EONMETALL GROUP BERHAD

(631617-D)

Annual Report 2011

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the NINTH 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 Thursday, 21 June 2012 at 2.00 pm for the following purposes:-

As Ordinary Business:

1. To receive the audited Financial Statements for the year ended 31 December 2011 and the Reports of the Directors and Auditors thereon.

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

   i) Dato' Goh Cheng Huat — **Ordinary Resolution 1**
   ii) Mr Goh Kee Seng — **Ordinary Resolution 2**

3. To re-elect the following Directors who retire pursuant to Section 129(6) of the Companies Act, 1965:

   i) Tan Sri Dato' Mohd Desa bin Pachi — **Ordinary Resolution 3**
   ii) Tan Sri Dato' Soong Siew Hoong — **Ordinary Resolution 4**

4. To approve a Final Tax Exempt Dividend of 5% for the year ended 31 December 2011. — **Ordinary Resolution 5**

5. To approve Directors' fees of RM291,000 for the year ended 31 December 2011. — **Ordinary Resolution 6**

6. To re-appoint Messrs BDO as Auditors of the Company and to authorise Directors to determine their remuneration. — **Ordinary Resolution 7**

As Special Business:

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

7. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 ("Act")**

   Ordinary Resolution 8

   "THAT pursuant to Section 132D of the Act, the Articles of Association of the Company and subject to the approval of all the relevant government and/or regulatory authorities, the Board of Directors of the Company be and are 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 issued pursuant to this resolution does not exceed 10% of the total 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."

Notice of Annual General Meeting (cont'd)

8. **PROPOSED RENEWAL AND ADDITIONAL 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 under Part A of the Circular dated 30 May 2012, 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 9**
ii) Genrizt Storage System **Ordinary Resolution 10**
iii) Eonlipids Sdn. Bhd. **Ordinary Resolution 11**
iv) Sin Zhang Enterprise" **Ordinary Resolution 12**

9. **PROPOSED RENEWAL OF 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 13**

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");

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/or share premium account of the Company, otherwise available for dividend for the time being.

9. **PROPOSED RENEWAL OF AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY** (cont'd)

    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."

10. **PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

    "THAT the Proposed Amendments to the Company's Articles of Association, as set out in Part C of the Circular to Shareholders dated 30 May 2012, be and are hereby approved and THAT the Directors and Secretaries be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments to the Company's Articles of Association." **Special Resolution 1**

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

Notice of Annual General Meeting (cont'd)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a Final Tax Exempt Dividend of 5% for the year ended 31 December 2011, if approved by the shareholders at the AGM, will be paid on 26 July 2012 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 29 June 2012.

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 29 June 2012 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

Tai Yit Chan (MAICSA 7009143)
Ong Tze-En (MAICSA 7026537)
Joint Company Secretaries

Penang, 30 May 2012

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. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

6. 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.

7. For purpose of determining who shall be entitled to attend the Ninth AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 62 of the Articles of Association of the Company and Section 34(1) of SICDA to issue a General Meeting Record of Depositors ("ROD") as at 14 June 2012. Only a Depositor whose name appears on the ROD as at 14 June 2012 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his/her behalf.

Notice of Annual General Meeting (cont'd)

Explanatory Note on Ordinary Business:

1. The proposed Ordinary Resolutions 3 and 4 under Agenda 3 is in accordance with Section 129(6) of the Companies Act, 1965 which requires a separate resolution be passed to re-appoint Tan Sri Dato' Mohd Desa bin Pachi and Tan Sri Dato' Soong Siew Hoong who are over 70 years of age as Directors of the Company and to hold office until the conclusion of the next AGM of the Company. These resolutions shall take effect if passed by a majority of not less than three-fourth of such shareholders of the Company as being entitled to vote in person or where proxies are allowed, by proxy at the AGM of the Company.

Explanatory Notes on Special Business:

1. The proposed Ordinary Resolution 8, is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to issued 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 AGM held on 27 June 2011 and which will lapse at the conclusion of the Ninth 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 Ordinary Resolutions 9, 10, 11 and 12, if passed, will approve the Proposed Shareholders' Mandate and allow the Company and its subsidiaries to enter into the existing recurrent related party transactions as set out in Section 2.4 under Part A of the Circular. This approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earlier.

3. The proposed Ordinary Resolution 13, 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.

4. The Special Resolution 1, if passed, will allow the Articles of Association of the Company to reflect the recent amendments prescribed under the Listing Requirements.

Statement Accompanying Notice of AGM

(Pursuant to Paragraph 8.27(2) of the Listing Requirements)

No individual is seeking election as a Director at the forthcoming Ninth AGM of the Company.

EONMETALL GROUP BERHAD

Corporate Information

BOARD OF DIRECTORS	**Tan Sri Dato' Mohd Desa bin Pachi**	*Non-Independent Non-Executive Chairman*
	Dato' Goh Cheng Huat	*Managing Director*
	Yeoh Cheng Chye	*Executive Director*
	Tan Sri Dato' Soong Siew Hoong	*Non-Independent Non-Executive Director*
	Goh Kee Seng	*Non-Independent 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*
JOINT COMPANY SECRETARIES	Tai Yit Chan (MAICSA 7009143)	
	Ong Tze-En (MAICSA 7026537)	
AUDIT COMMITTEE	Tang Yin Kham	*Chairman*
	Ibrahim Mahdi Phee	*Member*
	Goh Kee Seng	*Member*
	Dato' Wahab Bin Hamid	*Member*
NOMINATING COMMITTEE	Dato' Wahab Bin Hamid	*Chairman*
	Tang Yin Kham	*Member*
	Ibrahim Mahdi Phee	*Member*
	Goh Kee Seng	*Member*
REMUNERATION COMMITTEE	Ibrahim Mahdi Phee	*Chairman*
	Tang Yin Kham	*Member*
	Goh Kee Seng	*Member*
	Dato' Wahab Bin Hamid	*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
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	BDO (Firm No. AF 0206) Chartered Accountants 51-21-F, Menara BHL Jalan Sultan Ahmad Shah 10050 Penang	
	Telephone No	(04) 227 6888
	Facsimile No	(04) 227 8118
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)

Principal Activity	Subsidiary
Manufacture and distribution of steel products, focusing on cold rolled coils, galvanised coils and flat steel products	**100%** **Eonmetall Industries Sdn Bhd** "EMI" (207322-V)
Manufacture of Metalwork and industrial process machinery and equipment	**100%** **Eonmetall Technology Sdn Bhd** "EMT" (327604-K)
Manufacture of steel products, focusing on Steel Storage Systems	**100%** **Eonmetall Systems Sdn Bhd** "EMS" (360239-H)
Provider of IT solutions including software development	**100%** **Eontarr IT Solutions Sdn Bhd** "EIT" (365987-M)
Manufacture of Industrial Process Machinery and Equipment	**100%** **Eonchem Technology Sdn Bhd** "ECH" (542450-K)
Property holding	**100%** **Eonsteel Sdn Bhd** "ESL"(733791-D)

Subsidiary	Principal Activity
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*
100% **Eonmetall International Limited** "EIL" (LL07325)	*Investment holding*
95% **PT Eonmetall Investment** "PT Eonmetall"	*Dormant*
100% **Eonchem Biomass Sdn Bhd** "ECB" (906441-M)	*Manufacturer of palm oil - related products*
100% **Eonmetall Agro Sdn Bhd** "EAGRO" (922037-A)	*Dormant*

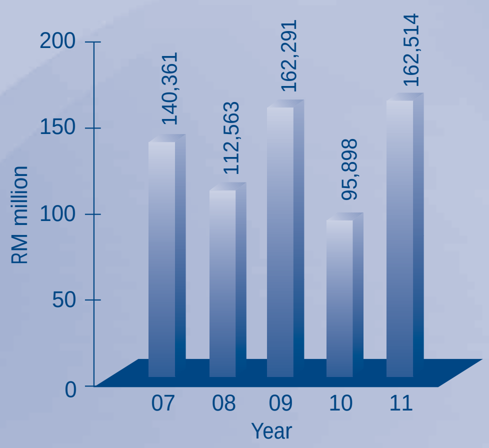
MOODY INTERNATIONAL
STANDARDS MALAYSIA ACCREDITED CERTIFICATION BODY MS ISO/IEC 17021:2006 QS 10082001 CB 02
UKAS QUALITY MANAGEMENT 014
Enterprise 2000 Celebrating Malaysia's Enterprising Spirit
MSC MALAYSIA Status Company

Group Financial Highlights

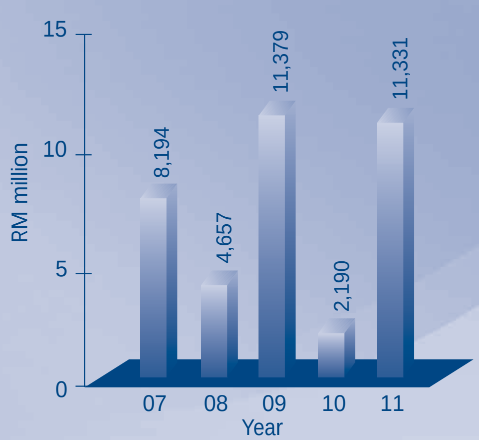
Year Ended 31 December	2007 RM'000	2008 RM'000	2009 RM'000	2010 (Restated) RM'000	2011 RM'000
INCOME					
Turnover	140,361	112,563	162,291	95,898	162,514
Profit Before Tax	8,194	4,657	11,379	2,190	11,331
Profit attributable to Owners of the Company	11,714	3,157	9,193	2,563	9,639
FINANCIAL POSITION					
Total assets	191,322	188,500	208,622	200,212	224,671
Share Capital	85,373	85,586	85,586	85,586	85,586
Shareholders' Fund	118,009	117,268	124,347	124,904	129,941
PER SHARE					
Gross dividend (%)	5%	0%	5%	5%	5%
Net assets (RM)**	0.69	0.69	0.73	0.73	0.76
Basic Earnings (sen)***	6.99	1.84	5.37	1.50	5.64

** Based on number of shares in issue net of treasury shares
*** Based on weighted average number of shares in issue net of treasury shares

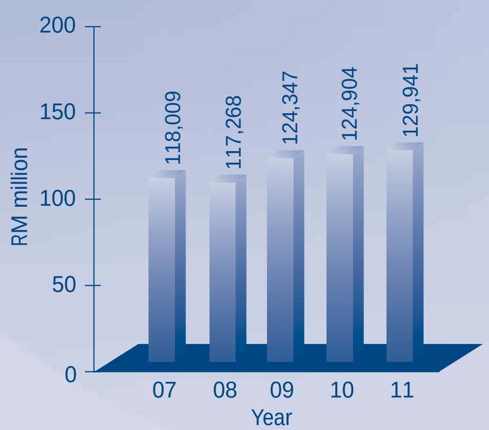
Turnover



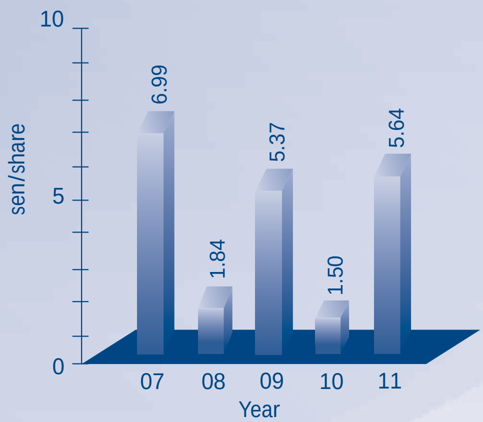
Profit Before Tax



Shareholders' Fund



Basic Earnings Per Share



Profile of Directors

Tan Sri Dato' Mohd Desa bin Pachi, PSM, DSPN, KMN, aged 78, Malaysian, is the Non-Independent Non-Executive Chairman 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 Holding 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 2011.

Dato' Goh Cheng Huat, aged 51, 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 25 years in the industry, he has accumulated invaluable skills, which includes amongst others, the invention and enhancement of steel making machines and its related processes. In recognition of his entrepreneurial 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", with the patent granted in 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 2011.

Yeoh Cheng Chye, aged 43, 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 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 2011.

Profile of Directors (cont'd)

Tan Sri Dato' Soong Siew Hoong, PSM, KMN, SMS, DPSM, JSM, aged 86, Malaysian, is the Non-Independent 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 (Malaysian 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 2011.

Goh Kee Seng, aged 56, Malaysian, is a member of Audit Committee, Nominating Committee and Remuneration Committee. He is an Non-Independent 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 2011.

Tang Yin Kham, aged 60, Malaysian, is the Chairman of Audit Committee, a member of Nominating Committee and Remuneration Committee. She is an Independent 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 35 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 2011.

Profile of Directors (cont'd)

Ibrahim Mahdi Phee, aged 40, Malaysian, is the Chairman of Remuneration Committee and a member of Audit Committee and Nominating Committee. He is an independent 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 2011.

Dato' Wahab Bin Hamid, DPMS, DSDK, AMS, PPB, aged 59, Malaysian, is the Chairman of Nominating Committee, a member of Audit Committee and Remuneration Committee. He is an Independent 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 Economic 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. Both awards carry the title of "Dato".

He has 34 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 from June 2008 to April 2011.

He 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 Sdn. Bhd. and the Independent Director of TN Engineering Sdn. Bhd. since 1 June 2011.

He attended two (2) board meetings held during the financial year ended 31 December 2011. He also attended the Mandatory Accreditation Programme for Directors of Public Listed Companies in September 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 124 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 2011.

Financial Performance

The Group achieved encouraged results for the financial year ended 31 December 2011 with revenue growth by 69%, from RM95.9 million to RM162.5 million despite the challenging market condition. The growth was driven primarily by higher volume of iron ore trading activities and higher demand from steel products division during the financial year.

During the financial year, RM5.47 million inventories was written down and adjusted as prior year adjustment and was reflected in the income statement for the year ended 31 December 2010 as explained in Note 37 in the financial statements for the year ended 31 December 2011.

The Group's profit before tax ("PBT") of RM11.3 million in the financial year was RM3.6million higher as compared to the previous financial year (2010: PBT of RM7.7 million before effect on inventories written down). This increased the profit attributable to equity holders from RM2.6 million to RM9.6 million which translated to an earnings per share from 1.50 sen to 5.64 sen for the financial year under review.

Industry Trends and Prospects

The global economy is expected to remain challenging with the continuation of turbulence in the 17 eurozone countries and the difficulties to contain the sovereign debt crisis from spreading to other advanced economies in the eurozone. Coupled with the continuous crisis within the Middle East and North Africa (MENA), the demand for Malaysian exports within that regions will undoubtedly be effected.

Therefore, the Group shall continue to focus in the oil palm based industry mainly in Malaysian and Indonesian markets. Our patented Palm Fibre Oil Extraction (PFOE) technology has gained acceptance from the major palm oil millers of both countries. The PFOE business is expected to be the main revenue contributor to the Group and to further provide the Group with the opportunity to undertake further research and development in the oil palm downstream activities particularly in the biomass business segment. Historically biomass is used for fertilization and fuel for energy by the palm oil millers but is now proven to be an efficient source of energy as Biofuels. Realising the potentials in the biomass, Malaysian Government has recently launched The National Biomass Strategy 2020 and is expected to contribute RM30 billion in gross national income by 2020.

Oil palm is presently the key driver of the Malaysian agriculture sector, accounting for 71% of its entire agriculture land bank. This industry is forecasted to grow at 7.1% over the next ten years, primarily driven by the improvements in Fresh Fruit Bunch yields and oil extraction rate, and further leverage by many companies into high potentials of downstream activities such as processed food, second generation biofuel, oleo-chemical and biomass.

The Group anticipates the steel products division to remain challenging due to the uncertainties of the global market coupled with the delay on the liberalization of the national steel policy. However, the Group shall continue to emphasis on cost rationalization and production efficiency to enhance its competitive edge.

Chairman's Statement (cont'd)

Dividend

During the financial year, the Company paid a final tax exempt dividend of 5.0% or 2.5 sen per share totaling RM4,279,275 in respect of the financial year ended 31 December 2010 on 8 September 2011.

The Directors proposed a final tax exempt dividend of 5.0% in respect of the financial year ended 31 December 2011 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 for the utmost support and dedication from the management and all level of employees to embark on further business growth and 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 of the Malaysian Code on Corporate Governance (Revised 2007) (the "Code"). As such, the Board is fully committed to the maintenance of high standards of corporate governance in its quest to enhance shareholders 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 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 shareholders 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.

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.

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-Independent 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.

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 2011, 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 at board meetings during the financial year ended 31 December 2011 is as follows:

	No. of meetings	
Name of Director	**Held**	**Attended**
Tan Sri Dato' Mohd Desa Bin Pachi	4	4
Dato' Goh Cheng Huat	4	4
Yeoh Cheng Chye	4	4
Tan Sri Soong Siew Hoong	4	4
Goh Kee Seng	4	4
Tang Yin Kham	4	4
Ibrahim Mahdi Phee	4	4
Dato' Wahab Bin Hamid (Appointed on 1 June 2011)	2	2

Statement on Corporate Governance (cont'd)

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 delegates certain of its governance to various responsibilities to various committees such as the Audit Committee, Nominating Committee, Remuneration Committee and 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 the various Committees will report to the Board on the outcome of the Committees' meetings and such reports are normally incorporated in the minutes of the Board meeting.

Board Balance

At the date of this statement, the Board consists of eight (8) members; two (2) Executive Directors, three (3) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. A brief profile of each Director is presented under Profile of Directors in this 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 Malaysia Securities Berhad ("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 of Bursa Securities, which requires that at least three (3) 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, human resource, marketing and operations.

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating 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 in-depth 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. The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders in the Company.

Through the Directors' self evaluation and assessment of the Board as a whole, the Non-Executive Directors have indicated their satisfaction with the level of independence of each of their peers and their ability to act in the best interests of the Company in decision-making.

Statement on Corporate Governance (cont'd)

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 Secretaries. The Board believes that the current Company Secretaries are capable of carrying out their duties to ensure the effective functioning of the Board. The Articles of Association of the Company specify that the removal of the Company Secretaries is a matter for the Board as a whole.

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

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

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

Appointments to the Board

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.

Nominating Committee

The Nominating Committee comprises the following members:

Dato' Wahab Bin Hamid (Appointed on 19 August 2011)	-	Chairman, Independent Non-Executive Director
Tang Yin Kham	-	Member, Independent Non-Executive Director
Ibrahim Mahdi Phee	-	Member, Independent Non-Executive Director
Goh Kee Seng	-	Member, Non-Independent Non-Executive Director

The Nominating 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 and Board Committees. The Nominating 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 on an annual basis. Additionally, the Nominating Committee also reviews the required mix of skills, experience and other qualities, including core competencies of the members in discharging their 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 Nominating 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 Nominating Committee met twice during the financial year for re-election and re-appointment of Directors, review the independence of Directors as well as the Board structure, size and composition and determining the impact of the number of its effectiveness. All members of the Nominating Committee attended the meeting(s), except for Dato' Wahab bin Hamid who has not attended any meeting as he was appointed on 19 August 2011.

The Nominating 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 Nominating 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 in discharging their duties.

The Company Secretaries 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

As at the date of this statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme including Dato' Wahab Bin Hamid who was appointed as Director on 1 June 2011.

The Directors are encouraged to attend the relevant training courses and or external professional programmes deemed necessary so as to keep abreast with the changes on guidelines issued by the relevant authorities as well as developments of the business environment, which can complement their services to the Group. The Directors are also updated by the Company Secretary on any changes to legal and governance requirements of the Group.

The Directors will continue to undergo other relevant training programmes from time to time to enhance their skills and knowledge where relevant. The training, conferences or seminars attended and or conducted by Directors during the financial year are as follows:

Category	Topic/Title of Training Programmes Attended By Directors
Board and Corporate Governance	• Seminar On Consequences Of Non Compliance With Corporate Laws • Securities Commission – Bursa Corporate Governance Week 2011, Sustainability : Taking Corporate Governance A Step Further
Public Policy & Investment	• Khazanah Global Lectures with Mary Robinson, the Former President of Ireland • How The 10th Malaysia Plan Could Stimulate The Growth Of Private Sector • Brainstorming Session On Property Development • Bilateral Trade Agreement And Business Opportunity In Turbulent Time
Financial Management	• National Tax Conference 2011 • 2011 National Tax Seminar • BDO Tax Forum Series – Bringing It Together towards a High Income Nation 2011 Tax Updates • Converge, Transform Sustain : Towards World Class Excellence
Management & Ledership	• Program on Asia-Pacific Executive MBA (CH) by National University of Singapore • Managing Technology In An Uncertain World
Industry Related	• 2011 International Conference on Oil Palm and environment

Category	Topic Of Training Programmes Conducted By Director
Legal & Compliance	• Final Year Undergraduates At The School Of Law, University Malaya • Judicial Training Officers Of The Institut Latihan Kehakiman Dan Kepeguaman • Human Rights Commission (Suhakam) • Invest Penang • Mediating Inter-Religious And Inter-Race Marriage Dispute At 2nd Asian Mediation Association Conference In Kuala Lumpur

Statement on Corporate Governance (cont'd)

Re-election Of Directors

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 (3) 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 re-election of each Director is voted on separately.

In accordance with Section 129(6) of the Companies Act, 1965, Directors who are over seventy (70) years of age are required to seek shareholders' approval for re-appointment annually.

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee comprises the following members:

Ibrahim Mahdi Phee	-	Chairman, Independent Non-Executive Director
Tang Yin Kham	-	Member, Independent Non-Executive Director
Goh Kee Seng	-	Member, Non-Independent Non-Executive Director
Dato' Wahab Bin Hamid (Appointed on 19 August 2011)	-	Member, Independent Non Executive Director

The Remuneration Committee consists entirely of Non-Executive Directors, a majority of whom are independent. The Remuneration Committee is responsible for, inter alia, recommending to the Board the policy framework and remuneration structure for Directors as well as the remuneration packages of Executive Directors.

The determination of remuneration packages of Non-Executive Directors including that of Non-Executive Chairman of the Board shall be a matter for the Board as a whole. During the financial year, the Remuneration Committee met twice, attended by all the members except for Dato' Wahab bin Hamid who attended one meeting due to his appointment on 19 August 2011.

The Remuneration Committee is empowered by the Board and its terms of reference to review proposed share option schemes, appraise performance of each individual Executive Director in proposing salary increment as well as annual bonus, considering and reviewing fringe benefits issues and to evaluate different remuneration methods and philosophies as well conducting studies of current industry practice.

Details of the Directors' Remuneration

The Directors' fees payable to Directors are approved by shareholders at each AGM. All Directors are also paid allowance for each meeting they attend. 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 2011 are as follows:

Category of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Directors' Fees	72	219	291
Salary and bonus	949	-	948
Other emoluments	819	65	884
Total	**1,839**	**284**	**2,123**

The remuneration paid/payable to Directors, analysed into bands of RM50,000 each for the financial year ended 31 December 2011 is summarised as follows:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	3
RM50,001 – RM100,000	-	3
RM500,001 – RM550,000	1	-
RM1,300,001 – RM1,350,000	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 Company that warrant an announcement to Bursa Securities under the Listing Requirements to 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 AGM and/or 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 Board 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 http://www.eonmetall.com that provides an easy and convenient avenue for public to gain access to more information of the Group.

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. 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 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 Relation To The 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 Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia 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.

Statement on Corporate Governance (cont'd)

Internal Control

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.

The Statement on Internal Control in this Annual Report provides an overview on the state of internal controls within the Group.

Relationship With 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 under Audit Committee Report in this 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 in this Annual Report.

Compliance Statement

The Group has complied throughout the financial year ended 31 December 2011 and up to-date, with all the principles and best practices of the Code, except for the followings:

- The Board does not have a formal schedule of matters specifically reserved to it for decision as it has been the Board's practice to deliberate on matters that involve overall Group strategy and direction, acquisition and divestment policy, approval of capital expenditure, consideration of significant financial matters and the review of the financial and operating performance of the Group;

- There is no formal training/induction program for new Director. On joining, new Director is given background information on the Group and its activities. Site visits are arranged whenever necessary;

- All concerns regarding the Group can be conveyed to any one of the Directors and or will be deliberated by all Directors during the Board meeting. As such the Board had not appointed a Senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed;

- The Board had opted not to disclose each Director's remuneration as it considers the information sensitive; and

- The Board has not developed position description for the Board and the Managing Director nor has a formal schedule of matters specifically reserved to it for decision. The Board recognizes the importance for a proper identification of the roles and limits of management as well as a formal schedule on matters that require multiple Board signatures and/or Board decision. Moreover, this is due to the current set-up of the Board whereby a majority of the members have been with the Group since its commencement and thus, are cognisant of their respective roles and responsibilities over the years;

This statement is issued in accordance with a resolution of the Directors dated 30 April 2012.

Statement on Corporate Social Responsibility

The Board of Directors of Eonmetall Group Berhad has 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 take good care of the welfare of its employees and employ them under fair and equitable terms besides offering equal opportunity for career advancement based on performance and academic qualification. The Group constantly upgrades the employees’ skill, knowledge and experiences which would enhance the individual employee’s competency. Monthly contributions are made to Human Resource Development Fund to support the Government’s 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 coverage on top of the statutory SOCSO contribution for employees to mitigate medical and accidental contingencies.

Statement on Internal Control

Pursuant to Paragraph 15.26(b) of the Listing Requirements, the Board of Directors of Eonmetall Group Berhad is pleased to present the following statement on the state of internal control of the Group (comprising the Company and its subsidiaries), which has been prepared in accordance with the *Statement on Internal Control: Guidance for Directors of Public Listed Companies ('Internal Control Guidance')* issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities 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 FUNCTION

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 function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profiles. 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. Internal audit reports will be submitted to the Audit Committee twice a year on areas for improvement and will be subsequently follow up to determine the extent of their recommendations that have been implemented.

Statement on Internal Control (cont'd)

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.

Based on the internal audit reports for the financial year ended 31 December 2011, 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 30 April 2012.

Audit Committee Report

Membership

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

- Tang Yin Kham - Chairman, Independent Non-Executive Director
- Ibrahim Mahdi Phee - Member, Independent Non-Executive Director
- Goh Kee Seng - Member, Non-Independent Non-Executive Director
- Dato' Wahab bin Hamid - Member, Independent Non-Executive Director (Appointed on 19 August 2011)

Terms of reference

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

Meetings

During the financial year ended 31 December 2011, the Committee held a total of six (6) meetings. The attendance of the Committee members is as follows:

	No. of Committee Meetings	
Name	**Held**	**Attended**
Tang Yin Kham	6	6
Ibrahim Mahdi Phee	6	6
Goh Kee Seng	6	6
Dato' Wahab bin Hamid (Appointed on 19 August 2011)	1	1

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. The Company Secretary was present by invitation in all the meetings. Executive Directors and representatives of the external auditors and internal auditors were also invited to attend the meetings as and when the need arise.

During the financial year under review, the Committee met twice (2) with the external auditors without presence of Executive Directors which complies with the requirement of the Best Practices in Corporate Governance under Part II of the Malaysian Code on Corporate Governance.

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 annual audit, audit report, including the management's response;
- Reviewed the quarterly and year end financial statements of the Group before submission to the Board of Directors for consideration and approval;
- Reviewed the reports on internal audit, carried out by an independent professional accounting and consulting firm, 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;
- Reviewed and recommended to the Board, the draft Audit Committee Report, Statement on Internal Control and Statement on Corporate Governance which were incorporated in this Annual Report for the financial year ended 31 December 2010;
- Reviewed any major proposed transaction that would affect the risk management framework; and
- Reviewed and monitored related party transactions undertaken by the Group.

Internal audit function

The Committee acknowledges the need for an effective system of internal control covering all aspects of the Group's activities including the mapping and management of risks which the Group may be exposed to.

The Group outsourced its internal audit function to an independent professional accounting and consulting firm, Messrs. UHY, to carry out internal audit on the Group. The cost incurred for the internal audit function in respect of the financial year under review is RM16,000.

The principal role of the internal audit function is to undertake independent and periodic reviews of the system of internal controls 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 Committee with independent and objective reports on the state of internal controls 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 2011, the internal audit function carried out 2 cycles of internal audit on the internal control systems of the Group. The opportunities for improvement were noted and together with the recommendations thereof and agreed management action plans, were presented to the Committee for consideration.

Further details on the internal audit function and its activities are set out in the Statement on Internal Control in this 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.

Audit Committee Report (cont'd)

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

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.

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

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

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

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

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 Compliance Information

1. Share Buy-backs

The details of the Company's Share Buy-back Exercise during the financial year ended 31 December 2011 is as follows:

Month of Purchased	No. of Shares Purchased and Retained As Treasury Shares	Purchase Price per share		Average Price (RM)	Total Consideration Paid (RM)
		Highest Price (RM)	Lowest Price (RM)		
October 2011	1,010,000	0.29	0.29	0.29	292,900.00

During the financial year, all the shares purchased by the Company was retained as treasury shares and no shares were resold or cancelled. As at 31 December 2011, the number of treasury shares was 1,010,000 ordinary shares.

2. Options or Convertible Securities

During the financial year ended 31 December 2011, no options or convertible securities were exercised.

3. Employees' Share Option Scheme ("ESOS")

The details of the said ESOS during the financial year ended 31 December 2011 ("FY 2011") were as follows:

	During the FY2011	Since the commencement of ESOS
Total number of options granted	-	16,560,000
Total number of options exercised or vested	-	6,171,000
Total number of options forefeited or expired	12,000	4,451,000
Total number of options outstanding	5,938,000	5,938,000

Options Granted to Executive Directors in Office	During the FY2011	Since the commencement of ESOS
Total number of options granted	-	1,500,000
Total number of options exercised or vested	-	210,000
Total number of options forfeited or expired	-	-
Total number of options outstanding	1,290,000	1,290,000

Options Granted to Executive Directors and Senior Management in office	During the FY2011 (%)	Since the commencement of ESOS (%)
Aggregate maximum allocation in percentage	-	22%
Actual percentage granted	-	8%

Additional Compliance Information (cont'd)

4. Depository Receipt Programme

During the financial year, the Company did not sponsor any depository receipt programme.

5. 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.

6. Non-audit fees

Non-audit fees amounting to RM25,000 for the Group and RM 1,500 for the Company were paid to the external auditors for the financial year ended 31 December 2011.

7. Variation in Results

There was a variance of more than 10% between Group's profit after tax stated in audited financial statements for the financial year ended 31 December 2011 and Group's profit after tax stated in the unaudited fourth quarter results ended 31 December 2011 announced on 29 February 2012. The audited Group's profit after tax is RM9.6 million which is RM2.3 million higher than the unaudited Group's profit after tax of RM7.3 million. The deviation is reconciled and explained as below:

		RM'000
The increase in profit after tax was mainly due to:		
(a)	Reversal of inventory written off and written down (N1)	2,391
(b)	Charging out the pre-operating expenses arising from its Indonesian based subsidiary; PT Eonmetall Investment	(67)
(c)	Lesser share of profit from associated company	(38)
		2,286

N1: The reversal consisted of the following:
- (i) Inventory written-off amounting to RM400,232
- (ii) Inventory written-down amounting to RM1,990,501

(collectively referred to as "Reversals")

The Reversals are adjusted as Prior Year Adjustment and reflected in the Statement of Comprehensive Income for financial year ended 31 December 2010.

Please refer to Note 37 in the notes to the financial statement for the year ended 31 December 2011.

8. Profit Guarantee

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

9. Material Contracts

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

10. Status of Utilisation of Proceeds Raised from Any Proposal

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

Additional Compliance Information (cont'd)

11. Recurrent Related Party Transactions of a Revenue or Trading Nature for the year ended 31 December 2011

Details of recurrent related party transactions made during the financial year ended 31 December 2011 pursuant to the shareholders'mandate obtained by the Company at the Annual General Meeting held on 27 June 2011 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	592	Sale of steel products and servicing charges	*Interested Director and Major Shareholder* Dato' Goh Cheng Huat *Interested Director* Mr Goh Kee Seng Mr. Goh Hong Kent *Person Connected and Major Shareholder* Datin Tan Pak Say *Interested Major Shareholder* Eonmetall Corporation Sdn Bhd
		136	Purchase of steel products and servicing income of steel products	
	Eonmetall Systems Sdn Bhd	3	Purchase of steel products and servicing charges	
		516	Letting of factory building	
	Eonmetall Technology Sdn Bhd	209	Maintenance of machinery	
		116	Purchase of steel products	
	Eonsteel Sdn Bhd	69	Purchase of steel products	
Leader Steel Service Centre Sdn Bhd	Eonmetall Industries Sdn Bhd	55,386	Sale of steel products and servicing income of steel products	
		1,668	Purchase of steel products and servicing charges	
	Eonmetall Technology Sdn Bhd	436	Sale and maintenance of machinery	
		88	Purchase of steel products	
	Eonsteel Sdn Bhd	47	Purchase of steel products	
Genrizt Storage System	Eonmetall Industries Sdn Bhd	691	Sale of steel products	*Person connected to Major Shareholder* Mr Tan Kheng Hwa Madam Tan Phaik Hoon
Eonlipids Sdn Bhd	Eonmetall Industries Sdn Bhd	628	Sale of steel products	*Interested Director and Major Shareholder* Dato' Goh Cheng Huat *Person Connected and Major Shareholder* Datin Tan Pak Say *Interested Directors and Major Shareholder* Mr Goh Kee Seng *Interested Major Shareholder* Eonmetall Corporation Sdn Bhd
	Eonmetall Technology Sdn Bhd	3,575	Sale of machinery	

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	9,635,307	4,489,697
Attributable to:		
Owners of the parent	9,639,167	4,489,697
Non-controlling interests	(3,860)	0
	9,635,307	4,489,697

DIVIDENDS

Dividends paid since the end of the previous financial year was as follows:

	Company RM
In respect of financial year ended 31 December 2010:	
Final tax exempt dividend of 5.0% per ordinary share, paid on 8 September 2011	4,279,275

The Directors propose a final tax exempt dividend of 5.0% per ordinary share, in respect of the financial year ended 31 December 2011, which is subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no new shares and debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

The Company implemented an Employees' Share Option Scheme ("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.

Directors' Report (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES (cont'd)

The salient features and other terms of the ESOS are disclosed in Note 30 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 1.1.2011**	**(Exercised)**	**(Lapsed)**	**At 31.12.2011**
2 August 2005	* RM0.67	5,950,000	0	(12,000)	5,938,000

* 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.

DIRECTORS

The Directors who have held office 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
Dato' Wahab Bin Hamid (appointed on 1 June 2011)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2011 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 were as follows:

	Number of ordinary shares of RM0.50 each			
Name of Directors	**Balance as at 1.1.2011**	**Bought**	**Sold**	**Balance as at 31.12.2011**
Tan Sri Dato' Mohd Desa bin Pachi:				
Interest in the Company:				
- own	630,000	0	0	630,000
Deemed interest in the Company:				
- others *	2,168,400	0	(123,400)	2,045,000
Dato' Goh Cheng Huat:				
Interest in the Company:				
- own	27,720,000	2,700,000	0	30,420,000
Deemed interest in the Company:				
- own	84,049,128	0	0	84,049,128
Yeoh Cheng Chye:				
Interest in the Company:				
- own	1,553,636	0	0	1,553,636

DIRECTORS' INTERESTS (cont'd)

Name of Directors	Number of ordinary shares of RM0.50 each Balance as at 1.1.2011	Bought	Sold	Balance as at 31.12.2011
Tan Sri Dato' Soong Siew Hoong:				
Interest in the Company:				
- own	510,000	0	0	510,000
Deemed interest in the Company:				
- own	246,600	150,000	0	396,600
Goh Kee Seng:				
Interest in the Company:				
- own	2,721,336	0	0	2,721,336
Ibrahim Mahdi Phee:				
Interest in the Company:				
- own	30,000	0	0	30,000

* These are shares held in the name of his 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.

Name of Directors	Number of options over ordinary shares of RM0.50 each Balance as at 1.1.2011	Granted	(Exercised)	(Lapsed)	Balance as at 31.12.2011
The Company					
Tan Sri Dato' Mohd Desa Bin Pachi	270,000	0	0	0	270,000
Dato' Goh Cheng Huat	615,000	0	0	0	615,000
Yeoh Cheng Chye	675,000	0	0	0	675,000
Tan Sri Dato' Soong Siew Hoong	315,000	0	0	0	315,000
Goh Kee Seng	210,000	0	0	0	210,000
Tang Yin Kham	315,000	0	0	0	315,000
Ibrahim Mahdi Phee	525,000	0	0	0	525,000

Madam Tang Yin Kham and Dato' Wahab Bin Hamid 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, none of the Directors have received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation 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 the following:

(a) 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 31 to the financial statements; and

(b) remuneration received by certain Directors as directors/executives of the ultimate holding company and subsidiaries as disclosed in Note 24 and 25 to the financial statements.

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 ESOS as mentioned above.

Directors' Report (cont'd)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT END OF THE FINANCIAL YEAR

(a) 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:-

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there are no bad debts to be written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent; and

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report (cont'd)

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 30 March 2011, the Company's wholly owned subsidiary, Eonmetall International Limited ("EIL"), a company incorporated in Labuan, has established PT. Eonmetall Investment ("PT. Eonmetall") in Indonesia. The intended paid-up share capital of PT. Eonmetall will be USD1.0 million of which EIL holds 95% and the remaining 5% is being held by an individual party of Indonesian nationality. PT. Eonmetall will be principally involved in the industry of crude palm oil and essential oil, oil palm and jatropha plantation, trading, consultancy and management.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

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

Dato' Goh Cheng Huat
Director

Yeoh Cheng Chye
Director

Penang

30 April 2012

Statements of Financial Position
as at 31 December 2011

	Note	Group 2011 RM	Group 2010 RM (restated)	Group 2010 RM	Company 2011 RM	Company 2010 RM
ASSETS						
Non-current assets						
Property, plant and equipment	7	90,749,201	104,872,839	104,872,839	0	0
Investment properties	8	24,858,616	6,488,979	6,488,979	0	0
Investment in subsidiaries	9	0	0	0	54,868,952	53,368,952
Investment in associates	10	2,823,794	3,335,116	3,335,116	0	0
Deferred tax assets	11	1,624,500	2,267,000	2,267,000	0	0
		120,056,111	116,963,934	116,963,934	54,868,952	53,368,952
Current assets						
Inventories	12	53,961,964	59,830,626	65,301,594	0	0
Trade and other receivables	13	25,302,670	15,830,758	15,830,758	50,933,728	49,312,975
Current tax assets		263,046	174,437	174,437	53,852	66,803
Cash and cash equivalents	14	2,942,208	7,412,060	7,412,060	64,542	7,876
		82,469,888	83,247,881	88,718,849	51,052,122	49,387,654
Assets classified as held for sale	15	22,145,328	0	0	0	0
TOTAL ASSETS		224,671,327	200,211,815	205,682,783	105,921,074	102,756,606
EQUITY AND LIABILITIES						
Equity attributable to owners of the parent						
Share capital	16	85,585,500	85,585,500	85,585,500	85,585,500	85,585,500
Treasury shares, at cost	16	(292,900)	0	0	(292,900)	0
Reserves	17	44,648,886	39,318,568	44,789,536	8,029,579	7,819,157
		129,941,486	124,904,068	130,375,036	93,322,179	93,404,657
Non-controlling interests		152,140	0	0	0	0
TOTAL EQUITY		130,093,626	124,904,068	130,375,036	93,322,179	93,404,657

The accompanying notes form an integral part of the financial statements.

Statements of Financial Position
as at 31 December 2011 (cont'd)

	Note	Group 2011 RM	2010 RM (restated)	2010 RM	Company 2011 RM	2010 RM
LIABILITIES						
Non-current liabilities						
Borrowings	18	24,176,410	20,234,272	20,234,272	0	0
Deferred tax liabilities	11	2,743,570	2,693,570	2,693,570	0	0
		26,919,980	22,927,842	22,927,842	0	0
Current liabilities						
Trade and other payables	19	14,820,239	12,751,204	12,751,204	12,598,895	9,351,949
Borrowings	18	52,384,852	39,628,701	39,628,701	0	0
Current tax liabilities		452,630	0	0	0	0
		67,657,721	52,379,905	52,379,905	12,598,895	9,351,949
TOTAL LIABILITIES		94,577,701	75,307,747	75,307,747	12,598,895	9,351,949
TOTAL EQUITY AND LIABILITIES		224,671,327	200,211,815	205,682,783	105,921,074	102,756,606

The accompanying notes form an integral part of the financial statements.

Statements of Comprehensive Income
for the financial year ended 31 December 2011

	Note	Group 2011 RM	Group 2010 RM (restated)	Company 2011 RM	Company 2010 RM
Revenue	22	162,514,106	95,897,947	5,000,000	5,000,000
Cost of sales		(137,893,132)	(78,118,248)	0	0
Gross profit		24,620,974	17,779,699	5,000,000	5,000,000
Other income		3,825,934	2,284,810	604	246
Distribution expenses		(5,738,635)	(5,431,926)	0	0
Administrative expenses		(7,718,739)	(8,817,552)	(510,765)	(365,653)
Other expenses		(33,730)	(1,035,012)	0	0
Finance costs	23	(3,383,014)	(2,374,954)	0	0
Share of loss of associates		(241,571)	(215,490)	0	0
Profit before tax	24	11,331,219	2,189,575	4,489,839	4,634,593
Tax expense	27	(1,695,912)	373,709	(142)	(130)
Profit for the financial year		9,635,307	2,563,284	4,489,697	4,634,463
Other comprehensive income:					
Foreign currency translation		(29,574)	0	0	0
Total comprehensive income		9,605,733	2,563,284	4,489,697	4,634,463
Profit attributable to:					
Owners of the parent		9,639,167	2,563,284	4,489,697	4,634,463
Non-controlling interests		(3,860)	0	0	0
		9,635,307	2,563,284	4,489,697	4,634,463
Total comprehensive income attributable to:					
Owners of the parent		9,609,593	2,563,284	4,489,697	4,634,463
Non-controlling interests		(3,860)	0	0	0
		9,605,733	2,563,284	4,489,697	4,634,463

Earnings per ordinary share attributable to equity holders of the Company (sen):

	Note	Group 2011	Group 2010
Basic earnings per ordinary share	28	5.64	1.50
Diluted earnings per ordinary share	28	N/A	N/A

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2011

Group	Share capital RM	Treasury shares RM	Share premium RM	Share option reserve RM	Statutory reserve RM	Translation reserve RM	Retained earnings RM	Total attributable to owner of the parent RM	Non-controlling interests RM	Total equity RM
Balance at 1 January 2010	85,585,500	0	1,548,580	711,478	101,793	69,239	36,330,293	124,346,883	0	124,346,883
Profit for the financial year	0	0	0	0	0	0	2,563,284	2,563,284	0	2,563,284
Foreign exchange translation differences	0	0	0	0	0	11,600	0	11,600	0	11,600
Total comprehensive income	0	0	0	0	0	11,600	2,563,284	2,574,884	0	2,574,884
Transactions with owners										
Dividend to shareholders	0	0	0	0	0	0	(2,139,639)	(2,139,639)	0	(2,139,639)
Option lapsed due to resignation	0	0	0	(41,396)	0	0	41,396	0	0	0
Share-based payment	0	0	0	121,940	0	0	0	121,940	0	121,940
Total transactions with owners	0	0	0	80,544	0	0	(2,098,243)	(2,017,699)	0	(2,017,699)
Balance at 31 December 2010	85,585,500	0	1,548,580	792,022	101,793	80,839	36,795,334	124,904,068	0	124,904,068

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2011 (cont'd)

Group	Note	Share capital RM	Treasury shares RM	Share premium RM	Share option reserve RM	Statutory reserve RM	Translation reserve RM	Retained earnings RM	Total attributable to owner of the parent RM	Non-controlling interests RM	Total equity RM
Balance at 1 January 2011											
- as previously stated		85,585,500	0	1,548,580	792,022	101,793	80,839	42,266,302	130,375,036	0	130,375,036
- prior year adjustment	37	0	0	0	0	0	0	(5,470,968)	(5,470,968)	0	(5,470,968)
Balance at 1 January 2011 (as restated)		85,585,500	0	1,548,580	792,022	101,793	80,839	36,795,334	124,904,068	0	124,904,068
Profit for the financial year		0	0	0	0	0	0	9,639,167	9,639,167	(3,860)	9,635,307
Foreign exchange translation differences		0	0	0	0	0	(29,574)	0	(29,574)	0	(29,574)
Total comprehensive income		0	0	0	0	0	(29,574)	9,639,167	9,609,593	(3,860)	9,605,733
Transactions with owners											
Dividend to shareholders	29	0	0	0	0	0	0	(4,279,275)	(4,279,275)	0	(4,279,275)
Non-controlling interest arising on a business combination		0	0	0	0	0	0	0	0	156,000	156,000
Option lapsed due to resignation		0	0	0	(1,599)	0	0	1,599	0	0	0
Purchase of treasury shares		0	(292,900)	0	0	0	0	0	(292,900)	0	(292,900)
Total transactions with owners		0	(292,900)	0	(1,599)	0	0	(4,277,676)	(4,572,175)	156,000	(4,416,175)
Balance at 31 December 2011		85,585,500	(292,900)	1,548,580	790,423	101,793	51,265	42,156,825	129,941,486	152,140	130,093,626

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity
for the financial year ended 31 December 2011

Company	Note	Share capital RM	Treasury shares RM	Share premium RM	Share option reserve RM	Retained earnings RM	Total equity RM
Balance at 1 January 2010		85,585,500	0	1,058,688	1,386,994	2,756,711	90,787,893
Profit for the financial year		0	0	0	0	4,634,463	4,634,463
Total comprehensive income		0	0	0	0	4,634,463	4,634,463
Transactions with owners							
Dividend to shareholders		0	0	0	0	(2,139,639)	(2,139,639)
Share-based payment		0	0	0	121,940	0	121,940
Total transactions with owners		0	0	0	121,940	(2,139,639)	(2,017,699)
Balance at 31 December 2010		85,585,500	0	1,058,688	1,508,934	5,251,535	93,404,657
Balance at 1 January 2011		85,585,500	0	1,058,688	1,508,934	5,251,535	93,404,657
Profit for the financial year		0	0	0	0	4,489,697	4,489,697
Total comprehensive income		0	0	0	0	4,489,697	4,489,697
Transactions with owners							
Dividend to shareholders	29	0	0	0	0	(4,279,275)	(4,279,275)
Purchase of treasury shares	16	0	(292,900)	0	0	0	(292,900)
Total transactions with owners		0	(292,900)	0	0	(4,279,275)	(4,572,175)
Balance at 31 December 2011		85,585,500	(292,900)	1,058,688	1,508,934	5,461,957	93,322,179

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		11,331,219	2,189,575	4,489,839	4,634,593
Adjustments for:					
Depreciation of property, plant and equipment	7	7,631,955	7,561,630	0	0
Depreciation of investment property	8	75,195	0	0	0
Gain on disposal of property, plant and equipment	24	(60,932)	(9,999)	0	0
Dividend income		0	0	(5,000,000)	(5,000,000)
Impairment loss of trade receivables	24	480,017	918,340	0	0
Interest income	24	(23,776)	(225,380)	(604)	(246)
Interest expense	23	3,383,014	2,374,954	0	0
Inventories written off	24	879,902	0	0	0
Inventories written down	24	0	5,470,968	0	0
Share of loss of associates		241,571	215,490	0	0
Share-based payment		0	121,940	0	32,700
Operating profit/(loss) before changes in working capital		23,938,165	18,617,518	(510,765)	(332,953)
Changes in working capital:					
Increase in inventories		(2,000,304)	(3,759,813)	0	0
(Increase)/Decrease in trade and other receivables		(9,795,929)	3,021,846	(1,620,753)	(11,561,665)
Increase in trade and other payables		2,069,035	2,714,362	3,246,946	9,120,645
		14,210,967	20,593,913	1,115,428	(2,773,973)
Dividend received	24	0	0	5,000,000	5,000,000
Tax (paid)/refunded		(639,391)	(401,246)	12,809	(1,052)
Net cash flow from operating activities		13,571,576	20,192,667	6,128,237	2,224,975

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2011 (cont'd)

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	7(a)	(26,760,601)	(6,198,480)	0	0
Purchase of investment property	8	(136,380)	(1,830,740)	0	0
Proceeds from disposal of property, plant and equipment		248,000	10,000	0	0
Purchase of treasury shares	16	(292,900)	0	(292,900)	0
Interest received		23,776	225,380	604	246
Investment in subsidiaries		0	0	(1,500,000)	(100,002)
Dividend received from an associate		269,750	125,396	0	0
Net cash used in investing activities		(26,648,355)	(7,668,444)	(1,792,296)	(99,756)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds/(Repayment) from short term borrowings, net		9,635,792	(10,135,551)	0	0
Proceeds/(Repayment) of term loans		5,430,671	(6,728,810)	0	0
Repayment of hire purchase liabilities		(256,788)	(202,197)	0	0
Interests paid		(3,383,014)	(2,374,954)	0	0
Dividend paid		(4,279,275)	(2,139,639)	(4,279,275)	(2,139,639)
Net cash flow from/(used in) financing activities		7,147,386	(21,581,151)	(4,279,275)	(2,139,639)
Net (decrease)/increase in cash and cash equivalents		(5,929,393)	(9,056,928)	56,666	(14,420)
Effect of exchange rate changes on cash and cash equivalents		(29,573)	0	0	0
Cash and cash equivalents at beginning of financial year		2,395,645	11,452,573	7,876	22,296
Cash and cash equivalents at end of financial year	14	(3,563,321)	2,395,645	64,542	7,876

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements
31 December 2011

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang.

The principal places of business of the Company are located at Lot 1258 & 1259, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang and Lot 385 & 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang.

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

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 30 April 2012.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of its subsidiaries are as set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ('FRSs') and the provisions of the Companies Act, 1965 in Malaysia. However, Note 38 to the financial statements as set out on page 119 has been prepared in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Basis of consolidation (cont'd)

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures 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 impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represents the equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at either fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by FRSs. The choice of measurement basis is made on an combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

The Group has applied the revised FRS 3 Business Combinations in accounting for business combinations from 1 January 2011 onwards. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the Standard.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 Financial Instruments: Recognition and Measurement or, where applicable, the cost on initial recognition of an investment in associate or jointly controlled entity.

Notes to the Financial Statements
31 December 2011 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.3 Business combinations (cont'd)

Business combinations from 1 January 2011 onwards

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 *Income Taxes* and FRS 119 *Employee Benefits* respectively;

(b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with FRS 2 *Share-based Payment* at the acquisition date; and

(c) assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of FRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with FRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 January 2011

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.3 Business combinations (cont'd)

Business combinations before 1 January 2011 (cont'd)

At the acquisition date, the cost of business combination is allocated to identifiable assets acquired, liabilities assumed and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

When a business combination includes more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates 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%

Freehold land has unlimited useful life and is not depreciated. Capital work-in-progress represents machinery under installation and renovation-in-progress and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

Notes to the Financial Statements
31 December 2011 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.4 Property, plant and equipment and depreciation (cont'd)

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

4.5 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of land and building

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 Leases and hire purchase (cont'd)

(c) Leases of land and building (cont'd)

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

4.6 Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, which includes transaction costs.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

4.7 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company have power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost. Investments accounted for at cost shall be accounted for in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale in accordance with FRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

(b) Associate

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In the Company's separate financial statements, an investment in associate is stated at equity method less impairment losses.

Notes to the Financial Statements
31 December 2011 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.7 Investments (cont'd)

(b) Associate (cont'd)

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the investments.

The interest in the associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the Group's net investment in the associate.

The Group's share of the profit or loss of the associate during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. When the end of the reporting periods of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in end of the reporting periods is no more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

Upon disposal of an investment in associate, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

4.8 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries and associates), inventories, deferred tax assets, investment properties measured at cost and non-current assets 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, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.8 Impairment of non-financial assets (cont'd)

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with FRS 8.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to profit or loss.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' 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.

Such reversals are recognised as income immediately in profit or loss except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation reserve account of the same asset. However, to the extent that an impairment loss in the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

4.9 Inventories

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

Cost is determined using the first-in, first-out formula. The cost of trading inventories and raw materials comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and manufactured inventories includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.9 Inventories (cont'd)

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.

4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at 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 issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

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 marketplace convention.

Notes to the Financial Statements
31 December 2011 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.10 Financial instruments (cont'd)

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a 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.

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.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.10 Financial instruments (cont'd)

(c) Equity (cont'd)

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

If the Company reacquires its own equity instruments, the consideration paid, including any attributable transaction costs is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.11 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. The probability of shareholders' approval (if required in the jurisdiction) is considered as part of the assessment of whether the sale is highly probable.

The sale is expected to qualify for recognition as a completed sale within one (1) year from the date of classification. However, an extension of the period required to complete the sale does not preclude the assets from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to its plan to sell the assets.

Immediately before the initial classification as held for sale, the carrying amounts of the non-current assets are measured in accordance with applicable FRSs. On initial classification as held for sale, non-current assets are measured at the lower of carrying amount before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

Non-current assets held for sale are classified as current assets in the statement of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current asset classified as held for sale is presented separately.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.11 Non-current assets held for sale (cont'd)

If the Group has classified an asset as held for sale but subsequently the criteria for classification is no longer met, the Group ceases to classify the asset as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale at the lower of:

(a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognised had the asset not been classified as held for sale; and

(b) its recoverable amount at the date of the subsequent decision not to sell.

4.12 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

<u>Loan and receivables</u>

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable or investee, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4.13 Borrowing costs

All borrowing cost is recognised in profit or loss in the period in which they are incurred.

4.14 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign subsidiary, associate or jointly controlled entity on distributions to the Group and Company, and real property gains taxes payable on disposal of properties.

Taxes in the income statement comprise current tax and deferred tax.

(a) Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.14 Income taxes (cont'd)

(a) Current tax (cont'd)

Current tax for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) either the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting period.

4.15 Provisions

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

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes to the Financial Statements
31 December 2011 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.15 Provisions (cont'd)

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.16 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest.

4.17 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.17 Employee benefits (cont'd)

(c) Shared-based payments

The Group operates an equity-settled share-based compensation plan, allowing the employees of the Group to acquire ordinary shares of the Company at predetermined prices. The total fair value of share options granted to employees is recognised as an expense with a corresponding increase in the share options reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on the vesting date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share options reserve until the options are exercised, upon which it will be transferred to share premium, or until the options expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

4.18 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of comprehensive income. All resulting translation differences are recognised as a separate component of equity.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.18 Foreign currencies (cont'd)

(c) Foreign operations (cont'd)

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

4.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group retains neither continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Services

Revenue in respect of the rendering of services is recognised when the stage of completion at the end of the reporting period and the cost incurred can be reliably measured. The stage of completion is determined by the services performed to date as a percentage of total services to be performed.

(c) Construction contracts

Profits from contract works are recognised on a percentage of completion method. Percentage of completion is determined on the proportion of contract costs incurred for work performed to date against total estimated costs where the outcome of the project can be estimated reliably.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.19 Revenue recognition (cont'd)

(d) Dividend income

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

(e) Interest income

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

(f) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

4.20 Operating segments

Operating segments are defined as components of the Group that:

(a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and

(ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Notes to the Financial Statements
31 December 2011 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.20 Operating segments (cont'd)

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.21 Earning per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS

5.1 New FRSs and amendment to FRSs adopted during the financial year

(a) Amendments to FRS 132 are mandatory for annual periods beginning on or after 1 March 2010 in respect of the classification of rights issues.

These Amendments clarify that rights, options or warrants to acquire a fixed number of the Group's own equity instruments for a fixed amount of any currency shall be classified as equity instruments rather than financial liabilities if the Group offers the rights, options or warrants pro rata to all of its own existing owners of the same class of its own non-derivative equity instruments.

There is no impact upon adoption of these Amendments during the financial year.

(b) IC Interpretation 12 *Service Concession Arrangements* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to operators for public-to-private service concession arrangements, whereby infrastructure within the scope of this Interpretation shall not be recognised as property, plant and equipment of the operator. The operator shall recognise and measure revenue in accordance with FRS 111 *Construction Contracts* and FRS 118 for the services performed. The operator shall also account for revenue and costs relating to construction or upgrade services in accordance with FRS 111.

Consideration received or receivable by the operator for the provision of construction or upgrade services shall be recognised at its fair value. If the consideration consists of an unconditional contractual right to receive cash or another financial asset from the grantor, it shall be classified as a financial asset. Conversely, if the consideration consists of a right to charge users of the public service, it shall be classified as an intangible asset.

This Interpretation is not applicable to the Group.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.1 New FRSs and amendment to FRSs adopted during the financial year (cont'd)

(c) FRS 1 *First-time Adoption of Financial Reporting Standards* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 1 and shall be applied when the Group adopts FRSs for the first time via the explicit and unreserved statement of compliance with FRSs. An opening FRS statement of financial position shall be prepared and presented at the date of transition to FRS, whereby:

(i) All assets and liabilities shall be recognised in accordance with FRSs;
(ii) Items of assets and liabilities shall not be recognised if FRSs do not permit such recognition;
(iii) Items recognised in accordance with previous GAAP shall be reclassified in accordance with FRSs; and
(iv) All recognised assets and liabilities shall be measured in accordance with FRSs.

All resulting adjustments shall therefore be recognised directly in retained earnings at the date of transition to FRSs.

There is no impact upon adoption of this Standard during the financial year.

(d) FRS 3 *Business Combinations* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 3 and now includes business combinations involving mutual entities and those achieved by way of contract alone. Any non-controlling interest in an acquiree shall be measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The time limit on the adjustment to goodwill due to the arrival of new information on the crystallisation of deferred tax benefits shall be restricted to the measurement period resulting from the arrival of the new information. Contingent liabilities acquired arising from present obligations shall be recognised, regardless of the probability of outflow of economic resources.

Acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred and the services are received. Consideration transferred in a business combination, including contingent consideration, shall be measured and recognised at fair value at acquisition date. Any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss.

In business combinations achieved in stages, the acquirer shall remeasure its previously held equity interest at its acquisition date fair value and recognise the resulting gain or loss in profit or loss.

The revised FRS 3 has been applied prospectively in accordance with its transitional provisions. Assets and liabilities that arose from business combinations whose acquisition dates were before 1 July 2010 are not adjusted.

During the financial year, the newly acquired subsidiary was accounted for in accordance with this new Standard as disclosed in Note 32 to the financial statements.

Notes to the Financial Statements
31 December 2011 (cont'd)

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.1 New FRSs and amendment to FRSs adopted during the financial year (cont'd)

(e) FRS 127 *Consolidated and Separate Financial Statements* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 127 and replaces the current term 'minority interest' with the new term 'non-controlling interest' which is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Accordingly, total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. If the Group loses control of a subsidiary, any gains or losses are recognised in profit or loss and any investment retained in the former subsidiary shall be remeasured at its fair value at the date when control is lost.

According to its transitional provisions, the revised FRS 127 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interest, attribution of losses to non-controlling interest, and disposal of subsidiaries before 1 July 2010. These changes would only affect future transactions with non-controlling interest.

(f) Amendments to FRSs are mandatory for annual periods beginning on or after 1 July 2010.

Amendments to FRS 2 *Share-based Payments* clarify that transactions in which the Group acquired goods as part of the net assets acquired in a business combination or contribution of a business on the formation of a joint venture are excluded from the scope of this Standard. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 5 clarify that non-current asset classified as held for distribution to owners acting in their capacity as owners are within the scope of this Standard. The amendment also clarifies that in determining whether a sale is highly probable, the probability of shareholders' approval, if required in the jurisdiction, shall be considered. In a sale plan involving loss of control of a subsidiary, all assets and liabilities of that subsidiary shall be classified as held for sale, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale. Discontinued operations information shall also be presented. Non-current asset classified as held for distribution to owners shall be measured at the lower of its carrying amount and fair value less costs to distribute. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 138 clarify that the intention of separating an intangible asset is irrelevant in determining the identifiability of the intangible asset. In a separate acquisition and acquisition as part of a business combination, the price paid by the Group reflects the expectations of the Group of an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow. Accordingly, the probability criterion is always considered to be satisfied for separately acquired intangible assets. The useful life of a reacquired right recognised as an intangible asset in a business combination shall be the remaining contractual period of the contract in which the right was granted, and do not include renewal periods. In the case of a reacquired right in a business combination, if the right is subsequently reissued to a third party, the related carrying amount shall be used in determining the gain or loss on reissue. There is no impact upon adoption of these Amendments during the financial year.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.1 New FRSs and amendment to FRSs adopted during the financial year (cont'd)

(f) Amendments to FRSs are mandatory for annual periods beginning on or after 1 July 2010 (cont'd).

Amendments to IC Interpretation 9 clarify that embedded derivatives in contracts acquired in a business combination, combination of entities or business under common controls, or the formation of a joint venture are excluded from this Interpretation. There is no impact upon adoption of these Amendments during the financial year.

(g) IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to hedges undertaken on foreign currency risk arising from net investments in foreign operations and the Group wishes to qualify for hedge accounting in accordance with FRS 139.

Hedge accounting is applicable only to the foreign exchange differences arising between the functional currency of the foreign operation and the functional currency of any parent (immediate, intermediate or ultimate parent) of that foreign operation. An exposure to foreign currency risk arising from a net investment in a foreign operation may qualify for hedge accounting only once in the consolidated financial statements.

Hedging instruments designated in the hedge of a net investment in a foreign operation may be held by any companies within the Group, as long as the designation, documentation and effectiveness requirements of FRS 139 are met. There is no impact upon adoption of this Interpretation during the financial year.

(h) IC Interpretation 17 *Distributions of Non-cash Assets to Owners* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to non-reciprocal distributions of non-cash assets by the Group to its owners in their capacity as owners, as well as distributions that give owners a choice of receiving either non-cash assets or a cash alternative. This Interpretation also applies to distributions in which all owners of the same class of equity instruments are treated equally.

The liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the Group. The liability shall be measured at the fair value of the assets to be distributed. If the Group gives its owners a choice of receiving either a non-cash asset or a cash alternative, the dividend payable shall be estimated by considering the fair value of both alternatives and the associated probability of the owners' selection.

At the end of each reporting period, the carrying amount of the dividend payable shall be remeasured and any changes shall be recognised in equity. At the settlement date, any difference between the carrying amounts of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss. There is no impact upon adoption of this Interpretation during the financial year.

(i) Amendment to FRS 1 *Limited Exemption from Comparative* FRS 7 *Disclosures for First-time Adopters* is mandatory for annual periods beginning on or after 1 January 2011.

This Amendment permits a first-time adopter of FRSs to apply the exemption of not restating comparatives for the disclosures required in Amendments to FRS 7.

Notes to the Financial Statements
31 December 2011 (cont'd)

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.1 New FRSs and amendment to FRSs adopted during the financial year (cont'd)

(i) Amendment to FRS 1 *Limited Exemption from Comparative* FRS 7 *Disclosures for First-time Adopters* is mandatory for annual periods beginning on or after 1 January 2011 (cont'd).

There is no impact upon adoption of this Amendment during the financial year.

(j) Amendments to FRS 1 *Additional Exemptions for First-time Adopters* are mandatory for annual periods beginning on or after 1 January 2011.

These Amendments permit a first-time adopter of FRSs to apply the exemption of not restating the carrying amounts of oil and gas assets determined under previous GAAP.

There is no impact upon adoption of these Amendments during the financial year.

(k) Amendments to FRS 7 *Improving Disclosures about Financial Instruments* are mandatory for annual periods beginning on or after 1 January 2011.

These Amendments require enhanced disclosures of fair value of financial instruments based on the fair value hierarchy, including the disclosure of significant transfers between Level 1 and Level 2 of the fair value hierarchy as well as reconciliations for fair value measurements in Level 3 of the fair value hierarchy.

There is no impact upon adoption of these Amendments during the financial year.

(l) Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions* are mandatory for annual periods beginning on or after 1 January 2011.

These Amendments clarify the scope and the accounting for group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction.

There is no impact upon adoption of these Amendments during the financial year.

(m) IC Interpretation 4 *Determining whether an Arrangement contains a Lease* is mandatory for annual periods beginning on or after 1 January 2011.

This Interpretation requires the determination of whether an arrangement is, or contains, a lease based on an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset. This assessment shall be made at the inception of the arrangement and subsequently reassessed if certain condition(s) in the Interpretation is met.

This Interpretation is not applicable to the Group.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.1 New FRSs and amendment to FRSs adopted during the financial year (cont'd)

(n) IC Interpretation 18 *Transfers of Assets from Customers* is mandatory for annual periods beginning on or after 1 January 2011.

This Interpretation applies to agreements in which an entity receives from a customer either an item of property, plant and equipment that must be used to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or cash for the acquisition or construction of property, plant and equipment. The entity receiving the transferred item is required to assess whether the transferred item meets the definition of an asset set out in the Framework. The credit entry would be accounted for as revenue in accordance with FRS 118.

There is no impact upon adoption of this Interpretation during the financial year because there are no such arrangement in the Group.

(o) Improvements to FRSs (2010) are mandatory for annual periods beginning on or after 1 January 2011.

Amendments to FRS 1 clarify that FRS 108 does not apply to changes in accounting policies made upon adoption of FRSs until after the first FRS financial statements have been presented. If changes in accounting policies or exemptions in this FRS are used, an explanation of such changes together with updated reconciliations shall be made in each interim financial report. Entities whose operations are subject to rate regulation are permitted the use of previously revalued amounts as deemed cost. There is no impact upon adoption of these amendments during the financial year.

Amendments to FRS 3 clarify that for each business combination, the acquirer shall measure at the acquisition date non-controlling interests that consists of the present ownership interests and entitle holders to a proportionate share of the entity's net assets in the event of liquidation. Un-replaced and voluntarily replaced share-based payment transactions shall be measured using the market-based measurement method in accordance with FRS 2 at the acquisition date. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 7 clarify that quantitative disclosures of risk concentrations are required if the disclosures made in other parts of the financial statements are not readily apparent. The disclosure on maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. The Group has incorporated these disclosures on maximum exposure to credit risk in Note 36 to the financial statements.

Amendments to FRS 101 clarify that a statement of changes in equity shall be presented as part of a complete set of financial statements and analysis of other comprehensive income shall also be presented in the statement of changes in equity. This has been reflected in the statement of changes in equity.

Amendments to FRS 121 *The Effects of Changes in Foreign Exchange Rates* clarify that the accounting treatment for cumulative foreign exchange differences in other comprehensive income for the disposal or partial disposal of a foreign operation shall be applied prospectively. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 128 clarify that the accounting treatment for the cessation of significant influence over an associate shall be applied prospectively. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 131 clarify that the accounting treatment for the cessation of joint control over an entity shall be applied prospectively. These Amendments are not applicable to the Group.

Notes to the Financial Statements
31 December 2011 (cont'd)

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.1 New FRSs and amendment to FRSs adopted during the financial year (cont'd)

(o) Improvements to FRSs (2010) are mandatory for annual periods beginning on or after 1 January 2011 (cont'd).

Amendments to FRS 132 clarify that contingent consideration from a business combination that occurred before the effective date of the revised FRS 3 of 1 July 2010 shall be accounted for prospectively. There is no impact upon adoption of these Amendments during the financial year.

Amendments to FRS 134 clarify that updated information on significant events and transactions since the end of the last annual reporting period shall be included in the Group's interim financial report. There is no impact upon adoption of these Amendments during the financial year. However, there would be additional disclosures in the quarterly interim financial statements of the Group.

Amendments to FRS 139 clarify that contingent consideration from a business combination that occurred before the effective date of the revised FRS 3 of 1 July 2010 shall be accounted for prospectively. There is no impact upon adoption of these Amendments during the financial year.

Amendments to IC Interpretation 13 clarify that the fair value of award credits takes into account, amongst others, the amount of the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. These Amendments are not applicable to the Group.

5.2 New Malaysian Financial Reporting Standards ("MFRS") that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012

On 19 November 2011, the Malaysian Accounting Standards Board ('MASB') announced the issuance of the new MFRS framework that is applicable to entities other than private entities.

The Group is expected to apply the MFRS framework for the financial year ending 31 December 2012.

This would result in the Group preparing an opening MFRS statement of financial position as at 1 January 2011 which adjusts for differences between the classification and measurement bases in the existing FRS framework versus that in the new MFRS framework. This would also result in a restatement of the annual and quarterly financial performance for the financial year ending 31 December 2011 in accordance with MFRS which would form the MFRS comparatives for the quarter ending 31 March 2012 and financial year ending 31 December 2012 respectively.

The MFRSs and IC Interpretations expected to be adopted are as follows:

	Effective Date
MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*	1 January 2012
MFRS 2 *Share-based Payment*	1 January 2012
MFRS 3 *Business Combinations*	1 January 2012
MFRS 4 *Insurance Contracts*	1 January 2012
MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2012
MFRS 6 *Exploration for and Evaluation of Mineral Resources*	1 January 2012
MFRS 7 *Financial Instruments: Disclosures*	1 January 2012
MFRS 8 *Operating Segments*	1 January 2012
MFRS 9 *Financial Instruments*	1 January 2015
MFRS 10 *Consolidated Financial Statements*	1 January 2013

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.2 New Malaysian Financial Reporting Standards ("MFRS") that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (cont'd)

The MFRSs and IC Interpretations expected to be adopted are as follows (cont'd):

	Effective Date
MFRS 11 *Joint Arrangements*	1 January 2013
MFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13 *Fair Value Measurement*	1 January 2013
MFRS 101 *Presentation of Financial Statements*	1 January 2012
Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*	1 July 2012
MFRS 102 *Inventories*	1 January 2012
MFRS 107 *Statement of Cash Flows*	1 January 2012
MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2012
MFRS 110 *Events After the Reporting Period*	1 January 2012
MFRS 111 *Construction Contacts*	1 January 2012
MFRS 112 *Income Taxes*	1 January 2012
MFRS 116 *Property, Plant and Equipment*	1 January 2012
MFRS 117 *Leases*	1 January 2012
MFRS 118 *Revenue*	1 January 2012
MFRS 119 *Employee Benefits*	1 January 2012
MFRS 119 *Employee Benefits* (revised)	1 January 2013
MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*	1 January 2012
MFRS 121 *The Effects of Changes in Foreign Exchange Rates*	1 January 2012
MFRS 123 *Borrowing Costs*	1 January 2012
MFRS 124 *Related Party Disclosures*	1 January 2012
MFRS 126 *Accounting and Reporting by Retirement Benefit Plans*	1 January 2012
MFRS 127 *Consolidated and Separate Financial Statements*	1 January 2012
MFRS 127 *Separate Financial Statements*	1 January 2013
MFRS 128 *Investments in Associates*	1 January 2012
MFRS 128 *Investments in Associates and Joint Ventures*	1 January 2013
MFRS 129 *Financial Reporting in Hyperinflationary Economies*	1 January 2012
MFRS 131 *Interests in Joint Ventures*	1 January 2012
MFRS 132 *Financial Instruments: Presentation*	1 January 2012
MFRS 133 *Earnings Per Share*	1 January 2012
MFRS 134 *Interim Financial Reporting*	1 January 2012
MFRS 136 *Impairment of Assets*	1 January 2012
MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2012
MFRS 138 *Intangible Assets*	1 January 2012
MFRS 139 *Financial Instruments: Recognition and Measurement*	1 January 2012
MFRS 140 *Investment Property*	1 January 2012
MFRS 141 *Agriculture*	1 January 2012
Improvements to MFRSs	1 January 2012
Amendments to MFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 March 2012

Notes to the Financial Statements
31 December 2011 (cont'd)

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.2 New Malaysian Financial Reporting Standards ("MFRS") that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (cont'd)

The MFRSs and IC Interpretations expected to be adopted are as follows (cont'd):

	Effective Date
IC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 January 2012
IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*	1 January 2012
IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease*	1 January 2012
IC Interpretation 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 January 2012
IC Interpretation 6 *Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment*	1 January 2012
IC Interpretation 7 *Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies*	1 January 2012
IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 January 2012
IC Interpretation *10 Interim Financial Reporting and Impairment*	1 January 2012
IC Interpretation 12 *Service Concession Arrangements*	1 January 2012
IC Interpretation 13 *Customer Loyalty Programmes*	1 January 2012
IC Interpretation 14 MFRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2012
IC Interpretation 15 *Agreements for the Construction of Real Estate*	1 January 2012
IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	1 January 2012
IC Interpretation 17 *Distributions of Non-cash Assets to Owners*	1 January 2012
IC Interpretation 18 *Transfers of Assets from Customers*	1 January 2012
IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 January 2012
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
IC Interpretation 107 *Introduction of the Euro*	1 January 2012
IC Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities*	1 January 2012
IC Interpretation 112 *Consolidation – Special Purpose Entities*	1 January 2012
IC Interpretation 113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*	1 January 2012
IC Interpretation 115 *Operating Leases – Incentives*	1 January 2012
IC Interpretation 125 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*	1 January 2012
IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	1 January 2012
IC Interpretation 129 *Service Concession Arrangements: Disclosures*	1 January 2012
IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*	1 January 2012
IC Interpretation 132 *Intangible Assets – Web Site Costs*	1 January 2012

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.2 New Malaysian Financial Reporting Standards ("MFRS") that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (cont'd)

Technical Release 3 *Guidance on Disclosures of Transition to IFRSs* ('TR 3') provides voluntary disclosure requirements on the potential impact of adoption of MFRSs. However, the Group is in the process of preparing the opening statement of financial statements and is only able to assess the potential impact as follows:

(a) FRS 116 contains an additional disclosure to require an entity to disclose if it had applied the transitional provision provided by the MASB when FRS 116 was first adopted in 1998. The said transitional provision allowed an entity to carry the asset's revalued amount as surrogate cost.

However, MFRS 116 does not have similar requirements for such a transition.

(b) FRS 117 contains two transitional provisions, one of which is in relation to the transition from MASB 10 *Leases* to FRS 117:

i. An entity that had previously classified its leasehold land as property, plant and equipment shall reclassify the unamortised carrying amount as operating lease.

If the entity had previously revalued such leasehold land, the entity shall retain the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments.

However, MFRS 117 does not have this transitional provision as the requirement to treat leasehold land as operating lease was already prescribed in IAS 17 *Leases*.

ii. An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 *Accounting Policies, Changes in Estimates and Errors* when it first applied the revised Standard.

However, MFRS 117 does not have similar requirements for such a transition.

(c) FRS 121 mandates the use of Ringgit Malaysia as the presentation currency in accordance with the Companies Act, 1965. However, MFRS 121 does not have such a similar requirement.

(d) FRS 139 contains three transitional provisions, namely:

i. Transitional provision for first-time adoption of FRS 139 which prohibits retrospective application and instead, requires an initial application of the recognition, classification and measurement on the effective date of the Standard.

ii. An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the revised Standard.

However, MFRS 139 does not have similar requirements for such a transition.

(e) FRS 140 contains an additional disclosure to require an entity to disclose that it had applied the transitional provision provided by the MASB in 1998. The same transitional provision allowed an entity to carry the asset's revalued amount as surrogate cost.

However, MFRS 140 does not have similar requirements for such a transition.

(f) FRS 4 contains a transitional provision that an entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the Standard.

However, MFRS 4 does not have similar requirements for such a transition.

Notes to the Financial Statements

31 December 2011 (cont'd)

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.2 New Malaysian Financial Reporting Standards ("MFRS") that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (cont'd)

(g) FRS 7 contains two transitional provisions:

i. An entity is not required to present any comparative disclosures required by the Standard when it first applied the Standard.

ii. An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the Standard.

(h) IC Interpretation 12 contains a transitional provision that an entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the Standard.

However, IC 12 is not applicable to the Group.

(i) MFRS 141 *Agriculture* is mandatory for annual period beginning on or after 1 January 2012.

This Standard prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity. It requires measurement at fair value less costs to sell from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. This Standard requires that a change in fair value less costs to sell of a biological asset be included in profit or loss for the period in which it arises.

This Standard is not applicable to the Group.

(j) IC Interpretation 15 *Agreements for the Construction of Real Estate* is mandatory for annual periods beginning on or after 1 January 2012.

This Interpretation applies to the accounting for revenue and associated expenses by entities undertaking construction or real estate directly or via subcontractors. Within a single agreement, the Group may contract to deliver goods or services in addition to the construction of real estate. Such an agreement shall therefore, be split into separately identifiable components.

An agreement for the construction of real estate shall be accounted for in accordance with FRS 111 if the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. Accordingly, revenue shall be recognised by reference to the stage of completion of the contract.

An agreement for the construction of real estate in which buyers only have limited ability to influence the design of the real estate or to specify only minor variations to the basic designs is an agreement for the sale of goods in accordance with FRS 118. Accordingly, revenue shall be recognised by reference to the criteria in paragraph 14 of FRS 118 (e.g. transfer of significant risks and rewards, no continuing managerial involvement nor effective control, reliable measurement, etc.).

This Interpretation is not applicable to the Group.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 July 2012

(a) Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income* are mandatory for annual periods beginning on or after 1 July 2012.

These Amendments requires the Group to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments) or otherwise. It does not change the option to present items of other comprehensive income either before tax or net of tax. However, if the items are presented before tax, then the tax related to each of the two groups of other comprehensive income items shall be shown separately.

The Group is in the process of assessing the impact of implementing these Amendments since the effects would only be observable for the financial year ending 31 December 2013.

(b) MFRS 10 *Consolidated Financial Statements* is mandatory for annual periods beginning on or after 1 January 2013.

This Standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The investor is required to reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

(c) MFRS 11 *Joint Arrangements* is mandatory for annual periods beginning on or after 1 January 2013.

This Standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are classified into two types; joint operations and joint ventures. A joint operation is a joint arrangement whereby joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangements. A joint operator recognises and measures the assets and liabilities in relation to its interest in the arrangement in accordance with applicable relevant MFRS whereas a joint venture recognises the investment using the equity method of accounting.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

(d) MFRS 12 *Disclosure of Interests in Other Entities* is mandatory for annual periods beginning on or after 1 January 2013.

This Standard establishes disclosure objectives and requirements that enable users of financial statements to evaluate the nature of, and risks associated with, the Group's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. If the minimum disclosures required in this Standard are not sufficient to meet the disclosure objectives, the Group is expected to disclose whatever additional information that is necessary to meet that objective.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

Notes to the Financial Statements
31 December 2011 (cont'd)

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 July 2012 (cont'd)

(e) MFRS 13 *Fair Value Measurements* is mandatory for annual periods beginning on or after 1 January 2013.

This Standard applies to FRS that requires or permits fair value measurements or disclosures about fair value measurements. It explains how to measure fair value for financial reporting and does not require fair value measurements in addition to those already required or permitted by other MFRS. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The definition of fair value is a market-based measurement and not an entity-specific measurement whereby assumptions made by market participants would be used when pricing the asset or liability under current market conditions. Consequently, the Group's intention to hold an asset or to settle or fulfil a liability is not relevant when measuring fair value.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

(f) MFRS 127 *Separate Financial Statements (revised)* is mandatory effective for annual periods beginning on or after 1 January 2013.

This revised Standard contains accounting requirements for investments in subsidiaries, joint ventures and associates when separate financial statements are prepared. The Company is required to account for those investments either at cost or in accordance with MFRS 9 in the separate financial statements.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

(g) MFRS 128 *Investments in Associates and Joint Ventures (revised)* is mandatory for annual periods beginning on or after 1 January 2013.

This revised Standard defines the equity method of accounting whereby the investment in an associate or joint venture is initially measured at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

(h) MFRS 119 *Employee Benefits (revised)* is mandatory for annual periods beginning on or after 1 January 2013.

This revised Standard requires the Group to recognise all changes in the defined benefit obligations and in the fair value of related plan assets when those changes occur. The Group is also required to split the changes in the net defined benefit liability or asset into the following three components: service cost (presented in profit or loss), net interest on the net defined benefit liability (presented in profit or loss) and remeasurement of the net defined benefit liability (presented in other comprehensive income and not recycled through profit or loss).

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2013.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRS (cont'd)

5.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 July 2012 (cont'd)

(i) IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* is mandatory for annual periods beginning on or after 1 January 2013.

This Interpretation clarifies that removed material that can be used to build up inventory is accounted for in accordance with the principles of MFRS 102 *Inventories*. The other removed material, that provides access to deeper levels of material that will be mined in future periods, is recognised as a non-current asset (referred to as a 'stripping activity asset') if recognition criteria are met. This Interpretation requires stripping activity assets to be measured at cost at initial recognition. Consequently, they are carried either at cost or revalued amount less depreciation or amortisation and any impairment losses.

This Interpretation is not applicable to the Group.

(j) Amendments to MFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* is mandatory for annual periods beginning on or after 1 January 2013.

These Amendments require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The Group is in the process of assessing the impact of implementing these Amendments since the effects would only be observable for the financial year ending 31 December 2013.

(k) Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities* is mandatory for annual periods beginning on or after 1 January 2014.

These Amendments provide the application guidance for criteria to offset financial assets and financial liabilities.

The Group is in the process of assessing the impact of implementing these Amendments since the effects would only be observable for the financial year ending 31 December 2014.

(l) MFRS 9 *Financial Instruments* is mandatory for annual periods beginning on or after 1 January 2015.

This Standard addresses the classification and measurement of financial assets and financial liabilities. All financial assets shall be classified on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Financial assets are subsequently measured at amortised cost or fair value. Financial liabilities are subsequently measured at amortised cost or fair value. However, changes due to own credit risk in relation to the fair value option for financial liabilities shall be recognised in other comprehensive income.

The Group is in the process of assessing the impact of implementing this Standard since the effects would only be observable for the financial year ending 31 December 2015.

(m) *Mandatory Effective Date* of MFRS 9 and *Transition Disclosures* is effective immediately upon adoption of FRS 9.

This Amendment modifies the effective date of MFRS 9 from 1 January 2013 to 1 January 2015. Transitional provisions in MFRS 9 were also amended to provide certain relief from retrospective adjustments.

The Group is in the process of assessing the impact of implementing these Amendments since the effects would only be observable for the financial year ending 31 December 2015.

Notes to the Financial Statements
31 December 2011 (cont'd)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(a) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

(c) Assets classified as held for sale

Certain non-current assets and liabilities have been classified as held for sale as the management has committed to a plan to sell the assets and liabilities as at the end of the reporting period. Barring any unforeseen circumstances, the Group expects that the sale of the assets and liabilities to be completed within the next twelve (12) months.

6.2 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. The estimated useful lives applied by the Group as disclosed in Note 4.4 to the financial statements reflects the Directors' estimate of the period that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment. These are common life expectancies applied in various business segments of the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

6.2 Key sources of estimation uncertainty (cont'd)

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profits will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(d) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

(e) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

7. PROPERTY, PLANT AND EQUIPMENT

	Balance as at 1.1.2011 RM	Additions RM	Disposal RM	Transfer from inventories RM	Depreciation charges for the financial year RM	Reclassified as investment properties RM	Reclassified as assets held for sale RM	Balance as at 31.12.2011 RM
Group								
Carrying amount								
Freehold land	16,766,910	0	0	0	0	(7,079,717)	(2,324,892)	7,362,301
Buildings	51,997,979	609,668	(151,734)	0	(938,764)	0	(13,270,272)	38,246,877
Plant and machinery, moulds, tools and equipment	32,410,509	454,652	0	0	(5,875,820)	0	0	26,989,341
Furniture, fittings, office equipment and computer software	410,329	227,248	0	0	(198,655)	0	0	438,922
Motor vehicles	1,319,153	817,476	(35,334)	0	(444,300)	0	0	1,656,995
Electrical installation and renovation	971,078	0	0	0	(174,416)	0	0	796,662
Capital work-in-progress	996,881	25,051,057	0	6,989,064	0	(17,778,899)	0	15,258,103
	104,872,839	27,160,101	(187,068)	6,989,064	(7,631,955)	(24,858,616)	(15,595,164)	90,749,201

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Balance as at 1.1.2010 RM	Additions RM	Disposal RM	Reclassification RM	Depreciation charges for the financial year RM	Reclassified as investment properties RM	Balance as at 31.12.2010 RM
Group							
Carrying amount							
Freehold land	19,642,841	0	0	0	0	(2,875,931)	16,766,910
Buildings	35,855,097	2,935,985	0	15,787,680	(798,475)	(1,782,308)	51,997,979
Plant and machinery, moulds, tools and equipment	36,782,103	1,524,836	0	0	(5,896,430)	0	32,410,509
Furniture, fittings, office equipment and computer software	591,662	144,500	0	0	(325,833)	0	410,329
Motor vehicles	372,763	1,309,958	(1)	0	(363,567)	0	1,319,153
Electrical installation and renovation	1,141,453	6,950	0	0	(177,325)	0	971,078
Capital work-in-progress	15,428,310	1,356,251	0	(15,787,680)	0	0	996,881
	109,814,229	7,278,480	(1)	0	(7,561,630)	(4,658,239)	104,872,839

Notes to the Financial Statements
31 December 2011 (cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	At 31.12.2011 Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	7,362,301	0	7,362,301
Buildings	40,937,782	2,690,905	38,246,877
Plant and machinery, moulds, tools and equipment	60,231,558	33,242,217	26,989,341
Furniture, fittings, office equipment and computer software	2,335,849	1,896,927	438,922
Motor vehicles	3,330,096	1,673,101	1,656,995
Electrical installation and renovation	2,049,836	1,253,174	796,662
Capital work-in-progress	15,258,103	0	15,258,103
	131,505,525	40,756,324	90,749,201

Group	At 31.12.2010 Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	16,766,910	0	16,766,910
Buildings	54,164,969	2,166,990	51,997,979
Plant and machinery, moulds, tools and equipment	59,776,906	27,366,397	32,410,509
Furniture, fittings, office equipment and computer software	2,108,601	1,698,272	410,329
Motor vehicles	2,617,620	1,298,467	1,319,153
Electrical installation and renovation	2,049,836	1,078,758	971,078
Capital work-in-progress	996,881	0	996,881
	138,481,723	33,608,884	104,872,839

(a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group 2011 RM	2010 RM
Purchase of property, plant and equipment	27,160,101	7,278,480
Financed by hire purchase arrangements	(399,500)	(1,080,000)
Cash payments on purchase of property, plant and equipment	26,760,601	6,198,480

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) As at 31 December 2011, the carrying amount of the property, plant and equipment of the Group and of the Company under hire purchase are as follows:

	Group	
	2011 RM	2010 RM
Motor vehicle	1,338,487	1,190,236

Details of the terms and conditions of the hire purchase arrangements are disclosed in Notes 18 and 36 to the financial statements respectively.

(b) As at 31 December 2011, property, plant and equipment with a carrying amount of RM53,955,781 (2010: RM79,585,269) have been charged to a bank for credit facilities granted to the Group (Note 18).

8. INVESTMENT PROPERTIES

	Balance as at 1.1.2011 RM	Additions RM	Transfer from property, plant and equipment RM	Depreciation charge for the year RM	Reclassified as assets held for sales RM	Balance as at 31.12.2011 RM
Group						
Carrying amount						
Freehold land	2,875,931	0	7,079,717	0	(2,875,931)	7,079,717
Building	3,613,048	136,380	17,778,899	(75,195)	(3,674,233)	17,778,899
	6,488,979	136,380	24,858,616	(75,195)	(6,550,164)	24,858,616

	Balance as at 1.1.2010 RM	Additions RM	Transfer from property, plant and equipment RM	Balance as at 31.12.2010 RM
Group				
Carrying amount				
Freehold land	0	0	2,875,931	2,875,931
Building	0	1,830,740	1,782,308	3,613,048
	0	1,830,740	4,658,239	6,488,979

Notes to the Financial Statements
31 December 2011 (cont'd)

8. 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.

The fair value of the investment properties as at 31 December 2011 are estimated at approximately RM31.3 million. It is based on the Directors' estimation by reference to market evidence of transaction prices for similar properties and recent experience in the location and category of the properties being valued.

Investment properties are charged to a financial institution for banking facilities granted to the Group (Note 18).

Direct operating expenses arising from investment properties generating rental income during the financial year are RM216,794 (2010: RM79,938).

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2011	2010
At cost:	RM	RM
Unquoted shares	53,577,646	52,077,646
Add : Share-based payment	1,291,306	1,291,306
	54,868,952	53,368,952

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective ownership interest 2011 %	Effective ownership interest 2010 %	Principal activities
Eonmetall Technology Sdn. Bhd. #	Malaysia	100	100	Manufacture of metalwork and industrial process machinery and equipment
Eonmetall Industries Sdn. Bhd. #	Malaysia	100	100	Manufacture and distribution of steel products, focusing on cold rolled coils, galvanized coils and flat steel products
Eonmetall Systems Sdn. Bhd. #	Malaysia	100	100	Manufacture of steel products, focusing on steel storage systems
Eontarr IT Solutions Sdn. Bhd. #	Malaysia	100	100	Provider of IT solutions including software development

9. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of company	Country of incorporation	Effective ownership interest 2011 %	2010 %	Principal activities
Eonchem Technology Sdn. Bhd. #	Malaysia	100	100	Manufacture of industrial process machinery and equipment
Eonsteel Sdn. Bhd. #	Malaysia	100	100	Property holding
Eonmetall Petro-Chem (M) Sdn. Bhd. #	Malaysia	100	100	Investment holding
Eonmetall International Limited ("EIL") #	Malaysia	100	100	Investment holding
Eonchem Biomass Sdn. Bhd. #	Malaysia	100	100	Manufacture of palm oil related products
Eonmetall Agro Sdn. Bhd. #	Malaysia	100	100	Dormant
Subsidiary of Eonmetall International Limited				
PT Eonmetall Investment ^	Indonesia	95	0	Dormant

\# Subsidiaries audited by BDO Malaysia
^ Subsidiary audited by BDO Member Firms

10. INVESTMENT IN ASSOCIATES

	Group 2011 RM	2010 RM
At cost		
Unquoted shares	1,269,000	1,269,000
Share of post-acquisition reserves	1,554,794	2,066,116
	2,823,794	3,335,116

The details of the associates are as follows:

Name of company	Country of incorporation	Effective ownership interest 2011 %	2010 %	Principal activities
Associate of EPC				
Eonmetall Global Composites L.L.C ('EGC') #	Dubai, United Arab Emirates	30	30	Specialised in piping and related fittings contracting
Subsidiary of EGC				
Coolrich District Cooling Services L.L.C #	Dubai, United Arab Emirates	30	30	Engaged in the business of electro mechanical equipment installation, district cooling system and chilled water system cleaning and maintenance services

\# Not audited by BDO Malaysia nor BDO Member Firms

10. INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information of the associates are as follows:

	Principal activities	Country of incorporation	Effective ownership interest (%)	Revenue (100%) RM	Loss (100%) RM	Total assets (100%) RM	Total liabilities (100%) RM
2011							
Associate of EPC							
Eonmetall Global Composites L.L.C ('EGC')	Specialised in piping and related fittings contracting	Dubai, United Arab Emirates	30	510,521	(761,707)	4,996,247	(1,294,862)
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	3,053,167	(504,946)	13,794,071	(3,391,190)
				3,563,688	(1,266,653)	18,790,318	(4,686,052)
2010							
Associate of EPC							
Eonmetall Global Composites L.L.C ('EGC')	Specialised in piping and related fittings contracting	Dubai, United Arab Emirates	30	217,000	(700,000)	6,137,000	5,637,000
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	6,384,000	(18,000)	15,863,000	2,964,000
				6,601,000	(718,000)	22,000,000	8,601,000

11. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

	Group 2011 RM	Group 2010 RM
Balance as at 1 January	426,570	637,899
Recognised in profit or loss (Note 27)	692,500	(211,329)
Balance as at 31 December	1,119,070	426,570
Presented after appropriate offsetting:		
Deferred tax assets, net	(1,624,500)	(2,267,000)
Deferred tax liabilities, net	2,743,570	2,693,570
	1,119,070	426,570

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Fair value adjustment RM	Property, plant and equipment RM	Total RM
Balance as at 1 January 2011	2,042,570	5,105,000	7,147,570
Recognised in profit or loss (Note 27)	0	394,500	394,500
Balance as at 31 December 2011	2,042,570	5,499,500	7,542,070
Balance as at 1 January 2010	2,042,570	6,106,660	8,149,230
Recognised in profit or loss (Note 27)	0	(1,001,660)	(1,001,660)
Balance as at 31 December 2010	2,042,570	5,105,000	7,147,570

Notes to the Financial Statements
31 December 2011 (cont'd)

11. DEFERRED TAX (cont'd)

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (cont'd):

Deferred tax assets of the Group

	Unutilised reinvestment allowance RM	Other deductible temporary differences RM	Total RM
Balance as at 1 January 2011	6,688,000	33,000	6,721,000
Recognised in profit or loss (Note 27)	(265,000)	(33,000)	(298,000)
Balance as at 31 December 2011	6,423,000	0	6,423,000
Balance as at 1 January 2010	7,486,390	24,941	7,511,331
Recognised in profit or loss (Note 27)	(798,390)	8,059	(790,331)
Balance as at 31 December 2010	6,688,000	33,000	6,721,000

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.

(c) The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position are as follows:

	Group	
	2011 RM	2010 RM
Taxable temporary differences	797,600	620,000
Unutilised tax losses	(416,900)	(565,000)
Unabsorbed capital allowances	(85,000)	(141,000)
Provisions	(1,919,140)	(2,256,000)
	(1,623,440)	(2,342,000)

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised.

The deductible temporary differences do not expire under the current tax legislation.

12. INVENTORIES

	Group 2011 RM	Group 2010 RM
At cost		
Raw materials	20,513,966	22,170,146
Work-in-progress	25,625,432	22,144,834
Manufactured inventories	7,822,566	13,834,198
Trading inventories	0	1,681,448
	53,961,964	59,830,626

Included in work-in-progress and manufactured inventories of the Group in 2010 were certain slow-moving metalwork machinery amounting to RM13.2 million without secured orders on hand of which RM2.9 million were under negotiation with potential buyers. The Directors were of the opinion that these slow-moving inventories can be realised at above the carrying amounts and accordingly, no write-down is necessary. However, during the financial year, after further assessment, the Directors are of the view that the cost of certain metalwork machinery are not realisable and hence a prior year adjustment is effected as disclosed in Note 37 to the financial statements to write down the cost of the inventories in the financial statements to its realisable value.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade receivables				
Third parties	15,831,050	17,107,519	0	0
Companies in which certain Directors have substantial financial interests	4,427,527	929,890	0	0
Amount due from contract customers	9,012,848	2,021,974	0	0
	29,271,425	20,059,383	0	0
Less: Impairment loss	(9,038,740)	(8,610,596)	0	0
	20,232,685	11,448,787	0	0
Other receivables				
Amount owing by subsidiaries	0	0	50,932,728	49,291,975
Amount owing by associates	29,150	18,698	0	0
Companies in which certain Directors have substantial financial interests	93,000	34,993	0	0
Other receivables	3,672,857	1,173,298	0	0
	3,795,007	1,226,989	50,932,728	49,291,975
Loan and receivables	24,027,692	12,675,776	50,932,728	49,291,975

Notes to the Financial Statements
31 December 2011 (cont'd)

13. TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Deposits and prepayments				
Deposits	682,856	2,390,649	1,000	1,000
Prepayments	592,122	764,333	0	20,000
	1,274,978	3,154,982	1,000	21,000
Total trade and other receivables	25,302,670	15,830,758	50,933,728	49,312,975

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 0 to 60 days (2010: 0 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Amount due from companies in which certain Directors have substantial financial interests is unsecured, interest-free and payable upon demand in cash and cash equivalents.

(c) Amount owing by subsidiaries and associates are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) Included in trade receivables of the Group are retention sums for contract works amounting to RM1,518,000 (2010: RM538,000).

(e) Amount due from contract customers

	Group	
	2011 RM	2010 RM
Aggregate costs incurred to date	27,594,734	7,443,029
Add : Attributable profits	18,855,114	7,378,945
	46,449,848	14,821,974
Less : Progress billings	(37,437,000)	(12,800,000)
	9,012,848	2,021,974

(f) The currency exposure profile of receivables are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	24,162,168	13,766,247	50,933,728	49,312,975
US Dollar	910,246	1,942,767	0	0
EURO	230,256	121,744	0	0
	25,302,670	15,830,758	50,933,728	49,312,975

13. TRADE AND OTHER RECEIVABLES (cont'd)

(g) The ageing analysis of trade receivables of the Group trade are as follows:

	Group	
	2011 RM	2010 RM
Neither past due nor impaired	7,685,980	5,524,513
Past due, not impaired		
1 to 30 days	9,048,864	1,442,932
31 to 120 days	1,437,743	1,706,098
121 to 365 days	1,382,659	2,118,587
More than 365 days	677,439	656,657
	12,546,705	5,924,274
Past due and impaired	9,038,740	8,610,596
	29,271,425	20,059,383

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of the reporting period are as follows:

	Individually impaired	
	2011 RM	2010 RM
Group		
Trade receivables, gross	9,038,740	8,610,596
Less: Impairment loss	(9,038,740)	(8,610,596)
	0	0

Notes to the Financial Statements

31 December 2011 (cont'd)

13. TRADE AND OTHER RECEIVABLES (cont'd)

(g) The ageing analysis of trade receivables of the Group trade are as follows (cont'd):

The reconciliation of movement in the impairment loss are as follows:

	Group	
	2011 RM	2010 RM
At 1 January	8,610,596	7,692,256
Charge for the financial year	456,929	1,617,233
Reversal of impairment loss	(28,785)	(698,893)
At 31 December	9,038,740	8,610,596

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Deposits with licensed banks	0	200,000	0	0
Cash and bank balances	2,942,208	7,212,060	64,542	7,876
	2,942,208	7,412,060	64,542	7,876

(a) Information on financial risks of cash and cash equivalents are disclosed in Note 36 to the financial statements.

(b) The currency exposure profile of cash and cash equivalents are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	2,376,725	3,500,751	64,542	7,876
US Dollar	565,483	3,911,309	0	0
	2,942,208	7,412,060	64,542	7,876

14. CASH AND CASH EQUIVALENTS (cont'd)

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Deposits with licensed banks	0	200,000	0	0
Cash and bank balances	2,942,208	7,212,060	64,542	7,876
Bank overdrafts included in borrowings (Note 18)	(6,505,529)	(5,016,415)	0	0
	(3,563,321)	2,395,645	64,542	7,876

15. ASSETS CLASSIFIED AS HELD FOR SALE

As at the end of the reporting period, two pieces of freehold land and buildings of the Group were presented as non-current assets classified as held for sale following the Group's commitment to a plan to dispose these assets. As at 31 December 2011, the amounts of the non-current assets classified as held for sale were as follows:

	Group	
	2011 RM	2010 RM
Freehold land and buildings	22,145,328	0

Assets classified as held for sale are charged to a financial institution for banking facilities granted to the Group (Note 18).

16. SHARE CAPITAL

	Group and Company			
	2011		2010	
	Number of shares	Amount RM	Number of shares	Amount RM
Ordinary shares of RM0.50 each:				
Authorised	200,000,000	100,000,000	200,000,000	100,000,000
Issued and fully paid	171,171,000	85,585,500	171,171,000	85,585,500
Treasury shares				
Balance at 1 January	0	0	0	0
Purchase of treasury shares	(1,010,000)	(292,900)	0	0
Balance at 31 December	(1,010,000)	(292,900)	0	0

Notes to the Financial Statements
31 December 2011 (cont'd)

16. SHARE CAPITAL (cont'd)

The amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

During the financial year, the Company repurchased 1,010,000 of its issued ordinary shares from the open market at an average price of RM0.29 per share. The total consideration paid for the repurchase was RM292,900. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 171,171,000 issued and fully paid ordinary shares as at 31 December 2011, 1,010,000 are held as treasury shares by the Company. As at 31 December 2011, the number of outstanding ordinary shares in issue after the set-off is therefore 170,161,000 ordinary shares of RM0.50 each.

17. RESERVES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Non-distributable:				
Share premium	1,548,580	1,548,580	1,058,688	1,058,688
Share option reserve	790,423	792,022	1,508,934	1,508,934
Statutory reserve	101,793	101,793	0	0
Translation reserve	51,265	80,839	0	0
	2,492,061	2,523,234	2,567,622	2,567,622
Distributable:				
Retained earnings	42,156,825	36,795,334	5,461,957	5,251,535
	44,648,886	39,318,568	8,029,579	7,819,157

(a) 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.

(b) Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options on the grant date. 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.

17. RESERVES (cont'd)

(b) Share option reserve (cont'd)

Value of employee services received for issue of share options

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Balance at 1 January	792,022	711,478	1,508,934	1,386,994
Charged to income statements	0	121,940	0	32,700
Additions to investment in subsidiaries	0	0	0	89,240
Value of employee services received for issuance of shares options granted in Year 2005	0	121,940	0	121,940
Option lapsed and/or exercised	(1,599)	(41,396)	0	0
	790,423	792,022	1,508,934	1,508,934

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 model, with the following inputs :

Fair value per share option and assumptions	Group and Company 2011	Group and Company 2010
Fair value at grant date (RM)	0.69	0.69
Exercise price (RM)	* 0.67	* 0.67
Risk-free interest rate (based on Malaysian government bonds)	3%	3%
Expected volatility (weighted average volatility)	45%	45%
Option life (expected weighted average life)	5 years	5 years
Expected dividend yield	5%	5%

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

(c) 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.

(d) Translation reserve

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

Notes to the Financial Statements
31 December 2011 (cont'd)

17. RESERVES (cont'd)

(e) Retained earnings

Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or to continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest, by 31 December 2013.

The Company has decided not to make this election and has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and balance in the tax exempt account to frank the payment of dividends out of its entire retained earnings without incurring additional tax liabilities.

18. BORROWINGS

	Group	
	2011 RM	**2010 RM**
Current		
Secured		
Term loans	8,448,811	6,850,053
Hire purchase liabilities	279,271	246,784
	8,728,082	7,096,837
Unsecured		
Bank overdrafts	6,505,529	5,016,415
Bankers' acceptances	32,585,000	26,596,000
Local currency loan	0	563,000
Foreign currency loan	2,066,241	356,449
Revolving credit	2,500,000	0
	43,656,770	32,531,864
	52,384,852	39,628,701
Non-current		
Secured		
Term loans	23,286,994	19,455,081
Hire purchase liabilities	889,416	779,191
	24,176,410	20,234,272
Total borrowings		
Bank overdrafts	6,505,529	5,016,415
Bankers' acceptances	32,585,000	26,596,000
Local currency loan	0	563,000
Foreign currency loan	2,066,241	356,449
Revolving credit	2,500,000	0
Term loans	31,735,805	26,305,134
Hire purchase liabilities	1,168,687	1,025,975
	76,561,262	59,862,973

18. BORROWINGS (cont'd)

(a) The currency exposure profile of borrowings are as follows:

	Group 2011 RM	Group 2010 RM
Ringgit Malaysia	74,495,021	59,506,524
US Dollar	2,066,241	356,449
	76,561,262	59,862,973

(b) Interest rates

Term loans	
- floating rates	1.00% to 1.75% (2010 : 1.00% to 1.75%) above cost of funds or prevailing base lending rates per annum
- fixed rates	5.43% to 6.40% (2010 : 5.60% to 6.40%) per annum
Hire purchase liabilities	2.34% to 4.10% (2010 : 2.34% to 3.05%) per annum
Bank overdrafts	0.75% to 1.75% (2010 : 0.75% to 3.40%) above prevailing base lending rates per annum
Bankers' acceptances, local currency loan, foreign currency loan and revolving credit	0.75% to 1.50% (2010 : 0.75% to 1.25%) above cost of funds per annum

(c) Securities

Term loans

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

	Note	2011 RM	2010 RM
Freehold land and buildings		45,566,174	68,611,280
Plant and machinery, moulds, tools and equipment		8,389,608	9,995,108
Capital work-in-progress		0	978,881
Property, plant and equipment	7	53,955,782	79,585,269
Assets classified as held for sale	15	22,145,328	0
Investment properties	8	24,858,616	6,488,979

Hire purchase liabilities

Hire purchase liabilities are effectively secured as the rights to the assets under hire purchase in the event of default.

Notes to the Financial Statements
31 December 2011 (cont'd)

18. BORROWINGS (cont'd)

(d) 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						
2011						
Secured						
Term loans	2012 - 2020	31,735,805	8,448,811	8,183,472	10,049,434	5,054,088
Hire purchase liabilities	2012 - 2018	1,168,687	279,271	289,473	576,465	23,478
Unsecured						
Bank overdrafts	2012	6,505,529	6,505,529	0	0	0
Bankers' acceptances	2012	32,585,000	32,585,000	0	0	0
Foreign currency loan	2012	2,066,241	2,066,241	0	0	0
Revolving credit	2012	2,500,000	2,500,000	0	0	0
		76,561,262	52,384,852	8,472,945	10,625,899	5,077,566
Group						
2010						
Secured						
Term loans	2012 - 2019	26,305,134	6,850,053	6,485,752	9,879,541	3,089,788
Hire purchase liabilities	2012 - 2015	1,025,975	246,784	215,244	563,947	0
Unsecured						
Bank overdrafts	2011	5,016,415	5,016,415	0	0	0
Bankers' acceptances	2011	26,596,000	26,596,000	0	0	0
Local currency loan	2011	563,000	563,000	0	0	0
Foreign currency loan	2011	356,449	356,449	0	0	0
		59,862,973	39,628,701	6,700,996	10,443,488	3,089,788

(e) Hire purchase liabilities

The hire purchase liabilities are payable as follows:

	2011			2010		
	Minimum hire purchase payments RM	Interest RM	Principal RM	Minimum hire purchase payments RM	Interest RM	Principal RM
Group						
Less than 1 year	340,926	61,655	279,271	298,905	52,121	246,784
Between 1 to 2 years	336,156	46,683	289,473	253,350	38,106	215,244
Between 2 to 5 years	668,921	92,456	576,465	603,743	39,796	563,947
Over 5 years	24,250	772	23,478	0	0	0
	1,370,253	201,566	1,168,687	1,155,998	130,023	1,025,975

Information on financial risks of borrowings is disclosed in Note 36 to the financial statements.

19. TRADE AND OTHER PAYABLES

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Trade payables				
Companies in which certain Directors have substantial financial interests	108,159	36,333	0	0
Others	5,192,832	3,859,034	0	0
	5,300,991	3,895,367	0	0
Other payables				
Amount due to subsidiaries	0	0	12,286,595	9,159,349
Amount due to an associate	0	168,000	0	0
Accrued expenses	4,061,816	1,278,666	312,300	192,600
Other payables	5,457,432	7,409,171	0	0
	9,519,248	8,855,837	12,598,895	9,351,949
	14,820,239	12,751,204	12,598,895	9,351,949

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 0 to 60 days (2010: 0 to 60 days).

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

(c) The non-trade amounts due to subsidiaries and an associate are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) Information on financial risks of trade and other payables are disclosed in Note 36 to the financial statements.

(e) The currency exposure profile of payables are as follows:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Ringgit Malaysia	13,332,059	11,212,108	12,598,895	9,351,949
US Dollar	1,488,180	1,539,096	0	0
	14,820,239	12,751,204	12,598,895	9,351,949

Notes to the Financial Statements

31 December 2011 (cont'd)

20. COMMITMENTS

(a) Capital commitments

	Group	
	2011 RM	2010 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	1,189,882	0
Approved but not contracted for	15,932,759	0
	17,122,641	0

(b) Operating lease commitments

The Group as lessor

The Group has entered into non-cancellable lease arrangement on two properties for terms of between one to three years and renewable at the end of the lease period.

The Group has aggregate future minimum lease receivables as at the end of the reporting period as follow:

	Group	
	2011 RM	2010 RM
Not later than one year	2,916,000	1,218,000
Later than one year and not later than five years	0	640,000
	2,916,000	1,858,000

21. CONTINGENT LIABILITIES

	Company	
	2011 RM	2010 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries - unsecured	73,622,301	57,718,043

The corporate guarantees are given to the financial institutions as one of the securities in relation to banking facilities granted to the subsidiaries.

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote. Accordingly, the Directors are of the view that the fair value of the above unsecured corporate guarantees for banking facilities of subsidiaries is negligible.

22. REVENUE

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Invoiced value of goods sold less discounts and returns	137,566,232	67,931,051	0	0
Contract revenue	24,947,874	27,966,896	0	0
Gross dividend from a subsidiary	0	0	5,000,000	5,000,000
	162,514,106	95,897,947	5,000,000	5,000,000

23. FINANCE COSTS

	Group 2011 RM	Group 2010 RM
Interest from:		
Bank overdrafts	271,625	139,514
Term loans	1,152,347	1,405,181
Finance lease liabilities	56,417	39,013
Bankers' acceptances	1,733,260	749,460
Others	169,365	41,786
	3,383,014	2,374,954

24. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Auditors' remuneration				
- statutory audits	124,913	127,772	18,000	20,000
- other services	0	46,600	0	25,300
Depreciation of property, plant and equipment	7,631,955	7,561,630	0	0
Depreciation of investment properties	75,195	0	0	0
Directors' emoluments				
- fees	291,000	169,000	291,000	169,000
- fees underprovided in respect of prior year	33,800	0	33,800	0
- other emoluments	1,832,340	1,758,560	22,000	16,500
Impairment loss of trade receivables	480,017	918,340	0	0
Rental of premises	45,400	23,584	0	0
Research and development expenses	300,663	353,464	0	0
Share-based payment	0	121,940	0	32,700
Inventories written off	879,902	0	0	0
Inventories written down	0	5,470,968	0	0
Unrealised foreign exchange loss	33,730	537,580	0	0
Realised foreign exchange loss	0	497,431	0	0

Notes to the Financial Statements
31 December 2011 (cont'd)

24. PROFIT BEFORE TAX (cont'd)

and crediting:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Dividend income from a subsidiary	0	0	5,000,000	5,000,000
Gain on disposal of plant and equipment	60,932	9,999	0	0
Realised foreign exchange gain	65,115	0	0	0
Interest income	23,776	225,380	604	246
Rental of premise	3,636,000	1,958,000	0	0
Insurance compensation	0	36,732	0	0

25. KEY MANAGEMENT PERSONNEL REMUNERATIONS

The key management personnel compensations are as follows:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Directors of the Company				
- fees	81,600	48,000	81,600	48,000
- remuneration	2,023,768	1,758,562	5,000	4,000
	2,105,368	1,806,562	86,600	52,000

26. EMPLOYEES BENEFITS

	Group 2011 RM	Group 2010 RM
Wages, salaries, bonuses and incentive	6,716,484	6,700,720
Contributions to defined contribution plan	497,074	683,379
Social security contributions	51,441	44,253
Other benefits	331,521	418,705
	7,596,520	7,847,057

Included in the staff costs above are an amount of RM300,663 (2010 : RM353,464) charged out as research and development expenses.

27. TAX EXPENSE

Recognised in the profit or loss

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current tax expense based on profit for the financial year	1,046,871	254,987	142	0
(Over)/Underprovision in prior years	(43,459)	(417,367)	0	130
	1,003,412	(162,380)	142	130
Deferred tax (Note 11):				
Relating to origination and reversal of temporary differences	616,500	534,000	0	0
Under/(Over)provision in prior years	76,000	(745,329)	0	0
	692,500	(211,329)	0	0
Total tax expense	1,695,912	(373,709)	142	130

The Malaysian income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated taxable profits for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Tax at Malaysian statutory tax rate of 25% (2010: 25%)	2,832,800	547,400	1,122,460	1,158,648
Tax effect in respect of:				
Non-allowable expenses	3,449,262	1,574,743	127,682	91,352
Tax incentives and allowances	0	(1,992,235)	0	0
Income not subject to tax	(4,471,384)	(53,873)	(1,250,000)	(1,250,000)
Deferred tax assets not recognised	50,516	633,508	0	0
Others	(197,823)	79,444	0	0
	1,663,371	788,987	142	0
(Over)/Underprovision of tax expense in prior years	(43,459)	(417,367)	0	130
Under/(Over)provision of deferred tax in prior years	76,000	(745,329)	0	0
	1,695,912	(373,709)	142	130

Notes to the Financial Statements
31 December 2011 (cont'd)

28. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares held by the Company.

	Group	
	2011 RM	2010 RM
Profit attributable to equity holders of the parent	9,639,167	2,563,284
Weighted average number of ordinary shares in issue	170,924,726	171,171,000
Basic earnings per ordinary share (sen)	5.64	1.50

(b) Diluted

As there are no dilutive ordinary shares during the financial year, no diluted earnings per share is presented.

29. DIVIDENDS

	Group and Company			
	2011		2010	
	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM
Final dividend proposed	2.50	4,279,275	2.50	4,279,275

A final tax exempt dividend in respect of the financial year ended 31 December 2011 of 5.0% per ordinary share amounting to RM4,279,275 has been proposed by the Directors after the reporting period for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2012.

30. EMPLOYEES SHARE OPTION SCHEME ("ESOS")

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.

30. EMPLOYEES SHARE OPTION SCHEME ("ESOS") (cont'd)

The salient features of the ESOS are as follows :

(a) 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;

(b) 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;

(c) 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;

(d) No employee or Director shall participate at any time in more than one (1) employee share option scheme by any company within the Group;

(e) The number of options under the Scheme shall be allocated as follows :

    (i) 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

    (ii) 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.

(f) The option price shall be:

    (i) 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

    (ii) 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.

    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.

Notes to the Financial Statements
31 December 2011 (cont'd)

30. EMPLOYEES SHARE OPTION SCHEME ("ESOS") (cont'd)

(f) The option price shall be (cont'd):

The details of the options over ordinary shares of the Company are as follows:

2011	Number of option over ordinary shares of RM0.50 each Outstanding as at 1.1.2011	Movement during the financial year Exercised	Lapsed	Outstanding as at 31.12.2011	Exercisable as at 31.12.2011
2005 options	5,950,000	0	(12,000)	5,938,000	5,938,000

2010	Number of option over ordinary shares of RM0.50 each Outstanding as at 1.1.2010	Movement during the financial year Exercised	Lapsed	Outstanding as at 31.12.2010	Exercisable as at 31.12.2010
2005 options	6,290,000	0	(340,000)	5,950,000	5,950,000

31. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group 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 and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries and its immediate and ultimate holding company.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Subsidiary:				
Dividend income	0	0	5,000,000	5,000,000
Related parties:				
Rental of premise receivable	516,000	678,000	0	0
Sales	61,517,291	21,312,584	0	0
Purchases	2,127,781	2,151,484	0	0

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

32. ACQUISITION OF SUBSIDIARIES

During the financial year, Eonsteel Sdn. Bhd., a wholly-owned subsidiary of the Company, increased its paid-up share capital from RM0.5 million to RM2 million. The increase of RM1.5 million paid-up share capital was fully subscribed by the Company.

On 30 March 2011, the Company's wholly owned subsidiary, Eonmetall International Limited ("EIL") has established PT. Eonmetall Investment (PT. Eonmetall") in Indonesia. The intended paid-up share capital of PT. Eonmetall will be USD1.0 million of which EIL holds 95% and the remaining 5% is being held by an individual party of Indonesian nationality. PT. Eonmetall will be principally involved in the industry of crude palm oil and essential oil, oil palm and jatropha plantation, trading, consultancy and management.

33. 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"). The case had transferred and registered in Kuala Lumpur High Court as Civil Suit No. 22NCVC-513-2011.

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.

34. OPERATING SEGMENTS - GROUP

The Group has three 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:

(i) Segment 1- includes manufacture and sale of metalwork machinery and other industrial process machinery and equipment
(ii) Segment 2 - includes manufacture and sale as well as trading of steel product
(iii) Segment 3 - property and investment holding and others

There are varying levels of integration between reportable segments, the machinery and equipment and steel product 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 4.19.

Notes to the Financial Statements
31 December 2011 (cont'd)

34. OPERATING SEGMENTS - GROUP (cont'd)

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.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and segment liabilities exclude tax liabilities.

2011	**Machinery and equipment RM**	**Steel product and trading activity RM**	**Property, investment holding and others RM**	**Total RM**
Revenue				
Total revenue	66,125,602	139,531,061	5,335,248	210,991,911
Inter-segment revenue	(32,439,324)	(10,711,450)	(5,327,031)	(48,477,805)
Revenue from external customers	33,686,278	128,819,611	8,217	162,514,106
Interest income	13,716	9,456	604	23,776
Finance costs	(843,362)	(2,534,644)	(5,008)	(3,383,014)
Net finance expense	(829,646)	(2,525,188)	(4,404)	(3,359,238)
Depreciation	642,683	6,991,072	73,395	7,707,150
Segment profit before income tax	7,023,115	2,717,403	1,590,701	11,331,219
Share of results of associates	0	0	(241,571)	(241,571)
Income tax expenses	(50,184)	(1,645,586)	(142)	(1,695,912)
Other non-cash expenses				
- Impairment loss of trade receivables	(222,745)	(257,272)	0	(480,017)
- Inventories written off	(849,802)	(30,100)	0	(879,902)
Investment in associates	0	0	2,823,794	2,823,794
Additions to non-current assets other than financial instruments and deferred tax assets	394,953	8,693,836	25,196,756	34,285,545
Segment assets	67,716,838	117,742,755	37,324,188	222,783,781
Segment liabilities	22,154,166	52,998,105	16,229,230	91,381,501

34. OPERATING SEGMENTS - GROUP (cont'd)

2010	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
Revenue				
Total revenue	33,893,401	81,284,402	5,261,033	120,438,836
Inter-segment revenue	(620,605)	(18,665,001)	(5,255,283)	(24,540,889)
Revenue from external customers	33,272,796	62,619,401	5,750	95,897,947
Interest income	26,907	198,227	246	225,380
Finance costs	(616,492)	(1,532,019)	(226,443)	(2,374,954)
Net finance expense	(589,585)	(1,333,792)	(226,197)	(2,149,574)
Depreciation	642,437	6,735,736	183,457	7,561,630
Segment profit before income tax	1,910,116	90,665	188,794	2,189,575
Share of results of associates	0	0	(215,490)	(215,490)
Income tax expenses	216,038	157,801	(130)	373,709
Other non-cash expenses				
- Share-based payments	(60,390)	(26,930)	(34,620)	(121,940)
- Impairment loss of trade receivables	(1,109,126)	0	0	(1,109,126)
- Bad debts recover	0	0	190,786	190,786
- Inventories written down	(5,470,968)	0	0	(5,470,968)
Investment in associates	0	0	3,335,116	3,335,116
Additions to non-current assets other than financial instruments and deferred tax assets	1,049,951	7,061,477	997,792	9,109,220
Segment assets	73,268,248	112,033,612	12,468,518	197,770,378
Segment liabilities	21,532,311	45,325,736	5,756,130	72,614,177

Notes to the Financial Statements
31 December 2011 (cont'd)

34. OPERATING SEGMENTS - GROUP (cont'd)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities corresponding amounts are as follows:

	2011 RM	2010 RM
Revenue		
Total revenue for reportable segments	210,991,911	120,438,836
Elimination of inter-segmental revenues	(48,477,805)	(24,540,889)
Revenue per consolidated statement of comprehensive income	162,514,106	95,897,947

	2011 RM	2010 RM
Depreciation		
Depreciation of property, plant and equipment	7,631,955	7,561,630
Depreciation of investment property	75,195	0
Group's depreciation	7,707,150	7,561,630

	2011 RM	2010 RM
Profit for the financial year		
Total profit for reportable segments	25,396,428	7,582,562
Elimination of inter-segmental profits	(14,065,209)	(5,392,987)
Profit before tax	11,331,219	2,189,575
Tax expense	(1,695,912)	373,709
Profit for the financial year	9,635,307	2,563,284

	2011 RM	2010 RM
Assets		
Total assets for reportable segments	222,783,781	197,770,378
Current tax assets	263,046	174,437
Deferred tax assets	1,624,500	2,267,000
Group's assets	224,671,327	200,211,815

34. OPERATING SEGMENTS - GROUP (cont'd)

Liabilities	2011 RM	2010 RM
Total liabilities for reportable segments	91,381,501	72,614,177
Current tax liabilities	452,630	0
Deferred tax liabilities	2,743,570	2,693,570
Group's liabilities	94,577,701	75,307,747

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	
	2011 RM	2010 RM	2011 RM	2010 RM
Malaysia	129,909,789	79,583,696	115,607,817	111,361,818
Africa	755,146	561,711	0	0
Asia	23,404,823	10,418,058	0	0
Middle-east countries	7,490,181	5,094,130	0	0
Others	954,167	240,352	0	0
Consolidated	162,514,106	95,897,947	115,607,817	111,361,818

Major customer

The following is a major customer with revenue equal or more than 10 percent of Group's revenue:

	Revenue		
	2011 RM	2010 RM	Segment
Customer A	55,822,349	19,511,820	Machinery and equipment and steel product

35. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in financial year ended 31 December 2010.

Notes to the Financial Statements

31 December 2011 (cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

(a) Capital management (cont'd)

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2011 and 31 December 2010.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group has a target gearing ratio of 10% to 50% determined as the proportion of net debt to equity. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent less the fair value adjustment reserve.

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Borrowings	76,561,262	59,862,973	0	0
Trade and other payables	14,820,239	12,751,204	12,598,895	9,351,949
Total liabilities	91,381,501	72,614,177	12,598,895	9,351,949
Less: Cash and cash equivalents	(2,942,208)	(7,412,060)	(64,542)	(7,876)
Net debt	88,439,293	65,202,117	12,534,353	9,344,073
Total equity	130,093,626	124,904,068	93,322,179	93,404,657
Net debt	88,439,293	65,202,117	12,534,353	9,344,073
Equity	218,532,919	190,106,185	105,856,532	102,748,730
Gearing ratio	40%	34%	12%	9%

(b) Categories of financial instruments

	Loans and receivables	
Group	2011 RM	2010 RM
Financial assets		
Trade and other receivables	24,027,692	12,675,776
Cash and cash equivalents	2,942,208	7,412,060
	26,969,900	20,087,836

	Other financial liabilities	
	2011 RM	2010 RM
Financial liabilities		
Borrowings	76,561,262	59,862,973
Trade and other payables	14,820,239	12,751,204
	91,381,501	72,614,177

35. FINANCIAL INSTRUMENTS (cont'd)

(b) Categories of financial instruments (cont'd)

Company	Loans and receivables 2011 RM	Loans and receivables 2010 RM
Financial assets		
Trade and other receivables	50,932,728	49,291,975
Cash and cash equivalents	64,542	7,876
	50,997,270	49,299,851

	Other financial liabilities 2011 RM	Other financial liabilities 2010 RM
Financial liabilities		
Trade and other payables	12,598,895	9,351,949

(c) Fair values of financial instruments

The fair values of financial instruments that are not carried at fair value and whose carrying amounts do not approximate its fair values are as follows:

Group	2011 Carrying amount RM	2011 Fair value RM	2010 Carrying amount RM	2010 Fair value RM
Financial assets:				
Trade and other receivables (excluding deposits and prepayments)	24,027,692	*	12,675,776	*
Cash and cash equivalents	2,942,208	*	7,412,060	*
	26,969,900		20,087,836	
Financial liabilities:				
Floating rate loans and borrowings	31,875,093	31,875,093	24,959,611	24,959,611
Fixed rate loans and borrowings	44,686,169	43,046,661	34,903,362	35,154,746
Trade and other payables	14,820,239	*	12,751,204	*
	91,381,501		72,614,177	

35. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair values of financial instruments (cont'd)

Company	2011 Carrying amount RM	2011 Fair value RM	2010 Carrying amount RM	2010 Fair value RM
Financial assets:				
Trade and other receivables (excluding deposits and prepayments)	50,932,728	*	49,291,975	*
Cash and cash equivalents	64,542	*	7,876	*
	50,997,270		49,299,851	
Financial liabilities:				
Trade and other payables	12,598,895	*	9,351,949	*

* 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:

	2011 %	2010 %
Secured term loans	3.50 to 5.04	4.95 to 5.40
Finance leases liabilities	2.34 to 4.10	2.34 to 3.05

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through internal control systems, insurance programmes and adherence to the Group's financial risk management policies. The Group is exposed mainly to credit risk, liquidity risk and credit risk. Information on the management of the related exposures is detailed below.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) 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.

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 RM73.62 million (2010: RM57.72 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.

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.

Notes to the Financial Statements
31 December 2011 (cont'd)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

Inter company balances (cont'd)

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.

(b) 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.

	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							
2011							
Non-derivative financial liabilities							
Secured term loans	31,735,805	5.00 to 6.40	36,655,418	10,110,522	9,356,420	11,746,396	5,442,080
Hire purchase liabilities	1,168,687	2.34 to 4.10	1,370,253	340,926	336,156	668,921	24,250
Unsecured bank overdraft	6,505,529	7.35 to 8.35	6,505,529	6,505,529	0	0	0
Unsecured bankers' acceptances	32,585,000	3.40 to 4.81	32,585,000	32,585,000	0	0	0
Unsecured foreign currency loan	2,066,241	1.94 to 4.50	2,066,241	2,066,241	0	0	0
Unsecured revolving credit	2,500,000	5.25	2,500,000	2,500,000	0	0	0
Trade and other payables	14,820,239		14,820,239	14,820,239	0	0	0
	91,381,501		96,502,680	68,928,457	9,692,576	12,415,317	5,466,330
Company							
2011							
Non-derivative financial liabilities							
Trade and other payables	12,598,895		12,598,895	12,598,895	0	0	0

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) 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.

(i) 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 and Euro.

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 increased/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
Group	
2011	
USD	+1,245
EURO	-23,026

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

(ii) 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.

Notes to the Financial Statements

31 December 2011 (cont'd)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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:

	2011 RM	2010 RM
Fixed rate instruments		
Financial assets	0	200,000
Financial liabilities	(44,686,169)	(34,903,362)
	(44,686,169)	(34,703,362)
Floating rate instruments		
Financial liabilities	(31,875,093)	(24,959,611)

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.

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	50 bp decrease RM
Group		
2011		
Floating rate instrument	(154,338)	154,338

37. PRIOR YEAR ADJUSTMENTS

Inventories written down

The financial statements of the Group and of the Company for the financial year ended 31 December 2010 were audited by another firm of chartered accountants whose report dated 28 April 2011 expressed a qualified opinion on those statements as they were not able to establish the net realisable value of certain slow moving metalwork machinery amounting to RM13.2 million in view of the specialised nature of these inventories and the lack of comparable costs in the market. As at 31 December 2011, out of the slow moving metalwork machinery of RM13.2 million, RM0.73 million was realised above their carrying amount, RM7 million was transferred to the Group's property, plant and equipment for its own use as disclosed in Note 7 to the financial statements and RM5.47 million was written down and adjusted as prior year adjustment and reflected in the financial statements for the financial year ended 31 December 2010 as set out below.

The effect of the changes on the Group's financial statements are as follows:

	2011 RM	2010 RM
Effect on retained earnings:		
At 1 January, as previously stated	42,266,302	36,330,293
Effect from inventories written down	(5,470,968)	0
At 1 January, as restated	36,795,334	36,330,293
Effect on profit for the year:		
Profit before changes in inventories written down	9,639,167	8,034,252
Effect from inventories written down	0	(5,470,968)
Profit for the year	9,639,167	2,563,284

Comparative amount for inventories of the Group as at 31 December 2010 has been restated as follows:

	As previously reported RM	Effect of changes RM	As restated RM
Inventories	65,301,594	(5,470,968)	59,830,626

Notes to the Financial Statements

31 December 2011 (cont'd)

38. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the reporting year may be analysed as follows:

	2011		2010	
	Group RM	Company RM	Grpup RM	Company RM
Total retained earnings of the Company and its subsidiaries:				
- Realised	89,685,781	5,461,957	78,491,543	5,251,535
- Unrealised	889,771	0	1,041,922	0
	90,575,552	5,461,957	79,533,465	5,251,535
Total share of retained profits from associate companies:				
- Realised	1,383,762	0	1,895,083	0
- Unrealised	0	0	0	0
	91,959,314	5,461,957	81,428,548	5,251,535
Less: Consolidation adjustments	(49,802,489)	0	(44,633,214)	0
Total group/company retained earnings as per consolidated accounts	42,156,825	5,461,957	36,795,334	5,251,535

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 37 to 119 have been drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of 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 at 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Dato' Goh Cheng Huat
Director

Yeoh Cheng Chye
Director

30 April 2012

Statutory Declaration

I, Dato' Goh Cheng Huat, being the Director primarily responsible for the financial management of Eonmetall Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 119 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed at Georgetown in the State
of Penang this 30 April 2012

Dato' Goh Cheng Huat

Before me,

CHEAH BENG SUN (No. P.103)
DJN, AMN, PKT, PJK, PJM, PK
Persujuhjaya 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 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 118.

The financial statements of the Group and of the Company for the financial year ended 31 December 2010 were audited by another firm of chartered accountants whose report dated 28 April 2011 expressed a qualified opinion on those statements as they were not able to establish the net realisable value of certain slow moving metalwork machinery amounting to RM13.2 million in view of the specialised nature of these inventories and the lack of comparable costs in the market. Consequently, they were unable to determine whether any adjustments to the value of these inventories were necessary.

As at 31 December 2011, out of the slow moving metalwork machinery of RM13.2 million, RM0.73 million was realised above their carrying amount, RM7 million was transferred to the Group's property, plant and equipment for its own use and RM5.47 million was written down and adjusted as prior year adjustment as disclosed in Note 7 and 37 to the financial statements respectively.

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 statement 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 judgement, 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 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 audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of 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 at 31 December 2011 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

Independent Auditors' Report

to the members of Eonmetall Group Berhad (cont'd)

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 financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.

c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the 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 financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of 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.

BDO
AF: 0206
Chartered Accountants

Koay Theam Hock
2141/04/13 (J)
Chartered Accountant

Penang
30 April 2012

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 2011 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	11 yrs	39,159	A factory building is erected on the adjoining parcels of the land	19,195
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	03 August 2004/ 08 August 2000	Freehold	11 yrs	11,198		
Eonmetall Industries Sdn Bhd						
Grant 33124, Lot 385, Mukim 12, Seberang Perai Selatan, Penang.	- / 18 July 2003	Freehold	2 yrs	57,509	A factory building is erected on the adjoining parcels of the land – Phase I - completed Phase II - completed	41,801
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang.	- / 18 July 2003	Freehold	4 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	5 yrs	116	Single storey terrace house/ Residential premise for factory workers	84
Lot No. T-2318, Mukim 13, No. 37, Lorong Cempaka 28, 14110 Simpang Ampat, Seberang Perai Selatan, Penang.	- / 01 April 2006	Freehold	5 yrs	116	Single storey terrace house/ Residential premise for factory workers	84
Eonmetall Systems Sdn Bhd						
HS(D) 491, Lot 1596, MK12, Seberang Perai Selatan, Penang.	- / 20 July 2006	Freehold	2 yrs	39,252	Single storey detached factory with an office	6,487
Eonsteel Sdn Bhd						
Lot No. 387, MK12, Seberang Perai Selatan, Penang	- / 19 May 2009	Freehold	-	69,767	Single storey factory which is partly open sided and partly cladded with clipdeck iron cladings	24,859

Analysis of Shareholdings

Analysis of Shareholdings as at 4 May 2012

Authorised share capital	:	RM100,000,000.00
Issued and fully paid-up share capital	:	RM85,585,500.00 (inclusive 1,010,000 treasury shares)
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 4 May 2012

		Direct Interest		Deemed Interest	
No.	Name	No. of Shares	%	No. of Shares	%
1	Dato' Goh Cheng Huat	30,420,000	17.88	84,049,128 ▲	49.39
2	Datin Tan Pak Say	-	-	114,469,128 ●	67.27
3	Eonmetall Corporation Sdn. Bhd.	84,049,128	49.39	-	-

▲ 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 4 May 2012

		Direct Interest		Deemed Interest	
No.	Name	No. of Shares	%	No. of Shares	%
1	* Tan Sri Dato' Mohd Desa bin Pachi	630,000	0.37	1,953,000 ■	1.15
2	# Dato' Goh Cheng Huat	30,420,000	17.88	84,049,128 ▲	49.39
3	~ Yeoh Cheng Chye	1,553,636	0.91	-	-
4	◆ Goh Kee Seng	2,721,336	1.60	-	-
5	^ Tan Sri Dato' Soong Siew Hoong	510,000	0.30	396,600 ❍	0.23
6	^ Tang Yin Kham	-	-	-	-
7	¤ Ibrahim Mahdi Phee	30,000	0.02	-	-
8	Dato' Wahab Bin Hamid	-	-	-	-

■ These shares are held in the name of child and is treated as interest of the Director in accordance with Section 134(12c) 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 4 May 2012

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares #	% of Issued Share Capital #
Less than 100	31	1.77	1,530	0.00
100 - 1,000	331	18.90	120,170	0.07
1,001 - 10,000	856	48.89	4,514,477	2.64
10,001 - 100,000	468	26.73	15,410,073	9.00
100,001 - 8,508,049	63	3.60	35,855,622	21.54
8,508,050 - 170,161,000	2	0.11	114,259,128	66.75
TOTAL	1,751	100.00	170,161,000	100.00

This represents the total issued and paid-up capital of RM85,585,500, comprises of 171,171,000 shares after deducting 1,010,000 shares retained by the Company as treasury shares.

Thirty Largest Shareholders as at 4 May 2012

	Name	No. of Shares	% of Issued Share Capital
1	EONMETALL CORPORATION SDN BHD	42,049,128	24.71
2	GOH CHENG HUAT	27,243,000	16.01
3	EONMETALL CORPORATION SDN BHD	21,000,000	12.34
4	EONMETALL CORPORATION SDN BHD	21,000,000	12.34
5	MARAJATI SDN. BHD.	5,555,000	3.26
6	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOCK NAI SUAN	4,473,400	2.63
7	GOH CHENG HUAT	2,967,000	1.74
8	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR GOH KEE SENG (EGB)	2,406,336	1.41
9	KOCK NAI SUAN	2,000,000	1.18
10	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD DESMAN ANNUAR BIN MD DESA	1,930,000	1.13
11	A.A. ANTHONY NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY KIM SENG	1,840,000	1.08
12	TAI HO FAH	1,018,400	0.60
13	FOO CHEK HENG	1,000,000	0.59
14	CHIN KOK TIAN	986,500	0.58
15	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	875,000	0.51
16	YEOH CHENG CHYE	803,636	0.47
17	YEOH CHENG CHYE	750,000	0.44

Analysis of Shareholdings (cont'd)

Thirty Largest Shareholders as at 4 May 2012 (cont'd)

	Name	No. of Shares	% of Issued Share Capital
18	MD DESA BIN PACHI	630,000	0.37
19	TAN THEAN HOCK	539,100	0.32
20	GOH KEE SENG	525,000	0.31
21	SOONG @ SOONG SIEW HOONG	510,000	0.30
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SIE TONG @ LEE AH TONG (E-PLT/CST)	500,000	0.29
23	CHOOI LOO SEE	459,500	0.27
24	WIRASAWAH SDN BHD	396,600	0.23
25	KOH YEW KAM	384,500	0.23
26	MAN FOH @ CHAN MAN FOH	314,700	0.18
27	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITITES ACCOUNT FOR WONG KING SANG	304,000	0.18
28	GOH KHANG LENG	303,800	0.18
29	GOH AH PENG	300,000	0.18
30	HENG MEE OO	299,900	0.18
		143,364,500	84.24

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 NINTH ANNUAL GENERAL MEETING of the Company to be held at Ground Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Thursday, 21 June 2012 at 2.00 pm and at any adjournment thereof.

	ORDINARY RESOLUTIONS													SPECIAL RESOLUTION 1
	1	2	3	4	5	6	7	8	9	10	11	12	13	
FOR														
AGAINST														

(Please indicate with "X" in the appropriate space 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).

* *Strike out whichever is not desired.*

Signed this _________ day of _____________________ 2012.

____
Signature of Shareholder(s)/Common Seal

For appointment of two (2) proxies, no. of shares and percentage of shareholdings to be represented by the each proxy:

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

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. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. 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.
7. For purpose of determining who shall be entitled to attend the Ninth AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 62 of the Articles of Association of the Company and Section 34(1) of SICDA to issue a General Meeting Record of Depositors ("ROD") as at 14 June 2012. Only a Depositor whose name appears on the ROD as at 14 June 2012 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his/her behalf.

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To:

Joint Company Secretaries

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)

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Lot 1258 & 1259, MK 12, Jalan Seruling
Kawasan Perushaan Valdor
14200 Sungai Bakap, Penang, Malaysia.
Tel : 04-582 8323 Fax : 04 - 582 1525

Plant 2
Lot 385 & 393, MK 12
Kawasan Perushaan Valdor
14200 Sungai Bakap, Penang, Malaysia.
Tel : 04-582 8651 Fax : 04 - 582 8727

Email : info@eonmetall.com

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