

## 8. OTHER INFORMATION CONCERNING THE COMPANY/ GROUP

## 8.1 INFORMATION ON LAND AND BUILDINGS

A summary of the land and buildings owned by the Group is as follows:-

No.	Name of Registered Owner/ Address/ Identification	Approximate Age of Building/ Tenure	Description and Existing Use	Approximate Land Area (m <sup>2</sup> )	Approximate Built-up Area (m <sup>2</sup> )	Restriction in Encumbrances	Interest	Prices Paid/ Date of Transaction	Audited Net Book Value as at 31 December 2004 (RM)	Open Market Value as Approved by the SC (RM)	Revaluation Surplus/ (Deficit) as at 31 December 2004 (RM)
1.	<b>EMI</b> Grant 64234, Lot 1258, Mukim 12, Jalan Seruling Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	5 years / freehold	(a)	⑥39,159	(c)	Nil/ The land is charged to RHB Bank Bernad on 18 January 2001.	RHB	RM2,950,528/ 8 August 2000	(d)	(e)	(f)
2.	Mukim Grant 302, Lot 1259, Mukim 12, Jalan Seruling Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Penang	5 years / freehold						⑥11,198			
3.	<b>EMI</b> Grant 33124, Lot 385, Mukim 12, Seberang Perai Selatan, Penang	- / freehold	Vacant Land	57,509	-	Nil/ The land is charged to EON Bank Berhad on 12 December 2003.	EON	RM2,290,367/ 18 July 2003	(g)	(h)	-
4.	Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang	- / freehold	Vacant Land	62,887	-	Nil/ The land is charged to EON Bank Berhad on 12 December 2003.	EON	RM2,509,633/ 18 July 2003	(g)	(h)	-
<b>TOTAL</b>				<b>170,753</b>	<b>28,890</b>				<b>16,128,103</b>	<b>20,230,000</b>	<b>9,058,550</b>

Please refer to Section 11 of this Prospectus for the Valuation Certificate from C H Williams Talhar & Wong Sdn Bhd in relation to the valuation of the properties.

**8. OTHER INFORMATION CONCERNING THE COMPANY/ GROUP (Cont'd)**

Notes:-

- (a) A factory building is erected on the adjoining parcels of the land.
- (b) Net land area after the compulsory acquisition by the Government.
- (c) The built-up area is approximately 28,890 m<sup>2</sup> (including the ancillary buildings of approximately 477 m<sup>2</sup> comprising two (2) guard houses, canteen and parking shades).
- (d) The audited net book value as at 31 December 2004 is RM11,171,450.
- (e) The market value as at 3 August 2004 is RM20,230,000.
- (f) Based on the audited net book value as at 31 December 2004, the revaluation surplus is RM9,058,550. However, only RM7,069,499 (net of deferred tax) of the revaluation surplus will be taken up in the financial statements of the Group which was based on the audited net book value as at 31 December 2003 pursuant to the Listing Scheme as disclosed in Section 4.1.3(i)(b). The said revaluation surplus of RM7,069,499 will be taken up in the financial statements of the Group in the financial year ending 31 December 2005 as the Acquisition of EMT was completed on 28 February 2005. The fair value of EMT's properties acquired by Eonmetall will be based on the market value of the properties as at 3 August 2004.
- (g) The audited net book value as at 31 December 2004 is RM4,956,653.
- (h) No valuation was carried out on this land as it was acquired within two (2) years on 18 July 2003.
- (i) The existing use on all the land set out above is not in breach of the land-use conditions/ permissible land use.
- (j) The building set out above has been issued with the relevant certificate of fitness.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**8. OTHER INFORMATION CONCERNING THE CORPORATION / GROUP (Cont'd)****8.2 ACQUISITIONS OF PROPERTIES**

Save as disclosed below, there is no other properties as set out in Section 8.1 above which was acquired during the two (2) years preceding the date of valuation.

<b>Registered Owner/ Location</b>	<b>Date of Transaction</b>	<b>Prices Paid (RM)</b>
<b>EMI</b>		
Grant 33124, Lot 385, Mukim 12, Seberang Perai Selatan, Penang	18 July 2003	2,290,367
Grant 33125, Lot 393, Mukim 12, Seberang Perai Selatan, Penang	18 July 2003	2,509,633
<b>Total</b>		<b>4,800,000</b>

The details of the sale and purchase agreement are set out in Section 15.4(v) of this Prospectus.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**9. FINANCIAL INFORMATION****9.1 HISTORICAL FINANCIAL INFORMATION**

The summarised proforma consolidated results of the Group for the financial years ended 31 December 2000 to 2004 has been prepared for illustrative purposes only based on the audited financial statements of the companies in the Group and the assumption that the current structure of the Group has been in existence throughout the financial years under review.

The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10 of this Prospectus.

	<----- For the Financial Year Ended 31 December ----->				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	21,449	25,946	37,941	49,360	78,448
Earnings before interest, depreciation and taxation	7,570	6,708	10,502	15,801	20,077
Depreciation	(744)	(1,003)	(1,516)	(1,880)	(2,585)
Interest expenses	(162)	(513)	(840)	(752)	(1,431)
Interest income	1	10	2	3	2
PBT	6,665	5,202	8,148	13,172	16,063
Taxation	(2,108)	(1,335)	(677)	(1,431)	(2,621)
PAT	4,557	3,867	7,471	11,741	13,442
Proforma no. of Shares ('000)	110,000	110,000	110,000	110,000	110,000
Gross EPS (sen)*	6.06	4.73	7.41	11.97	14.60
Net EPS (sen)*	4.14	3.51	6.79	10.67	12.22

**Notes:-**

- # Based on the enlarged number of issued and paid-up Shares after the Listing.
- (i) There were no extraordinary or exceptional items for all the financial years under review.
- (ii) The proforma gross EPS has been calculated based on the PBT and on the assumption that the issued and paid-up share capital of Eonmetall of 110,000,000 Shares had been in issue throughout the financial years under review.
- The proforma net EPS has been calculated based on the PAT and on the assumption that the issued and paid-up share capital of Eonmetall of 110,000,000 Shares had been in issue throughout the financial years under review.
- (iii) The Group's revenue for the financial year ended 31 December 2000 was contributed by the sales of Metalwork Machinery and Equipment through EMT.
- The Group's revenue for the financial year ended 31 December 2001 increased by approximately 21% mainly attributable to the better demand for Secondary Flat Steel Products manufactured by EMI.

**9. FINANCIAL INFORMATION (Cont'd)**

*The Group's revenue for the financial year ended 31 December 2002 increased by approximately 46% mainly contributed by the sales of the Roofing Sheets amounting to approximately RM10.2 million, representing approximately 27% of the Group's total, with other Secondary Flat Steel Products collectively contributed to a total of approximately 72% of the Group's total revenue.*

*The Group's revenue for the financial year ended 31 December 2003 increased by approximately 30% mainly contributed by the increase in the sales of Metalwork Machinery and Equipment and Secondary Flat Steel Products. This was mainly due to the improvement in the global economy.*

*Revenue for the financial year ended 31 December 2004 increased by approximately 59% mainly due to the increase in the revenue of Metalwork Machinery and Equipment. The increase in revenue was mainly contributed by the sales to Lebanon and Vietnam after the Group's successful penetration into these countries.*

- (iv) *The PBT for the financial year ended 31 December 2000 was mainly contributed by sales of Metalwork Machinery and Equipment through EMT.*

*PBT for the financial year ended 31 December 2001 dropped by approximately 22% despite the overall increase in revenue mainly due to lower profit margin earned from manufacturing of steel products.*

*PBT for the financial years ended 31 December 2002 and 2003 increased by approximately 57% and 62% respectively mainly attributable to the overall increase in the Group's revenue.*

*PBT for the financial year ended 31 December 2004 increased by approximately 22% million mainly due to the increase in revenue. However, the increase in the steel price during the year affected the profit margin of the manufacturing of steel products.*

- (v) *Higher effective tax rate for the Group for the financial year ended 31 December 2000 was mainly due to an over provision of income tax for EMI which was subsequently adjusted in the financial year ended 31 December 2002. Had the impact of such over provision been excluded, the effective tax rate for the financial year would be close to the statutory tax rate of 28%.*

*Lower effective tax rates for the Group for the financial years ended 31 December 2001 to 2004 were mainly due to the tax incentives and reinvestment allowances available to certain subsidiaries of the Group.*

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## 9. FINANCIAL INFORMATION (Cont'd)

### 9.2 ANALYSIS OF HISTORICAL FINANCIAL INFORMATION

#### 9.2.1 Segmental Analysis of Revenue and Operating Profit

##### (i) Analysis of Revenue by Companies

	< ----- Financial Year Ended 31 December ----- >				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Eonmetall	-	-	-	-	-
EMT	10,798	11,663	7,024	12,623	33,470
EMI	5,942	8,790	22,045	21,010	32,645
EMS	4,690	4,776	5,649	10,069	10,934
EIT	19	203	1,167	2,058	1,399
ECH	-	514	2,056	3,600	-
<b>Proforma Consolidated Revenue</b>	<b>21,449</b>	<b>25,946</b>	<b>37,941</b>	<b>49,360</b>	<b>78,448</b>

##### (ii) Analysis of Revenue by Products and Services

	< ----- Financial Year Ended 31 December ----- >				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Machinery and Equipment</b>					
Forming machine	3,899	5,472	2,937	8,766	17,714
Expanded Metal machine	1,178	1,134	481	1,222	6,261
Slitting & shearing machine	2,269	2,983	553	1,679	4,332
Solvent extraction plant	-	-	-	3,600	-
Edible oils machine	-	514	2,056	-	-
Others	2,047	1,645	666	202	1,899
	9,393	11,748	6,693	15,469	30,206
<b>Secondary Flat Steel Products</b>					
Expanded Metals	3,561	3,242	4,397	4,478	6,147
C-purlin	-	-	-	-	4,481
Roofing Sheet	-	192	10,209	6,140	4,246
Slotted Angle	226	2,116	2,453	4,339	4,091
Conduit pipe	-	-	38	123	1,319
Others	1,846	3,125	4,393	3,563	5,211
	5,633	8,675	21,490	18,643	25,495
<b>Steel Racking System</b>					
Heavy duty racking	4,682	4,223	3,297	7,363	9,139
Light duty racking	2	553	2,349	3,252	5,626
	4,684	4,776	5,646	10,615	14,765
<b>Provider of IT System</b>					
Software development & solutions packages	19	203	1,167	2,058	1,399
<b>Distribution</b>					
Steel products	1,720	544	2,945	2,575	6,583
<b>Proforma Consolidated Revenue</b>	<b>21,449</b>	<b>25,946</b>	<b>37,941</b>	<b>49,360</b>	<b>78,448</b>

## 9. FINANCIAL INFORMATION (Cont'd)

## (iii) Analysis of Revenue by Markets/ Geographical Location

	< ----- Financial Year Ended 31 December ----- >				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Export Market					
- Australia	-	-	62	75	-
- Bahrain	-	-	-	220	-
- Belgium	-	-	-	128	92
- Brunei	-	7	-	-	7
- China	-	-	302	868	1,342
- Hong Kong	-	-	-	326	384
- Indonesia	304	-	-	304	1,273
- Ireland	-	-	-	-	278
- Jordan	3,145	1,415	74	-	-
- Lebanon	-	-	-	-	6,053
- Mauritius	38	-	-	123	172
- Philippines	-	-	-	1,139	3,495
- Saudi Arabia	1,515	293	1,199	1,904	7,392
- Senegal	-	-	-	2,783	68
- Singapore	911	1,232	1,512	5,646	759
- Sudan	(846)	1,894	2,182	322	220
- Sweden	-	-	-	-	6
- Syria	-	1,454	793	380	-
- Taiwan	-	-	-	11	180
- United Arab Emirates	-	1,786	-	757	676
- US	2,270	7,021	2,628	1,416	2,130
- Vietnam	-	-	3,154	2,465	7,065
- Yemen	4,928	420	120	149	1,030
	12,265	15,522	12,026	19,016	32,622
Local Market	9,184	10,424	25,915	30,344	45,826
<b>Proforma Consolidated Revenue</b>	<b>21,449</b>	<b>25,946</b>	<b>37,941</b>	<b>49,360</b>	<b>78,448</b>

## (iv) Analysis of PBT by Companies

	< ----- Financial Year Ended 31 December ----- >				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Eonmetall	-	-	-	(5)	(6)
EMT	5,789	3,685	1,725	6,877	13,114
EMI	888	694	4,327	3,551	3,022
EMS	51	525	936	1,295	1,431
EIT	(63)	297	976	1,294	(151)
ECH	-	1	184	160	(1,347)
<b>Proforma Consolidated PBT</b>	<b>6,665</b>	<b>5,202</b>	<b>8,148</b>	<b>13,172</b>	<b>16,063</b>

## 9. FINANCIAL INFORMATION (Cont'd)

## (v) Analysis of PBT by Products and Services

	< ----- Financial Year Ended 31 December ----- >				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Machinery and Equipment</b>					
Forming machine	2,090	1,729	721	4,775	6,941
Expanded Metal machine	632	358	118	666	2,453
Slitting & shearing machine	1,216	942	136	914	1,697
Solvent extraction plant	-	-	-	160	(1,347)
Edible oils machine	-	1	184	-	-
Others	1,097	520	164	110	744
	5,035	3,550	1,323	6,625	10,488
<b>Secondary Flat Steel Products</b>					
Expanded Metals	533	256	863	757	569
C-purlin	-	-	-	-	415
Roofing Sheet	-	15	2,004	1,038	393
Slotted Angle	34	167	481	734	379
Conduit pipe	-	-	7	21	122
Others	275	247	863	592	484
	842	685	4,218	3,142	2,362
<b>Steel Racking System</b>					
Heavy duty racking	51	464	546	979	1,048
Light duty racking	-	61	389	418	737
	51	525	935	1,397	1,785
<b>Provider of IT System</b>					
Software development & solutions packages	(63)	297	976	1,294	(151)
<b>Distribution</b>					
Steel products	800	145	696	719	1,585
Others	-	-	-	(5)	(6)
<b>Proforma Consolidated PBT</b>	6,665	5,202	8,148	13,172	16,063

## (vi) Analysis of PBT by Markets/Geographical Location

	< ----- Financial Year Ended 31 December ----- >				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Export Market	5,730	3,734	2,840	6,436	9,417
Local Market	935	1,468	5,308	6,736	6,646
<b>Proforma Consolidated PBT</b>	6,665	5,202	8,148	13,172	16,063



**9. FINANCIAL INFORMATION (Cont'd)****9.2.2 Overview of Revenue and PBT****31 December 2000**

For the financial year ended 31 December 2000, approximately 44% of the Group's revenue was contributed by the sales of Metalwork Machinery and Equipment through EMT with the remaining half contributed by EMI and EMS on the sale of Secondary Flat Steel Products such as bed frames, Expanded Metals and steel racking.

During the financial year, the establishment of new US market for bed frame products further contributed to EMI's revenue whilst the high local demand for heavy duty industrial racking contributed to the revenue of EMS. The Group's IT company, EIT commenced its operations during the financial year. However, the revenue and profit contribution by EIT to the Group for the financial year was minimal.

**31 December 2001**

Approximately 45% of the Group's revenue was still contributed through the sale of machinery with other Secondary Flat Steel Products making up for the rest. Approximately 60% of the Group's products were exported and the remaining sold locally.

Revenue for the financial year ended 31 December 2001 increased by approximately 21% mainly attributable to the better demand for flat steel products manufactured by EMI. The Group's manufacturer of Industrial Process Machinery and Equipment, ECH also commenced its operations during the financial year with revenue contribution of approximately RM514,000.

PBT for the financial year dropped by approximately 22% despite the overall increase in revenue mainly due to the decreased GP margin earned by EMT and EMI. Lower GP margin attained by EMT was due to the full completion of higher margin "turnkey" projects undertaken since the financial year ended 31 December 1999.

**31 December 2002**

Revenue earned from Metalwork Machinery and Equipment decreased during the financial year ended 31 December 2002 as EMT changed its focus on the geographical business segment from Middle East and Africa to ASEAN countries due to the foreseen implementation of AFTA. The Group's machinery business was adversely affected due to this shift of concentration while the Group strived for market positioning.

On the contrary, Secondary Flat Steel Products, particularly, the Roofing Sheets braved its way into the local market. Revenue earned from Secondary Flat Steel Products contributed to approximately 72% of the Group's revenue for the financial year.

PBT for the financial year increased by 57% mainly attributable to the overall increase in the Group's revenue. EMI contributed approximately 53% of the Group's PBT.

**9. FINANCIAL INFORMATION (Cont'd)****31 December 2003**

Revenue earned from Metalwork Machinery and Equipment grew by approximately RM7.2 million (156%) in the financial year ended 31 December 2003 supported through the improved global economy and better positioning of EMT in ASEAN market after its initial penetration in the financial year ended 31 December 2000. Vietnam, Singapore, Indonesia and Philippines collectively contributed approximately 45% of EMT's revenue during the financial year.

Revenue generated by ECH in the financial year ended 31 December 2003 represents the first commercialisation of the SEP, a pioneer project undertaken by the Group. The Group has only recognised 75% of the revenue of the total project value during the financial year while the remaining 25% has not been billed to the customer pending the achievement of certain agreed performance parameters. Low PBT margin of only approximately 2% was achieved on this pilot project of SEP as the initial start-up costs were high.

The IT company of the Group, EIT has shown greater contribution to the Group with revenue of approximately 4% during the financial year. The increase in EIT's revenue was almost an indirect impact of the subsidy obtained by customers through the Small and Medium Industries Development Corporation (SMIDEC) grant for the implementation of projects approved in late financial year ended 31 December 2002 and during the financial year ended 31 December 2003.

PBT of the Group showed an encouraging growth of approximately 62% over the preceding financial year, made possible through the obvious increase in revenue, offset partly by the overall increase in personnel costs and other administrative expenses.

**31 December 2004**

Revenue for the financial year ended 31 December 2004 increased by approximately RM29.1 million to RM78.4 million mainly due to the increase in the revenue from Metalwork Machinery and Equipment of approximately RM18.3 million. The increase in revenue was mainly contributed by the sales to Lebanon and Vietnam after the Group's successful penetration into these countries.

Revenue earned from Secondary Flat Steel Products increased by approximately RM6.9 million mainly due the successful introduction by the Group of some new products such as high tensile C-purlin and conduit pipe to the market.

PBT for the financial year ended 31 December 2004 increased to approximately RM16.1 million mainly due to the increase in revenue. However, the increase in the steel price during the year affected the profit margin of the manufacturing of steel products.

**9. FINANCIAL INFORMATION (Cont'd)****9.2.3 Impact of Foreign Exchange/ Interest Rates/ Commodity Prices on Operating Profits**

For the financial year ended 31 December 2004, approximately 41.6% of the Group's products were exported overseas, mainly to Middle East, Vietnam, Philippine, US and China. Approximately 36.8% of its raw materials were imported mainly from Germany, Singapore and Taiwan. Settlement of these sales and purchases are usually made in USD. The imposition of currency controls in 1998 and the setting of the RM peg at RM3.80:USD1.00 has, to a certain extent, stabilised the risks of foreign exchange fluctuation.

As at 31 May 2005 (being the latest practicable date prior to the printing of this Prospectus), the Group's total short-term and long-term bank borrowings amounted to approximately RM23.58 million. All the bank borrowings of the Group are interest bearing. Given that the interest charged on bank borrowings is dependent on interest rates and the total outstanding loans, future fluctuation of interest rates could affect the Group's profitability.

Certain raw materials used by the Group such as flat rolling products are commodities. The prices of the commodities are subjected to fluctuation in world prices. In some situations, increases in the price of raw materials are not easily passed onto the end-users. This could impact on margins or alternatively, if the increase in cost is passed onto users, the manufacturer may not be price competitive.

**9.2.4 Taxation**

Higher effective tax rate for the financial year ended 31 December 2000 was mainly due to an over provision of income tax for one of the subsidiary, EMI that was subsequently adjusted in the financial year ended 31 December 2002. Had the impact of such over provision been excluded, the effective tax rate for the financial year ended 31 December 2002 would be close to the statutory tax rate of 28%.

Lower effective tax rates of the Group for the financial years ended 31 December 2001 and 2002 was mainly due to the tax incentive and reinvestment allowances available to certain subsidiaries of the Group. The IT company of the Group, EIT, was awarded the Multimedia Super Corridor (MSC) status by the Multimedia Development Corporation on 13 December 1999. With the MSC status, EIT's operating profit derived from eligible products and services was exempted from income tax for a period of five (5) years from 19 January 2001.

The companies involved in the manufacture of machinery, namely EMT and ECH have been granted pioneer status in principle on certain eligible products and were in the midst of applying for pioneer status certificates for the purpose of determining the production date. Tax provision of EMT has been accounted for assuming that operating profits earned from the eligible products would commence from the production date of those eligible products and there is no pre-pioneer income. With the assumption on pioneer status of EMT, the effective tax rate of the Group was at the lowest of 14% and 15% in the financial year ended 31 December 2003 and 2004 respectively compared to all other financial years under review.

**9. FINANCIAL INFORMATION (Cont'd)****9.2.5 Exceptional and Extraordinary Items**

There was no exceptional and extraordinary item for the financial years under review.

**9.2.6 Audit Qualifications**

The financial statements of Eonmetall Group for the past five (5) financial years/periods ended 31 December 2000 to 2004 were reported without any audit qualification.

**9.2.7 Analysis of Trade Receivables****(i) Summary of Trade Receivables**

A summary of the trade receivables of the Eonmetall Group for the past five (5) financial years ended 31 December 2000 to 2004 are as follows:-

	< ----- Financial Year Ended 31 December ----- >				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Trade receivables	10,764	20,467	22,683	19,085	25,452
Less: Allowance for doubtful debts	(336)	(2,290)	(2,081)	(187)	(1,497)
	<b>10,428</b>	<b>18,177</b>	<b>20,602</b>	<b>18,898</b>	<b>23,955</b>

**(ii) Ageing Analysis of Trade Receivables**

The ageing analysis of the trade receivables of Eonmetall Group as at the financial year ended 31 December 2004 is as set out below:-

Ageing Analysis of Trade Receivable as at 31 December 2004								
	Within Credit Period				Exceeding Credit Period			Total
	Open Credit RM'000	0-30 Days RM'000	31-60 Days RM'000	> 60 Days RM'000	0-30 Days RM'000	31-60 Days RM'000	> 60 Days RM'000	
Trade receivables	(921)	4,772	518	5	1,952	371	18,755	25,452
% of total receivables	(3.61%)	18.75%	2.04%	-	7.67%	1.46%	73.69%	100%

Based on the above table, the total trade receivables exceeding credit period as at 31 December 2004 is approximately RM21.08million representing approximately 82.82% of the total trade receivables of the Group.

As at 31 May 2005 (being the latest practicable date prior to the printing of this Prospectus), approximately RM19.14 million has been collected representing approximately 90.80% of the total trade receivables exceeding credit period of approximately RM21.08 million. Overall, a total of approximately RM23.17 million has been collected representing approximately 91.04% of the total trade receivables of approximately RM25.45 million.

**9. FINANCIAL INFORMATION (Cont'd)**

Allowance for doubtful debts of approximately RM1.86 million has been made in the financial statements of the Group for all overdue trade debtors which are in dispute or under legal action, or for which the amount have been outstanding for more than six (6) months. The Directors are confident that the outstanding balances of approximately RM0.42 million which are exceeding the credit period but have not been provided for as doubtful debts are recoverable as there are continuing business relationships with the customers.

**9.2.8 Analysis of Trade Payables****(i) Summary of Trade Payables**

A summary of the trade payables of the Eonmetall Group for the past five (5) financial years ended 31 December 2000 to 2004 are as follows:-

	< ----- Financial Year Ended 31 December ----- >				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Trade payables	1,108	1,174	2,463	7,005	10,654

**(ii) Ageing Analysis of Trade Payables**

The ageing analysis of the trade payables of Eonmetall Group as at the financial year ended 31 December 2004 is as set out below:-

Ageing Analysis of Trade Payable as at 31 December 2004								
	Advance	0-30 Days	31-60 Days	61 - 90 Days	91 - 180 Days	181 - 365 Days	> 365 Days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	(232)	4,140	239	629	1,595	1,795	2,488	10,654
% of total trade payables	(2.17%)	38.86%	2.24%	5.90%	14.97%	16.85%	23.35%	100%

As at 31 May 2005 (being the latest practicable date prior to the printing of this Prospectus), payment of approximately RM8.97 million has been made representing approximately 84.19% of the total trade payables of the Group.

The balance of approximately RM1.68 million that has exceeded the credit period is mainly due to certain technical problems encountered by the Group for the machine parts supplied by a supplier. The Directors are of the opinion that full payment shall be made by the Group when the technical problems are resolved.

**9. FINANCIAL INFORMATION (Cont'd)****9.3 FINANCIAL PERFORMANCE, POSITION AND OPERATIONS**

Save as disclosed in Sections 1.3, 9.1 and 10 of this Prospectus, the Directors are of the view that the financial performance, position and operations of the Group are not affected by any of the following:-

- (i) Any known trend, demand, commitment, event or uncertainty that have had, or that the corporation reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the Group;
- (ii) Any material capital expenditure commitment, the purpose of such commitments and the anticipated source of funds;
- (iii) Any unusual, infrequent event or transaction or any significant economic change that have materially affected the financial performance, position and operations of the Group and the extent to which the financial performance, position and operations of the Group was so affected; and
- (iv) Any known event, circumstance, trend, uncertainty and commitment that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

**9.4 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL LITIGATIONS/ ARBITRATIONS****(i) Working Capital**

The Directors of Eonmetall are of the opinion that, after taking into consideration the cash flow position, the banking facilities available and the net proceeds from the Rights Issue and Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

**(ii) Borrowings**

As at 31 May 2005 (being the latest practicable date prior to the printing of this Prospectus), the total bank borrowings of the Group in the form of term loans, bank overdrafts and banker's acceptances amounted to approximately RM23.58 million. All the bank borrowings of the Group are interest bearing. The Group does not have any non-interest bearing borrowings. The Group's borrowings can be analysed further as follows:-

<b>Borrowings</b>	<b>Amount (RM '000)</b>	<b>Amount (RM '000)</b>
<b>Group</b>		
Long term borrowings		
• Interest bearing	2,711	
• Non-interest bearing	-	2,711
Short term borrowings		
• Interest bearing	20,864	
• Non-interest bearing	-	20,864
<b>Total Borrowings</b>		<b>23,575</b>

**9. FINANCIAL INFORMATION (Cont'd)**

---

The Group has no foreign currency borrowings.

The Group has not defaulted in any payment of either principal and/or interest in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof, if any, immediately preceding the date of this Prospectus.

**(iii) Contingent Liabilities**

The Directors of Eonmetall declare that, as at 31 May 2005 (being the latest practicable date prior to the printing of this Prospectus) the Group has no contingent liabilities.

**(iv) Material Commitments**

As at 31 May 2005 (being the latest practicable date prior to the printing of this Prospectus) the Group has no material capital commitments.

**(v) Material Litigations/ Arbitrations**

As at 31 May 2005 (being the latest practicable date prior to the printing of this Prospectus), neither the Company nor its subsidiaries are engaged in any material litigation, claim and arbitration, either as plaintiff or defendant, which have a material effect on the business or financial position of the Company and/or its subsidiaries and the Board has no knowledge of any proceeding pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the business or financial position or business of the Company or its subsidiaries.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**9. FINANCIAL INFORMATION (Cont'd)**

**9.5 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST OF EONMETALL FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2005**  
*(Prepared for inclusion in the Prospectus)*



KPMG (Firm No. AF 0758)  
Chartered Accountants  
1st Floor, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang, Malaysia.

P.O. Box 349  
10740 Penang  
Malaysia

Tel + (604) 227 2288  
Fax + (604) 227 1888

www.kpmg.com.my

The Board of Directors  
Eonmetall Group Berhad  
*(formerly known as Eoncap Corporation Berhad)*  
Suite 2-1, 2<sup>nd</sup> Floor  
Menara Penang Garden  
42A Jalan Sultan Ahmad Shah  
10050 Penang

27 June 2005

Dear Sirs

**Eonmetall Group Berhad ("Eonmetall" or "the Company")**  
*(formerly known as Eoncap Corporation Berhad)*  
**Reporting accountants' letter on the consolidated profit forecast for the year ending 31 December 2005**

We have reviewed the consolidated profit forecast of Eonmetall and its subsidiaries ("Eonmetall Group") for the year ending 31 December 2005 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the Standard on Auditing (ISA 810) applicable to the review of forecasts. The consolidated profit forecast has been prepared for the purpose of inclusion in the Prospectus to be dated 30 June 2005 in connection with the following proposals and should not be relied on for any other purposes :-

- (1) Initial public offering of Eonmetall shares comprising the Public issue and the Offer for Sale of Eonmetall shares as follows :-
  - (a) Public issue of 22,000,000 new ordinary shares of RM0.50 each in Eonmetall at an issue price of RM1.00 per ordinary share;
  - (b) Offer for Sale of 28,600,000 ordinary shares of RM0.50 each in Eonmetall at an offer price of RM1.00 per ordinary share;(hereinafter referred to as "the IPO")
- (2) Admission to the Official List of the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing of and quotation on the Second Board of Bursa Securities for 110,000,000 ordinary shares of RM0.50 each in Eonmetall representing the entire issued and paid up share capital of Eonmetall after the IPO. (hereinafter referred to as "the Listing").





**9. FINANCIAL INFORMATION (Cont'd)**



Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the subsidiaries of Eonmetall in their audited financial statements for the year ended 31 December 2004. The Directors of Eonmetall are solely responsible for the preparation and presentation of the consolidated profit forecast and the assumptions on which the consolidated profit forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matter stated in the preceding paragraph:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted by the subsidiaries of Eonmetall in their audited financial statements for the year ended 31 December 2004.

Yours faithfully

**KPMG**  
Firm Number : AF 0758  
Chartered Accountants

**Ng Swee Weng**  
Partner  
Approval Number : 1414/03/06 (J/PH)

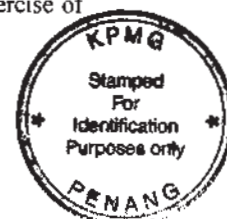
**9. FINANCIAL INFORMATION (Cont'd)****9.6 CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS OF EONMETALL FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2005**  
*(Prepared for inclusion in the Prospectus)***EONMETALL GROUP BERHAD**  
**(formerly known as "Eoncap Corporation Berhad")**  
**AND ITS SUBSIDIARIES**  
**("Eonmetall Group" or "the Group")****CONSOLIDATED PROFIT FORECAST**  
**FOR THE YEAR ENDING 31 DECEMBER 2005**

The directors forecast that the consolidated profit forecast of Eonmetall Group for the financial year ending 31 December 2005 after the IPO will be as follows :-

	RM'000
<b>Consolidated profit before taxation</b>	16,830
Taxation	(1,453)
<b>Consolidated profit after taxation</b>	<u>15,377</u>
Less : Pre-acquisition profits *	(1,281)
<b>Consolidated profit after taxation but before negative goodwill</b>	<u>14,096</u>
Negative goodwill recognised	8,059
<b>Consolidated profit after taxation and after negative goodwill</b>	<u><u>22,155</u></u>
Weighted average number of ordinary shares of RM0.50 each ('000)	^ 84,328
<i>The earnings per share ("EPS") based on the weighted average issued and paid up share capital are as follows :</i>	
Net EPS before negative goodwill (sen)	16.72
Net EPS after negative goodwill (sen)	26.27
Net EPS before negative goodwill and pre-acquisition profits (sen)	18.23
Enlarged issued and paid-up share capital of RM0.50 each after the IPO ('000)	110,000
<i>The earnings per share ("EPS") based on the enlarged issued and paid up share capital are as follows :</i>	
Net EPS before negative goodwill (sen)	12.81
Net EPS after negative goodwill (sen)	20.14
Net EPS before negative goodwill and pre-acquisition profits (sen)	13.98

\* The pre-acquisition profits relate to profits generated during the period from 1 January 2005 to 28 February 2005, the completion date of the acquisition of subsidiaries.

^ On the basis that the acquisition of subsidiaries and rights issue were completed on 28 February 2005 and 18 April 2005 respectively and after the Initial Public Offering ("IPO") but before the exercise of ESOS. The IPO is assumed to be completed by end of June 2005.



**9. FINANCIAL INFORMATION (Cont'd)**

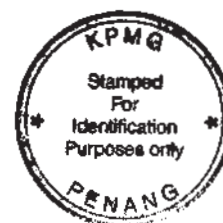
**EONMETALL GROUP BERHAD  
(formerly known as "Eoncap Corporation Berhad")  
AND ITS SUBSIDIARIES  
("Eonmetall Group" or "the Group")**

**CONSOLIDATED PROFIT FORECAST  
FOR THE YEAR ENDING 31 DECEMBER 2005**

**BASES AND ASSUMPTIONS**

The principal bases and assumptions upon which the consolidated profit forecast has been arrived at are set out below :

- a) There will be no significant changes in the principal activities, management structure, accounting and business operating policies adopted by the Group.
- b) There will be no change in the Eonmetall's group structure for the year ending 31 December 2005 apart from the acquisition of subsidiaries as mentioned in (z) below.
- c) There will be no significant changes in the prevailing economic conditions in Malaysia and elsewhere which will directly or indirectly have an adverse effect on the activities or performance of the Group.
- d) There will be no significant changes in the present government regulations and legislations, which would adversely affect the operations of the Group or the market in which it operates.
- e) There will be no major breakdown or disruption in the manufacturing facilities, industrial disputes or any abnormal circumstances, which will adversely affect the achievement of sales at their forecast levels, and/or disrupt the planned operations of the Group.
- f) There will be no unexpected problems that may affect the Group's various manufacturing programmes.
- g) There will be no significant changes in the existing key personnel and management of the Group that will adversely affect the marketing capability and level of activities of the Group.
- h) There will be no significant changes in operating expenses including wages, cost of supplies, administrative and overhead expenses and other costs other than as forecasted.
- i) Production/processing costs will not be adversely affected by any abnormal circumstances or events. There will be no shortage in the supply of raw materials and no material fluctuations in raw materials costs.
- j) There will be no cancellation or significant changes in the value of secured sales orders/contracts, and the value of the new contracts will be secured in line with forecasted level. There will not be any major delays in the timing of the commencement and completion of the contracts.



**9. FINANCIAL INFORMATION (Cont'd)**

**BASES AND ASSUMPTIONS (Cont'd)**

- k) There will be no significant changes in current demand and in the prevailing market conditions other than those included in the forecast which will adversely affect the performance of the Group.
- l) Existing financial facilities will remain available with no significant changes in the interest rates and the Group will be able to procure sufficient financing activities for working capital purposes, if necessary.
- m) The rates and bases of taxation including the tax incentives and government duties applicable to the Group will be consistent with their present levels. The Malaysian income tax rate relevant to the Group is expected to remain at 28%.

The subsidiaries of Eonmetall are assumed to be eligible for the following tax incentives :

- i) Eonmetall Technology Sdn Bhd ("EMT") has been granted in principle the 10-year pioneer status for specific machinery and equipment for the following categories of products :-

- powder coating line machine, galvanising line machine and pre-painted galvanising line machine for metal surface treatment/coating industry;
- process system for recovery of residual palm oil from palm fibre and medium density fibreboard; and
- rolling mill machinery and parts thereof for iron and steel industry.

EMT is in the midst of applying for pioneer status certificate to determine the commencement of pioneer period for each of the above categories of pioneer products. As the tax incentive is 100% exemption from tax, no provision is made based on the assumption that the Company commenced its pioneer period when it commenced production.

- ii) Eonchem Technology Sdn Bhd ("ECH") has been granted in principle the 5-year pioneer status to manufacture "machinery and equipment for the edible oils, pharmaceutical, chemical and oleo-chemical industries". ECH is in the midst of applying for pioneer certificate to determine the commencement of pioneer period. As the tax incentive is 70% exemption from tax, the tax provision is made only on the remaining 30% profit derived from the above products and on the assumption that the Company commenced its pioneer period when it commenced production.
- iii) Eontarr IT Solutions Sdn Bhd, was awarded Multimedia Super Corridor ("MSC") status by the Multimedia Development Corporation on 13 December 1999. With the MSC status, the Company's operating profit derived from the approved services is exempted from income tax for a period of five years commencing 19 January 2001. As the tax incentive is 100% exemption from tax, no provision is made based on the assumption that the Company commenced its pioneer period when it commenced production and that whatever activities carried out by the Company fall within the activities approved by the authorities.



**9. FINANCIAL INFORMATION (Cont'd)****BASES AND ASSUMPTIONS (Cont'd)**

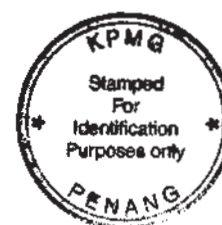
- n) The Group will not engage in any material litigation and there will be no legal proceedings against the Group which will adversely affect the activities or performance of the Group or give rise to any contingent liabilities which will materially affect the position or business of the Group.
- o) Capital expenditure will be incurred as planned and there will be no significant disposal of property, plant and equipment which could give rise to significant profit or loss on disposal. Planned capital expenditure for the Group will be as follows :-

	RM'000
Year ending 31 December 2005	13,515

- p) There will be no major capital and revenue cost item variations that are beyond the control of the Group.
- q) Goodwill on consolidation will be amortised over a period of 25 years whilst negative goodwill will be recognised in the income statement in the year of acquisition of subsidiary.
- r) The domestic inflation rates and the exchange rates of Ringgit Malaysia against the foreign currencies the Group transacts in will not change materially from the current levels. The Group assumes the following exchange rates in the profit forecast :-

USD 1	:	RM3.80
SGD 1	:	RM2.10
EUR 1	:	RM4.28

- s) There will be no significant incidence of bad debts other than as forecasted.
- t) The existing terms and conditions of contracts and agreements entered into by the Group will remain in force.
- u) There will be no significant changes to the current pricing of the Group's products.
- v) The forecasted turnover and related costs are based on estimates of the directors after taking into consideration the present conditions of selling prices and related costs of the Group. There will be no material changes to the forecasted selling prices, sales volume, sales mix and profit margins of the Group.
- w) The Group's turnover for the financial year ending 31 December 2005 is forecasted to be RM80,850,000 and the average gross profit margin is forecasted at 30%.
- x) Interest rates will not change significantly and for the purpose of the forecast, the rate used for short term borrowings is assumed at 8% per annum whilst the rate earned on short term deposits is assumed at 2.5% per annum.



**9. FINANCIAL INFORMATION (Cont'd)****BASES AND ASSUMPTIONS (Cont'd)**

- y) Eonmetall Group will declare the following dividends in respect of the financial year ending 31 December 2005 :

<i>Company</i>	<i>Type of dividend</i>	<i>Rate of Dividend</i>	<i>Amount (RM'000)</i>
Eonmetall	Final	3% tax exempt	1,650
EMT	Final	66% tax exempt	1,650

The final dividends proposed in respect of the financial year ending 31 December 2005 will be paid in Year 2006.

- z) The completion date for the acquisition of the subsidiaries was on 28 February 2005. The negative goodwill in the financial year ending 31 December 2005 has been computed based on the excess of :
- (i) The net tangible assets of the subsidiaries as at 31 December 2003 and the 14 months proforma consolidated profit after taxation (net of inter-companies unrealised profits) for the year ending 31 December 2005, i.e. from 1 January 2004 to 28 February 2005; and
  - (ii) The special dividend of RM3,650,000 paid by EMT to the existing shareholders of EMT prior to the acquisition by Eonmetall;

over

the purchase consideration of the acquisitions of subsidiaries by Eonmetall amounting to RM43,977,641. The purchase consideration is based on the audited net tangible assets of the respective companies as at 31 December 2003.



**9. FINANCIAL INFORMATION (Cont'd)**

**9.7 DIRECTORS' COMMENTS ON THE PROFIT FORECAST**

The Board confirms that the consolidated profit forecast of Eonmetall and the underlying bases and assumptions stated herein have been reviewed by the Directors after due and careful inquiries, and that the Directors, having taken into account the future prospects of the industry, the future direction of the Group and its level of gearing, liquidity and working capital requirements, are of the opinion that the profit forecast of the Group is achievable and the assumptions made are reasonable.

Nevertheless, in the light of the current economic environment in Malaysia, regionally and globally, certain assumptions, including interest and exchange rates, may differ significantly from the date of this Prospectus and this may have a material impact on the Group's profit forecast.

**9.8 DIVIDEND FORECAST**

It will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Group.

Based on the consolidated profit forecast for the financial year ending 31 December 2005 and assuming that the current basis for calculating taxation and the rates of taxation remain unchanged, the Directors of Eonmetall anticipate that, the Company will be in a position to propose a forecast tax-exempt dividend of 1.5 sen or 3.0% per Share for the financial year ending 31 December 2005, based on the enlarged issued and paid-up share capital of 110,000,000 Shares.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**9. FINANCIAL INFORMATION (Cont'd)**

The intended appropriation of the forecast consolidated PAT for the financial year ending 31 December 2005 would be as follows:-

Financial Year Ending 31 December	Forecast 2005 (RM'000)
Revenue	80,850
Consolidated PBT	16,830
Taxation	(1,453)
Consolidated PAT	15,377
Less: Pre-acquisition profits <sup>(a)</sup>	(1,281)
Consolidated PAT before negative goodwill	14,096
Negative goodwill recognised	8,059
Consolidated PAT after negative goodwill	22,155
Enlarged issued and paid-up share capital after the IPO ('000)	110,000
The EPS based on the enlarged issued and paid-up share capital and assuming that Eonmetall Group has been in existence for the financial year ending 31 December 2005 are as follows:-	
Gross EPS (sen)	15.30
Net EPS <sup>(b)</sup> (sen)	13.98
The PE Multiple based on the IPO Price per Share is as follows:-	
Gross PE Multiple (times)	6.54
Net PE Multiple <sup>(b)</sup> (times)	7.15
Tax-exempt dividend rate per Share (%)	3.00
Tax-exempt dividend yield (%) <sup>(c)</sup>	1.50
Net dividend cover (times)	9.32

Notes: -

- (a) *The pre-acquisition profits relate to profits generated during the period from 1 January 2005 to 28 February 2005, being the date of completion of the Acquisitions.*
- (b) *Based on the consolidated PAT.*
- (c) *Based on the IPO Price.*

Future dividends may be waived if:-

- (a) the Group is in a loss position for the relevant financial year; or
- (b) the Group has insufficient cash flows to meet any dividend payments.

Notwithstanding the above, the Directors of Eonmetall have full discretion not to propose any future dividend payment as and when deemed necessary, if it is in the best interest of the Company.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



**9. FINANCIAL INFORMATION (Cont'd)****9.9 SENSITIVITY ANALYSIS**

The following sensitivity analysis is prepared by the management of the Group and has not been independently verified by the Reporting Accountants. It is based on the forecast assumptions set out in Section 9.6 above and assuming all factors remaining unchanged except for the 5% and 10% upward or downward variations in the selling price, cost of sales and administrative expenses. Notwithstanding the impacts of the variations in the selling price, cost of sales and administrative expenses as outlined here, there may exist other factors which have not been taken into account, while variations may have a significant effect, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows:-

**9.9.1 Variations in Selling Price**

The sensitivity analysis on selling price is prepared based on the assumption that all other things remain unchanged except for the 5% and 10% upward and downward variations in the selling price by the Group.

Forecast for the financial year ending 31 December 2005

	<b>Consolidated Revenue (RM'000)</b>	<b>Consolidated PBT (RM'000)</b>	<b>Consolidated PAT (RM'000)</b>
As Forecasted	80,850	16,830	15,377
Up to 10%	88,935	24,915	23,462
Up to 5%	84,893	20,873	19,420
Down 5%	76,808	12,788	11,335
Down 10%	72,765	8,745	7,292

**9.9.2 Variations in Cost of Sales**

The sensitivity analysis on cost of sales is prepared based on the assumption that all other things remain unchanged except for the 5% and 10% upward and downward variations in the cost of sales of the Group.

Forecast for the financial year ending 31 December 2005

	<b>Consolidated Revenue (RM'000)</b>	<b>Consolidated PBT (RM'000)</b>	<b>Consolidated PAT (RM'000)</b>
As Forecasted	80,850	16,830	15,377
Up to 10%	80,850	11,203	9,749
Up to 5%	80,850	14,016	12,563
Down 5%	80,850	19,644	18,191
Down 10%	80,850	22,458	21,005

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**9. FINANCIAL INFORMATION (Cont'd)****9.9.3 Variations in Administrative Expenses**

The sensitivity analysis on administrative expenses is prepared based on the assumption that all other things remain unchanged except for the 5% and 10% upward and downward variations in the administrative expenses of the Group.

Forecast for the financial year ending 31 December 2005

	<b>Consolidated Revenue (RM'000)</b>	<b>Consolidated PBT (RM'000)</b>	<b>Consolidated PAT (RM'000)</b>
As Forecasted	80,850	16,830	15,377
Up to 10%	80,850	16,321	14,868
Up to 5%	80,850	16,575	15,122
Down 5%	80,850	17,339	15,886
Down 10%	80,850	17,085	15,632

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**9. FINANCIAL INFORMATION (Cont'd)**

**9.10 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED  
BALANCE SHEETS AS AT 31 DECEMBER 2004  
(Prepared for inclusion in the Prospectus)**



KPMG (Firm No. AF 0758)  
Chartered Accountants  
1st Floor, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang, Malaysia.

P.O. Box 349  
10740 Penang  
Malaysia

Tel + (604) 227 2288  
Fax + (604) 227 1888

[www.kpmg.com.my](http://www.kpmg.com.my)

The Board of Directors  
Eonmetall Group Berhad  
(formerly known as "Eoncap Corporation Berhad")  
Suite 2-1, 2<sup>nd</sup> Floor  
Menara Penang Garden  
42A Jalan Sultan Ahmad Shah  
10050 Penang

27 June 2005

Dear Sirs

**Eonmetall Group Berhad ("Eonmetall" or "the Company")**  
(formerly known as "Eoncap Corporation Berhad")  
**Reporting accountants' letter on the proforma consolidated balance sheets  
as at 31 December 2004**

We have reviewed the presentation of the proforma consolidated balance sheets of Eonmetall and its proposed subsidiaries ("Eonmetall Group") as at 31 December 2004 together with the accompanying notes thereon which have been prepared for illustrative purposes only, for which the Directors are solely responsible, as set out in the accompanying statement (which we have stamped for the purpose of identification), for the purpose of inclusion in the Prospectus to be dated 30 June 2005 in connection with the following proposals and should not be relied on for any other purposes :-

- (1) Initial public offering of Eonmetall shares comprising the Public issue and the Offer for Sale of Eonmetall shares as follows :-
  - (a) Public issue of 22,000,000 new ordinary shares of RM0.50 each in Eonmetall at an issue price of RM1.00 per ordinary share;
  - (b) Offer for Sale of 28,600,000 ordinary shares of RM0.50 each in Eonmetall at an offer price of RM1.00 per ordinary share;(hereinafter referred to as "the IPO")
- (2) Admission to the Official List of the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing of and quotation on the Second Board of Bursa Securities for 110,000,000 ordinary shares of RM0.50 each in Eonmetall representing the entire issued and paid up share capital of Eonmetall after the IPO. (hereinafter referred to as "the Listing").



**9. FINANCIAL INFORMATION (Cont'd)**

---



In our opinion,

- the proforma consolidated balance sheets together with the accompanying notes thereon have been properly compiled on the basis of preparation stated;
- such basis is consistent with the accounting policies normally adopted by the proposed subsidiaries of Eonmetall; and
- the adjustments are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully

A handwritten signature in black ink, appearing to be 'K' followed by a flourish.

**KPMG**  
Firm Number : AF 0758  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Ng Swee Weng' with a long horizontal flourish.

**Ng Swee Weng**  
Partner  
Approval Number : 1414/03/06 (J/PH)

## 9. FINANCIAL INFORMATION (Cont'd)

## 9.11 PROFORMA CONSOLIDATED BALANCE SHEETS OF EONMETALL AS AT 31 DECEMBER 2004

(Prepared for inclusion in the Prospectus)

Proforma consolidated balance sheets of  
Eonmetall Group Berhad  
(formerly known as "Eoncap Corporation Berhad")  
and its proposed subsidiaries ("the Eonmetall Group")



The proforma consolidated balance sheets of the Eonmetall Group set out below have been prepared by consolidating the audited financial statements of Eonmetall, EMT, EMI, EMS, EIT and ECH as at 31 December 2004 as if these companies constitute a group as at that date. The proforma consolidated balance sheets of the Eonmetall Group are provided for illustrative purposes only to show the effects of the proposed restructuring on the assumption that these were effected on 31 December 2004.

	Audited as at 31 December 2004	After the acquisition of subsidiaries (I)	After I and the Rights Issue (II)	After II and the public issue (III)	After III and the exercise of ESOS (IV)
	RM'000	RM'000	RM'000	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	-	44,602	44,602	56,602	56,602
OTHER INVESTMENT	-	32	32	32	32
<b>CURRENT ASSETS</b>					
Inventories	-	21,562	21,562	21,562	21,562
Trade and other receivables	-	24,618	24,618	24,618	24,618
Tax refundable	-	446	446	446	446
Cash and bank balances	*	3,154	3,176	7,276	23,776
	*	49,780	49,802	53,902	70,402
<b>CURRENT LIABILITIES</b>					
Trade and other payables	12	18,073	18,073	18,073	18,073
Borrowings	-	17,335	17,335	13,335	13,335
Taxation	-	1,100	1,100	1,100	1,100
	12	36,508	36,508	32,508	32,508
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	(12)	13,272	13,294	21,394	37,894
	(12)	57,906	57,928	78,028	94,528
<i>Financed by:</i>					
SHARE CAPITAL	*	43,978	44,000	55,000	63,250
SHARE PREMIUM	-	-	-	9,100	17,350
ACCUMULATED LOSSES	(12)	(12)	(12)	(12)	(12)
<b>SHAREHOLDERS' FUNDS</b>	(12)	43,966	43,988	64,088	80,588
NEGATIVE GOODWILL	-	6,778	6,778	6,778	6,778
DEFERRED TAX LIABILITIES	-	3,940	3,940	3,940	3,940
BORROWINGS	-	3,222	3,222	3,222	3,222
	(12)	57,906	57,928	78,028	94,528
<b>NTA per share (sen) (^)</b>	N/A	57.69	57.69	64.42	69.06

\* RM2.00 comprising 4 ordinary shares of RM0.50 each on 31 December 2004

^ The NTA per share above has been computed including the negative goodwill that is to be recognised in the income statement in the year of acquisition of the subsidiaries

**9. FINANCIAL INFORMATION (Cont'd)****Notes to the proforma consolidated balance sheets of Eonmetall as at 31 December 2004**

The Proforma Consolidated Balance Sheets together with the notes thereon have been prepared based on the accounting principles and bases consistent with those normally adopted by the proposed subsidiaries of Eonmetall and are presented in a form suitable for inclusion in the Prospectus.

## 1. (a) These definitions are used:

ECSB	-	Eonmetall Corporation Sdn Bhd
Eonmetall	-	Eonmetall Group Berhad (formerly known as Eoncap Corporation Berhad)
EMT	-	Eonmetall Technology Sdn. Bhd.
EMI	-	Eonmetall Industries Sdn. Bhd.
EMS	-	Eonmetall Systems Sdn. Bhd.
EIT	-	Eontarr IT Solutions Sdn. Bhd.
ECH	-	Eonchem Technology Sdn. Bhd.

- (b) The Proforma Consolidated Balance Sheets of Eonmetall and its proposed subsidiaries have been prepared for illustrative purposes only and are prepared using the acquisition method of accounting.

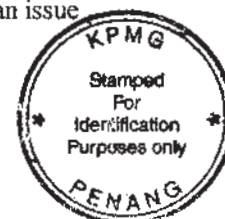
## 2. Proforma I - After incorporating the acquisition of subsidiaries

Proforma I incorporates the acquisition of subsidiaries by Eonmetall as follows :-

- (i) Acquisition of the entire issued and paid up capital of EMT comprising 2,500,000 ordinary shares of RM1.00 each for a total consideration of RM25,180,650, satisfied by the issuance of 50,361,300 new ordinary shares of RM0.50 each in Eonmetall at an issue price of RM0.50 per share.

The purchase consideration of EMT of RM25,180,650 was arrived at based on the audited net tangible assets of EMT as at 31 December 2003 and after adjusting for the revaluation surplus of RM7,069,499 (net of deferred tax) based on the open market value as valued by an independent registered valuer, CH Williams, Talhar & Wong in August 2004.

- (ii) Acquisition of the entire issued and paid up capital of EMI comprising 2,500,000 ordinary shares of RM1.00 each for a total consideration of RM9,835,960, satisfied by the issuance of 19,671,920 new ordinary shares of RM0.50 each in Eonmetall at an issue price of RM0.50 per share.
- (iii) Acquisition of the entire issued and paid up capital of EMS comprising 2,500,000 ordinary shares of RM1.00 each for a total consideration of RM5,038,030, satisfied by the issuance of 10,076,060 new ordinary shares of RM0.50 each in Eonmetall at an issue price of RM0.50 per share.
- (iv) Acquisition of the entire issued and paid up capital of EIT comprising 100,000 ordinary shares of RM1.00 each for a total consideration of RM2,718,561, satisfied by the issuance of 5,437,122 new ordinary shares of RM0.50 each in Eonmetall at an issue price of RM0.50 per share.
- (v) Acquisition of the entire issued and paid up capital of ECH comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM1,204,438, satisfied by the issuance of 2,408,876 new ordinary shares of RM0.50 each in Eonmetall at an issue price of RM0.50 per share.



**9. FINANCIAL INFORMATION (Cont'd)****Notes to the proforma consolidated balance sheets of Eonmetall as at 31 December 2004 (Cont'd)**

On proforma basis, the purchase consideration of subsidiaries acquired was based on the fair value of the net assets of those subsidiaries as at 31 December 2003. Inter-company balances have been eliminated in arriving at the Proforma Consolidated Balance Sheets.

The completion date for acquisition of the subsidiaries was on 28 February 2005. Negative goodwill on consolidation of RM6,778,000 arises from the acquisition of those subsidiaries.

3. Proforma II - After incorporating Proforma I and the rights issue

Proforma II incorporates Proforma I and the rights issue of 44,718 new ordinary shares of RM0.50 each in Eonmetall at an issue price of RM0.50 per share on the basis of approximately fifty-one (51) new ordinary shares for every 100,000 existing ordinary shares held.

4. Proforma III - After incorporating Proforma II and the public issue

Proforma III incorporates Proforma II and the proposed public issue of 22,000,000 new ordinary shares of RM0.50 each at an offer price of RM1.00 per share and the utilisation of the proceeds from the public issue.

The proceeds of RM22,000,000 from the public issue will be utilised as follows :-

	RM'000
Construction of factory building	4,000
Manufacture of plant and machinery for expansion purposes	8,000
Repayment of bank borrowings	4,000
Estimated share issue expenses	1,900
Working capital	4,100
	<u>22,000</u>

The public issue is assumed to be completed by 30 June 2005. Estimated share issue expenses of RM1,900,000 is written off against share premium account.

5. Proforma IV - After incorporating Proforma III and the ESOS

Proforma IV incorporates Proforma III and the Employees Share Option Scheme ("ESOS") of 16,500,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per share.



**9. FINANCIAL INFORMATION (Cont'd)****Notes to the proforma consolidated balance sheets of Eonmetall as at 31 December 2004  
(Cont'd)**

6. The movements of the issued and paid up share capital and the share premium account of Eonmetall after taking into account the acquisition, proposed rights issue, public issue and the ESOS are as follows :-

	Share capital RM'000	Share premium RM'000
As at 31 December 2004	*	-
Shares issued pursuant to the acquisition of subsidiaries	43,978	-
<b>Proforma I</b>	<b>43,978</b>	<b>-</b>
Rights issue	22	-
<b>Proforma II</b>	<b>44,000</b>	<b>-</b>
Public issue	11,000	11,000
Estimated share issue expenses	-	(1,900)
<b>Proforma III</b>	<b>55,000</b>	<b>9,100</b>
ESOS	8,250	8,250
<b>Proforma IV</b>	<b>63,250</b>	<b>17,350</b>

\* Represents RM2

