Annual Report 2012

EONMETALL GROUP BERHAD

(631617-D)

CONTENTS

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth (10th) Annual General Meeting of shareholders of the Company will be held at 1st Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Monday, 27 May 2013 at 2.00 pm for the following purposes:-

AS ORDINARY BUSINESS:

1. To receive the audited Financial Statements for the year ended 31 December 2012 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:

   (a) Mr Yeoh Cheng Chye — **Ordinary Resolution 1**
   (b) Madam Tang Yin Kham — **Ordinary Resolution 2**

3. To re-elect Mr Goh Hong Kent, who retires pursuant to Article 93 of the Company's Articles of Association. — **Ordinary Resolution 3**

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

   (a) Tan Sri Dato' Mohd Desa bin Pachi — **Ordinary Resolution 4**
   (b) Tan Sri Dato' Soong Siew Hoong — **Ordinary Resolution 5**

5. To declare a Final Tax Exempt Dividend of 3.5% for the year ended 31 December 2012. — **Ordinary Resolution 6**

6. To approve Directors' fees of RM306,000 for the year ended 31 December 2012. — **Ordinary Resolution 7**

7. To appoint Messrs BDO as Auditors of the Company and to authorise Directors to determine their remuneration. — **Ordinary Resolution 8**

AS SPECIAL BUSINESS:

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

8. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES** — **Ordinary Resolution 9**

   "THAT pursuant to Section 132D of the Companies Act, 1965 ("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 authorised to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the 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."

9. **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 Main Market Listing Requirements ("Listing Requirements") of Bursa Securities, a general mandate of the shareholders be and is hereby granted for the Company and its subsidiaries to enter into recurrent related party transactions as set out in Section 2.4 under Part A of the Circular to Shareholders dated 3 May 2013, 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 10**
(ii) Genrizt Storage System — **Ordinary Resolution 11**
(iii) Eonlipids Sdn. Bhd. — **Ordinary Resolution 12**
(iv) Sin Zhang Enterprise. — **Ordinary Resolution 13**

10. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK** — **Ordinary Resolution 14**

"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 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 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:-

(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.

10. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK** (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 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 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."

11. **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY** — **Special Resolution**

"THAT alterations, modifications, additions and deletions to the Articles of Association of the Company as set out in Part C of the Circular to Shareholders dated 3 May 2013, be and are hereby approved."

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a Final Tax Exempt Dividend of 3.5% for the year ended 31 December 2012, if approved by the shareholders at the AGM, will be paid on 15.08.2013 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 18.07.2013.

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 18.07.2013 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, 3 May 2013

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. If a Member appoints two (2) proxies, he must specify which proxy is entitled to vote on a show of hands. Only one (1) of those proxies is entitled to vote on a show of hands.

4. Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

6. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be 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 Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.

7. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the members to speak at the meeting.

8. For purpose of determining who shall be entitled to attend 10th AGM meeting, 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 Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors ("ROD") as at 20 May 2013. Only a Depositor whose name appears on the ROD as at 20 May 2013 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his/her behalf.

Explanatory Notes on Special Business:

1. The proposed Ordinary Resolution 9, is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to 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 21 June 2012 and which will lapse at the conclusion of the 10th 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 10, 11, 12 and 13, 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 to Shareholders dated 3 May 2013. 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 14, 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. Further information is set out under Part B of the Circular to Shareholders dated 3 May 2013.

4. The Special Resolution, if passed, will allow the Articles of Association of the Company to reflect the recent amendments prescribed under the Listing Requirements of Bursa Securities and to facilitate the business and administrative efficiencies of the Company as well as to add clarity to the existing Articles of the Company.

Statement Accompanying Notice of Annual General Meeting
(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Securities)

No individual is seeking election as a Director at the forthcoming 10th AGM of the Company.

Corporate Information

BOARD OF DIRECTORS	Tan Sri Dato' Mohd Desa bin Pachi	*Non-Independent Non-Executive Chairman*
	Yeoh Cheng Chye	*Managing Director/Chief Executive Officer*
	Dato' Goh Cheng Huat	*Executive Director*
	Goh Hong Kent	*Executive Director/Chief Operating Officer*
	Dato' Wahab Bin Hamid	*Independent Non-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*
COMPANY SECRETARY	Tai Yit Chan (MAICSA 7009143)	
	Ong Tze-En (MAICSA 7026537)	
AUDIT COMMITTEE	Tang Yin Kham	*Chairman*
	Dato' Wahab Bin Hamid	*Member*
	Ibrahim Mahdi Phee	*Member*
	Goh Kee Seng	*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*
	Dato' Wahab Bin Hamid	*Member*
	Tang Yin Kham	*Member*
	Goh Kee Seng	*Member*

REGISTERED OFFICE

Suite 2-1, 2nd Floor
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang
Telephone No : (04) 229 4390
Facsimile No : (04) 226 5860

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 Activitives

as at 29 April 2013

EONMETALL GROUP BERHAD
(631617-D)

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

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

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

95%
PT Eonmetall Investment "PT Eonmetall"
Dormant

100%
Eonmetall International Limited "EIL" (LL07325)
Investment holding

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

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

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

100%
Eonsteel Sarawak Sdn Bhd
(formerly known as Ecogreen Tech Sdn Bhd)
"ESS" (1024147-H)
Dormant

100%
Eonmetall Agro Sdn Bhd "EAGRO" (922037-A)
Property Holding

100%
Eonchem Biomass Sdn Bhd "ECB" (906441-M)
Manufacture of palm oil-related products

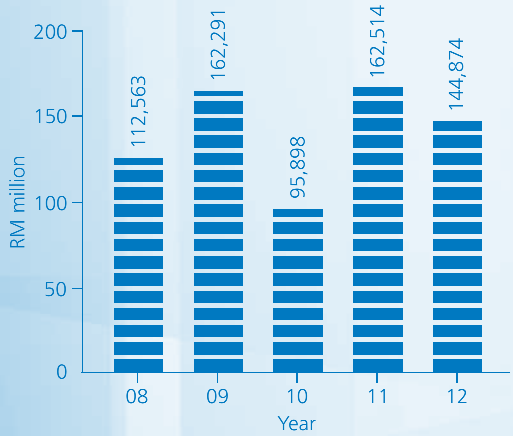
MOODY INTERNATIONAL
STANDARDS MALAYSIA ACCREDITED CERTIFICATION BODY MS ISO/IEC 17021:2006 QS 10082001 CB 02
UKAS QUALITY MANAGEMENT 014
Enterprise 2000 Celebrating Malaysia's Enterprising Spirit
MSC MALAYSIA Status Company

Group Financial Highlights

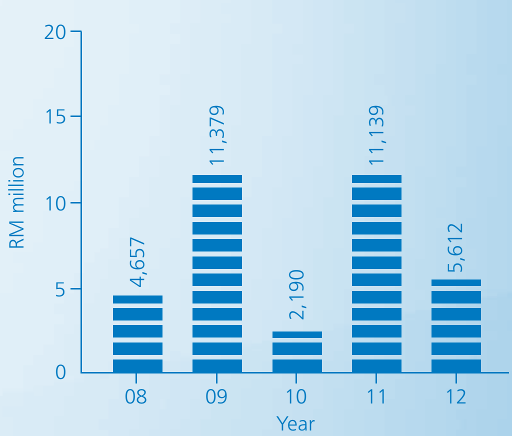
Year Ended 31 December					
	2008	2009	2010	2011	2012
INCOME	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Turnover	112,563	162,291	95,898	162,514	144,874
Profit Before Tax	4,657	11,379	2,190	11,139	5,612
Profit attributable to Owners of the Company	3,157	9,193	2,563	9,497	4,978
FINANCIAL POSITION					
Total assets	188,500	208,622	200,212	238,269	244,009
Share Capital	85,586	85,586	85,586	85,586	85,586
Shareholders' Fund	117,268	124,347	124,904	143,254	143,582
PER SHARE					
Gross dividend (%)	0%	5.0%	5.0%	5.0%	3.5%
Net assets (RM)**	0.69	0.73	0.73	0.84	0.85
Basic Earnings (sen)***	1.84	5.37	1.50	5.56	2.94

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

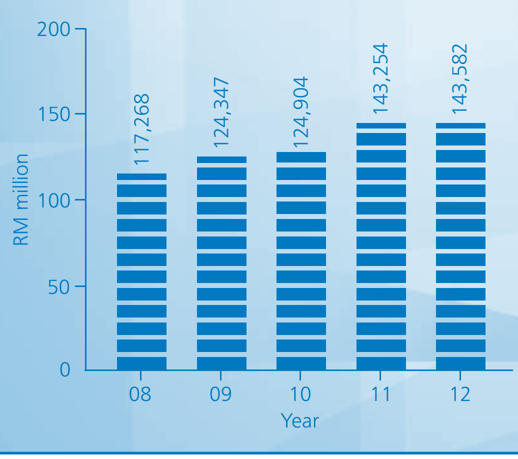
Turnover



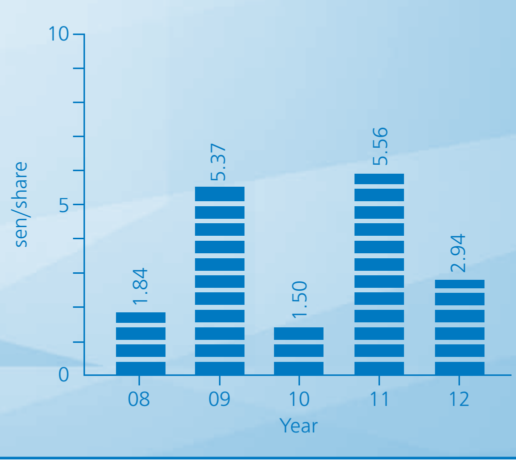
Profit Before Tax



Shareholders' Fund



Basic Earnings Per Share



Profile of Directors

Tan Sri Dato' Mohd Desa bin Pachi, PSM, DSPN, KMN, aged 79, 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 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), 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 2012.

Dato' Goh Cheng Huat, aged 52, Malaysian, is the Managing Director of Eonmetall and was appointed to the Board on 3 March 2005 and re-designated as Executive Director on 1 January 2013.

As the founder of the Group, he has extensive experience, expertise and knowledge in the processing of iron and steel products. With more than 26 years in the industry, he has accumulated invaluable skills, which includes amongst others, the invention and enhancement of steel making machine and its related processes. In recognition of his entrepreneur skills, he was conferred the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports. His zeal and untiring efforts to improve steel products making processes did not go unnoticed, for in year 1999, he was awarded a patent for "Process For The Manufacturing Of Steel Products And Apparatus" and "4x2 High Cold Roll Angle Bar Machine". He is also the key inventor for "Recovery Oil Form Palm Mesocarp Fibres", where the patent was granted in year 2009. His visionary approach and keen business acumen certainly augur well for the Group especially in its business direction.

Currently, he sits on the board of several private companies and a public company, Leader Steel Holdings Berhad.

He is the father of Goh Hong Kent and 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 2012.

Profile of Directors (cont'd)

Yeoh Cheng Chye, aged 44, Malaysian, is the Executive Director of Eonmetall and was appointed to the Board on 3 March 2005 and re-designated as Managing Director and Chief Executive Officer on 1 January 2013.

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.

He started his career in 1993 as a Systems Engineer I with Seagate Sdn Bhd, Penang, a manufacturer of hard disc drives, where he was involved in IT and test engineering systems support. In 1995, he was promoted to System Engineer II and Project Manager. He left in 1996 and joined Southern Steel Bhd as a Senior Systems Analyst where he headed the IT division for automation and manufacturing. In 1997, he joined Leader Steel Holdings Berhad as Management Information System Manager where he was responsible for the overall management of the IT function.

He was appointed as the Executive Director of Eontarr IT Solutions Sdn Bhd in year 1999 and Chief Operating Officer of Eonmetall Technology Sdn Bhd in 2001. Subsequently, he was promoted to Executive Director and Chief Operating Officer of the Group in 2005. He is mainly responsible for the overall general management and operation of the Group.

Yeoh Cheng Chye has attended all four (4) board meetings held during the financial year ended 31 December 2012.

Tan Sri Dato' Soong Siew Hoong, PSM, KMN, SMS, DPSM, JSM, aged 87, 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 Selangor (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 has 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 & Cambodia 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 three (3) board meetings held during the financial year ended 31 December 2012.

Profile of Directors (cont'd)

Goh Kee Seng, aged 57, Malaysian, is a member of Audit Committee, Nominating Committee and Remuneration Committee. He is a 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 next 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 and the uncle of Goh Hong Kent.

Goh Kee Seng has attended all four (4) board meetings held during the financial year ended 31 December 2012.

Tang Yin Kham, aged 61, 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 firm of Chartered Accountants in Malaysia and has more than 35 years of professional experience 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 2012.

Ibrahim Mahdi Phee, aged 41, 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 subsequently practiced 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 practices 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 three (3) board meetings held during the financial year ended 31 December 2012.

Profile of Directors (cont'd)

Dato' Wahab Bin Hamid, DPMS, DSDK, AMS, PPB, aged 60, 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 Economics in year 1977. He was conferred with Darjah Kebesaran Datuk Setia Diraja Kedah (DSDK) in year 2009 and Darjah Kebesaran Datuk Paduka Mahkota Selangor (DPMS) in year 2010. Both awards carry the title of "Dato".

He has 34 years of service in Malaysian Industrial Development Authority (MIDA) in various Divisions with increasing seniority 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 as Independent Director of TN Engineering Sdn. Bhd. since 1 June 2011.

He attended four (4) board meetings held during the financial year ended 31 December 2012.

Mr Goh Hong Kent, aged 29, Malaysian, is the Executive Director and Chief Operating Officer and was appointed to the Board on 1 January 2013.

He started his career in 2005 as Personal Assistant to Managing Director of Leader Steel Holdings Berhad.

Later in 2005, he joined Eonmetall Technology Sdn. Bhd. as Assistant Operations Manager where he was mainly responsible for overseeing the Purchasing Department. Following his promotion to Operations Manager in 2007, he was responsible for heading the Purchasing and Human Resources departments.

In 2010, he was promoted as General Manager where he is in-charge of overall steel business activities of Eonmetall Industries Sdn. Bhd. and Eonmetall Systems Sdn. Bhd.

He is the son of Dato' Goh Cheng Huat and the nephew of Goh Kee Seng.

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.
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, the major shareholder of Eonmetall.
d) The Directors' shareholdings are as disclosed in analysis of shareholdings.

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 2012.

Financial Performance

During the year under review, the Group recorded revenue of RM144.9 million, a decrease of RM17.6 million as compared with RM162.5 million in the previous year. The decrease in revenue was primarily driven by lower demand in steel product and trading activity division.

The Group recorded a profit before tax ("PBT") of RM5.6 million, a decline of 50% as compared to RM11.1 million in the preceding year. During the current financial year under review, the total segmental profit was contributed by the machinery and equipment division. The higher revenue earned from machinery and equipment division showed an encouraging growth of 84% over preceding financial year had helped to cushion the impact from the loss suffered by the steel product and trading activity division.

Under Financial Reporting Standards ("FRSs"), the Group measured its land and buildings at cost. The Group elected to apply the optional exemption to measure certain property, plant equipment at fair value at the date of transition to Malaysian Financial Reporting Standards ("MFRSs") and use fair value as deemed cost. Impact arising from the revaluation surplus of RM13.5 million at 1 January 2011 was transferred to retained earnings and the explanation of transition to MFRSs was disclosed on Note 39 to the financials statements.

Operational Review

Revenue from the machinery and equipment division has enjoyed a steady growth from RM33.7 million in year 2011 to RM62.1 million in year 2012. In tandem with the increase in revenue from this division, PBT increased from RM6.8 million to RM14.0 million for the current financial year mainly contributed by the sale of oil palm-based machinery.

The Group's future plan is to continue expanding its business operations in the oil palm industry focusing on the sale of its patented oil extraction plant of mesocarp palm fibre (PFOE plant) besides operating its own PFOE plants both in Malaysia and Indonesia.

Steel product and trading activity division had incurred a loss for the current financial year. The uncertainties in the global market, delay in liberalisation of national steel policy and the high cost of domestic steel raw material had adversely affected the performance of the Group's steel business. The Group shall emphasise more on its core products while continue to focus on production and logistic efficiencies to enhance its competitive edge.

Industry Trend and Prospect

Malaysia together with Indonesia produces some 85% of the world's Crude Palm Oil ("CPO") but recently the price of CPO futures are down one-third from one-year high of RM3,500 price range on April last year down to about RM2,300 and RM2,500 per tonne. This price range is expected to maintain until first half of year 2013 mainly due to over stocking of CPO supply besides the strengthening of ringgit due to the potential impact of the upcoming general election.

The unexpected decline in the CPO price has impacted the potential sale of our PFOE plant. It is anticipated that the present high CPO stock level is expected to fall during the second half of the year due to the upcoming low crop season besides potential biofuel take-up in both Malaysia and Indonesia. Malaysia B10 biodiesel programme with 10% palm ester blend which is expected to be ready by next year shall provide a new emerging market for a long run stability of CPO prices.

Moving forward, palm oil millers are expected to constantly strive to build greater efficiencies and scale to cut costs rather than betting on super profits from high prices. With this, yield improvement and productivity enhancements shall be the main emphasis for millers to improve their oil extraction rate. The Group's PFOE business venture is one of the option and strategically to provide the relevant investment.

Dividend

During the financial year, the Company paid a final tax exempt dividend of 5.0% or 2.5 sen per share totaling RM4,254,000 in respect of the financial year ended 31 December 2011 on 26 July 2012.

The Directors have proposed a final tax exempt dividend of 3.5% in respect of the financial year ended 31 December 2012 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 continue pursuing further business growth and opportunities.

Tan Sri Dato' Mohd Desa bin Pachi
Chairman

29 April 2013

Statement on Corporate Governance

The Board of Directors ("Board") of Eonmetall Group Berhad ("Company" or "Eonmetall") fully appreciates the importance of adopting and continuously to maintain the highest standards of Corporate Governance are practised throughout Eonmetall and its subsidiaries ("the Group" or "Eonmetall Group") towards enhancing business success and corporate accountability to protect and enhance the interests of its shareholders and stakeholders. The main focus is to adopt the substance behind good corporate governance practices with the ultimate aim to ensure Board effectiveness and efficacy in enhancing shareholders' value.

In ensuring the application of the principles of Corporate Governance in its business activities, the Board is working towards ensuring compliance and maintains all identifiable means to ensure that the Company's Corporate Governance Standards are on par with the Malaysian Code on Corporate Governance 2012 (the "Code" or "MCCG 2012") and this commitment is evidenced by the formulation of various policies and processes that are embedded in the operating procedures of the Company and the establishment of the relevant committees.

The Board is pleased to present this statement for the year ended 31 December 2012 outlining the applications of the Principles and Recommendations as set out in the MCCG 2012

Principle 1: Establish Clear Roles and Responsibilities

Clear Functions of the Board and Management

The Board assumes full responsibilities for the overall performance of the Company and its subsidiaries by providing leadership and direction as well as management supervision. In addition to its legal responsibilities, the Board ensures that Management has in place appropriate processes for risk assessment, management and internal controls and monitoring performance against agreed benchmark for the Group as well as ensuring businesses are carried out in compliance with governance practices and in a transparent and objective manner. Its overall objective is to enhance the value of its shareholders by achieving the strategic objectives of the Group with the implementation of the Code.

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

The Directors meet, review and approve all corporate announcements, including the announcements on quarterly financial results, before releasing them to Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board has delegated certain of its governance and responsibilities to the various Board Committees to oversee the Group's affairs in accordance with their respective terms of reference. All Board Committees have written terms of reference and the Board receives reports of their proceedings and deliberations.

Four (4) Board Committees were established to assist in the performance of the Boards stewardship duties. In order to enhance business and operational efficiency and efficacy, they established Audit Committee, Nominating Committee, Remuneration Committee and Employee Share Option Scheme ("ESOS") Committee. Three (3) of the four (4) Board Committees except for the ESOS Committee are composed of Non-Executive Directors with a majority Independent Non-Executive Directors. The ESOS Committee consist of two (2) Executive Directors and two (2) management staff. The ESOS Committee is 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 decisions and deliberations at Board Committee level are documented by the Company Secretary in the minutes of the respective Committee meetings. The ultimate responsibility for decision making, however, lies with the Board. The Chairman of Board Committees reports on the outcome and recommendations of the Board Committee meetings to the Board for further deliberation and approval. Such reporting is included in the minutes of Board meetings.

Clear Roles 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 Directors, who are experienced in the business of the Group.

The Board has not developed position description for the Board and the Managing Director. 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. 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.

The Independent Non-Executive Directors are active in their roles providing independent judgment, unbiased and independent views, when required and contributing actively to the deliberations on policies and issues. They also act in a manner to protect the interest of the minority shareholders in respect of policies and decisions deliberated by the Board.

The Independent Directors do not participate in the daily management of the Group and are not engaged in any business or other relationship with the Group. The presence of Independent Directors ensures that issues of strategies, performance and resources proposed by the Management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business. In carrying out their roles, the Independent Directors thereby fulfil a crucial role in corporate accountability as they provide independent and objective views, opinions and judgments on issues being deliberated.

The Board, at its meetings, regularly reviews the business financial results, adopting and reviewing risk management initiatives, oversees the implementation and effectiveness of internal control systems, enforcing the compliance of legal and statutory requirements within the Group. However, the Board also, when required, deliberate on significant matters that concerned the overall Group business strategy and direction, acquisition or divestment policy, approval of major capital expenditure, consideration of significant financial matters and review of the financial and operating performance of the Group. The Board will consider formalising such a schedule in a Board Charter.

Formalise Ethical Standards through a Code of Conduct

The Board noted the importance of the Code of Ethics and Conduct of the Company that emphasized the Company's commitment to ethical practices and compliance with the applicable laws and regulations which also governs the standards of ethics and good conduct expected from the Directors and employees of the Group. This covers a wide range of business practices and procedures and sets out the basic principles to guide the Group's Directors and employees in performing duties so as to improve work quality and productivity and improve self-discipline in order to provide the Company with good and quality service.

Currently, a formal Code of Ethics and Conduct is not in place for the Group's operations save and except for the Deed which contain the responsibilities on disclosure by employees of the confidential information. The Group has in place an Employee Handbook, which contains various human resource policies, serve as a guide for employees to ensure they follow and be responsible to practise as laid under this Handbook.

The Board will formalise a Code of Ethics and Conduct as well as Whistle Blowing Policy for adoption and subsequent disclosure on the corporate website.

Strategies Promoting Sustainability

The Company recognises the importance of sustainability and its increasing impact to the business. The Company is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.

In transition to implement the MCCG 2012, the Board will consider formalising a Sustainability Policy which aims to endeavour to integrate the principles of sustainability into the Company's strategies, policies and procedures and ensure that the Board and senior management are involved in implementation of this policy, review the sustainability performance and create a culture of sustainability within the Company, and the community, with an emphasis on integrating the environmental, social and governance considerations into decision making and the delivery of outcomes.

The Board were briefed on the Group's strategic direction and operational progress to-date, taking into account changes in the business environment and risk factors such as level of competition.

Access to Information and Advice

Sufficient notice has always been given for all Board and Board Committee meetings. All Board and Board Committees are provided with an agenda and relevant board papers, reports including matters arising and financial, operational and regulatory compliance matter, prior to meetings to ensure that they have sufficient time to review and evaluate the matters to be deliberated and obtain further information, if needed, prior to meeting to expedite decision making during meetings. The Board papers for the respective Board and Board Committee meetings are delivered timely to the Directors. Actions on all matters arising from any meeting are reported at the following meeting.

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. All the Directors have unrestricted access to any information within the Group to enable them to discharge their duties. The Chairman, with the assistance of the Company Secretaries, 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 as a whole will determine, whether as a full board or in their individual capacity, to engage independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties and to enable them to discharge 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.

Qualified and Competent 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 Board is satisfied with the performance and support rendered by the Company Secretaries. The Directors are able to seek advice and service of the Company Secretaries. The Company Secretaries, who is qualified and experienced, advises the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and the potential impact and implications arising there from.

The Company Secretaries attend and ensure that all Board and its Committees meetings are properly convened and that the decisions made and/or resolutions passed thereof are recorded in minutes of meeting and kept in the statutory register at the registered office of the Company.

Board Charter

The Board acknowledges and appreciates the need to establish a point of reference for Board activities through a Board Charter as recommended by the MCCG 2012. As such, the Board is taking the necessary steps to formalise such a Board Charter to clearly delineate the roles, duties and responsibilities of the Board, Board Committees and Management in order to provide a structured guidance. The Board Charter would also include the requirements of Directors in carrying out their leadership and supervisory role and in discharging their duties towards the Group as well as boardroom activities. Later, those salient features of the Board Charter will be made available on the Company website http://www.eonmetall.com.

Principle 2: Strengthen Composition

Nominating Committee

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.

The Nominating Committee consists of four (4) members, the majority of whom are Independent Non-Executive Directors and its Chairman is an Independent Non-Executive Director appointed by the Board.

The Nominating Committee currently comprised of the following:

Name	Position
Dato' Wahab bin Hamid	Chairman
Tang Yin Kham	Member
Ibrahim Mahdi Phee	Member
Goh Kee Seng	Member

The terms of reference of Nominating Committee provides that the Board shall appoint members to the Nominating Committee from amongst its member. The Nominating Committee shall comprise exclusively of Non-Executive Directors with at least three (3) members. Majority of the members of the Nominating Committee shall be independent. The Chairman of the Nominating Committee shall be an Independent Non-Executive Director appointed by the Board.

In the event that a member of the Nominating Committee retires, resigns or ceased to be a member, for any other reason, resulting in non-compliance of the terms prescribed, the Board shall, within three (3) months of that event, appoint such number of new members as may be necessary to fulfil the requirements.

The Nominating Committee is authorised by the Board to seek appropriate professional advice from outside the Group as and when it considers necessary in the discharge its duties. The cost incurred in obtaining services of the professional advisor will be borne by the Company.

The Nominating Committee shall meet whenever there is a need arises 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 quorum necessary for a meeting of the Nominating Committee shall be two (2) members.

The functions and responsibilities of the Nominating Committee are as follows:

- Recommend to the Board, candidates for all Directorships. In making its recommendations, the Nominating Committee should consider the candidate's:-

  - skill, knowledge, expertise and experience;
  - professionalism;
  - integrity; and
  - in the case of candidates for the position of Independent Non-Executive Directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected form Independent Non-Executive Directors.

- Recommend to the Board, Directors to fill vacant position on various Board committees.

- In making its recommendations, the Nominating Committee should also consider, within the bounds of practicability, candidates proposed by any Director, Chief Executive/Senior Executive or shareholder.

- Assist the Board in carrying out annual review, for inclusion in the Annual Report, on the required balance of skills and experience of the Board, including the core competencies, with which Non-Executive Directors should bring to the Board Assess annually the effectiveness of the Board as a whole, the various Board Committees as well as the contribution of each individual Director, including the Independent Non-Executive Directors and Chief Executive Officer.

The Nominating Committee met twice during the financial year and all members of the Nominating Committee attended the meetings to deliberate on the followings:

(i) Review the current Board structure, size and composition with an aim to achieving a balance of views on the Board.

(ii) Review and assess the contribution of each director and effectiveness of the Board and Board Committees.

(iii) Review the level of independence of Independent Directors.

(iv) Discuss the character, experience, integrity and competence of the Directors, Chief Executive or chief financial officer and to ensure they have the time to discharge their respective roles.

(v) Discuss on the annual retirement by rotation and re-election of Directors at the forthcoming Annual General Meeting.

(vi) To consider the re-designation of Managing Director/Chief Executive Officer and Executive Director of the Company.

(vii) To assess the candidacy for directorship in the Company.

Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Nominating Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations on the appointment of new Directors. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity and experience to bring value and expertise to the Board. 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.

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, the performance of the Board and the various Board Committees as well as contribution of individual Directors in discharging their duties.

In accordance with the Articles of Association of the Company provide that an election of Directors shall take place each year and, at the Annual General Meeting, 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 shall be those who have been longest in office since their appointment or reappointment. 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.

The director who is subject to re-election and/or re-appointment at next Annual General Meeting is assessed by the Nominating Committee before recommendation is made to the Board and shareholders for re-election and/or re-appointment. Appropriate assessment and recommendation by the Nominating Committee is based on the annual assessment conducted.

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 skills and experience of each Director is analysed, inter-alia, in the areas of business operations technical and governmental affairs and legislation.

In addition, the Board has taken note of Recommendation 2.2 of the MCCG 2012 pertaining to the establishment of policy formalising its approach to boardroom diversity. The Board has no specific policy on setting targets on female candidates to be appointed to the Board. The Board has one (1) female Director who is an Independent Non-Executive Director. With the current composition, the Board feels that its members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All Directors on the Board have gained extensive experience with their many years of experience on company Boards and also as professionals in their respective fields of expertise.

Remuneration Policies

The Remuneration Committee currently comprised of the following:

Name	Position
Ibrahim Mahdi Phee	Chairman
Dato' Wahab bin Hamid	Member
Tang Yin Kham	Member
Goh Kee Seng	Member

The Remuneration Committee consists of four (4) members, the majority of whom are Independent Non-Executive Directors. 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 once, attended by all the members.

All deliberations of the Remuneration Committee are properly documented in the minutes of Committee meetings and recommendations are reported by the Remuneration Committee Chairman at Board meetings.

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.

The remuneration of Non-Executive Directors is linked to their experience and level of responsibilities undertaken by them. Non-Executive Directors are paid fixed annual fees as members of the Board and Board Committees. The Directors' fees payable to Directors are approved by shareholders at each Annual General Meeting. All Directors are also paid allowance for each meeting they attend.

The aggregate remuneration, with categorisation into appropriate components and distinguishing between Executive and Non-Executive Directors, paid or payable to all Directors of the Company for the financial year ended 31 December 2012 is as follows:

	Fees (RM)	Other Emoluments[1] (RM)	Salaries[2] (RM)	Total (RM)
Executive Directors[3]	72,000	821,288	936,226	1,829,514
Non-Executive Directors	234,000	78,000	-	312,000
Total	306,000	899,288	936,226	2,141,514

Notes:
1 Other emoluments include allowances, EPF, SOCSO and advisory fee.
2 Salaries including bonus.
3 Excludes Goh Hong Kent who was appointed on 1 January 2013.

The number of Directors except for Goh Hong Keng whose total remuneration paid/payable falls within the following bands of RM50,000 is summarised as follows. The Board opted not to disclose each Director's remuneration individually as it considers the information sensitive and that the following disclosure is sufficient:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM 50,000	-	3
RM 50,000 to RM100,000	-	3
RM600,001 to RM650,000	1	-
RM1,200,001 to RM1,250,000	1	-
Total	2	6

The Board and Remuneration Committee strive to ensure a fair structure of compensation for an organization of this size and market sector and business complexity. It is also aimed at attracting and retaining Directors who have the right calibre, skills and experience to contribute meaningfully towards the success of the business. The Board is in the process of establishing a Remuneration Policy and Procedure to facilitate the Remuneration Committee considering and recommending to the Board for decision on the remuneration package of the Executive Directors.

Principle 3: Reinforce Independence

Annual Assessment of Independent Directors

The Nomination Committee had conducted an evaluation of level of independence of the three (3) Independent Non-Executive Directors of the Company through the Directors' self evaluation. The Nomination Committee has 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. The Board is also satisfied with the level of independence of the Independent Non-Executive Director.

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director outlined in Paragraph 1.01 and Practice Note 13 of MMLR of Bursa Securities. The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

Tenure of Independent Directors

The Board is also mindful of the recommendation of the MCCG 2012 that provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director. However, an Independent Non-Executive Director may continue to serve the Board upon reaching the 9-year limit subject to re-designation as a Non-Independent Non-Executive Director.

The presence of Independent Non-Executive Directors are to ensure that issues of strategies, performance and resources proposed by the Management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business.

Currently, none of the Independent Directors' tenure has exceeded a cumulative term of 9 years.

Shareholders' Approval for Retaining Independent Non-Executive Directors

In the event the Board intends to retain the Director as Independent Director after the latter has served a cumulative term of 9 years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Board shall vigoriously assess the candidate's suitability to continue as an Independent Non-Executive Director.

Going forward, the Nominating Committee will review and recommend to the Board, as part of the Board Charter, the term of tenure of Independent Non-Executive Directors of the Company.

Separation of Positions of Chairman and Chief Executive Officer

The Board has always made the distinction that the position of the Chairman and Managing Director/Chief Executive Office, who is also the Managing Director, does not reside with the same person. In this regards our Chairman, Tan Sri Dato' Mohd Desa Bin Pachi is a Non-Independent Non-Executive member of the Board.

There is a clear and separate division of responsibility in the roles and duties of the Chairman and Managing Director/Chief Executive Officer. The Managing Director/Chief Executive Officer is the officer involved in the day-to-day running of the affairs of the Company.

Composition of the Board

The Board comprised of nine (9) members, three (3) Executive Directors, three (3) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors, as at the date of this Annual Report as follows:

Managing Director	Yeoh Cheng Chye [1]
Executive Directors	Dato' Goh Cheng Huat [2] Goh Hong Kent [3]
Non-Executive Non-Independent Directors	Tan Sri Dato' Mohd Desa Bin Pachi Tan Sri Dato' Soong Siew Hoong Goh Kee Seng
Independent Non-Executive Directors	Dato' Wahab Bin Hamid Tang Yin Kham Ibrahim Mahdi Phee

Notes:
1 Re-designated as Managing Director and Chief Executive Officer on 1 January 2013
2 Re-designated as Executive Director on 1 January 2013
3 Appointed as Executive Director on 1 January 2013

Brief profiles of the Board members are presented under Profile of Directors in this Annual Report.

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 present composition of the Board is in compliance with Chapter 15.02 of the Main Market Listing Requirements ("MMLR") 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.

Principle 4: Foster Commitment

Time commitment

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 with sufficient notice.

During the financial year ended 31 December 2012, the Board held four (4) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions and the direction of the Group. The major deliberation, in terms of issues discussed and the conclusion arrived by the Board during the meetings, are recorded by the Company Secretary with the minutes signed by the Chairman of the meetings.

Detail of attendance of each Director on the Board and respective Board Committees of Eonmetall during the financial year under review is as follows:

	Board Number of meetings		Audit Committee Number of meetings		Nominating Committee Number of meetings		Remuneration Committee Number of meetings	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Tan Sri Dato' Mohd Desa Bin Pachi	4	4	-	-	-	-	-	-
Yeoh Cheng Chye	4	4	-	-	-	-	-	-
Dato' Goh Cheng Huat	4	4	-	-	-	-	-	-
Goh Hong Kent *	-	-	-	-	-	-	-	-
Tan Sri Dato' Soong Siew Hoong	4	4	-	-	-	-	-	-
Dato' Wahab Bin Hamid	4	3	5	5	2	2	1	1
Goh Kee Seng	4	4	5	5	2	2	1	1
Tang Yin Kham	4	4	5	5	2	2	1	1
Ibrahim Mahdi Phee	4	3	5	4	2	2	1	1

Notes:
* Appointed as Executive Director on 1 January 2013.

All Board members, save for Goh Hong Kent, met the minimum percentage required for Board meeting attendance during the period under review as prescribed under MMLR of Bursa Securities.

The Board members notify the Board or the Chairman for accepting of new Directorship in other public listed companies. The number of Directorship held by each Director complied with the MMLR of Bursa Securities.

Training

The Board is cognisant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise and professionalism in discharging their duties.

As at the date of this statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme.

The Directors are encouraged to attend relevant training courses and 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 regularly updated by the Company Secretaries on any changes to new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

There is no formal training/induction program for new Director. On joining, new Director is given background information on the Group and its activities with site visits arranged, whenever necessary. 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 encompassed various topics as outlined below:

Board & Corporate Governance	• Corporate Disclosure - Bursa's Expectation & Common Pitfalls • Financial Reports on Management Discussion & Analysis • Corporate Governance in Malaysia : Corporate Governance Blueprint 2011 and the Malaysian Code on Corporate Governance 2012 • New Trends on Corporate Governance and its implications on Corporate Performance
Financial & Risk Management	• An overview of clarified accounting standards • MIA International Accountants Conference 2012 • Enterprise Risk Assessment
Management & Leadership	• Balanced Leadership for 21st Century
Public Policy & Investment	• Enhancing Accountability and Integrity in the Malaysian Public Sector - Are we doing enough • Global Unrest – Faith In Action : How do we respond to Global Unrest • Integrated policies for Environmental Resilience and Sustainability
Industry Related	• Status & Outlook of the Malaysia Iron & Steel Industry • FMM National Manufacturing Conference 2012
Taxation	• Transfer Pricing Seminar 2012 • National Tax Seminar 2012 • National Tax Conference 2012 • Seminar Percukaian Kebangsaan 2012 • Legal & Compliance • Workshop on Mediation

Principle 5: Uphold Integrity in Financial Reporting

Compliance with Applicable Financial Reporting Standards

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through the annual financial statements, quarterly announcement of results and all other disclosures 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. The role of the Audit Committee is to support the Board of Directors in overseeing the processes for production of the financial data, reviewing and monitoring the integrity of the financial reports and the internal controls of the Company. The composition of the Audit Committee is presented under Audit Committee Report in this Annual Report.

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.

Assessment of Suitability and Independence of External Auditors by the Audit Committee

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.

The Group maintains a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the relevant accounting standards.

A summary of the activities of the Audit Committee during the financial year are set out in the Audit Committee Report in this Annual Report. The assessment of suitability and independence of the external auditors was not performed by the Audit Committee during the financial year ended 31 December 2012.

The Audit Committee discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the Audit Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The external auditors have confirmed, at an Audit Committee meeting that, they are, and have been, independent throughout the conduct of audit engagement in accordance with terms of relevant professional and regulatory requirements.

Going forward, the Audit Committee will establish procedures to assess the suitability and independence of the external auditors as well as policy governing the circumstance under which contracts for provision of non-audit services could be entered into by the external auditors.

Principle 6: Recognise and Manage Risks

Sound Framework to Manage Risks

The Board undertakes overall responsibility for risk oversight and risk management. The Company has established and adopted the risk management policy to administer the Group's approach to risk management.

The Board performs annual review on financial, operational and compliance controls in all material aspects and has received reasonable assurance from various Internal Audit Reports and Management on internal control system.

The Board has established a structured risk management framework aimed at identifying, evaluating, controlling, monitoring and reporting principal risks faced by the Group on an on-going basis.

Internal Audit Function

The internal audit function is currently outsourced to an independent professional and consulting firm. The Audit Committee monitors the feedback and reports of the Internal Audit Department for matters of non-compliance, weakness in internal control systems or the lack of it and monitors the implementation any such inadequacies by the Management.

The Board 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 Risk Management and Internal Control in this Annual Report provides an overview on the state of risk management and internal controls within the Group.

Principle 7: Ensure Timely and High Quality Disclosure

Corporate Disclosure Policy

The Board acknowledges the importance of ensuring prompt dissemination of information to shareholders and regulatory bodies with the intention of giving as clear and complete information of the Group's position and financial performance as possible within the bounds of practicality and legal and regulatory framework governing release of material and price sensitive information. The Board will take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information to avoid an individual or selective disclosure.

In line with increased investor awareness for greater accountability and transparency, the Board will formalise a Corporate Disclosure Policy and procedure which is in line with requirements of MMLR of Bursa Securities to enable comprehensive, timely and accurate disclosures on the Group to the regulators, shareholders and other stakeholders.

Leverage on Information Technology for Effective Dissemination of Information

Eonmetall disseminates information in relation to its financial performance, operations and corporate developments through the annual reports, quarterly reports, circulars and various announcements. The Company's website at http://www.eonmetall.com contains under the heading "Investor Relations" vital information, including annual reports, quarterly reports and official announcements made to Bursa Securities, concerning the Group which is updated on a regular basis. The Board will peruse through and approve all announcements prior to release of the same to Bursa Securities. The Group release all material information publicly through Bursa Securities. Shareholders and the public in general may also obtain announcements and financial results of the Company from Bursa Securities' website.

Shareholders may also direct all their concerns with regard to the Group to the key contact person, Mr Yeoh Cheng Chye, Managing Director/Chief Executive Officer of the Group.

Principle 8: Strengthen Relationship between Company and Shareholders

Shareholders' Participation at General Meetings

The Board encourages shareholders' participation and as such, the Annual General Meeting is an important event as the Board is given the opportunity to have a dialogue with the shareholders following presentation of annual audited financial results and to address any questions that may arise. The notice of Annual General Meeting is sent at least twenty-one (21) days before meeting date. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

Whilst this Annual Report provides a comprehensive source of information on the Group's financial and operational performance. 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 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 warrants an announcement to Bursa Securities under the MMLR to provide shareholders with a current overview of the Group's performance.

Encourage Poll Voting

All the resolutions set out in the Notice of the Annual General Meeting were put to vote by show of hands and duly passed. The outcome of the General Meeting was announced to Bursa Securities on the same meeting day.

The Board will consider adopting electronic voting to facilitate greater shareholders' participation at the Company's general meetings in future, if deemed warranted. The Chairman does inform the shareholders of their rights to demand for poll prior to the commencement of each general meeting.

Effective Communication and Proactive Engagement

The Company's general meetings remain the principal forum for dialogue and communication with shareholders and investors. Shareholders are encouraged to attend the general meetings and, given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns.

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.

The Board is committed under its Corporate Governance obligation to have an effective channel of communication with shareholders and the investing public. It affirms that the primary channel to engage and communicate with its shareholders is during the General Meeting.

Compliance with the Best Practices of the Code

The Group has complied substantially with the Principles and Recommendations of the Code, insofar as applicable and described herein, during the financial year ended 31 December 2012 and up to-date.

This statement is issued in accordance with a resolution of the Directors dated 29 April 2013.

Statement on Corporate Social Responsibility

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

The CSR contributions of the Group are as follows:-

ENVIRONMENT

The Group undertook initiative to make available separate bins to collect "production waste" and arrange for proper disposition by a licensed waste disposal company on a periodic basis. Additionally production metal scraps generated are sold to scrap collectors for recycling process. Employees are encouranged to reduce the use of paper, recycle any recyclable items and reduce wastages. Efforts have also been made to conserve energy by ensuring that all lights and air-conditioning are operating only when there is a need.

COMMUNITY

The Group plays its role as a socially responsible corporate citizen in the community whenever the need arises. The group shall continue to uphold and support by providing support or participate 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. Skilled employees and managerial staff attend technical and managerial upgrading programmes organized by the Group to strengthen their core skills and competencies with the view of enhancing career development, work quality and job performance. Monthly contributions are made to Human Resource Development Fund to support the Government effort to encourage corporate bodies to invest in training and skills upgrading for employees.

The Group has a fundamental responsibility and commitment to ensure that all employees work in a safe and healthy environment. A safety, Health and Environment Committee has been set-up to lead the activities in accordance with the Occupational Safety and Health Administration (OSHA). Representative from all levels also attend specific OSHA courses conducted by external trainers to enhance their understanding and responsibility on employees' health and safety. These programmes focus on identifying common hazards and unsafe work practices and implementing corrective actions to improve the work environment. In compliance with the OSHA requirements, First Aid, fire drill and CPR training sessions are also organised to help staff and workers understand their role as Emergency First Responders.

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

Statement on Risk Management and Internal Control

The Malaysian Code on Corporate Governance 2012 ("MCCG 2012") requires public listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investments and company's assets. Under the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Listing Requirements"), under paragraph 15.26(b), Directors of public listed companies are required to produce a statement on the state of the company's internal control in their Annual Report.

The Board of Directors ("Board") continues with its commitment to maintain sound systems of risk management and internal control throughout Eonmetall Group Berhad and its subsidiaries ("Group") and in compliance with the Main Listing Requirements and the Statement of Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("Internal Control Guidelines"), the Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year in review. The associated companies of the Group have not been dealt with as part of the Group for the purposes of applying this guidance.

BOARD RESPONSIBILITY

The Board acknowledges the importance of sound risk management and internal control being embedded into the culture, processes and structures of the Group. The systems of internal control cover risk management and financial, organizational, operational, project and compliance controls. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the effectiveness and efficiency of those systems to ensure its viability and robustness. It should be noted, however, that such systems are designed to manage, rather than eliminate, risks of failure to achieve corporate objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established an ongoing process for identifying, evaluating, monitoring and managing significant risks faced, or potentially exposed to, by the Group in pursuing its corporate 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 Guidelines.

MANAGEMENT'S ROLE

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. On an annual basis, the Chief Executive Officer and Accounting Manager have provided the Board the assurance that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

CONTROL STRUCTURE AND ENVIRONMENT

In furtherance to the Board's commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement a strong structure and environment for the proper conduct of the Group's business operations as follows:

- The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Executive Directors leads the presentation of board papers and provides explanation of pertinent issues. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis;
- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;

CONTROL STRUCTURE AND ENVIRONMENT (cont'd)

- 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. A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require Board's approval;

- Regular and relevant information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making.

RISK MANAGEMENT

The Group has established sound risk management practices to safeguard the Group's business interest from risk events that may impede the achievement of business strategy, enable value creation and growth through identification of opportunities and provide assurance to the Groups' various stakeholders.

The Group, with the help of an independent professional accounting and consulting firm, has implemented the Enterprise Risk Management ("ERM") processes to identify, assess, monitor, report and mitigate risks impacting the Group's business and supporting activities.

The main components of the Group's risk governance and structure consists of the Board, the Audit Committee and the Management. The structure allows for strategic risk discussions to take place between the Board, the Audit Committee and the Management on a periodical basis. The summary of the accountabilities for the Board, the Audit Committee and the Management under the risk governance structure are as follows:

a. Board of Directors

Overall risk oversight responsibility;
- Ensures that the principal risks are identified, and appropriate as well as robust systems are implemented to manage these risks;
- Reviews the adequacy and the integrity of the Group's internal control systems and information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

b. Audit Committee
- Reviews and endorses policies and frameworks and other key components of risk management for implementation within the Group;
- Reviews and endorses the corporate risk profile for the Group, and the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.

c. Management Committee
- Oversees the effective implementation of risk policies and guidelines, ERM and cultivation of risk management culture within the organization;
- Reviews and monitors periodically the status of the Group's principal risks and their mitigation actions and update the Board and Audit Committee accordingly.

RISK MANAGEMENT (cont'd)

During the year, the Group has identified 24 risks which are critical to the success of the business. The likelihood and impact of the risks have been assessed and appropriate mitigation actions have been identified for the risks.

Risk awareness sessions have been incorporated in the monthly Management meetings attended by the Group's senior and middle management and key employees. This is part of the ongoing initiative to sustain risk awareness and risk management capabilities.

In essence, Risk Management is conducted through an ongoing process between the Board, the Management and employees in the Group. The Group believes that the risk management framework and guidelines adopted and implemented have strengthened the risk ownership and risk management culture amongst the employees.

INTERNAL AUDIT FUNCTION

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

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan has been put 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.

The Audit Committee has full and direct access to the internal auditors and the Audit Committee receives reports on all internal audits performed. The Internal Auditors continue to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of the internal controls systems. Significant findings and recommendations for improvement are highlighted to Management and the Audit Committee, with periodic follow-up of the implementation of action plans. The Management is responsible for ensuring that corrective actions were implemented accordingly.

Based on the internal auditors' reports for the financial year ended 31 December 2012, 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 the Listing Requirements and pursuant to the scope set out in the Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2012, and has reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the risk management and internal control systems within the Group.

This statement is issued in accordance with a resolution of the Directors dated 29 April 2013.

Audit Committee Report

Membership

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

Tang Yin Kham	-	*Chairman, Independent Non-Executive Director*
Dato' Wahab bin Hamid	-	*Member, Independent Non-Executive Director*
Ibrahim Mahdi Phee	-	*Member, Independent Non-Executive Director*
Goh Kee Seng	-	*Member, Non-Independent Non-Executive Director*

Terms of reference

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

Meetings

During the financial year ended 31 December 2012, the Committee held a total of five (5) meetings. The attendance of the Committee members is as follows:

Name of Committee Member	No. of Committee Held	Meetings Attended
Tang Yin Kham	5	5
Dato' Wahab bin Hamid	5	5
Ibrahim Mahdi Phee	5	4
Goh Kee Seng	5	5

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

The Committee also makes arrangements to meet and discuss with the external and internal auditors separately without the presence of Executive Directors and management on any matters relating to the Group and its audit activities. The Committee met twice during the financial year under review.

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 for the financial year ended 31 December 2012 were as follows:

- Reviewed, prior to the commencement of audit, the external auditors' scope of engagement, their audit plan and approach together with their request for increase in audit fees;
- Reviewed with the external auditors, the results of the annual audit, audit report, including the management's response;
- Reviewed the quarterly unaudited financial statements of the Group prior to recommending them to the Board for approval and for announcement to Bursa Securities;
- Reviewed the draft audited financial statements together with external auditors prior to recommending the same to the Board for approval;

Summary of activities during the financial year (cont'd)

- Reviewed the internal audit report 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 for inclusion in the Annual Report;
- Reviewed any major proposed transaction that would affect the risk management framework;
- Considered the proposal received for the assessment of current state of the Risk Management Framework adopted by the Group, identify the principal risks and update the existing risk register of the Group;
- Reviewed and monitored recurrent related party transactions of a revenue or trading nature and other related party transactions entered into 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 Company has appointed an independent professional accounting firm to provide outsourced internal audit function to carry out internal audit of the Group. This is to assist the Committee in discharging its duties and responsibilities. The cost incurred for the internal audit function of the Group in respect of the financial year under review is RM16,000.00.

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 2012, the internal audit function carried out 2 cycles of internal audit on the internal control systems of the Group. The activities have been carried out in accordance to the internal audit plan which has been approved by the Committee. The opportunities for improvement were noted and together with the recommendations thereof and agreed management action plans, were presented to the Committee for consideration.

The Group, with the help of internal auditors, has implemented the Enterprise Risk Management processes to identify, assess, monitor, report and mitigate risks impacting the Group's Business and supporting activities.

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 not less than three (3) Directors, all must be Non-Executive Directors, with a majority of them being Independent Directors.

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

(i) a member of the Malaysian Institute of Accountants; or

(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-

 (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 (b) he must be a member of one of the association of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(iii) fulfills such other requirements as prescribed or approved by the Bursa Securities.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Director. No alternate Director of the Board shall be appointed as a member of the Committee.

The Board shall review the terms of office of each of its members at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

Meetings

The Committee shall hold at least four regular meetings per year and such additional meetings as the Chairman of the Committee shall decide in order to fulfil its duties. In addition, the Chairman of the Committee may call for a meeting of the Committee if a request is made by any member of the Audit Committee or the Board, or the internal or external auditors.

The quorum for a meeting of the Committee shall be two members, majority of whom must be independent Directors.

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

Meetings (cont'd)

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

The Committee shall regulate its own procedure, in particular, the calling of meetings, the notice and agenda to be given of such meetings, the voting and proceeding of such meetings, the keeping of minutes and the custody, production and inspection of such minutes.

The Company Secretary who acts as Secretary of the Committee shall circulate the minutes of each meeting to all members of the Board.

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.

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.

Duties and Responsibilities

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.

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

Duties and Responsibilities (cont'd)

(a) To review the following and to report the same to the Board:- (cont'd)

(iii) To review the internal audit functions on the following:-

- adequacy of the scope, function, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- internal audit plan, consider the major findings of internal audit, fraud investigations and actions and steps taken by management in response to audit findings;
- adequacy of risk management system to safeguard the company's assets; and
- assessment of the performance of the outsourced internal audit team.

(iv) To review:-

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

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

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

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

(e) To undertake such other responsibilities as may be agreed by the Committee and the Board.

(f) To verify the allocation of options pursuant to the Employee Share Option Scheme ("Scheme") of the Company and to ensure that the allocation is in compliance with the By-Laws of the Scheme.

This statement is issued in accordance with a resolution of Directors dated 29 April 2013.

Additional Compliance Information

1. Share Buy-Backs

The details of the Company's Share Buy-Backs exercise during the financial year ended 31 December 2012 are 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)		
May 2012	1,000	0.345	0.345	0.345	345.00
July 2012	1,500,000	0.330	0.320	0.325	486,000.00
November 2012	1,000	0.320	0.320	0.320	320.00

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 2012, the number of treasury shares held was 2,512,000 ordinary shares.

2. Options or Convertible Securities

Apart from the options pursuant to the ESOS as disclosed below, there was no issue or exercise of options or convertible securities during the financial year ended 31 December 2012.

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

The details of the said ESOS during the financial year ended 31 December 2012 ("FY 2012") were as follows:

	During FY2012	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 forfeited or expired	366,000	4,817,000
Total number of options outstanding	5,572,000	5,572,000

Options Granted to Executive Directors in Office	During FY2012	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 FY2012 (%)	Since the commencement of ESOS (%)
Aggregate maximum allocation in percentage	-	33%
Actual percentage granted	-	8%

4. Depository Receipt Programme
The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2012.

5. Sanctions and/or Penalties
There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by any relevant bodies during the financial year ended 31 December 2012.

6. Non-audit fees
Non-audit fees amounting to RM145,100 for the Group and RM36,600 for the Company were paid to the external auditors for the financial year ended 31 December 2012.

7. Variation in Results
There was no significant variation between the audited results for the financial year ended 31 December 2012 and the unaudited results previously announced.

8. Profit Guarantee
No profit guarantee was given by the Company in respect of the financial year ended 31 December 2012.

9. Material Contracts
There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest which still subsisting as at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year, other than as disclosed in item 3(ii) to (iv) of the Appendix 1 of Circular to Shareholders dated 3 May 2013.

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 ended 31 December 2012.

11. Recurrent Related Party Transactions of a Revenue or Trading Nature for the year ended 31 December 2012

Details of recurrent related party transactions made during the financial year ended 31 December 2012 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 21 June 2012 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	414	Sale of steel products and servicing charges	
		131	Purchase of steel products and servicing income of steel products	
	Eonmetall Systems Sdn Bhd	516	Letting of factory building	*Interested Director and Major Shareholder* *Dato' Goh Cheng Huat*
	Eonmetall Technology Sdn Bhd	3,092	Sale and maintenance of machinery	*Interest Director* *Mr Goh Kee Seng* *Mr Goh Hong Kent*
		20	Purchase of steel products	
	Eonsteel Sdn Bhd	315	Letting of factory building	*Person Connected and Major Shreholder* *Datin Tan Pak Say*
Leader Steel Service Centre Sdn Bhd	Eonmetall Industries Sdn Bhd	45,904	Sale of steel products and servicing income of steel products	*Interested Major Shareholder* *Eonmetall Corporation Sdn Bhd*
		4,068	Purchase of steel products and servicing charge	
	Eonmetall Technology Sdn Bhd	660	Sale and maintenance of machinery	
		1,092	Purchase of steel products	
	Eonmetall Systems Sdn Bhd	744	Purchase of steel products	
	Eonsteel Sdn Bhd	1,004	Purchase of steel products	
Genrizt Storage System	Eonmetall Industries Sdn Bhd	528	Sale of steel products	*Person connected to Major Shareholder* *Mr Tan Kheng Hwa* *Madam Tan Phaik Hoon*

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 2012.

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	4,967,667	4,129,322
Attributable to:		
Owners of the parent	4,978,111	4,129,322
Non-controlling interests	(10,444)	0
	4,967,667	4,129,322

DIVIDENDS

Dividends paid, declared and proposed since the end of the previous financial year was as follows:

	Company RM
In respect of financial year ended 31 December 2011:	
Final tax exempt dividend of 5.0% per ordinary share, paid on 26 July 2012	4,254,000

The Directors propose a final tax exempt dividend of 1.75 Sen per ordinary share amounting to RM2,951,533, in respect of the financial year ended 31 December 2012, 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.

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 1.1.2012**	**Exercised**	**Lapsed**	**At 31.12.2012**
2 August 2005	* RM0.67	5,938,000	0	(366,000)	5,572,000

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

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 20 February 2006 from having to disclose the list of option holders to whom options have been granted during the financial year ended 31 December 2005 and details of their holdings pursuant to Section 169(11) of the Companies Act 1965 in Malaysia except for information of employees who were granted 300,000 options and above. There is no other employee who has been granted more than 300,000 option except for the Directors of the Company.

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
Goh Hong Kent (appointed on 1 January 2013)

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 2012 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			
Names of Directors	**Balance as at 1.1.2012**	**Bought**	**Sold**	**Balance as at 31.12.2012**
Tan Sri Dato' Mohd Desa bin Pachi:				
Interest in the Company:				
- own	630,000	0	0	630,000
Deemed interest in the Company:				
- others *	2,045,000	0	(337,000)	1,708,000
Dato' Goh Cheng Huat:				
Interest in the Company:				
- own	30,420,000	0	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
Tan Sri Dato' Soong Siew Hoong:				
Interest in the Company:				
- own	510,000	0	0	510,000
Deemed interest in the Company:				
- own	396,600	100,000	0	496,600
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 interests in the ordinary shares of the Company, Dato' Goh Cheng Huat is also deemed to be interested in the shares of all the subsidiaries to the extent that the Company has an interest.

DIRECTORS' INTERESTS (cont'd)

Name of Directors	Number of options over ordinary shares of RM0.50 each Balance as at 1.1.2012	Granted	Exercised	Lapsed	Balance as at 31.12.2012
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

Dato' Wahab Bin Hamid did not have any interest in the ordinary shares and options over 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 those transactions entered in the ordinary course of business between certain subsidiaries and companies in which certain Directors have substantial financial interests as disclosed in Note 31 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling the 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.

TREASURY SHARES

During the financial year, the Company repurchased 1,502,000 of its issued ordinary shares from the open market at an average price of RM0.324 per share. The total consideration paid for the repurchased shares was RM486,665. The shares repurchased are being held as treasury shares in accordance with section 67A of the Companies Act 1965 in Malaysia.

As at 31 December 2012, the Company held as treasury shares a total of 2,512,000 of its 171,171,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM779,565 and further relevant details are disclosed in Note 16 to the financial statements.

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 have satisfied themselves that there are no known 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 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 necessitate the writing off of bad debts or render the amounts 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 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.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (cont'd)

(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, other than a fixed charge of the Group's long term leasehold land with carrying amount of RM8,258,976 for an additional credit facility obtained by a subsidiary from a licensed bank.

(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 this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 2 May 2012, a wholly-owned subsidiary of the Company, Eonmetall Agro Sdn. Bhd., entered into a sale and purchase agreement with a third party for the acquisition of a piece of long term leasehold land for a total consideration of RM8,258,976. The acquisition was completed on 9 August 2012.

(b) On 7 May 2012, a wholly-owned subsidiary of the Company, Eonmetall Industries Sdn. Bhd., entered into a conditional sale and purchase agreement with a third party for the disposal of a piece of freehold industrial land and buildings for a total cash consideration of RM26,000,000. The completion date of the disposal has been extended to 30 June 2013.

(c) On 7 May 2012, the Company further invested in the capital of its wholly-owned subsidiary, Eonchem Biomass Sdn. Bhd., by way of subscribing 900,000 ordinary shares of RM1.00 each at par value for cash.

(d) On 6 September 2012, a wholly-owned subsidiary of the Company, Eonchem Biomass Sdn. Bhd., entered into a conditional sale and purchase agreement with a third party for the acquisition of a piece of industrial land for a cash consideration of RM7,673,783. The completion date of the acquisition has been extended to 27July 2013.

(e) On 6 September 2012, a wholly-owned subsidiary of the Company, Eonmetall Systems Sdn. Bhd., entered into a conditional sale and purchase agreement with a related party for the disposal of a piece of industrial land and buildings for a cash consideration of RM12,100,000. The completion date of the disposal has been extended to 27 July 2013.

(f) On 16 November 2012, the Company acquired the entire issued and paid-up ordinary share capital of Eonsteel Sarawak Sdn. Bhd. (formerly known as Ecogreen Tech Sdn. Bhd.), a company incorporated in Malaysia, which is a dormant company for a cash consideration of RM2.

(g) On 20 November 2012, the Company further invested in the capital of its wholly-owned subsidiary, Eonsteel Sarawak Sdn. Bhd. (formerly known as Ecogreen Tech Sdn. Bhd.), by way of subscribing 999,998 ordinary shares of RM1.00 each at par value for cash.

(h) On 10 December 2012, a wholly-owned subsidiary of the Company, Eonmetall International Limited ("EIL"), entered into a Share Sale Agreement with a third party to dispose part of its equity shares, being 70,000 shares with a nominal value of Rp8,712 each (or US$1.00 equivalent) in P.T. Eonmetall Investment, a 95%-owned subsidiary of EIL for a total cash consideration of RM218,400. As a result of the disposal, the equity interest in EIL decreased to 88%.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) On 14 January 2013, the Company entered into a Share Sale Agreement with a third party to dispose its entire quity interest, being 2 ordinary shares of RM1.00 each in Eonmetall Petro-Chem (M) Sdn. Bhd. ("EPC"), a wholly-owned subsidiary of the Company for a total cash consideration of RM2,000,002. As a result of the disposal, EPC ceased to be a wholly-owned subsidiary of the Company.

(b) On 21 February 2013, the Company further invested in the capital of its wholly-owned subsidiary, Eonsteel Sarawak Sdn. Bhd. (formerly known as Ecogreen Tech Sdn. Bhd.), by way of subscribing 1,500,000 ordinary shares of RM1.00 each at par value for cash.

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

29 April 2013

Consolidated Statement of Financial Position
as at 31 December 2012

		Group		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
ASSETS				
Non-current assets				
Property, plant and equipment	7	108,988,067	100,161,921	118,663,112
Investment properties	8	30,374,065	29,043,899	6,488,979
Investment in associates	10	2,352,871	2,823,794	3,335,116
Deferred tax assets	11	1,624,500	1,624,500	2,267,000
		143,339,503	133,654,114	130,754,207
Current assets				
Inventories	12	47,769,046	53,961,964	59,830,626
Trade and other receivables	13	28,384,066	25,302,670	15,830,758
Current tax assets		332,551	263,046	174,437
Cash and cash equivalents	14	1,245,398	2,942,208	7,412,060
		77,731,061	82,469,888	83,247,881
Assets classified as held for sale	15	22,938,670	22,145,328	0
TOTAL ASSETS		244,009,234	238,269,330	214,002,088
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	16	85,585,500	85,585,500	85,585,500
Treasury shares, at cost	16	(779,565)	(292,900)	0
Reserves	17	58,775,937	57,961,253	52,772,754
		143,581,872	143,253,853	138,358,254
Non-controlling interests		339,248	152,140	0
TOTAL EQUITY		143,921,120	143,405,993	138,358,254

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

Consolidated Statement of Financial Position
as at 31 December 2012 (cont'd)

			Group	
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
LIABILITIES				
Non-current liabilities				
Borrowings	18	16,514,037	24,176,410	20,234,272
Deferred tax liabilities	11	3,204,755	3,029,206	3,029,657
		19,718,792	27,205,616	23,263,929
Current liabilities				
Trade and other payables	19	21,672,725	14,820,239	12,751,204
Borrowings	18	58,574,255	52,384,852	39,628,701
Current tax liabilities		122,342	452,630	0
		80,369,322	67,657,721	52,379,905
TOTAL LIABILITIES		100,088,114	94,863,337	75,643,834
TOTAL EQUITY AND LIABILITIES		244,009,234	238,269,330	214,002,088

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

Statements of Financial Position
as at 31 December 2012

	Note	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
ASSETS				
Non-current asset				
Investment in subsidiaries	9	56,768,952	54,868,952	53,368,952
Current assets				
Trade and other receivables	13	72,732,353	50,933,728	49,312,975
Current tax assets		0	53,852	66,803
Cash and cash equivalents	14	47,820	64,542	7,876
		72,780,173	51,052,122	49,387,654
TOTAL ASSETS		129,549,125	105,921,074	102,756,606
EQUITY AND LIABILITY				
Equity attributable to owners of the parent				
Share capital	16	85,585,500	85,585,500	85,585,500
Treasury shares, at cost	16	(779,565)	(292,900)	0
Reserves	17	7,904,901	8,029,579	7,819,157
TOTAL EQUITY		92,710,836	93,322,179	93,404,657
Current liability				
Trade and other payables	19	36,838,289	12,598,895	9,351,949
TOTAL EQUITY AND LIABILITY		129,549,125	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 2012

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Revenue	22	144,873,711	162,514,106	5,000,000	5,000,000
Cost of sales		(124,392,280)	(138,085,402)	0	0
Gross profit		20,481,431	24,428,704	5,000,000	5,000,000
Other income		1,769,337	3,825,934	4,081	604
Distribution expenses		(4,594,393)	(5,738,635)	0	0
Administrative expenses		(7,696,284)	(7,718,739)	(874,365)	(510,765)
Other expenses		(332,442)	(33,730)	0	0
Finance costs	23	(3,544,529)	(3,383,014)	0	0
Share of loss of associates		(470,923)	(241,571)	0	0
Profit before tax	24	5,612,197	11,138,949	4,129,716	4,489,839
Tax expense	27	(644,530)	(1,645,461)	(394)	(142)
Profit for the financial year		4,967,667	9,493,488	4,129,322	4,489,697
Other comprehensive income, net of tax:					
Foreign currency translations		69,725	(29,574)	0	0
Total comprehensive income		5,037,392	9,463,914	4,129,322	4,489,697
Profit attributable to:					
Owners of the parent		4,978,111	9,497,348	4,129,322	4,489,697
Non-controlling interests		(10,444)	(3,860)	0	0
		4,967,667	9,493,488	4,129,322	4,489,697
Total comprehensive income attributable to:					
Owners of the parent		5,047,836	9,467,774	4,129,322	4,489,697
Non-controlling interests		(10,444)	(3,860)	0	0
		5,037,392	9,463,914	4,129,322	4,489,697

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

- Basic	28	2.94	5.56
- Diluted	28	2.94	5.56

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

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2012

		← Non-distributable					→	Distributable			
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 as 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
- effects of the adoption of MFRS 1		0	0	0	0	0	0	7,983,218	7,983,218	0	7,983,218
Restated balance as at 1 January 2011		85,585,500	0	1,548,580	792,022	101,793	80,839	50,249,520	138,358,254	0	138,358,254
Profit for the financial year		0	0	0	0	0	0	9,497,348	9,497,348	(3,860)	9,493,488
Foreign currency translations		0	0	0	0	0	(29,574)	0	(29,574)	0	(29,574)
Total comprehensive income		0	0	0	0	0	(29,574)	9,497,348	9,467,774	(3,860)	9,463,914
Transactions with owners											
Dividends paid	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	16	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 as at 31 December 2011		85,585,500	(292,900)	1,548,580	790,423	101,793	51,265	55,469,192	143,253,853	152,140	143,405,993

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

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2012 (cont'd)

Group	Note	← Non-distributable: Share capital RM	Treasury shares RM	Share premium RM	Share option reserve RM	Statutory reserve RM	Translation reserve RM →	Distributable: Retained earnings RM	Total attributable to owner of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2012		85,585,500	(292,900)	1,548,580	790,423	101,793	51,265	55,469,192	143,253,853	152,140	143,405,993
Profit for the financial year		0	0	0	0	0	0	4,978,111	4,978,111	(10,444)	4,967,667
Foreign currency translations		0	0	0	0	0	69,725	0	69,725	0	69,725
Total comprehensive income		0	0	0	0	0	69,725	4,978,111	5,047,836	(10,444)	5,037,932
Transactions with owners											
Dividends paid	29	0	0	0	0	0	0	(4,254,000)	(4,254,000)	0	(4,254,000)
Accretion/(Dilution) from change in stake of euity interest in a subsidiary	9(b)	0	0	0	0	0	0	20,848	20,848	(20,848)	0
Subscription of ordinary shares by the non-controlling interests in a subsidiary		0	0	0	0	0	0	0	0	218,400	218,400
Option lapsed due to resignation		0	0	0	(48,725)	0	0	48,725	0	0	0
Purchase of treasury shares	16	0	(486,665)	0	0	0	0	0	(486,665)	0	(486,665)
Total transactions with owners		0	(486,665)	0	(48,725)	0	0	(4,184,427)	(4,719,817)	197,552	(4,522,265)
Balance as at 31 December 2012		85,585,500	(779,565)	1,548,580	741,698	101,793	120,990	56,262,876	143,581,872	339,248	143,921,120

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

Statement of Changes in Equity
for the financial year ended 31 December 2012

Company	Note	Non-distributable Share capital RM	Non-distributable Treasury shares RM	Non-distributable Share premium RM	Non-distributable Share option reserve RM	Distributable Retained earnings RM	Total equity RM
Balance as 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							
Dividends paid	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 as at 31 December 2011		85,585,500	(292,900)	1,058,688	1,508,934	5,461,957	93,322,179
Balance as at 1 January 2012		85,585,500	(292,900)	1,058,688	1,508,934	5,461,957	93,322,179
Profit for the financial year		0	0	0	0	4,129,322	4,129,322
Total comprehensive income		0	0	0	0	4,129,322	4,129,322
Transactions with owners							
Dividends paid	29	0	0	0	0	(4,254,000)	(4,254,000)
Purchase of treasury shares	16	0	(486,665)	0	0	0	(486,665)
Total transactions with owners		0	(486,665)	0	0	(4,254,000)	(4,740,665)
Balance as at 31 December 2012		85,585,500	(779,565)	1,058,688	1,508,934	5,337,279	92,710,836

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

Statements of Cash Flows
for the financial year ended 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		5,612,197	11,138,949	4,129,716	4,489,839
Adjustments for:					
Depreciation of property, plant and equipment	7	7,315,195	7,824,225	0	0
Depreciation of investment properties	8	289,882	75,195	0	0
Gain on disposal of property, plant and equipment		(5,506)	(60,932)	0	0
Dividend income		0	0	(5,000,000)	(5,000,000)
Impairment loss of trade receivables		566,221	480,017	0	0
Interest income		(20,221)	(23,776)	(4,081)	(604)
Interest expense	23	3,544,529	3,383,014	0	0
Inventories written off		0	879,902	0	0
Inventories written down		130,378	0	0	0
Share of loss of associates		470,923	241,571	0	0
Operating profit/(loss) before changes in working capital		17,903,598	23,938,165	(874,365)	(510,765)
Changes in working capital:					
Decrease/(Increase) in inventories		5,003,651	(2,000,304)	0	0
Increase in trade and other receivables		(3,429,217)	(9,795,929)	(21,798,625)	(1,620,753)
Increase in trade and other payables		6,852,486	2,069,035	24,239,394	3,246,946
		26,330,518	14,210,967	1,566,404	1,115,428
Dividend received		0	0	5,000,000	5,000,000
Tax (paid)/refunded		(868,775)	(639,391)	53,458	12,809
Net cash from operating activities		25,461,743	13,571,576	6,619,862	6,128,237

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

Statements of Cash Flows
for the financial year ended 31 December 2012 (cont'd)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	7(a)	(14,406,791)	(26,760,601)	0	0
Purchase of investment property	8	(1,620,048)	(136,380)	0	0
Addition of assets held for sale		(793,342)	0	0	0
Proceeds from disposal of property, plant and equipment		37,345	248,000	0	0
Purchase of treasury shares	16	(486,665)	(292,900)	(486,665)	(292,900)
Interest received		20,221	23,776	4,081	604
Investment in subsidiaries		0	0	(1,900,000)	(1,500,000)
Dividend received from an associate		0	269,750	0	0
Net cash used in investing activities		(17,249,280)	(26,648,355)	(2,382,584)	(1,792,296)
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown from short term borrowings, net		6,672,759	9,635,792	0	0
(Repayment of)/Drawdown from term loans		(8,297,840)	5,430,671	0	0
Repayment of hire purchase payables		(388,366)	(256,788)	0	0
Interests paid		(3,544,529)	(3,383,014)	0	0
Dividend paid	29	(4,254,000)	(4,279,275)	(4,254,000)	(4,279,275)
Net cash (used in)/ from financing activities		(9,811,976)	7,147,386	(4,254,000)	(4,279,275)
Net (decrease)/increase in cash and cash equivalents		(1,599,513)	(5,929,393)	(16,722)	56,666
Effect of exchange rate changes on cash and cash equivalents		69,725	(29,573)	0	0
Cash and cash equivalents at beginning of financial year		(3,563,321)	2,395,645	64,542	7,876
Cash and cash equivalents at end of financial year	14(c)	(5,093,109)	(3,563,321)	47,820	64,542

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

Notes to the Financial Statements

31 December 2012

1. CORPORATE INFORMATION

Eonmetall Group Berhad (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 consolidated financial statements for the financial year ended 31 December 2012 comprise the Company and its subsidiaries and the Group's interest in associates. These 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 29 April 2013.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of the 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 set out on pages 49 to 138 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act 1965 in Malaysia.

These are the Group and the Company's first financial statements prepared in accordance with MFRSs, IFRSs and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ('FRSs') in Malaysia.

The Group and the Company have consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 January 2011 and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for the financial year ended 2011 in these financial statements have been restated to give effect to these changes, and Note 39 to the financial statements discloses the impact of the transition to MFRSs on the Group's reported financial position, financial performance and cash flows for the financial year then ended. The transition to MFRSs does not have any financial impact on the opening statement of financial position of the Company as at 1 January 2011.

However, Note 40 to the financial statements set out on page 139 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 in conformity with MFRSs 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 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.

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 fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Basis of consolidation (cont'd)

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 off. 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 MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or jointly controlled entity.

4.3 Business combinations

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 MFRS 112 *Income Taxes* and MFRS 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 MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.3 Business combinations (cont'd)

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 MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 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

As part of its transition to MFRSs, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill represents the amount recognised under the previous FRS Framework in respect of acquisitions prior to 1 January 2011.

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost less accumulated depreciation and any accumulated impairment losses. 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 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 a different useful life, is depreciated separately.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

After initial recognition, property, plant and equipment are stated at cost less 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 depreciation periods and annual rates are as follows:

Buildings	43 years to 50 years
Long term leasehold land	92 years
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.

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 the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 Leases and hire purchase (cont'd)

(a) Finance leases and hire purchase (cont'd)

The minimum lease payments are apportioned between 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.

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. After initial recognition, investment properties are stated at cost.

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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.7 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company have the 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 MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale in accordance with MFRS 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 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.

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, to the extent of impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.7 Investments (cont'd)

(b) 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.

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 MFRS 8 *Operating Segments*.

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

In estimating 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.10 Financial instruments (cont'd)

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.10 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

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

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.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these insurance contracts as recognised insurance liabilities 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 would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of every reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.10 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(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.

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.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Immediately before the initial classification as held for sale, the carrying amounts of the non-current assets are measured in accordance with applicable MFRSs. 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.

The Group measures a non-current asset classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute.

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.

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 measure a non-current asset that caeses 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.

Loan and receivables

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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 and associates on distributions to the Group and Company, and real property gains taxes payable on the disposal of properties.

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

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties.

(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) 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 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 in 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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.15 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and 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.

If 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.

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 a contingent asset but discloses its existence where, the 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.

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 and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.17 Employee benefits (cont'd)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.18 Foreign currencies (cont'd)

(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.

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 the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no 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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.19 Revenue recognition (cont'd)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.20 Operating segments (cont'd)

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.

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 MFRSs AND AMENDMENT TO MFRSs

5.1 New MFRSs adopted during the current financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

Title	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 101 *Presentation of Financial Statements*	1 January 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 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 128 *Investments in Associates*	1 January 2012
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 (2008)	1 January 2012
Improvements to MFRSs (2009)	1 January 2012
Improvements to MFRSs (2010)	1 January 2012
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

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

5.1 New MFRSs adopted during the current financial year (cont'd)

Title	Effective Date
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 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

(a) Amendments to MFRS 101 *Clarification of the Requirements for Comparative Information* are mandatory for annual periods beginning on or after 1 January 2013.

The Group has early adopted Amendments to MFRS 101 *Clarification of the Requirements for Comparative Information* in conjunction with the application of MFRS 101. These Amendments clarify that the third statement of financial position is required only if a retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period. If the third statement of financial position is presented, these Amendments clarify that the related notes to the opening statement of financial position need not be disclosed. Accordingly, there are no related notes disclosed in relation to the opening statement of financial position as at 1 January 2011.

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

5.1 New MFRSs adopted during the current financial year (cont'd)

(b) Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* are mandatory for annual periods beginning on or after 1 January 2013.

The Group has early adopted Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* in conjunction with the application of MFRS 1. These Amendments clarify that the first MFRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been adopted by the Group and the Company.

Title	Effective Date
Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*	1 July 2012
MFRS 10 *Consolidated Financial Statements*	1 January 2013
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 119 *Employee Benefits (revised)*	1 January 2013
MFRS 127 *Separate Financial Statements*	1 January 2013
MFRS 128 *Investments in Associates and Joint Ventures*	1 January 2013
Amendments to MFRS 1 *Government Loans*	1 January 2013
Amendments to MFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRSs *Annual Improvements 2009 – 2011 Cycle*	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	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 January 2015
MFRS 9 F*inancial Instruments*	1 January 2015

(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 require 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 (2) groups of other comprehensive income items shall be shown separately.

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

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

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013 (cont'd)

(b) MFRS 10 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 (1) or more of the three (3) 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 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 (2) or more parties have joint control. Joint arrangements are classified into two (2) 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 as the effects would only be observable during the financial year ending 31 December 2013.

(d) MFRS 12 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.

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

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

This Standard establishes the principles for fair value measurement and replaces the existing guidance on fair value measurement in different MFRSs.

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

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

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013 (cont'd)

(f) MFRS 119 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 (3) 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 as the effects would only be observable during the financial year ending 31 December 2013.

(g) MFRS 127 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 in the separate financial statements of the investor. An investor is required to account for those investments either at cost or in accordance with MFRS 139 or MFRS 9 in the separate financial statements.

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

(h) MFRS 128 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 as the effects would only be observable during the financial year ending 31 December 2013.

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

These Amendments require disclosures that would enable users of the Group and the Company'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 Group and the Company's financial position.

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

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

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013 (cont'd)

(j) Amendments to MFRSs *Annual Improvements 2009 – 2011 Cycle* are mandatory for annual periods beginning on or after 1 January 2013.

Amendments to MFRS 1 *Repeated Application of MFRS 1* clarify that an entity that had applied MFRSs or IFRSs in the past but did not do so in its most recent previous annual financial statements must either apply MFRS 1 or MFRS 108 in the period that the entity decides to reapply the FRS framework. The Group does not expect any impact on the financial statements upon adoption of these Amendments.

Amendments to MFRS 1 *Borrowing Costs* clarify that a first-time adopter that capitalised borrowing costs in accordance with its previous GAAP before the date of transition to MFRSs shall carry forward without adjustment the amount previously capitalised at the date of transition. Any borrowing costs incurred after the date of transition that relate to qualifying assets under construction at the date of transition would be accounted for in accordance with MFRS 123. The Group does not expect any impact on the financial statements upon adoption of these Amendments.

Amendments to MFRS 116 *Classification of Servicing Equipment* clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. The Group does not expect any impact on the financial statements upon adoption of these Amendments.

Amendments to MFRS 132 *Tax Effect of Distribution to Holders of Equity Instruments* clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112. The Group does not expect any impact on the financial statements upon adoption of these Amendments.

Amendments to MFRS 134 *Interim Financial Reporting and Segment Information* for Total Assets and Liabilities clarify that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment to be consistent with the requirements in MFRS 8. The Group does not expect any impact on the financial statements upon adoption of these Amendments.

(k) Amendments to MFRS 10, MFRS 11 and MFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* are mandatory for annual periods beginning on or after 1 January 2013

These Amendments clarify the transition guidance in MFRS 10 and also provide additional transition relief in MFRS 10, MFRS 11 and MFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structured entities in periods prior to the first annual period that MFRS 12 is applied.

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

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

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013 (cont'd)

(l) IC Interpretation 20 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. Other removed material, that provides access to deeper levels of material that would be mined in future periods, is recognised as a non-current asset (referred to as a 'stripping activity asset') if the recognition criteria are met. This Interpretation requires stripping activity assets to be measured at cost at initial recognition. Subsequently, they are carried either at cost or revalued amount less depreciation or amortisation and any impairment losses.

The Group does not expect any impact on the financial statements arising from the adoption of this Interpretation.

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

These Amendments provide 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 as the effects would only be observable during the financial year ending 31 December 2014.

(n) Mandatory Effective Date of MFRS 9 and Transition Disclosures is effective immediately upon adoption of MFRS 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 this Amendment as the effects would only be observable during the financial year ending 31 December 2015.

(o) MFRS 9 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, plus transaction costs. Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Financial liabilities are subsequently measured at amortised cost, except for financial liabilities measured at fair value through profit or loss, transfer of financial asset not qualifying for derecognition and financial guarantee contracts or commitments to provide a below-market interest rate. 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 as the effects would only be observable during the financial year ending 31 December 2015.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no material changes in estimates at the end of the reporting period.

6.2 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 of leasehold land

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights finance leases in accordance with MFRS 117.

(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.

(d) Classifications of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise its right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

(e) Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

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

6.3 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.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowance to the extent that it is probable that taxable profits will be available against which the losses, capital allowances and reinvestment allowance 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 1.1.2012 RM	Additions RM	Disposals RM	Transfer from inventories RM	Depreciation charges for the financial year RM	Reclassification RM	Balance as at 31.12.2012 RM
Group							
Carrying amount							
Freehold land	16,459,999	1,189,882	0	0	0	0	17,649,881
Long term leasehold land	0	8,258,976	0	0	0	0	8,258,976
Buildings	38,561,899	675,944	0	0	(914,031)	4,109,979	42,433,791
Plant and machinery, moulds, tools and equipment	26,989,341	847,751	(5,262)	1,058,889	(5,554,708)	0	23,336,011
Furniture, fittings, office equipment and computer software	438,922	219,245	(26,577)	0	(149,567)	0	482,023
Motor vehicles	1,656,995	737,422	0	0	(512,561)	0	1,881,856
Electrical installation and renovation	796,662	110,988	0	0	(184,328)	0	723,322
Capital work-in-progress	15,258,103	3,074,083	0	0	0	(4,109,979)	14,222,207
	100,161,921	15,114,291	(31,839)	1,058,889	(7,315,195)	0	108,988,067

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

	Balance as at 1.1.2011 RM	Additions RM	Disposals 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	30,049,891	0	0	0	0	(11,265,000)	(2,324,892)	16,459,999
Buildings	52,505,271	609,668	(151,734)	0	(1,131,034)	0	(13,270,272)	38,561,899
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
	118,663,112	27,160,101	(187,068)	6,989,064	(7,824,225)	(29,043,899)	(15,595,164)	100,161,921

Notes to the Financial Statements
31 December 2012 (cont'd)

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

Group	At 31.12.2012 Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	17,649,881	0	17,649,881
Long term leasehold land	8,258,976	0	8,258,976
Buildings	44,718,578	2,284,787	42,433,791
Plant and machinery, moulds, tools and equipment	62,129,998	38,793,987	23,336,011
Furniture, fittings, office equipment and computer software	2,512,857	2,030,834	482,023
Motor vehicles	4,067,518	2,185,662	1,881,856
Electrical installation and renovation	2,160,824	1,437,502	723,322
Capital work-in-progress	14,222,207	0	14,222,207
	155,720,839	46,732,772	108,988,067

Group	At 31.12.2011 Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	16,459,999	0	16,459,999
Buildings	39,932,656	1,370,757	38,561,899
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
	139,598,097	39,436,176	100,161,921

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

	Group 2012 RM	2011 RM
Purchase of property, plant and equipment	15,114,291	27,160,101
Financed by hire purchase arrangements	(707,500)	(399,500)
Cash payments on purchase of property, plant and equipment	14,406,791	26,760,601

As at 31 December 2012, the carrying amount of the motor vehicles of the Group under hire purchase are RM1,636,517 (2011: RM1,338,487).

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

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

(b) As at 31 December 2012, property, plant and equipment of the Group with a carrying amount RM61,351,892 (2011: RM63,368,501) have been charged to banks for credit facilities granted to the Group (Note 18).

(c) The strata title to a landed property of the Group with a carrying amount of RM8,258,976 (2011: RMNil) is in the process of being issued by the relevant authority and not available for inspection.

8. INVESTMENT PROPERTIES

	Balance as at 1.1.2012 RM	Additions RM	Depreciation charge for the year RM	Balance as at 31.12.2012 RM
Group				
Carrying amount				
Freehold land	11,265,000	0	0	11,265,000
Building	17,778,899	1,620,048	(289,882)	19,109,065
	29,043,899	1,620,048	(289,882)	30,374,065

	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 sale RM	Balance as at 31.12.2011 RM
Group						
Carrying amount						
Freehold land	2,875,931	0	11,265,000	0	(2,875,931)	11,265,000
Building	3,613,048	136,380	17,778,899	(75,195)	(3,674,233)	17,778,899
	6,488,979	136,380	29,043,899	(75,195)	(6,550,164)	29,043,899

The fair value of the investment properties are estimated at approximately RM33,000,000 (2011: RM31,300,000). 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 RM999,482 (2011: RM216,794).

9. INVESTMENT IN SUBSIDIARIES

	Company 2012 RM	Company 2011 RM
At cost:		
Unquoted shares	55,477,646	53,577,646
Add : Share-based payment	1,291,306	1,291,306
	56,768,952	54,868,952

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %	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, galvanised 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
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 #	Malaysia	100	100	Investment holding
Eonchem Biomass Sdn. Bhd. #	Malaysia	100	100	Manufacture of palm oil related products

9. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of company	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %	Principal activities
Eonmetall Agro Sdn. Bhd. #	Malaysia	100	100	Property holding
Eonsteel Sarawak Sdn. Bhd. (formerly known as Ecogreen Tech Sdn. Bhd.)*	Malaysia	100	0	Dormant
Subsidiary of Eonmetall International Limited				
PT Eonmetall Investment ^	Indonesia	88	95	Dormant

\# Subsidiaries audited by BDO Malaysia
^ Subsidiary audited by BDO Member Firms
* The company was incorporated on 9 November 2012. No audited financial statements was available as at 31 December 2012.

(a) On 7 May 2012, the Company further invested in the capital of its wholly-owned subsidiary, Eonchem Biomass Sdn. Bhd., by way of subscribing 900,000 ordinary shares of RM1.00 each at par value for cash.

(b) On 10 December 2012, a wholly-owned subsidiary of the Company, Eonmetall International Limited ("EIL"), entered into a Share Sale Agreement with a third party to dispose part of its equity shares, being 70,000 shares with a nominal value of Rp8,712 each (or US$1.00 equivalent) in P.T. Eonmetall Investment, a 95%-owned subsidiary of EIL for a total cash consideration of RM218,400. As a result of the disposal, the equity interest in EIL decreased to 88%. The transfer of shares has given rise to an accretion of change in stake of RM20,848 to the owners of the parent.

10. INVESTMENT IN ASSOCIATES

	Group 2012 RM	Group 2011 RM
At cost:		
Unquoted shares	1,269,000	1,269,000
Share of post-acquisition reserves	1,083,871	1,554,794
	2,352,871	2,823,794

Notes to the Financial Statements
31 December 2012 (cont'd)

10. INVESTMENT IN ASSOCIATES (cont'd)

The details of the associates are as follows:

Name of company	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %	Principal activities
Associate of Eonmetall Petro-Chem (M) Sdn. Bhd.				
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
* The financial statements of the associate are coterminous with those of the Group. In applying the equity method of accounting, the most recent available unaudited financial statements of the associate have been used.

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
2012							
Associate of Eonmetall Petro-Chem (M) Sdn. Bhd.							
Eonmetall Global Composites L.L.C ('EGC')	Specialised in piping and related fittings contracting	Dubai, United Arab Emirates	30	0	(89,955)	15,542,176	(8,499,923)
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	0	(1,479,786)	16,149,669	(2,883,092)

10. INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information of the associates are as follows (cont'd):

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

Notes to the Financial Statements
31 December 2012 (cont'd)

11. DEFERRED TAX

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

	Group 2012 RM	Group 2011 RM
Balance as at 1 January	1,404,706	762,657
Recognised in profit or loss (Note 27)	175,549	642,049
Balance as at 31 December	1,580,255	1,404,706
Presented after appropriate offsetting:		
Deferred tax assets	(1,624,500)	(1,624,500)
Deferred tax liabilities	3,204,755	3,029,206
	1,580,255	1,404,706

(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 2012	2,042,570	986,636	3,029,206
Recognised in profit or loss (Note 27)	0	175,549	175,549
Balance as at 31 December 2012	2,042,570	1,162,185	3,204,755
Balance as at 1 January 2011	2,042,570	344,587	2,387,157
Recognised in profit or loss (Note 27)	0	642,049	642,049
Balance as at 31 December 2011	2,042,570	986,636	3,029,206

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 liabilities of the Group

	Unutilised reinvestment allowance RM	Other deductible temporary differences RM	Total RM
Balance as at 1 January 2012/31 December 2012	1,624,500	0	1,624,500
Balance as at 1 January 2011	1,889,500	33,000	1,922,500
Recognised in profit or loss (Note 27)	(265,000)	(33,000)	(298,000)
Balance as at 31 December 2011	1,624,500	0	1,624,500

(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 2012 RM	Group 2011 RM
Taxable temporary differences	7,328,590	797,600
Unutilised tax losses	0	(416,900)
Unabsorbed capital allowances	(4,612,240)	(85,000)
Unutilised industrial building allowance	(54,800)	0
Unutilised reinvestment allowance	(6,058,000)	0
Provisions	0	(1,919,140)
	(3,396,540)	(1,623,440)

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.

Notes to the Financial Statements
31 December 2012 (cont'd)

12. INVENTORIES

	Group 2012 RM	Group 2011 RM
At cost		
Raw materials	20,521,622	20,513,966
Work-in-progress	22,671,601	25,625,432
Manufactured inventories	4,575,823	7,822,566
	47,769,046	53,961,964

The Group reversed RM654,155 (2011: RM Nil) in respect of inventories written down in the previous financial year that was subsequently not required as the Group has transferred these inventories to property, plant and equipment for its own use.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade receivables				
Third parties	18,785,354	15,831,050	0	0
Companies in which certain Directors have substantial financial interests	2,780,679	4,427,527	0	0
Amount due from contract customers (Note (f))	11,123,207	9,012,848	0	0
	32,689,240	29,271,425	0	0
Less: Impairment loss	(9,604,961)	(9,038,740)	0	0
	23,084,279	20,232,685	0	0
Other receivables				
Amount owing by subsidiaries	0	0	72,731,353	50,932,728
Amount owing by associates	28,330	29,150	0	0
Companies in which certain Directors have substantial financial interests	681,702	93,000	0	0
Other receivables	2,105,502	3,672,857	0	0
	2,815,534	3,795,007	72,731,353	50,932,728
Loan and receivables	25,899,813	24,027,692	72,731,353	50,932,728
Deposits and prepayments				
Deposits	1,890,388	682,856	1,000	1,000
Prepayments	593,865	592,122	0	0
	2,484,253	1,274,978	1,000	1,000
Total trade and other receivables	28,384,066	25,302,670	72,732,353	50,933,728

13. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 60 days (2011: 30 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 RM538,000 (2011: RM1,518,000).

(e) Included in other receivables of the Group is an amount owing by a third party in relation to partial disposal of PT Investment amounting to RM218,400 (2011: RMNil).

(f) Amount due from contract customers

	Group	
	2012 RM	2011 RM
Aggregate costs incurred to date	41,072,171	27,594,734
Add : Attributable profits	27,168,036	18,855,114
	68,240,207	46,449,848
Less : Progress billings	(57,117,000)	(37,437,000)
	11,123,207	9 ,012,848

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	26,195,776	24,162,168	72,731,353	50,933,728
US Dollar	2,188,290	910,246	0	0
EURO	0	230,256	0	0
	28,384,066	25,302,670	72,731,353	50,933,728

Notes to the Financial Statements
31 December 2012 (cont'd)

13. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group 2012 RM	Group 2011 RM
Neither past due nor impaired	11,622,932	7,685,980
Past due, not impaired		
1 to 30 days	2,485,293	9,048,864
31 to 120 days	4,766,429	1,437,743
121 to 365 days	3,304,667	1,382,659
More than 365 days	904,958	677,439
	11,461,347	12,546,705
Past due and impaired	9,604,961	9,038,740
	32,689,240	29,271,425

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables 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 2012 RM	Individually impaired 2011 RM
Group		
Trade receivables, gross	9,604,961	9,038,740
Less: Impairment loss	(9,604,961)	(9,038,740)
	0	0

13. TRADE AND OTHER RECEIVABLES (cont'd)

(h) 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	
	2012 RM	2011 RM
At 1 January	9,038,740	8,610,596
Charge for the financial year	566,221	456,929
Reversal of impairment loss	0	(28,785)
At 31 December	9,604,961	9,038,740

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	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash and bank balances	1,245,398	2,942,208	47,820	64,542

(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	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	1,167,477	2,376,725	47,820	64,542
US Dollar	77,921	565,483	0	0
	1,245,398	2,942,208	47,820	64,542

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 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash and bank balances	1,245,398	2,942,208	47,820	64,542
Bank overdrafts included in borrowings (Note 18)	(6,338,507)	(6,505,529)	0	0
	(5,093,109)	(3,563,321)	47,820	64,542

15. ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to the sales and purchase agreements dated 7 May 2012 and 6 September 2012 relating to the disposal of two pieces of freehold land and buildings of the Group, these properties were presented as non-current assets classified as held for sale as at the end of the reporting period.

The above disposals were not completed as at 31 December 2012 pending fulfilment of certain conditions precedent as set out in the sales and purchase agreements.

The amounts of the non-current assets classified as held for sale were as follows:

	Group 2012 RM	Group 2011 RM
Freehold land and buildings	22,938,670	22,145,328

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

16. SHARE CAPITAL

	Group and Company			
	2012		2011	
	Number of Share	RM	Number of Share	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	(1,010,000)	(292,900)	0	0
Purchase of treasury shares	(1,502,000)	(486,665)	(1,010,000)	(292,900)
Balance at 31 December	(2,512,000)	(779,565)	(1,010,000)	(292,900)

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 1,502,000 of its issued ordinary shares from the open market at an average price of RM0.324 per share. The total consideration paid for the repurchase was RM486,665. 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 in Malaysia.

As at 31 December 2012, of the total 171,171,000 issued and fully paid ordinary shares of RM0.50 each as at 31 December 2012, 2,512,000 (2011: 1,010,000) ordinary shares of RM0.50 each are held as treasury shares by the Company. As at 31 December 2012, the number of outstanding ordinary shares in issue after the set-off is therefore 168,659,000 (2011 : 170,161,000) ordinary shares of RM0.50 each.

17. RESERVES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-distributable:				
Share premium	1,548,580	1,548,580	1,058,688	1,058,688
Share option reserve	741,698	790,423	1,508,934	1,508,934
Statutory reserve	101,793	101,793	0	0
Translation reserve	120,990	51,265	0	0
	2,513,061	2,492,061	2,567,622	2,567,622
Distributable:				
Retained earnings	56,262,876	55,469,192	5,337,279	5,461,957
	58,775,937	57,961,253	7,904,901	8,029,579

(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.

Value of employee services received for issue of share options

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Balance as at 1 January	790,423	792,022	1,508,934	1,508,934
Option lapsed	(48,725)	(1,599)	0	0
Balance as at 31 December	741,698	790,423	1,508,934	1,508,934

17. RESERVES (cont'd)

(b) Share option reserve (cont'd)

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

	Group and Company	
	2012 RM	2011 RM
Fair value per share option and assumptions		
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 exercise 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.

(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.

18. BORROWINGS

	Group 2012 RM	Group 2011 RM
Current		
Secured		
Term loans	8,003,306	8,448,811
Hire purchase creditors	408,442	279,271
	8,411,748	8,728,082
Unsecured		
Bank overdrafts	6,338,507	6,505,529
Bankers' acceptances	36,964,000	32,585,000
Bill discounting	1,860,000	0
Foreign currency loan	0	2,066,241
Revolving credit	5,000,000	2,500,000
	50,162,507	43,656,770
	58,574,255	52,384,852
Non-current		
Secured		
Term loans	15,434,659	23,286,994
Hire purchase creditors	1,079,378	889,416
	16,514,037	24,176,410
Total borrowings		
Bank overdrafts	6,338,507	6,505,529
Bankers' acceptances	36,964,000	32,585,000
Bill discounting	1,860,000	0
Foreign currency loan	0	2,066,241
Revolving credit	5,000,000	2,500,000
Term loans	23,437,965	31,735,805
Hire purchase creditors	1,487,820	1,168,687
	75,088,292	76,561,262

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

	Group 2012 RM	Group 2011 RM
Ringgit Malaysia	75,088,292	74,495,021
US Dollar	0	2,066,241
	75,088,292	76,561,262

Notes to the Financial Statements
31 December 2012 (cont'd)

18. BORROWINGS (cont'd)

(b) Interest rates

Term loans	
- floating rates	1.00% to 1.75% (2011 : 1.00% to 1.75%) above cost of funds or prevailing base lending rates per annum
- fixed rates	5.43% to 6.40% (2011 : 5.43% to 6.40%) per annum
Hire purchase creditors	4.34% to 7.60% (2011 : 2.34% to 4.10%) per annum
Bank overdrafts	0.75% to 1.75% (2011 : 0.75% to 1.75%) above prevailing base lending rates per annum
Bankers' acceptances, bill discounting, foreign currency loan and revolving credit	0.75% to 1.50% (2011 : 0.75% to 1.50%) 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	Group 2012 RM	Group 2011 RM
Freehold land and buildings		54,567,784	54,978,893
Plant and machinery, moulds, tools and equipment		6,784,108	8,389,608
Property, plant and equipment	7	61,351,892	63,368,501
Assets classified as held for sale	15	22,938,670	22,145,328
Investment properties	8	30,374,065	29,043,899

Hire purchase creditors

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

Notes to the Financial Statements
31 December 2012 (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						
2012						
Secured						
Term loans	2013 - 2020	23,437,965	8,003,306	5,190,179	7,697,879	2,546,601
Hire purchase creditors	2013 - 2018	1,487,820	408,442	430,558	648,820	0
Unsecured						
Bank overdrafts	2013	6,338,507	6,338,507	0	0	0
Bankers' acceptances	2013	36,964,000	36,964,000	0	0	0
Bill discounting	2013	1,860,000	1,860,000	0	0	0
Revolving credit	2013	5,000,000	5,000,000	0	0	0
		75,088,292	58,574,255	5,620,737	8,346,699	2,546,601
Group						
2011						
Secured						
Term loans	2012 - 2020	31,735,805	8,448,811	8,183,472	10,049,434	5,054,088
Hire purchase creditors	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
Bill discounting	2012	2,066,241	2,066,241	0	0	0
Foreign currency loan	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

(e) Hire purchase liabilities

The hire purchase liabilities are payable as follows:

	2012			2011		
	Minimum hire purchase payments RM	Interest RM	Principal RM	Minimum hire purchase payments RM	Interest RM	Principal RM
Group						
Less than 1 year	475,848	67,406	408,442	340,926	61,655	279,271
Between 1 to 2 years	475,848	45,290	430,558	336,156	46,683	289,473
Between 2 to 5 years	688,262	39,442	648,820	668,921	92,456	576,465
Over 5 years	0	0	0	24,250	772	23,478
	1,639,958	152,138	1,487,820	1,370,253	201,566	1,168,687

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

19. TRADE AND OTHER PAYABLES

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Trade payables				
Companies in which certain Directors have substantial financial interests	1,599,936	108,159	0	0
Third parties	5,956,218	5,192,832	0	0
	7,556,154	5,300,991	0	0
Other payables				
Amount due to subsidiaries	0	0	36,418,595	12,286,595
Accrued expenses	1,808,444	4,061,816	419,694	312,300
Other payables	7,198,127	5,457,432	0	0
Deposits received	5,110,000	0	0	0
	14,116,571	9,519,248	36,838,289	12,598,895
	21,672,725	14,820,239	36,838,289	12,598,895

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 to 60 days (2011: 30 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 is 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) Deposits received were in relation to the disposals of two pieces of freehold land and buildings which were disclosed as assets classified as held for sale as at the end of the reporting period. (Note 15)

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

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Ringgit Malaysia	19,824,211	13,332,059	36,838,289	12,598,895
US Dollar	1,848,514	1,488,180	0	0
	21,672,725	14,820,239	36,838,289	12,598,895

Notes to the Financial Statements
31 December 2012 (cont'd)

20. COMMITMENTS

Capital commitments

	Group 2012 RM	Group 2011 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not incurred and not provided for	7,673,783	1,189,882
Approved but not contracted for	0	15,932,759
	7,673,783	17,122,641

21. CONTINGENT LIABILITIES

	Company 2012 RM	Company 2011 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries - unsecured	67,911,399	73,622,301

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 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Invoiced value of goods sold less discounts and returns	102,769,136	137,566,232	0	0
Contract revenue	42,104,575	24,947,874	0	0
Gross dividend from a subsidiary	0	0	5,000,000	5,000,000
	144,873,711	162,514,106	5,000,000	5,000,000

Notes to the Financial Statements
31 December 2012 (cont'd)

23. FINANCE COSTS

	Group 2012 RM	Group 2011 RM
Interest from:		
Bank overdrafts	283,959	271,625
Term loans	1,501,085	1,152,347
Hire purchase	68,335	56,417
Bankers' acceptances	1,458,227	1,733,260
Others	232,923	169,365
	3,544,529	3,383,014

24. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Auditors' remuneration				
- statutory audits	125,442	124,913	18,000	18,000
- other services	104,500	0	19,500	0
Depreciation of property, plant and equipment	7,315,195	7,824,225	0	0
Depreciation of investment properties	289,882	75,195	0	0
Directors' emoluments				
- fees	306,000	291,000	306,000	291,000
- fees underprovided in respect of prior year	0	33,800	0	33,800
- other emoluments	1,829,514	1,832,340	40,500	22,000
Impairment loss of trade receivables	566,221	480,017	0	0
Rental of premises	80,800	45,400	0	0
Research and development expenses	540,182	300,663	0	0
Inventories written off	0	879,902	0	0
Inventories written down	130,378	0	0	0
Unrealised foreign exchange loss	23,870	33,730	0	0
Realised foreign exchange loss	308,573	0	0	0

Notes to the Financial Statements
31 December 2012 (cont'd)

24. PROFIT BEFORE TAX (cont'd)

Profit before tax is arrived at after charging:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
and crediting:				
Dividend income from a subsidiary	0	0	5,000,000	5,000,000
Gain on disposal of plant and equipment	5,506	60,932	0	0
Realised foreign exchange gain	0	65,115	0	0
Interest income	20,221	23,776	4,081	604
Rental of premise	1,716,000	3,636,000	0	0

25. KEY MANAGEMENT PERSONNEL REMUNERATIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Directors and other key management personnel				
- fees	72,000	81,600	72,000	81,600
- remuneration	2,077,842	2,023,768	10,500	5,000
	2,149,842	2,105,368	82,500	86,600

26. EMPLOYEES BENEFITS

	Group 2012 RM	Group 2011 RM
Wages, salaries, bonuses and incentive	9,079,045	6,716,484
Contributions to defined contribution plan	593,094	497,074
Social security contributions	58,044	51,441
Other benefits	419,766	331,521
	10,149,949	7,596,520

Included in the staff costs above are an amount of RM540,182 (2011 : RM300,663) charged out as research and development expenses.

27. TAX EXPENSE

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Current tax expense based on profit for the financial year	436,292	1,046,871	0	142
Under/(Over)provision in prior years	32,689	(43,459)	394	0
	468,981	1,003,412	394	142
Deferred tax (Note 11):				
Relating to origination and reversal of temporary differences	175,549	566,049	0	0
Underprovision in prior years	0	76,000	0	0
	175,549	642,049	0	0
Total tax expense	644,530	1,645,461	394	142

27. TAX EXPENSE (cont'd)

The Malaysian income tax is calculated at the statutory tax rate of 25% (2011: 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	
	2012 RM	2011 RM	2012 RM	2011 RM
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	1,403,049	2,832,800	1,032,429	1,122,460
Tax effect in respect of:				
Non-allowable expenses	1,483,437	3,388,869	217,571	127,682
Income not subject to tax	0	0	(1,250,000)	(1,250,000)
Tax incentives and allowances	(4,039,042)	(4,471,384)	0	0
Share of results of associates	117,731	60,393	0	0
Deferred tax assets not recognised	1,773,010	50,516	0	0
Others	(126,344)	(248,274)	0	0
	611,841	1,612,920	0	142
Under/(Over)provision of tax expense in prior years	32,689	(43,459)	394	0
Underprovision of deferred tax in prior years	0	76,000	0	0
	644,530	1,645,461	394	142

A wholly owned subsidiary of the Company, Eonmetall Technology Sdn. Bhd. has been granted the following pioneer status:

(a) for a total of 10 years from 31 October 2013 to 30 October 2013 to manufacture the rolling mill machinery and parts thereof for iron and steel industry;

(b) for a total of 10 years from 1 June 2004 to 31 May 2014 to manufacture the powder coating line machine, galvanising line machine and pre-painted galvanising line machine for metal surface treatment/coating industry;

(c) for a total of 5 years from 28 August 2008 to 27 August 2013 to process system for recovery of residual plam oil from plam fibre and medium density fibreboard machine; and

(d) for a total of 10 years from 28 August 2008 to 27 August 2018 to manufacture the solvent extraction plant for the extraction of oil for animal, fixed fats, oleo-chemical and other processing, other than crude palm oil.

A wholly owned subsidiary of the Company, Eonchem Biomass Sdn. Bhd., has been granted the pioneer status for a total of 5 years from 23 February 2011 to 22 February 2016 to process solvent extracted palm oil and solvent extracted palm kernel oil.

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 2012 RM	Group 2011 RM
Profit attributable to equity holders of the parent	4,978,111	9,497,348
Weighted average number of ordinary shares in issue	169,496,374	170,924,726
Basic earnings per ordinary share (sen)	2.94	5.56

(b) Diluted

The Group does not have any dilutive potential ordinary shares as the market price of the shares as at 31 December 2012 of RM0.31 per share was lower than the exercise price of the employee option of Rm0.67 per share. As a result, these share options are anti-dilutive in nature and have not been considered in the computation of diluted earnings per share.

	Group 2012 RM	Group 2011 RM
Profit attributable to equity holders of the parent	4,978,111	9,497,348
Weighted average number of ordinary shares in issue	169,496,374	170,924,726
Adjustment for share options	0	0
	169,496,374	170,924,726
Diluted earnings per ordinary share (sen)	2.94	5.56

29. DIVIDENDS

	Group and Company			
	2012		2011	
	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM
In respect of financial year ended 31 December 2010: Final tax exempt dividend	0	0	2.50	4,279,275
In respect of financial year ended 31 December 2011: Final tax exempt dividend	2.50	4,254,000	0	0
	2.50	4,254,000	2.50	4,279,275

29. DIVIDENDS (cont'd)

A final tax exempt dividend in respect of the financial year ended 31 December 2012 of 1.75 Sen per ordinary share amounting to RM2,951,533 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 2013.

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. The ESOS was extended for another five (5) years from 1 August 2010 and was extended for another five (5) years from 1 August 2010. The ESOS is governed by the by-laws which were approved by the shareholders on 30 May 2005.

The salient features of the ESOS are as follows:

(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.

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

The options granted do not confer any dividend or other distribution declared to the shareholders as at a date which precedes the date of exercise of the option and will be subject to all the provisions of the Articles of Association of the Company.

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

	Number of option over ordinary shares of RM0.50 each				
	Outstanding as at 1.1.2012	Movement during the financial year Exercised	Lapsed	Outstanding as at 31.12.2012	Exercisable as at 31.12.2012
2012					
2005 options	5,938,000	0	(366,000)	5,572,000	5,572,000

	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
2011					
2005 options	5,950,000	0	(12,000)	5,938,000	5,938,000

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 entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries and associates.

(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		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Subsidiary:				
Dividend income	0	0	5,000,000	5,000,000
Related parties:				
Rental of premise receivable	831,000	516,000	0	0
Purchase of property, plant and equipment	1,748,635	0	0	0
Sales	51,029,961	61,517,291	0	0
Purchases	5,477,152	2,127,781	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

(a) Acquisition of Eonsteel Sarawak Sdn. Bhd. (formerly known as Ecogreen Tech Sdn. Bhd.)

On 16 November 2012, the Company acquired the entire issued and paid-up ordinary share capital of Eonsteel Sarawak Sdn. Bhd. ("ESS") (formerly known as Ecogreen Tech Sdn. Bhd.), a company incorporated in Malaysia, which is a dormant company for a cash consideration of RM2.

On 20 November 2012, the Company further invested in the capital of its wholly-owned subsidiary, Eonsteel Sarawak Sdn. Bhd. (formerly known as Ecogreen Tech Sdn. Bhd.), by way of subscribing of 999,998 ordinary shares of RM1.00 each at par value for cash.

(i) The fair value of the identifiable assets and liabilities of ESS as at the date of acquisition are as follows:

	RM
Cash and cash equivalents	1,000,000

(ii) The effects of the acquisition of ESS on cash flows are as follows:

	RM
Total consideration for 100% equity interest acquired	1,000,000
Less: Cash and cash equivalents of subsidiary acquired	(1,000,000)
Net cash outflow of the Group on acquisition	0

(b) Acquisition of subsidiary in previous year

Acquisition of PT Eonmetall Investment

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.

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 was 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.

33. MATERIAL LITIGATION (cont'd)

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

On 16 October 2012, the Kuala Lumpur High Court had ordered that the EMI's claim be dismissed with cost and the Defendants' counter-claim be dismissed with cost as well.

The cost of litigation has been provided in the financial statements.

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 4.20.

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.

Notes to the Financial Statements
31 December 2012 (cont'd)

34. OPERATING SEGMENTS - GROUP (cont'd)

2012	Machinery and equipment RM	Steel product and trading activity RM	Property, investment holding and others RM	Total RM
Revenue				
Total revenue	65,279,263	91,509,691	5,372,281	162,161,235
Inter-segment revenue	(3,187,657)	(9,042,586)	(5,057,281)	(17,287,524)
Revenue from external customers	62,091,606	82,467,105	315,000	144,873,711
Interest income	11,331	4,804	4,086	20,221
Finance costs	(670,774)	(1,965,637)	(908,118)	(3,544,529)
Net finance expense	(659,443)	(1,960,833)	(904,032)	(3,524,308)
Depreciation	913,964	6,325,738	365,375	7,605,077
Segment profit before income tax	**14,042,810**	**(6,155,904)**	**(2,274,709)**	**5,612,197**
Share of results of associates	0	0	(470,923)	(470,923)
Income tax expenses	(201,667)	(125,943)	(316,920)	(644,530)
Other non-cash expenses				
- Impairment loss of trade receivables	(480,000)	(86,221)	0	(566,221)
- Inventories written down	(130,378)	0	0	(130,378)
Investment in associates	0	0	2,352,871	2,352,871
Additions to non-current assets other than financial instruments and deferred tax assets	1,889,647	2,414,032	14,432,5121	18,736,191
Segment assets	**68,159,760**	**118,149,501**	**55,742,922**	**242,052,183**
Segment liabilities	**31,536,539**	**50,885,196**	**14,339,282**	**96,761,017**

34. OPERATING SEGMENTS - GROUP (cont'd)

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)	(2,283,974)	(255,678)	(3,383,014)
Net finance expense	(829,646)	(2,274,518)	(255,074)	(3,359,238)
Depreciation	834,953	6,768,584	295,883	7,899,420
Segment profit before income tax	**6,830,845**	**3,190,561**	**1,117,543**	**11,138,949**
Share of results of associates	0	0	(241,571)	(241,571)
Income tax expenses	267	(1,027,963)	(617,765)	(1,645,461)
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	**77,129,558**	**117,742,755**	**41,509,471**	**236,381,784**
Segment liabilities	**22,154,166**	**52,998,105**	**16,229,230**	**91,381,501**

Notes to the Financial Statements
31 December 2012 (cont'd)

34. OPERATING SEGMENTS - GROUP (cont'd)

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

	Group	
	2012 RM	**2011 RM**
Revenue		
Total revenue for reportable segments	162,161,235	210,991,911
Elimination of inter-segmental revenues	(17,287,524)	(48,477,805)
Revenue per consolidated statement of comprehensive income	144,873,711	162,514,106

	Group	
	2012 RM	**2011 RM**
Depreciation		
Depreciation of property, plant and equipment	7,315,195	7,824,225
Depreciation of investment properties	289,882	75,195
Group's depreciation	7,605,077	7,899,420

	Group	
	2012 RM	**2011 RM**
Profit for the financial year		
Total profit for reportable segments	8,156,405	21,579,573
Elimination of inter-segmental profits	(2,544,208)	(10,440,624)
Profit before tax	5,612,197	11,138,949
Tax expense	(644,530)	(1,645,461)
Profit for the financial year	4,907,667	9,493,488

	Group	
	2012 RM	**2011 RM**
Assets		
Total assets for reportable segments	242,052,183	236,381,784
Current tax assets	332,551	263,046
Deferred tax assets	1,624,500	1,624,500
Group's assets	244,009,234	238,269,330

34. OPERATING SEGMENTS - GROUP (cont'd)

	Group	
	2012 RM	2011 RM
Liabilities		
Total liabilities for reportable segments	96,761,017	91,381,501
Current tax liabilities	122,342	452,630
Deferred tax liabilities	3,204,755	3,029,206
Group's liabilities	100,088,114	94,863,337

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	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysia	118,739,775	129,909,789	139,362,132	129,205,820
Africa	7,562,347	755,146	0	0
China	25,568	11,926,189	0	0
Indonesia	3,828,960	8,009,438	0	0
Philiphines	2,038,634	552,672	0	0
Singapore	4,381,942	2,124,604	0	0
Sri Lanka	845,110	693,808	0	0
Middle-east countries	6,906,966	7,490,181	0	0
Others	544,409	1,052,297	0	0
Consolidated	144,873,711	162,514,106	139,362,132	129,205,820

Major customer

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

	Revenue		
	2012 RM	2011 RM	Segment
Customer A	46,564,543	55,822,349	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 whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order 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 2012 and 31 December 2011.

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	
	2012 RM	2011 RM	2012 RM	2011 RM
Borrowings	75,088,292	76,561,262	0	0
Trade and other payables	21,672,725	14,820,239	36,838,289	12,598,895
Total liabilities	96,761,017	91,381,501	36,838,289	12,598,895
Less: Cash and bank balances	(1,245,398)	(2,942,208)	(47,820)	(64,542)
Net debt	95,515,619	88,439,293	36,790,469	12,534,353
Total capital	143,921,120	143,405,993	92,710,836	93,322,179
Net debt	95,515,619	88,439,293	36,790,469	12,534,353
Equity	239,436,739	231,845,286	129,501,305	105,856,532
Gearing ratio	40%	38%	28%	12%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 December 2012.

35. FINANCIAL INSTRUMENTS (cont'd)

(b) Categories of financial instruments

	Loans and receivables	
	2012	2011
Group	RM	RM
Financial assets		
Trade and other receivables	25,899,813	24,027,692
Cash and cash equivalents	1,245,398	2,942,208
	27,145,211	26,969,900

	Other financial liabilities	
	2012	2011
	RM	RM
Financial liabilities		
Borrowings	75,088,292	76,561,262
Trade and other payables	21,672,725	14,820,239
	96,761,017	91,381,501

	Loans and receivables	
	2012	2011
Company	RM	RM
Financial assets		
Trade and other receivables	72,731,353	50,932,728
Cash and cash equivalents	47,820	64,542
	72,779,173	50,997,270

	Other financial liabilities	
	2012	2011
	RM	RM
Financial liabilities		
Trade and other payables	36,838,289	12,598,895

Notes to the Financial Statements
31 December 2012 (cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

(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	2012 Carrying amount RM	2012 Fair value RM	2011 Carring amount RM	2011 Fair value RM
Financial assets:				
Trade and other receivables (excluding deposits and prepayments)	25,899,813	*	24,027,692	*
Cash and cash equivalents	1,245,398	*	2,942,208	*
	27,145,211		26,969,900	
Financial liabilities:				
Floating rate loans and borrowings	25,489,661	25,489,661	31,875,093	31,875,093
Fixed rate loans and borrowings	49,598,631	49,438,952	44,686,169	43,046,661
Trade and other payables	21,672,725	*	14,820,239	*
	96,761,017		91,381,501	
Company				
Financial assets:				
Trade and other receivables (excluding deposits and prepayments)	72,731,353	*	50,932,728	*
Cash and cash equivalents	47,820	*	64,542	*
	72,779,173		50,997,270	
Financial liabilities:				
Trade and other payables	36,838,289	*	12,598,895	*

* 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.

(i) 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 hire purchase the market rate of interest is determined by reference to similar lease agreements.

(ii) The interest rates used to discount estimated cash flows are as follows:

	2012 %	2011 %
Secured term loans	3.30 to 5.43	3.50 to 5.04
Hire purchase creditors	4.34 to 7.60	2.34 to 4.10

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group 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 and cash flow risk, foreign currency risk and interest rate risk. Information on the management of the related exposures is detailed below.

(a) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are major international institutions and reputable multinational organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to two (2) months for major customers. The Group consistently monitor its outstanding receivables to minimise credit risk.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 13 to the financial statements.

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

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	2012		2011	
	RM	% of total	RM	% of total
By country				
Malaysia	21,318,256	92%	12,492,702	62%
Africa	1,209,821	5%	479,430	2%
China	10,293	0%	1,022,151	5%
Indonesia	0	0%	5,791,207	20%
Sri Lanka	365,330	2%	206	0%
Middle East	25,719	0%	446,989	2%
Others	154,860	1%	0	0%
	23,084,279	100%	20,232,685	100%
By industry sectors				
Machinery and equipment	16,536,009	72%	11,994,510	59%
Steel product and trading activity	6,233,270	27%	8,238,175	41%
Property, investment holding and others	315,000	1%	0	0%
	23,084,279	100%	20,232,685	100%

At the end of the reporting period, approximately:

(i) 55% (2011: 59%) of the Group's trade receivables were due from five (5) major customers who are located in Malaysia, Indonesia, China and Sudan.

(ii) Less than 12% (2011: 18%) of the Group's trade and other receivables were due from related parties whilst almost all of the Company's receivables were balances with subsidiaries.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 13 to the financial statements. Deposits with banks and other financial institutions are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 to the financial statements.

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

(b) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

The table below summaries the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations.

As at 31 December 2012	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
Financial liabilities				
Trade and other payables	21,672,725	0	0	21,672,725
Loan and borrowings	59,966,297	15,503,335	2,544,207	78,013,839
Total undiscounted financial liabilities	81,639,022	15,503,335	2,544,207	99,686,564
Company				
Financial liabilities				
Trade and other payables	36,838,289	0	0	36,838,289
Total undiscounted financial liabilities	36,838,289	0	0	36,838,289
As at 31 December 2011				
Group				
Financial liabilities				
Trade and other payables	14,820,239	0	0	14,820,239
Loan and borrowings	54,108,218	22,107,893	5,466,330	81,682,441
Total undiscounted financial liabilities	68,928,457	22,107,893	5,466,330	96,502,680
Company				
Financial liabilities				
Trade and other payables	12,598,895	0	0	12,598,895
Total undiscounted financial liabilities	12,598,895	0	0	12,598,895

The liquidity risk management policy of the Group and of the Company requires that not more than 80% (2011: 80%) of loans and borrowings (including overdrafts and convertible bonds) should mature in the next one (1) year period, and to maintain sufficient liquid financial assets and stand-by credit facilities with at least three (3) different banks. At the end of the reporting period, approximately 78% (2011: 68%) of the Group's loans and borrowings (Note 18) would mature in less than one (1) year based on the carrying amount reflected in the financial statements.

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

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales and purchases 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.

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD and Euro exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

		Group	
		2012 RM	2011 RM
Profit after tax			
USD/RM	- strengthen by 10% (2011: 10%)	41,770	(1,245)
	- weaken by 10% (2011: 10%)	(41,770)	1,245
EURO/RM	- strengthen by 10% (2011: 10%)	0	23,026
	- weaken by 10% (2011: 10%)	0	(23,026)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arise from the Group's borrowings is managed through the use of fixed and floating rates debts. The Group monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rates. The Group does not use derivative financial instruments to hedge this risk.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and Company if interest rates at the end of reporting period changed by ten (10) basis points with all other variables held constant:

	Group	
	2012 RM	2011 RM
Profit after tax		
- Increase by 0.1% (2011: 0.1%)	(56,316)	(57,421)
- Decrease by 0.1% (2011: 0.1%)	56,316	57,421

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

(d) Interest rate risk (cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

Group	Note	Interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
As at 31 December 2012									
Fixed rates									
Hire purchase creditors	18	4.34 - 7.60	408,442	430,558	309,793	211,823	127,204	0	1,487,820
Term loans	18	5.43 - 6.40	2,037,644	2,112,744	136,423	0	0	0	4,286,811
Bankers' acceptances	18	4.11 - 4.75	36,964,000	0	0	0	0	0	36,964,000
Bill discounting	18	5.21	1,860,000	0	0	0	0	0	1,860,000
Revolving credit	18	5.14	5,000,000	0	0	0	0	0	5,000,000
Floating rates									
Bank overdrafts	18	7.35 - 8.35	6,338,507	0	0	0	0	0	6,338,507
Term loans	18	4.92 - 6.10	5,965,663	3,077,435	2,905,926	2,261,949	2,393,581	2,546,600	19,151,154

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

(d) Interest rate risk (cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk (cont'd):

Group	Note	Interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
As at 31 December 2011									
Fixed rates									
Hire purchase creditors	18	2.34 - 4.10	279,272	292,368	310,201	183,591	79,777	23,478	1,168,687
Term loans	18	5.00 - 6.40	2,222,401	2,247,574	1,759,024	137,242	0	0	6,366,241
Bankers' acceptances	18	3.40 - 4.81	32,585,000	0	0	0	0	0	32,585,000
Foreign currency loan	18	1.94 - 4.50	2,066,241	0	0	0	0	0	2,066,241
Revolving credit	18	5.25	2,500,000	0	0	0	0	0	2,500,000
Floating rates									
Bank overdrafts	18	7.35 - 8.35	6,505,529	0	0	0	0	0	6,505,529
Term loans	18	5.00 - 6.40	6,226,409	5,933,898	3,044,986	2,879,345	2,228,838	5,056,088	25,369,564

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 2 May 2012, a wholly-owned subsidiary of the Company, Eonmetall Agro Sdn. Bhd., entered into a sale and purchase agreement with a third party for the acquisition of a piece of long term leasehold land for a total consideration of RM8,258,976. The acquisition was completed on 9 August 2012.

(b) On 7 May 2012, a wholly-owned subsidiary of the Company, Eonmetall Industries Sdn. Bhd., entered into a conditional sale and purchase agreement with a third party for the disposal of a piece of freehold industrial land and buildings for a total cash consideration of RM26,000,000. The completion date of the disposal has been extended to 30 June 2013.

(c) On 7 May 2012, the Company further invested in the capital of its wholly-owned subsidiary, Eonchem Biomass Sdn. Bhd. by way of subscribing 900,000 ordinary shares of RM1.00 each at par value for cash.

(d) On 6 September 2012, a wholly-owned subsidiary of the Company, Eonchem Biomass Sdn. Bhd., entered into a conditional sale and purchase agreement with a third party for the acquisition of a piece of industrial land for a cash consideration of RM7,673,783. The completion date of the acquisition has been extended to 27 July 2013.

(e) On 6 September 2012, a wholly-owned subsidiary of the Company, Eonmetall Systems Sdn. Bhd., entered into a conditional sale and purchase agreement with a related party for the disposal of a piece of industrial land and buildings for a cash consideration of RM12,100,000. The completion date of the disposal has been extended to 27 July 2013.

(f) On 16 November 2012, the Company acquired the entire issued and paid-up ordinary share capital of Eonsteel Sarawak Sdn. Bhd. (formerly known as Ecogreen Tech Sdn. Bhd.), a company incorporated in Malaysia, which is a dormant company for a cash consideration of RM2.

(g) On 20 November 2012, the Company further invested in the capital of its wholly-owned subsidiary, Eonsteel Sarawak Sdn. Bhd. (formerly known as Ecogreen Tech Sdn. Bhd.), by way of subscribing 999,998 ordinary shares of RM1.00 each at par value for cash.

(h) On 10 December 2012, a wholly-owned subsidiary of the Company, Eonmetall International Limited ("EIL"), entered into a Share Sale Agreement with a third party to dispose part of its equity shares, being 70,000 shares with a nominal value of Rp8,712 each (or US$1.00 equivalent) in P.T. Eonmetall Investment, a 95%-owned subsidiary of EIL for a total cash consideration of RM218,400. As a result of the disposal, the equity interest in EIL decreased to 88%.

38. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) On 14 January 2013, the Company entered into a Share Sale Agreement with a third party to dispose its entire equity interest, being 2 ordinary shares of RM1 each in Eonmetall Petro-Chem (M) Sdn. Bhd. ("EPC"), a wholly-owned subsidiary of the Company for a total cash consideration of RM2,000,002. As a result of the disposal, EPC ceased to be a wholly-owned subsidiary of the Company.

(b) On 21 February 2013, the Company further invested in the capital of its wholly-owned subsidiary, Eonsteel Sarawak Sdn. Bhd. (formerly known as Ecogreen Tech Sdn. Bhd.) by way of subscribing for 1,500,000 ordinary shares of RM1.00 each at par value for cash.

39. EXPLANATION OF TRANSITION TO MFRSs

The Group and the Company are non-transitioning entities as defined by the MASB, and has adopted the MFRS Framework during the financial year ended 31 December 2012. Accordingly, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 4 to the financial statements have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, as well as comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statements of financial position at 1 January 2011 (the date of transition of the Group to MFRSs).

The Group has adjusted amounts previously reported in financial statements that were prepared in accordance with the previous FRS Framework. In preparing the opening statements of financial position at 1 January 2011, an explanation on the impact arising from the transition from FRSs to MFRSs on the Group's financial position, financial performance and cash flows is set out as follows:

(a) Reconciliation of financial position as at 1 January 2011

		Group		
	Note	Previously reported under FRSs RM	Effect on adoption of MFRSs RM	Restated under MFRSs RM
ASSETS				
Non-current assets				
Property, plant and equipment	39(d)(i)	104,872,839	13,790,273	118,663,112
Investment properties		6,488,979	0	6,488,979
Investment in associates		3,335,116	0	3,335,116
Deferred tax assets		2,267,000	0	2,267,000
		116,963,934	13,790,273	130,754,207
Current assets				
Inventories	39(d)(iii)	65,301,594	(5,470,968)	59,830,626
Trade and other receivables		15,830,758	0	15,830,758
Current tax assets		174,437	0	174,437
Cash and cash equivalents		7,412,060	0	7,412,060
		88,718,849	(5,470,968)	83,247,881
TOTAL ASSETS		205,682,783	8,319,305	214,002,088

39. EXPLANATION OF TRANSITION TO MFRSs (cont'd)

(a) Reconciliation of financial position as at 1 January 2011 (cont'd)

	Note	Previously reported under FRSs RM	Group Effect on adoption of MFRSs RM	Restated under MFRSs RM
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		85,585,500	0	85,585,500
Reserves	39(d)(iv)	44,789,536	7,983,218	52,772,754
TOTAL EQUITY		130,375,036	7,983,218	138,358,254
LIABILITIES				
Non-current liabilities				
Borrowings		20,234,272	0	20,234,272
Deferred tax liabilities	39(d)(ii)	2,693,570	336,087	3,029,657
		22,927,842	336,087	23,263,929
Current liabilities				
Trade and other payables		12,751,204	0	12,751,204
Borrowings		39,628,701	0	39,628,701
		52,379,905	0	52,379,905
TOTAL LIABILITIES		75,307,747	336,087	75,643,834
TOTAL EQUITY AND LIABILITIES		205,682,783	8,319,305	214,002,088

39. EXPLANATION OF TRANSITION TO MFRSs (cont'd)

(b) Reconciliation of financial position as at 31 December 2011

	Note	Previously reported under FRSs RM	Group Effect on adoption of MFRSs RM	Restated under MFRSs RM
ASSETS				
Non-current assets				
Property, plant and equipment	39(d)(i)	90,749,201	9,412,720	100,161,921
Investment properties		24,858,616	4,185,283	29,043,899
Investment in associates		2,823,794	0	2,823,794
Deferred tax assets		1,624,500	0	1,624,500
		120,056,111	13,598,003	133,654,114
Current assets				
Inventories		53,961,964	0	53,961,964
Trade and other receivables		25,302,670	0	25,302,670
Current tax assets		263,046	0	263,046
Cash and cash equivalents		2,942,208	0	2,942,208
		82,469,888	0	82,469,888
Assets classified as held for sales		22,145,328	0	22,145,328
TOTAL ASSETS		224,671,327	13,598,003	238,269,330

39. EXPLANATION OF TRANSITION TO MFRSs (cont'd)

(b) Reconciliation of financial position as at 31 December 2011 (cont'd)

	Note	Group Previously reported under FRSs RM	Effect on adoption of MFRSs RM	Restated under MFRSs RM
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		85,585,500	0	85,585,500
Treasury shares, at cost		(292,900)	0	(292,900)
Reserves	39(d)(iv)	44,648,886	13,312,367	57,961,253
		129,941,486	13,312,367	143,253,853
Non-controlling interests		152,140	0	152,140
TOTAL EQUITY		130,093,626	13,312,367	143,405,993
LIABILITIES				
Non-current liabilities				
Borrowings		24,176,410	0	24,176,410
Deferred tax liabilities	39(d)(ii)	2,743,570	285,636	3,029,206
		26,919,980	285,636	27,205,616
Current liabilities				
Trade and other payables		14,820,239	0	14,820,239
Borrowings		52,384,852	0	52,384,852
Current tax liabilities		452,630	0	452,630
		67,657,721	0	67,657,721
TOTAL LIABILITIES		94,577,701	285,636	94,863,337
TOTAL EQUITY AND LIABILITIES		224,671,327	13,598,003	238,269,330

39. EXPLANATION OF TRANSITION TO MFRSs (cont'd)

(c) Reconciliation of profit and loss and statement of comprehensive income as at 31 December 2011

The statements of the comprehensive income for the financial year ended 31 December 2011 have been restated arising from the adoption of MFRSs as follows:

	As previously reported under FRSs RM	Effect on adoption of MFRSs RM	As restated under MFRSs RM
Group			
Revenue	162,514,106	0	162,514,106
Cost of sales	(137,893,132)	(192,270)	(138,085,402)
Gross profit	24,620,974	(192,270)	24,428,704
Other income	3,825,934	0	3,825,934
Distribution expenses	(5,738,635)	0	(5,738,635)
Administrative expenses	(7,718,739)	0	(7,718,739)
Other expenses	(33,730)	0	(33,730)
Finance costs	(3,383,014)	0	(3,383,014)
Share of loss of associates	(241,571)	0	(241,571)
Profit before tax	11,331,219	(192,270)	11,138,949
Tax expense	(1,695,912)	50,451	(1,645,461)
Profit for the financial year	9,635,307	(141,819)	9,493,488
Other comprehensive income:			
Foreign currency translations	(29,574)	0	(29,574)
Total comprehensive income	9,605,733	(141,819)	9,463,914

(d) Notes to reconciliation

(i) Property, plant and equipment - use of fair value as deemed cost

The Group elected to apply the optional exemption to measure certain freehold land and building at fair value at the date of transition to MFRSs and use that fair value as deemed cost.

The aggregate fair value of these property, plant and equipment at 1 January 2011 was determined to be RM118,663,112 compared to the carrying amount of RM104,872,839 under FRSs.

39. EXPLANATION OF TRANSITION TO MFRSs (cont'd)

(d) Notes to reconciliation (cont'd)

(ii) Income tax

All of the changes described earlier resulted in the following impact on deferred tax liabilities:

	Group 31.12.2011 RM	Group 1.1.2011 RM
Increase in deferred tax liabilities	285,636	336,087

(iii) Inventories written down

The Directors were of the view that the cost of certain metalwork machinery were not realisable and hence the cost of the these inventories have been written down to its realisable value.

	Group 31.12.2011 RM	Group 1.1.2011 RM
Decrease in inventories	0	5,470,968

(iv) Retained earnings

All of the changes described earlier resulted in the following impact on retained earnings:

	Group 31.12.2011 RM	Group 1.1.2011 RM
Increase in retained earnings	13,312,367	7,983,218

40. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

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

	2012		2011	
	Group RM	Company RM	Group RM	Company RM
Total retained earnings of the Company and its subsidiaries:				
- Realised	112,017,540	5,337,279	112,368,452	5,461,957
- Unrealised	(2,327,433)	0	(1,438,435)	0
	109,690,107	5,337,279	110,930,017	5,461,957
Total share of retained profits from associate companies:				
- Realised	912,839	0	1,383,762	0
- Unrealised	0	0	0	0
	110,602,946	5,337,279	112,313,779	5,461,957
Less: Consolidation adjustments	(54,340,070)	0	(56,844,587)	0
Total group/company retained earnings as per consolidated accounts	56,262,876	5,337,279	55,469,192	5,461,957

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 49 to 138 have been drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 40 on page 139 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Dato' Goh Cheng Huat
Director

Yeoh Cheng Chye
Director

Penang

29 April 2013

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 49 to 139 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 29 April 2013

Dato' Goh Cheng Huat

Before me,

CHAN KAM CHEE (No. P. 120)
Commissioner for Oaths

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 statements of financial position as at 31 December 2012 of the Group and of the Company, and 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 49 to 138.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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 40 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

As stated in Note 3 to the financial statements, the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These Standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for the financial year then ended.

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
2141/04/15 (J)
Chartered Accountant

Penang

29 April 2013

List of Properties Owned by the Group

	Date of Revaluation / Acquisition	Tenure	Approximate Age of Building	Area (Square metres)	Description of property / Existing Use	Net Book Value at 31. 12. 2012 RM'000
Eonmetall Technology Sdn Bhd						
Grant 64234, Lot 1258, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	1 January 2011 / 08 August 2000	Freehold	12 yrs	39,159	A factory building is erected on the adjoining parcels of the land	21,198
Grant 302, Lot 1259, Mukim 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	1 January 2011 / 08 August 2000	Freehold	12 yrs	11,198		
Eonmetall Industries Sdn Bhd						
Grant 33124, Lot 385, Mukim 12, Seberang Perai Selatan, Penang.	1/ 18 July 2003	Freehold	3 yrs	57,509	A factory building is erected on the adjoining parcels of the land – Phase I - completed Phase II - completed	50,041
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang.	1 January 2011 / 18 July 2003	Freehold	5 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	6 yrs	116	Single storey terrace house / Residential premise for factory workers	82
Lot No. T-2318, Mukim 13 No. 37, Lorong Cempaka 28 14110 Simpang Ampat Seberang Perai Selatan, Penang.	/ 01 April 2006	Freehold	6 yrs	116	Single storey terrace house / Residential premise for factory workers	82
Lot 20024 & Lot 20025, Mukim 12, Seberang Perai Selatan, Penang	-/08 March 2011	Freehold	1 yr	10,987	Vacant land	1,190
Eonmetall Systems Sdn Bhd						
HS(D) 491, Lot 1596, MK12, Seberang Perai Selatan, Penang.	-/20 July 2006	Freehold	3 yrs	39,252	Single storey detached factory with an office	7,232
Eonsteel Sdn Bhd						
Lot No. 387, MK12, Seberang Perai Selatan, Penang.	1 January 2011 / 19 May 2009	Freehold	2 yrs	69,767	Single storey detached factory	30,374
Eonmetall Agro Sdn Bhd						
Lot No. 19, POIC Lahat Datu, Phase 1, Lahat Datu, Sabah.	-/02 May 2012	Leasehold	1 yr	63,940	Vacant land	8,259

Analysis of Shareholdings

Analysis of Shareholdings as at 8 April 2013

Authorised share capital	:	RM100,000,000.00
Issued and fully paid-up share capital	:	RM85,585,500.00 (inclusive of 2,512,000 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

No.	Name	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
1	Dato' Goh Cheng Huat	30,420,000	18.04	84,049,128 ▲	49.83
2	Datin Tan Pak Say	-	-	114,469,128 ●	67.87
3	Eonmetall Corporation Sdn. Bhd.	84,049,128	49.83	-	-

▲ 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 Group Berhad.

Directors' Shareholdings

No.	Name	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
1	* Tan Sri Dato' Mohd Desa bin Pachi	630,000	0.37	1,708,000 ■	1.01
2	~ Yeoh Cheng Chye	1,553,636	0.92	-	-
3	# Dato' Goh Cheng Huat	30,420,000	18.04	84,049,128 ▲	49.83
4	Goh Hong Kent	-	-	-	-
5	⬣ Goh Kee Seng	2,721,336	1.61	-	-
6	^ Tan Sri Dato' Soong Siew Hoong	510,000	0.30	496,600 □	0.29
7	^ Tang Yin Kham	-	-	-	-
8	¤ Ibrahim Mahdi Phee	30,000	0.02	-	-
9	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

Size of Holdings			No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100			31	1.82	1,530	0.00
100	-	1,000	322	18.93	111,170	0.07
1,001	-	10,000	817	48.03	4,318,227	2.52
10,001	-	100,000	461	27.10	15,409,123	9.00
100,001	-	8,558,549	68	4.00	37,071,822	21.66
8,558,550	-	171,171,000	2	0.12	114,259,128	66.75
TOTAL			1,701	100.00	171,171,000	100.00

Thirty Largest Shareholders

	Name	No. of Shares	% of Issued Share Capital
1	EONMETALL CORPORATION SDN BHD	42,049,128	24.931
2	GOH CHENG HUAT	27,243,000	16.153
3	EONMETALL CORPORATION SDN BHD	21,000,000	12.451
4	EONMETALL CORPORATION SDN BHD	21,000,000	12.451
5	MARAJATI SDN. BHD.	5,555,000	3.294
6	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOCK NAI SUAN	3,260,500	1.933 7
7	GOH CHENG HUAT	2,967,000	1.759
8	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR GOH KEE SENG (EGB)	2,406,336	1.427
9	KOCK NAI SUAN	2,000,000	1.186
10	A.A. ANTHONY NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY KIM SENG	1,840,000	1.091
11	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD DESMAN ANNUAR BIN MD DESA	1,693,000	1.004
12	CHIN KOK TIAN	1,112,500	0.660
13	TAI HO FAH	1,018,400	0.604
14	FOO CHEK HENG	1,000,000	0.593
15	YEOH CHENG CHYE	803,636	0.476
16	YEOH CHENG CHYE	750,000	0.445
17	MD DESA BIN PACHI	630,000	0.374
18	GOH KEE SENG	525,000	0.311
19	SOONG @ SOONG SIEW HOONG	510,000	0.302
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SIE TONG @ LEE AH TONG (E-PLT/CST)	500,000	0.296

Analysis of Shareholdings (cont'd)

	Name	No. of Shares	% of Issued Share Capital
21	WIRASAWAH SDN BHD	496,600	0.294
22	CHOOI LOO SEE	459,500	0.272
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEAP BAN AIK	426,900	0.253
24	KOH YEW KAM	384,500	0.228
25	TAN THEAN HOCK	379,100	0.225
26	MAN FOH @ CHAN MAN FOH	339,700	0.201
27	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITITES ACCOUNT FOR WONG KING SANG	304,000	0.180 28
28	GOH KHANG LENG	303,800	0.180
29	GOH AH PENG	300,000	0.178
30	HENG MEE OO	299,900	0.178

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 Tenth (10th) Annual General Meeting of the Company to be held at 1st Floor, Lot 393, MK 12, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang on Monday, 27 May 2013 at 2.00 pm and at any adjournment thereof.

	ORDINARY RESOLUTIONS														SPECIAL RESOLUTION
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
FOR															
AGAINST															

(Please indicate with an "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 ________________ 2013.

____
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:

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. If a Member appoints two (2) proxies, he must specify which proxy is entitled to vote on a show of hands. Only one (1) of those proxies is entitled to vote on a show of hands.
4. Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be 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 Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.
7. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the members to speak at the meeting.
8. For purpose of determining who shall be entitled to attend 10th AGM meeting, 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 Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors ("ROD") as at 20 May 2013. Only a Depositor whose name appears on the ROD as at 20 May 2013 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)

Plant 1
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

www.eonmetall.com