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | Effective ownership interest 2010 % | Effective ownership interest 2009 % |
|---|---|---|---|---|
| Eonmetall Technology Sdn. Bhd. | Malaysia | Manufacture of metalwork and industrial process 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 | Property holding | 100 | 100 |
| Eonmetall Petro-Chem (M) Sdn. Bhd. ("EPC") | Malaysia | Investment holding | 100 | 100 |
| Eonmetall International Limited # | Malaysia | Dormant | 100 | 100 |
| Eonchem Biomass Sdn. Bhd. ("EBSB") | Malaysia | Dormant | 100 | - |
| Eonmetall Agro Sdn Bhd *(formerly known as Stable Palms Sdn. Bhd.) ("EASB")** | Malaysia | Dormant | 100 | - |

# Not audited by KPMG
* Newly incorporated on 2 December 2010. No audit was performed for the financial year.

## 6. Investment in associates

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| At cost: | | |
| Unquoted shares | 1,269,000 | 1,269,000 |
| Share of post-acquisition reserves | 2,066,116 | 2,407,002 |
| | 3,335,116 | 3,676,002 |

**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 |
|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | |
| Eonmetall Global Composites L.L.C ("EGC") | Specialised in piping and related fittings contracting | Dubai, United Arab Emirates | 30 | 217 | (700) | 6,137 | 5,637 |
| *Subsidiary of EGC* | | | | | | | |
| Coolrich District Cooling Services L.L.C | Engaged in the business of electro mechanical equipment installation, district cooling system and chilled water system cleaning and maintenance services | Dubai, United Arab Emirates | 30 | 6,384 | (18) | 15,863 | 2,964 |
| | | | | 6,601 | (718) | 22,000 | 8,601 |
| **2009** | | | | | | | |
| Eonmetall Global Composites L.L.C ("EGC") | Specialised in piping and related fittings contracting | Dubai, United Arab Emirates | 30 | 1,693 | (523) | 9,276 | 3,613 |
| *Subsidiary of EGC* | | | | | | | |
| Coolrich District Cooling Services L.L.C | Engaged in the business of electro mechanical equipment installation, district cooling system and chilled water system cleaning and maintenance services | Dubai, United Arab Emirates | 30 | 16,066 | 4,343 | 13,706 | 5,854 |
| | | | | 17,759 | 3,820 | 22,982 | 9,467 |

***Contingent liabilities***

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

## 7. Deferred tax assets/(liabilities)

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| At 1 January | 637,899 | (630,101) |
| Recognised in income statement | | |
| - Origination of other temporary differences | (211,329) | 1,268,000 |
| At 31 December | 426,570 | 637,899 |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | (2,267,000) | (2,014,671) |
| Deferred tax liabilities | 2,693,570 | 2,652,570 |
| | 426,570 | 637,899 |

### 7.1 Recognised deferred tax assets and liabilities

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

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| **Recognised deferred tax assets** | | |
| Unutilised reinvestment allowances | 6,688,000 | 7,486,390 |
| Other deductible temporary differences | 33,000 | 24,941 |
| | 6,721,000 | 7,511,331 |
| **Recognised deferred tax liabilities** | | |
| Property, plant and equipment | | |
| - capital allowances | 5,105,000 | 6,106,660 |
| - fair value adjustment | 2,042,570 | 2,042,570 |
| | 7,147,570 | 8,149,230 |

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.

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

### 7.1 Recognised deferred tax assets and liabilities *(cont'd)*

**Unrecognised deferred tax assets**

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

| | Group 2010 RM | 2009 RM |
|---|---|---|
| Taxable temporary differences | 620,000 | 634,000 |
| Unutilised tax losses | (565,000) | (307,000) |
| Unabsorbed capital allowances | (141,000) | (112,000) |
| Provisions | (2,256,000) | (1,923,000) |
| | (2,342,000) | (1,708,000) |

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 there from.

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

| | At 1.1.2009 RM | Recognised in the profit or loss (Note 20) RM | At 31.12.2009 RM | Recognised in the profit or loss (Note 20) RM | At 31.12.2010 RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Unutilised reinvestment allowances | 7,413,671 | 72,719 | 7,486,390 | (798,390) | 6,688,000 |
| Other deductible temporary differences | - | 24,941 | 24,941 | 8,059 | 33,000 |
| | 7,413,671 | 97,660 | 7,511,331 | (790,331) | 6,721,000 |

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

| | At 1.1.2009 RM | Recognised in the profit or loss (Note 20) RM | At 31.12.2009 RM | Recognised in the profit or loss (Note 20) RM | At 31.12.2010 RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Property, plant and equipment | | | | | |
| - capital allowances | 4,671,000 | 1,435,660 | 6,106,660 | (1,001,660) | 5,105,000 |
| - fair value adjustment | 2,042,570 | - | 2,042,570 | - | 2,042,570 |
| Other taxable temporary differences | 70,000 | (70,000) | - | - | - |
| | 6,783,570 | 1,365,660 | 8,149,230 | (1,001,660) | 7,147,570 |

## 8. Trade and other receivables

| | Note | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Associate | 8.1 | - | 215,326 | - | - |
| Companies in which certain Directors have substantial financial interests | 8.1 | 929,890 | 1,290,377 | - | - |
| External parties | | 8,496,923 | 13,400,532 | - | - |
| | 8.2 | 9,426,813 | 14,906,235 | - | - |
| Amount due from contract customers | 8.3 | 2,021,974 | 1,375,736 | - | - |
| | | 11,448,787 | 16,281,971 | - | - |
| **Non-trade** | | | | | |
| Subsidiaries | 8.4 | - | - | 49,291,975 | 37,750,310 |
| Associates | 8.4 | 18,698 | 466,473 | - | - |
| Companies in which certain Directors have substantial financial interest | | 34,993 | - | - | - |
| Other receivables | | 1,173,298 | 575,204 | - | - |
| Deposits | | 2,390,649 | 1,777,344 | 1,000 | 1,000 |
| Prepayments | | 764,333 | 670,006 | 20,000 | - |
| | | 4,381,971 | 3,489,027 | 49,312,975 | 37,751,310 |
| | | 15,830,758 | 19,770,998 | 49,312,975 | 37,751,310 |

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

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

### 8.2 Long outstanding debts

Trade receivables net of allowance for impairment losses which are outstanding for more than 1 year amounted to RM656,657 (2009: RM3,316,733). Subsequent to year end and up to the date of the issuance of these financial statements, an amount of RM45,000 (2009: RM2,086,235) 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 RM611,657 (2009: RM1,230,498) as at the date of the issuance of these financial statements are recoverable.

## 8. Trade and other receivables *(cont'd)*

### 8.3 Amount due from contract customers

The amount due from contract customers is arrived at as follows:

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| Aggregate costs incurred to date | 7,443,029 | 17,178,746 |
| Add : Attributable profits | 7,378,945 | 3,508,990 |
| | 14,821,974 | 20,687,736 |
| Less : Progress billings | (12,800,000) | (19,312,000) |
| | 2,021,974 | 1,375,736 |

### 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.

## 9. Inventories

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| Raw materials | 22,170,146 | 30,838,261 |
| Work-in-progress | 25,514,276 | 14,410,333 |
| Manufactured inventories | 15,935,724 | 16,263,087 |
| Trading inventories | 1,681,448 | 30,100 |
| | 65,301,594 | 61,541,781 |

The write-down of inventories to net realisable value amounted to RMNil (2009 : RM210,507) and was included in cost of sales.

Included in the above work-in-progress and manufactured inventories of the Group are certain slow-moving metalwork machinery amounting to RM13.2 million without secured orders on hand of which RM2.9 million are under negotiation with the potential buyers. The directors are of the opinion that these slow-moving inventories can be realised at above the carrying amounts and accordingly, no write-down is necessary.

## 10. Cash and cash equivalents

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| Short term deposits placed with a licensed bank | - | 3,300,000 | - | - |
| Deposits placed with licensed banks | 200,000 | 290,056 | - | - |
| Cash and bank balances | 7,212,060 | 8,052,103 | 7,876 | 22,296 |
| | 7,412,060 | 11,642,159 | 7,876 | 22,296 |

## 11. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | 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 | 85,585,500 | 171,171,000 | 85,585,500 | 171,171,000 |

**Employees' Share Option Scheme**

The Company implemented an Employees' Share Option Scheme ("ESOS") on 2 August 2005 for a period of 5 years from the date of implementation and the ESOS was extended for another five (5) years from 1 August 2010. 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.

vi) The option price shall be :

  a) the price not less than the price set for the offer for sale and/or public issue of the Shares of the Company if the option is granted before the Company is listed on the Bursa Securities; or

  b) the price at a discount of not more than ten percent (10%) from the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer, or such lower or higher limit as approved by the relevant authorities.

## 11. Share capital *(cont'd)*

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

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 is as follows:

| | | Number of option over ordinary shares of RM0.50 each | | | | |
|---|---|---|---|---|---|---|
| Date of offer | Option price RM | Balance at 1 January | Exercised | Lapsed | Balance at 31 December | Exercisable at 31 December |
| **2010** | | | | | | |
| 2 August 2005 | * 0.67 | 6,290,000 | - | (340,000) | 5,950,000 | 5,950,000 |
| **2009** | | | | | | |
| 2 August 2005 | * 0.67 | 6,561,000 | - | (271,000) | 6,290,000 | 6,290,000 |

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

## 12. Reserves

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| **Non-distributable** | | | | | |
| Share premium | 12.1 | 1,548,580 | 1,548,580 | 1,058,688 | 1,058,688 |
| Share option reserve | 12.2 | 792,022 | 711,478 | 1,508,934 | 1,386,994 |
| Statutory reserve | 12.3 | 101,793 | 101,793 | - | - |
| Translation reserve | | 80,839 | 69,239 | - | - |
| | | 2,523,234 | 2,431,090 | 2,567,622 | 2,445,682 |

### 12.1 Share premium

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

## 12. Reserves *(cont'd)*

### 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.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 RM** | **2009 RM** | **2010 RM** | **2009 RM** |
| Balance at 1 January | 711,478 | 716,077 | 1,386,994 | 1,360,941 |
| Charged to income statements (Note 17) | 121,940 | 26,053 | 32,700 | 6,489 |
| Additions to investment in subsidiaries | - | - | 89,240 | 19,564 |
| Value of employee services received for issuance of share options granted in Year 2005 | 121,940 | 26,053 | 121,940 | 26,053 |
| Option lapsed and/or exercised | (41,396) | (30,652) | - | - |
| | 792,022 | 711,478 | 1,508,934 | 1,386,994 |

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 tree (2009: Binomial lattice) model, with the following inputs :

**Fair value per share option and assumptions**

| | Group and Company | |
|---|---|---|
| | **2010** | **2009** |
| Fair value at grant date (RM) | 0.69 | 1.00 |
| Exercise price (RM) | * 0.67 | * 0.67 |
| Risk-free interest rate (based on Malaysian government bonds) | 3.1% | 3.2% |
| Expected volatility (weighted average volatility) | 45% | 35% |
| Option life (expected weighted average life) | 5 years | 5 years |
| Expected dividend yield | 5.0% | 2.5% |

* 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 Group's share of 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 of the associates must be kept as reserve annually accumulating to 50% of total capital.

## 13. Loans and borrowings

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| **Non-current** | | |
| *Secured* | | |
| Term loans | 19,455,081 | 26,279,357 |
| Finance lease liabilities | 779,191 | 53,820 |
| | 20,234,272 | 26,333,177 |

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| **Current** | | |
| *Secured* | | |
| Term loans | 6,850,053 | 6,754,587 |
| Finance lease liabilities | 246,784 | 94,352 |
| | 7,096,837 | 6,848,939 |
| *Unsecured* | | |
| Bank overdrafts | 5,016,415 | 189,586 |
| Bankers' acceptances | 26,596,000 | 37,651,000 |
| Local currency loan | 563,000 | - |
| Foreign currency loan | 356,449 | - |
| | 32,531,864 | 37,840,586 |
| | 39,628,701 | 44,689,525 |

### 13.1 Interest rates

| | |
|---|---|
| Term loans | |
| - floating rates | 1.00% to 1.75% (2009 : 1.00% to 1.75%) above cost of funds or prevailing base lending rates per annum |
| - fixed rates | 5.60% to 6.40% (2009 : 5.60% to 6.40%) per annum |
| Finance lease liabilities | 2.34% to 3.05% (2009 : 2.34% to 2.75%) per annum |
| Bank overdrafts | 0.75% to 3.40% (2009 : 1.25% to 1.75%) above prevailing base lending rates per annum |
| Bankers' acceptances, local currency loan and foreign currency loan | 0.75% to 1.25% (2009 : 0.75% to 1.25%) above cost of funds per annum |

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

### 13.2 Securities

Term loans

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

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| Freehold land and buildings | | 68,611,280 | 55,340,938 |
| Plant and machinery, moulds, tools and equipment | | 9,995,108 | 11,600,609 |
| Capital work-in-progress | | 978,881 | 15,326,572 |
| Property, plant and equipment | 3.3 | 79,585,269 | 82,268,119 |
| Investment properties | 4 | 6,488,979 | - |

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 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2010** | | | | | | |
| **Secured** | | | | | | |
| Term loans | 2012 - 2019 | 26,305,134 | 6,850,053 | 6,485,752 | 9,879,541 | 3,089,788 |
| Finance lease liabilities | 2012 - 2015 | 1,025,975 | 246,784 | 215,244 | 563,947 | - |
| **Unsecured** | | | | | | |
| Bank overdrafts | 2011 | 5,016,415 | 5,016,415 | - | - | - |
| Bankers' acceptances | 2011 | 26,596,000 | 26,596,000 | - | - | - |
| Local currency loan | 2011 | 563,000 | 563,000 | - | - | - |
| Foreign currency trade loan | 2011 | 356,449 | 356,449 | - | - | - |
| | | 59,862,973 | 39,628,701 | 6,700,996 | 10,443,488 | 3,089,788 |
| **2009** | | | | | | |
| **Secured** | | | | | | |
| Term loans | 2012 - 2019 | 33,033,944 | 6,754,587 | 7,056,606 | 15,560,734 | 3,662,017 |
| Finance lease liabilities | 2010 - 2012 | 148,172 | 94,352 | 49,085 | 4,735 | - |
| **Unsecured** | | | | | | |
| Bank overdrafts | 2010 | 189,586 | 189,586 | - | - | - |
| Bankers' acceptances | 2010 | 37,651,000 | 37,651,000 | - | - | - |
| | | 71,022,702 | 44,689,525 | 7,105,691 | 15,565,469 | 3,662,017 |

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

### 13.4 Finance lease liabilities

The finance lease liabilities are payable as follows:

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Minimum lease payments RM | Interest RM | Principal RM | Minimum lease payments RM | Interest RM | Principal RM |
| **Group** | | | | | | |
| Less than 1 year | 298,905 | 52,121 | 246,784 | 99,312 | 4,960 | 94,352 |
| Between 1 to 2 years | 253,350 | 38,106 | 215,244 | 50,325 | 1,240 | 49,085 |
| Between 2 to 5 years | 603,743 | 39,796 | 563,947 | 4,770 | 35 | 4,735 |
| | 1,155,998 | 130,023 | 1,025,975 | 154,407 | 6,235 | 148,172 |

## 14. Trade and other payables

| | Note | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Companies in which certain Directors have substantial financial interests | 14.1 | 36,333 | 6,922 | - | - |
| Others | | 3,859,034 | 4,542,302 | - | - |
| | | 3,895,367 | 4,549,224 | - | - |
| **Non-trade** | | | | | |
| Amount due to subsidiaries | 14.2 | - | - | 9,159,349 | - |
| Amount due to an associate | 14.2 | 168,000 | - | - | - |
| Other payables | | 7,409,171 | 3,104,902 | - | - |
| Accrued expenses | | 1,278,666 | 2,394,370 | 192,600 | 231,304 |
| | | 8,855,837 | 5,499,272 | 9,351,949 | 231,304 |
| | | 12,751,204 | 10,048,496 | 9,351,949 | 231,304 |

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

### 14.1 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.

### 14.2 Amount due to subsidiaries and an associate

The non-trade amounts due to subsidiaries and an associate are unsecured, interest-free and repayable on demand.

## 15. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Invoiced value of goods sold less discounts and returns | 95,897,947 | 162,291,275 | - | - |
| Gross dividend from a subsidiary | - | - | 5,000,000 | 2,000,000 |
| | 95,897,947 | 162,291,275 | 5,000,000 | 2,000,000 |

## 16. Finance costs

| | Group | |
|---|---|---|
| | 2010 RM | 2009 RM |
| Interest expense on financial liabilities that are not at fair value through profit or loss : | | |
| Bank overdrafts | 139,514 | 102,110 |
| Term loans | 1,405,181 | 1,589,247 |
| Finance lease liabilities | 39,013 | 10,176 |
| Bankers' acceptances | 749,460 | 809,701 |
| Others | 41,786 | 132,083 |
| | 2,374,954 | 2,643,317 |

## 17. Operating profit

Operating profit is arrived at:

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| After charging: | | | | |
| Auditors' remuneration | | | | |
| *Audit fees* | | | | |
| - KPMG Malaysia | 125,000 | 125,000 | 20,000 | 20,000 |
| - Other auditors | 2,772 | 1,197 | - | - |
| *Non-audit fees* | | | | |
| - KPMG Malaysia | 3,000 | 28,000 | 3,000 | 3,000 |
| - Local affiliates of KPMG Malaysia | 23,100 | 23,100 | 1,800 | 1,800 |
| - Other auditors | 20,500 | 16,000 | 20,500 | 16,000 |
| Directors' emoluments | | | | |
| - Directors of the Company | | | | |
| - fees | 169,000 | 169,000 | 169,000 | 169,000 |
| - others | 1,758,560 | 1,390,320 | 16,500 | 14,500 |
| Depreciation of property, plant and equipment (Note 3) | 7,561,630 | 7,273,797 | - | - |
| Impairment loss of trade receivables (net) | 918,340 | 855,234 | - | - |
| Rental of premises | 23,584 | 15,544 | - | - |
| Research and development expenses | 353,464 | 342,948 | - | - |
| Share-based payment (Note 12.2) | 121,940 | 26,053 | 32,700 | 6,489 |
| Write-down of inventories | - | 210,507 | - | - |
| Foreign exchange loss (net) | 1,035,011 | - | - | - |
| and crediting: | | | | |
| Dividend income from a subsidiary | - | - | 5,000,000 | 2,000,000 |
| Gain on disposal of plant and equipment | 9,999 | 311,879 | - | - |
| Interest income | 225,380 | 32,650 | 246 | 580 |
| Rental of premise | 1,958,000 | 422,400 | - | - |
| Insurance compensation | 36,732 | 1,782,630 | - | - |
| Foreign exchange gain (net) | - | 340,389 | - | - |

## 18. Key management personnel compensations

The key management personnel compensations are as follows:

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| Directors of the Company | | | | |
| - Fees | 48,000 | 48,000 | 48,000 | 48,000 |
| - Remuneration | 1,758,562 | 1,331,820 | 4,000 | 4,000 |
| Total short term employee benefits | 1,806,562 | 1,379,820 | 52,000 | 52,000 |

## 19. Employees information

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| Staff costs (including executive Directors) | 7,847,057 | 6,250,053 |

Included in the staff costs above are:

i) an amount of RM353,464 (2009 : RM342,948) charged out as research and development expenses disclosed under Note 17 to the financial statements; and

ii) an amount of RM683,379 (2009 : RM514,716) representing contributions made to the Employees' Provident Fund.

## 20. Tax expense

**Recognised in the profit or loss**

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| **Current tax expense** | | | | |
| Current year | 254,987 | 846,749 | - | - |
| Prior year | (417,367) | 71,839 | 130 | - |
| Total current tax recognised in the profit or loss | (162,380) | 918,588 | 130 | - |
| **Deferred tax expense** | | | | |
| Origination and reversal of temporary differences | 534,000 | 1,059,329 | - | - |
| Prior year | (745,329) | 208,671 | - | - |
| Total deferred tax recognised in the profit or loss | (211,329) | 1,268,000 | - | - |
| Total tax expense | (373,709) | 2,186,588 | 130 | - |

## 20. Tax expense *(cont'd)*

### Reconciliation of effective tax expenses

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| Profit before tax from continuing operations | 7,660,543 | 11,379,296 | 4,634,593 | 1,703,732 |
| Income tax calculated using Malaysian tax rate of 25% (2009 : 25%) | 1,915,136 | 2,844,824 | 1,158,648 | 425,933 |
| Non-deductible expenses | 207,007 | 1,028,164 | 91,352 | 74,067 |
| Tax incentives | (1,992,235) | (1,465,676) | - | - |
| Income not subject to tax | (53,873) | - | (1,250,000) | (500,000) |
| Deferred tax assets not recognised/(recognised) | 633,508 | (519,085) | - | - |
| Others | 79,444 | 17,851 | - | - |
| | 788,987 | 1,906,078 | - | - |
| (Over)/Under provision in prior years | (1,162,696) | 280,510 | 130 | - |
| | (373,709) | 2,186,588 | 130 | - |

The corporate tax rates is at 25% for year of assessment 2009 and for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

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 2010 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 2010 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.

## 21. Earnings per ordinary share

*Basic earnings per ordinary share*

The calculation of basic earnings per ordinary share at 31 December 2010 was based on the net profit attributable to ordinary shareholders of RM8,034,252 (2009 : RM9,192,708) and a weighted average number of ordinary shares outstanding of 171,171,000 (2009 : 171,171,000).

*Diluted earnings per ordinary share*

For financial years ended 2010 and 2009, diluted earnings per ordinary share was not computed and presented as the effect of the Employees' Share Options is anti-dilutive.

## 22. Dividend

| | Group and Company 2010 RM | 2009 RM |
|---|---|---|
| Paid: | | |
| First and final dividend of 2.50% tax exempt for 2009 (2009 : Interim dividend of 2.50% tax exempt) on 171,171,000 (2009 : 171,171,000) ordinary shares of RM0.50 each | 2,139,639 | 2,139,639 |
| Dividend per ordinary share (sen) | 2.50 | 2.50 |

The Directors recommended a final dividend of 5.0% tax exempt per ordinary share in respect of the year ended 31 December 2010 subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements do not reflect this final dividend which will be accounted for as an appropriation of retained earnings from the shareholders' equity in the financial year ending 31 December 2011.

The above dividend per ordinary share as disclosed reflects the interim and final dividend recommended for the year.

## 23. Operating segments - Group

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- Segment 1 - includes manufacture and sale of metalwork machinery and other industrial process machinery and equipment
- Segment 2 - includes manufacture and sale as well as trading of secondary flat steel and related products
- Segment 3 - development and provision of IT solution services and automation
- Segment 4 - property and investment holding and others

There are varying levels of integration between reportable segments, the machinery and equipment and secondary flat steel and related products segments. This integration includes manufacture and sale of machinery and shared distribution services. Inter-segment pricing is determined on negotiated basis. The accounting policies of the reportable segments are the same as described in note 2(u).

Performance is measured based on segment operating profit as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment.

### Segment assets

The total of segment assets is measured based on all assets of a segment (excluding current and deferred tax assets and investment in associates), as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return of assets of each segment.

### Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Managing Director. Hence, no disclosure is made on segment liability.

### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, investment properties and intangible assets other than goodwill.

## 23. Operating segments – Group *(cont'd)*

| | Machinery and equipment RM | Secondary flat steel and related products RM | IT solutions and automation RM | Property, investment holding and others RM | Total of all segments RM | Elimination RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | |
| External revenue | 33,272,796 | 62,619,401 | 5,750 | - | 95,897,947 | - | | 95,897,947 |
| Inter-segment revenue | 620,605 | 18,665,001 | 129,887 | 5,125,396 | 24,540,889 | (24,540,889) | A | - |
| Total revenue | 33,893,401 | 81,284,402 | 135,637 | 5,125,396 | 120,438,836 | (24,540,889) | | 95,897,947 |
| Interest income | 26,907 | 198,227 | - | 246 | 225,380 | - | | 225,380 |
| Depreciation and amortisation | 642,437 | 6,735,736 | 182,351 | 1,106 | 7,561,630 | - | | 7,561,630 |
| Share of results of associates | - | - | - | (215,490) | (215,490) | - | | (215,490) |
| Other non-cash expenses | 1,169,516 | 26,930 | (188,866) | 32,700 | 1,040,280 | - | B | 1,040,280 |
| Segment profit/(loss) | 5,556,712 | 3,602,588 | (45,284) | 3,939,514 | 13,053,530 | (5,392,987) | C | 7,660,543 |
| **Assets** | | | | | | | | |
| Investment in associates | - | - | - | 3,335,116 | 3,335,116 | - | | 3,335,116 |
| Additions to non-current assets | 1,049,951 | 7,061,477 | - | 997,792 | 9,109,220 | - | D | 9,109,220 |
| Segment assets | 78,739,216 | 112,033,612 | 160,119 | 8,973,283 | 199,906,230 | 5,776,553 | E | 205,682,783 |

## 23. Operating segments – Group *(cont'd)*

| | Machinery and equipment RM | Secondary flat steel and related products RM | IT solutions and automation RM | Property, investment holding and others RM | Total of all segments RM | Elimination RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | | |
| External revenue | 27,397,593 | 134,877,444 | 16,238 | - | 162,291,275 | - | | 162,291,275 |
| Inter-segment revenue | 7,722,508 | 22,188,999 | 57,281 | 2,000,000 | 31,968,788 | (31,968,788) | A | - |
| Total revenue | 35,120,101 | 157,066,443 | 73,519 | 2,000,000 | 194,260,063 | (31,968,788) | | 162,291,275 |
| Interest income | 14,197 | 17,873 | - | 580 | 32,650 | - | | 32,650 |
| Depreciation and amortisation | 692,739 | 6,382,349 | 198,709 | - | 7,273,797 | - | | 7,273,797 |
| Share of results of associates | - | - | - | 1,146,287 | 1,146,287 | - | | 1,146,287 |
| Other non-cash expenses | 1,269,676 | 71,841 | (256,211) | 6,489 | 1,091,795 | - | B | 1,091,795 |
| Segment profit/(loss) | 7,000,993 | 5,448,178 | (19,569) | 1,491,241 | 13,920,843 | (2,541,547) | C | 11,379,296 |
| **Assets** | | | | | | | | |
| Investment in associates | - | - | - | 3,676,002 | 3,676,002 | - | | 3,676,002 |
| Additions to non-current assets | 148,451 | 8,670,022 | - | 7,079,717 | 15,898,190 | - | D | 15,898,190 |
| Segment assets | 65,306,575 | 129,704,404 | 295,935 | 7,462,253 | 202,769,167 | 5,853,194 | E | 208,622,361 |

## 23. Operating segments – Group *(cont'd)*

*Notes* *Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements*

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| Share-based payments | 17 | 121,940 | 26,053 |
| Impairment loss of trade receivables | 17 | 918,340 | 855,234 |
| Write-down of inventories | 17 | - | 210,507 |
| | | 1,040,280 | 1,091,794 |

C The following items are added to/(deducted from) segment profit to arrive at "Profit before tax from continuing operations" presented in the consolidated statement of comprehensive income

| | 2010 RM | 2009 RM |
|---|---|---|
| Share of results of associates | (215,490) | 1,146,287 |
| Profit from inter-segment sales | (2,802,543) | (1,044,517) |
| Finance costs | (2,374,954) | (2,643,317) |
| | 5,392,987 | (2,541,547) |

D Additions to non-current asset consists of:

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| Property, plant and equipment | 3 | 7,278,480 | 15,898,190 |
| Investment properties | 4 | 1,830,740 | - |
| | | 9,109,220 | 15,898,190 |

E The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | 2010 RM | 2009 RM |
|---|---|---|
| Investment in associates | 3,335,116 | 3,676,002 |
| Current tax assets | 174,437 | 162,521 |
| Deferred tax assets | 2,267,000 | 2,014,671 |
| | 5,776,553 | 5,853,194 |

## 23. Operating segments – Group *(cont'd)*

### Geographical information

Revenue and non-current assets information are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include investments in associates and deferred tax assets.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Malaysia | 79,583,696 | 77,343,589 | 111,361,818 | 109,814,229 |
| Africa | 561,711 | 7,191,868 | - | - |
| Asia | 10,418,058 | 68,195,287 | - | - |
| Middle-east countries | 5,094,130 | 8,495,657 | - | - |
| Others | 240,352 | 1,064,874 | - | - |
| Consolidated | 95,897,947 | 162,291,275 | 111,361,818 | 109,814,229 |

## 24. Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

### 24.1 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 24.2 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. For sale of machinery, letter of credits or advance payments are normally obtained and for all others, credit evaluations are performed on customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables.

## 24. Financial instruments *(cont'd)*

### 24.2 Credit risk *(cont'd)*

**Receivables** *(cont'd)*

*Impairment losses*

The ageing of receivables as at the end of the reporting period was:

| Group | Gross RM | Individual impairment RM | Collective impairment RM | Net RM |
|---|---|---|---|---|
| **2010** | | | | |
| Not past due | 5,524,213 | - | - | 5,524,213 |
| Past due 1-30 days | 1,442,932 | - | - | 1,442,932 |
| Past due 31-120 days | 1,706,098 | - | - | 1,706,098 |
| Past due 121-365 days | 2,118,587 | - | - | 2,118,587 |
| Past due more than 1 year | 9,267,253 | (8,610,596) | - | 656,657 |
| | 20,059,083 | (8,610,596) | - | 11,448,487 |
| **2009** | | | | |
| Not past due | 5,064,160 | - | - | 5,064,160 |
| Past due 1-30 days | 3,575,071 | - | - | 3,575,071 |
| Past due 31-120 days | 1,318,589 | - | - | 1,318,589 |
| Past due 121-365 days | 3,007,418 | - | - | 3,007,418 |
| Past due more than 1 year | 11,008,989 | (7,692,256) | - | 3,316,733 |
| | 23,974,227 | (7,692,256) | - | 16,281,971 |

The movements in the allowance for impairment losses of receivables during the financial year were:

| | 2010 RM |
|---|---|
| At 1 January | 7,692,256 |
| Impairment loss recognised | 1,617,233 |
| Impairment loss reversed | (698,893) |
| At 31 December | 8,610,596 |

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

**Financial guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM57.72 million (2009: RM75.17 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

## 24. Financial instruments *(cont'd)*

### 24.2 Credit risk *(cont'd)*

**Inter company balances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

### 24.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

## 24. Financial instruments *(cont'd)*

### 24.3 Liquidity risk *(cont'd)*

*Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| | Carrying amount RM | Contractual interest rate/ coupon % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2010** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Secured term loans | 26,305,134 | 4.59-7.80 | 30,574,344 | 8,226,045 | 7,490,092 | 11,188,128 | 3,670,079 |
| Finance lease liabilities | 1,025,975 | 2.34-3.05 | 1,155,998 | 298,905 | 253,350 | 603,743 | - |
| Unsecured bank overdraft | 5,016,415 | 7.05-9.80 | 5,016,415 | 5,016,415 | - | - | - |
| Unsecured bankers' acceptances | 26,596,000 | 3.15-4.60 | 26,596,000 | 26,596,000 | - | - | - |
| Unsecured foreign currency loan | 356,449 | 2.17 | 356,449 | 356,449 | - | - | - |
| Unsecured local currency loan | 563,000 | 7.00 | 563,000 | 563,000 | - | - | - |
| Trade and other payables | 12,751,204 | - | 12,751,204 | 12,751,204 | - | - | - |
| | 72,614,177 | | 77,013,410 | 53,808,018 | 7,743,442 | 11,791,871 | 3,670,079 |
| **Company** | | | | | | | |
| **2010** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | 9,351,949 | - | 9,351,949 | 9,351,949 | - | - | - |

## 24. Financial instruments *(cont'd)*

### 24.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

### 24.4.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily USD, Euro and AED.

*Exposure to foreign currency risk*

The Group's exposure to foreign currencies (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| | 2010 Denominated in | | 2009 Denominated in | | |
|---|---|---|---|---|---|
| | USD RM | EURO RM | USD RM | EURO RM | AED RM |
| **Group** | | | | | |
| **2010** | | | | | |
| Trade receivables | 1,942,767 | 121,744 | 4,278,731 | 3,533,664 | 2,310,750 |
| Cash and bank balances | 3,911,309 | - | 482,071 | - | - |
| Trade payables | (1,539,096) | - | (3,906,944) | (210,847) | - |
| | 4,314,980 | 121,744 | 853,858 | 3,322,817 | 2,310,750 |

*Currency risk sensitivity analysis*

Foreign currency risk arises from Group entities which have the Malaysian Ringgit (MYR) functional currency. The exposure to currency risk of Group entities which do not have a MYR functional currency is not material and hence, sensitivity analysis is not presented.

A 10% strengthening of MYR against the following currencies at the end of the reporting period would have decreased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

| | Profit or loss RM'000 |
|---|---|
| **Group** | |
| **2010** | |
| USD | 431 |
| EURO | 12 |

A 10% weakening of MYR against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

## 24. Financial instruments *(cont'd)*

### 24.4 Market risk *(cont'd)*

### 24.4.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the 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. The Group's interest-earning financial assets are mainly short term in nature and are mostly placed in fixed deposits.

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | 2010 RM | 2009 RM |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 200,000 | 3,590,056 |
| Financial liabilities | (34,903,362) | (45,985,293) |
| | (34,703,362) | (42,395,237) |
| **Floating rate instruments** | | |
| Financial liabilities | (24,959,611) | (25,037,409) |

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points (bp) in interest rates at the end of the reporting period would have increased the post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Profit or loss | |
|---|---|---|
| | 50 bp increase RM'000 | 50 bp decrease RM'000 |
| **Group** | | |
| **2010** | | |
| Floating rate instrument | (94) | 94 |

## 24. Financial instruments *(cont'd)*

### 24.5 Fair value of financial instruments

| | 2010 Carrying amount RM | 2010 Fair value RM | 2009 Carrying amount RM | 2009 Fair value RM |
|---|---|---|---|---|
| **Group** | | | | |
| ***Financial assets categorised as loans and receivables*** | | | | |
| Trade and other receivables (excluding deposits and prepayments) | 12,675,776 | * | 17,323,648 | * |
| Cash and cash equivalents | 7,412,060 | * | 11,642,159 | * |
| | 20,087,836 | | 28,965,807 | |
| ***Financial liabilities carried at amortised cost*** | | | | |
| Floating rate loans and borrowings | 24,959,611 | 24,959,611 | 25,037,409 | 25,037,409 |
| Fixed rate loans and borrowings | 34,903,362 | 35,154,746 | 45,985,293 | 46,125,172 |
| Trade and other payables | 12,751,204 | * | 10,048,496 | * |
| | 72,614,177 | | 81,071,198 | |
| **Company** | | | | |
| ***Financial assets categorised as loans and receivables*** | | | | |
| Trade and other receivables (excluding deposits and prepayments) | 49,291,975 | * | 37,750,310 | * |
| Cash and cash equivalents | 7,876 | * | 22,296 | * |
| | 49,299,851 | | 37,772,606 | |
| ***Financial liabilities carried at amortised cost*** | | | | |
| Trade and other payables | 9,351,949 | * | 231,304 | * |

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

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases the market rate of interest is determined by reference to similar lease agreements.

*Interest rates used to determine fair value*

The interest rates used to discount estimated cash flows, when applicable, are as follows:

| | 2010 | 2009 |
|---|---|---|
| Secured term loans | 4.95% to 5.40% | 5.10% to 5.40% |
| Finance leases liabilities | 2.34% to 3.05% | 2.34% to 2.75% |

## 25. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-earnings before interest, tax, depreciation and amortisation ratio that complies with debt covenants and regulatory requirements.

There were no changes in the Group's approach to capital management during the financial year.

## 26. Related parties - Group/Company

### 26.1 Identity of related parties

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 includes certain key Directors of the Company.

### 26.2 Related party transactions

### 26.2.1 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.

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

| | Group | |
|---|---|---|
| | 2010<br>RM | 2009<br>RM |
| Rental of premise receivable | 678,000 | 420,000 |
| Sales | 21,312,584 | 35,179,636 |
| Purchases | 2,151,484 | 920,689 |

### 26.2.3 Transaction with a subsidiary

| | Company | |
|---|---|---|
| | 2010<br>RM | 2009<br>RM |
| Dividend income from a subsidiary | 5,000,000 | 2,000,000 |

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.

## 27. Capital commitment

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| *Property, plant and equipment* | | |
| Contracted but not provided for in the financial statements | - | 579,000 |

## 28. Material litigation

Eonmetall Industries Sdn. Bhd. ("EMI"), a wholly-owned subsidiary of the Company had via its solicitors filed a Writ of Summons in the High Court in Pulau Pinang ("Court") against Mr. Lai Chin Yang and Megasteel Sdn. Bhd. ("Defendants").

In the Writ, EMI has claimed for general damages and exemplary damages amounting to RM20 million to be paid jointly and severally by the Defendants over the slander or defamatory statement made against EMI. Details of the claims are as follows:

i) General damages of RM10 million;
ii) Exemplary damages of RM10 million;
iii) Interest rate of 8% per annum from 22 April 2010;
iv) Defendants to pay EMI's cost of the legal proceeding on indemnity basis; and
v) Other relief deemed fair by the Court.

The defendants have counter-claimed on the basis that the defamation suit is an abuse of the court process.

## 29. Significant changes in accounting policies

### 29.1 FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

*Financial guarantee contracts*

Prior to the adoption of FRS 139, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. With the adoption of FRS 139, financial guarantee contracts are now recognised initially at their fair values and subsequently measured at their initially measured amount less cumulative amortisation. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

*Impairment of trade and other receivables*

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

## 29. Significant changes in accounting policies *(cont'd)*

### 29.2 FRS 101, Presentation of Financial Statements (revised)

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard.

### 29.3 FRS 117, Leases

The Group has adopted the amendment to FRS 117. All leasehold land of the Group which are in substance finance leases will be classified as property, plant and equipment.

## 30. Comparative figures

### 30.1 FRS 101, Presentation of Financial Statements (revised)

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

## 31. Supplementary information on the breakdown of realised and unrealised profits or losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows :

| | 2010 | |
|---|---|---|
| | Group RM'000 | Company RM'000 |
| Total retained profits of the Company and its subsidiaries: | | |
| - Realised | 83,962 | 5,252 |
| - Unrealised | 1,042 | - |
| | 85,004 | 5,252 |
| Total share of retained profits from associated companies: | | |
| - Realised | 1,895 | - |
| - Unrealised | - | - |
| | 86,899 | 5,252 |
| Less: Consolidation adjustments | (44,633) | - |
| | 42,266 | 5,252 |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Comparative figures are not required in this first financial year of complying with the disclosure.

# 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 89 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 2010 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 31 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**Dato' Goh Cheng Huat**

**Yeoh Cheng Chye**

Penang,

Date : 28 April 2011

# 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 90 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 above named at Georgetown in the State of Penang on 28 April 2011.

**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 statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 89.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 qualified audit opinion.

*Basis for Qualified Opinion*

As disclosed in Note 9 to the financial statements, the work-in-progress and manufactured inventories of the Group include certain slow-moving metalwork machinery amounting to RM13.2 million that are without secured orders on hand. Out of this amount, a sum of RM2.9 million is under negotiation with potential buyers. The directors are of the opinion that these slow-moving inventories can be realised at above their carrying amounts and accordingly, no write-down is necessary.

We have not been able to establish the net realisable value of these inventories in view of the specialised nature of the inventories involved and the lack of comparable machinery costs in the market. Consequently, we were unable to determine whether any adjustments to these value of inventories were necessary.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 2010 and of their financial performance and cash flows for the year then ended.

### 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 have considered the accounts and the auditors' report of the subsidiary of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

c) 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.

d) The 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 except for a subsidiary of which the auditors' report was qualified and the details of the qualification are as described in the Basis for Qualified Opinion paragraph above.

### Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 31 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

### 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

**Ng Swee Weng**
1414/03/12 (J/PH)
Chartered Accountant

Date: 28 April 2011

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 2010 RM'000 |
|---|---|---|---|---|---|---|
| **Eonmetall Technology Sdn Bhd** | | | | | | |
| Grant 64234, Lot 1258, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang | 03 August 2004/ 08 August 2000 | Freehold | 10 yrs | 39,159 | A factory building is erected on the adjoining parcels of the land | 19,352 |
| Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang | 03 August 2004/ 08 August 2000 | Freehold | 10 yrs | 11,198 | | |
| **Eonmetall Industries Sdn Bhd** | | | | | | |
| Grant 33124, Lot 385, Mukim 12, Seberang Perai Selatan, Penang. | - / 18 July 2003 | Freehold | 1 yr | 57,509 | A factory building is erected on the adjoining parcels of the land – Phase I - completed Phase II - completed | 42,008 |
| Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang. | - / 18 July 2003 | Freehold | 3 yrs | 62,887 | | |
| Lot No. T-2317, Mukim 13, No. 35, Lorong Cempaka 28, 14110 Simpang Ampat, Seberang Perai Selatan, Penang. | - / 01 April 2006 | Freehold | 4 yrs | 116 | Single storey terrace house/ Residential premise for factory workers | 86 |
| Lot No. T-2318, Mukim 13, No. 37, Lorong Cempaka 28, 14110 Simpang Ampat, Seberang Perai Selatan, Penang. | - / 01 April 2006 | Freehold | 4 yrs | 116 | Single storey terrace house/ Residential premise for factory workers | 86 |
| Lot No. 4610, Mukim 14, No. 6, Lorong Kasawari 4, Taman Kasawari, 14100 Simpang Ampat, Seberang Perai Selatan, Penang. | - / 14 May 2007 | Freehold | 4 yrs | 208 | Double storey semi-detached house/ Residential premise for factory workers | 154 |
| **Eonmetall Systems Sdn Bhd** | | | | | | |
| HS(D) 491, Lot 1596, MK12, Seberang Perai Selatan, Penang. | - / 20 July 2006 | Freehold | 1 yr | 39,252 | Vacant land together with a substantial opensided steel frame building | 6,489 |
| **Eonsteel Sdn Bhd** | | | | | | |
| Lot No. 387, MK12, Seberang Perai Selatan, Penang | - / 19 May 2009 | Freehold | - | 69,767 | Vacant Land | 8,077 |

# Analysis of Shareholdings

## Analysis of Shareholdings as at 10 May 2011

| | | |
|---|---|---|
| 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 10 May 2011

| No. | Name | Direct Interest No. of Shares | Direct Interest % | Deemed Interest No. of Shares | Deemed Interest % |
|---|---|---|---|---|---|
| 1 | Dato' Goh Cheng Huat | 27,720,000 | 16.19 | 84,049,128 ▲ | 49.10 |
| 2 | Datin Tan Pak Say | - | - | 111,769,128 ● | 65.30 |
| 3 | Eonmetall Corporation Sdn. Bhd. | 84,049,128 | 49.10 | - | - |

▲ Deemed interested via Eonmetall Corporation Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.
● Deemed interested by virtue of her spouse's shareholding in Eonmetall Corporation Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and her spouse's direct shareholding in Eonmetall Corporation Sdn. Bhd.

## Directors' Shareholdings as at 10 May 2011

| No. | Name | Direct Interest No. of Shares | Direct Interest % | Deemed Interest No. of Shares | Deemed Interest % |
|---|---|---|---|---|---|
| 1 | * Tan Sri Dato' Mohd Desa bin Pachi | 630,000 | 0.37 | 2,163,400 ■ | 1.26 |
| 2 | # Dato' Goh Cheng Huat | 27,720,000 | 16.19 | 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 | 296,600 ❍ | 0.17 |
| 6 | ^ Tang Yin Kham | - | - | - | - |
| 7 | ¤ Ibrahim Mahdi Phee | 30,000 | 0.02 | - | - |

■ These shares are held in the name of child and is treated as interest of the Director in accordance with Section 134(12)(C) of the Companies Act, 1965.
▲ Deemed interested via Eonmetall Corporation Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.
❍ Deemed interested via Wirasawah Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

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.

# Analysis of Shareholdings (cont'd)

## Distribution Schedule as at 10 May 2011

| Size of Holdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Issued Share Capital |
|---|---|---|---|---|
| Less than 100 | 31 | 1.72 | 1,575 | 0.00 |
| 100 - 1,000 | 342 | 18.98 | 129,325 | 0.08 |
| 1,001 - 10,000 | 900 | 49.95 | 4,741,077 | 2.77 |
| 10,001 - 100,000 | 461 | 25.58 | 14,747,773 | 8.62 |
| 100,001 - 8,558,549 | 66 | 3.66 | 39,992,122 | 23.36 |
| 8,558,550 - 171,171,000 | 2 | 0.11 | 111,559,128 | 65.17 |
| TOTAL | 1,802 | 100.00 | 171,171,000 | 100.00 |

## Thirty Largest Shareholders as at 10 May 2011

| | Name | No. of Shares | % of Issued Share Capital |
|---|---|---|---|
| 1 | Eonmetall Corporation Sdn. Bhd. | 42,049,128 | 24.57 |
| 2 | Goh Cheng Huat | 24,543,000 | 14.34 |
| 3 | Eonmetall Corporation Sdn. Bhd. | 21,000,000 | 12.27 |
| 4 | Eonmetall Corporation Sdn. Bhd. | 21,000,000 | 12.27 |
| 5 | A.A. Anthony Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Kock Nai Suan | 5,683,000 | 3.32 |
| 6 | Marajati Sdn. Bhd. | 5,555,000 | 3.25 |
| 7 | A.A. Anthony Nominees (Asing) Sdn. Bhd.<br>Pledged Securities Account for Tay Kim Seng | 5,056,900 | 2.95 |
| 8 | Goh Cheng Huat | 2,967,000 | 1.73 |
| 9 | AMSEC Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account - AmBank (M) Berhad for Goh Kee Seng (EGB) | 2,406,336 | 1.41 |
| 10 | TA Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Mohd Desman Annuar Bin Md Desa | 2,082,400 | 1.22 |
| 11 | Kock Nai Suan | 2,000,000 | 1.17 |
| 12 | Tai Ho Fah | 1,018,400 | 0.59 |
| 13 | Citigroup Nominees (Asing) Sdn. Bhd.<br>Exempt An for OCBC Securities Private Limited (Client A/C-NR) | 1,007,000 | 0.59 |
| 14 | Foo Chek Heng | 1,000,000 | 0.58 |
| 15 | Yeoh Cheng Chye | 803,636 | 0.47 |
| 16 | Yeoh Cheng Chye | 750,000 | 0.44 |
| 17 | OSK Nominees (Tempatan) Sdn. Berhad<br>Pledged Securities Account for Goh Chuan Kiong | 646,100 | 0.38 |
| 18 | Md Desa Bin Pachi | 630,000 | 0.37 |
| 19 | Goh Kee Seng | 525,000 | 0.31 |
| 20 | Soong @ Soong Siew Hoong | 510,000 | 0.30 |
| 21 | Gooi Seong Chneh | 500,000 | 0.29 |
| 22 | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>Exempt An for OCBC Securities Private Limited (Client A/C-R ES) | 500,000 | 0.29 |
| 23 | Chooi Loo See | 460,000 | 0.27 |
| 24 | Koh Yew Kam | 384,500 | 0.22 |
| 25 | Goh Khang Leng | 303,800 | 0.18 |
| 26 | Goh Ah Peng | 300,000 | 0.17 |
| 27 | Wirasawah Sdn. Bhd. | 296,600 | 0.17 |
| 28 | Taran Tej Singh | 275,000 | 0.16 |
| 29 | Tan Chong Aik | 247,000 | 0.14 |
| 30 | Uliko Corporation (M) Sdn. Bhd. | 225,000 | 0.13 |
| | | 144,724,800 | 84.55 |

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EONMETALL GROUP BERHAD (631617-D)

# 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 EIGHTH ANNUAL GENERAL MEETING of the Company to be held at Ground Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Monday, 27 June 2011 at 2:00 p.m. and at any adjournment thereof.

| RESOLUTIONS | FOR | AGAINST |
|---|---|---|
| Ordinary Resolution 1 | | |
| Ordinary Resolution 2 | | |
| Ordinary Resolution 3 | | |
| Ordinary Resolution 4 | | |
| Ordinary Resolution 5 | | |
| Ordinary Resolution 6 | | |
| Ordinary Resolution 7 | | |
| Ordinary Resolution 8 | | |
| Ordinary Resolution 9 | | |
| Ordinary Resolution 10 | | |
| Ordinary Resolution 11 | | |
| Ordinary Resolution 12 | | |
| Ordinary Resolution 13 | | |
| Ordinary Resolution 14 | | |

(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).

In the case of more than one proxy is appointed, the proportions of my/our percentage of shareholdings to be represented by my/our proxies are as follows:

| | |
|---|---|
| First named Proxy | % |
| Second named Proxy | % |
| | 100% |

| No. of Ordinary Shares Held |
|---|
| |

Signed this ____________ day of June, 2011.

______________________________

Signature of Shareholder

***Notes:***

**Appointment of Proxy**

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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