

1. INFORMATION SUMMARY

THE INFORMATION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP AND INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN THE SHARES OF THE COMPANY. THE INFORMATION SUMMARY SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

1.1 HISTORY AND BUSINESS

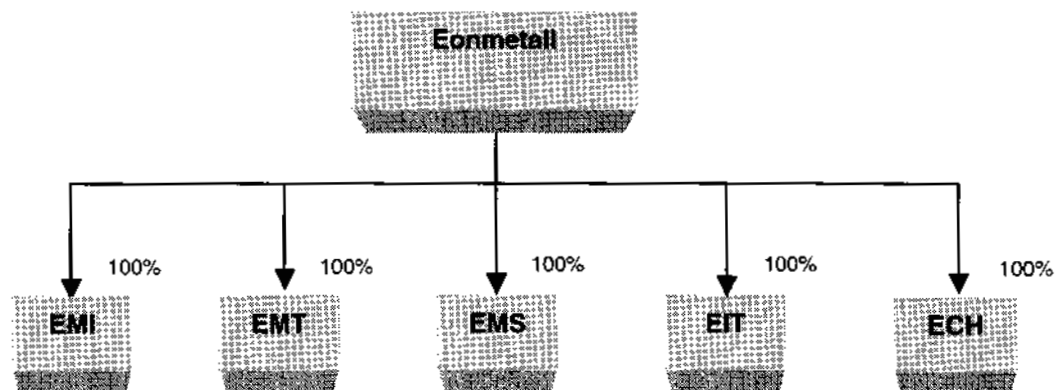
Eonmetall was incorporated in Malaysia under the Act as a private limited company on 16 October 2003 under the name of Eoncap Corporation Sdn Bhd. On 1 April 2004, it was converted into a public limited company under the name of Eoncap Corporation Berhad. Subsequently, it changed and assumed its present name since 15 April 2005. The principal activity of Eonmetall is investment holding whilst its subsidiaries are principally involved in the manufacturing of steel products focusing on Secondary Flat Steel Products and Steel Storage Systems, machinery and equipment focusing on Metalwork Machinery and Equipment, Industrial Process Machinery and Equipment, and provision of IT solutions including software development and distribution activities.

Goh Cheng Huat is the founder of Eonmetall Group. He brings with him more than 20 years of experience in the Iron and Steel Industry. He has been instrumental in the growth, success and development of the Eonmetall Group. Since its inception in 1990, Eonmetall Group has grown to become a major player in the industry with revenue of approximately RM78.45 million for the financial year ended 31 December 2004.

The history of Eonmetall Group can be traced back to the establishment of EMI, which is involved in the manufacturing of steel products focusing on Secondary Flat Steel Products such as Roofing Sheets, Slotted Angles and Expanded Metals. EMI was incorporated in 1990 and commenced business in the same year.

In 1997, the Group ventured into the manufacturing of Metalwork Machinery and Equipment including slitting, shearing and forming machines for metal works through its subsidiary, EMT. In line with the management's intention to diversify its product range, the Group started expanding its manufacturing activities into other types of finished steel products such as Steel Storage Systems through its subsidiary, EMS in 1998. Subsequently in 2000, EIT commenced operations as part of the diversification strategy to provide IT solutions including software development. In 2001, the Group expanded its operations, to commence on the manufacturing of Industrial Process Machinery and Equipment focusing on palm oil and oleochemical processing machinery and equipment through its subsidiary, ECH.

The structure of the Eonmetall Group is as set out below:-



1. INFORMATION SUMMARY (Cont'd)

The details of the subsidiaries of Eonmetall are as follows:-

Company	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
EMI	07.11.1990/ Malaysia	2,500,000	100.00	Manufacture and distribution of steel products, focusing on Secondary Flat Steel Products
EMT	17.12.1994/ Malaysia	2,500,000	100.00	Manufacture of Metalwork Machinery and Equipment
EMS	19.09.1995/ Malaysia	2,500,000	100.00	Manufacture of steel products, focusing on Steel Storage Systems
EIT	06.11.1995/ Malaysia	100,000	100.00	Provider of IT solutions including software development
ECH	21.03.2001/ Malaysia	1,000,000	100.00	Manufacture of Industrial Process Machinery and Equipment

Further details on the history and business of the Group are set out in Section 4 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)**1.2 PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT OF THE GROUP**

The direct and indirect shareholdings of the Promoter, substantial shareholders, Directors and key management of the Group are as follows:-

Name	Designation	No. of Shares Held in Eonmetall Before the IPO				No. of Shares Held in Eonmetall After the IPO ^(a)			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Promoter									
Goh Cheng Huat	Managing Director	-	-	^(b) 84,632,752	96.17	50,000	0.05	^(c) 56,232,752	51.12
Substantial Shareholders									
ECSB	Shareholder	84,632,752	96.17	-	-	56,032,752	50.94	-	-
VLSB	Shareholder	-	-	-	-	19,800,000	18.00	-	-
Goh Cheng Huat	Managing Director	-	-	^(b) 84,632,752	96.17	50,000	0.05	^(c) 56,232,752	51.12
Tan Pak Say	Shareholder	-	-	^(d) 64,632,752	96.17	200,000	0.18	^(e) 56,082,752	50.98
Tan Sri Dato' Mohd Desa bin Pachi	Chairman/ Non-Executive Director	-	-	-	-	300,000	0.27	^(f) 19,800,000	18.00
Mohd Annuar bin Md Desa	Shareholder	-	-	-	-	-	-	^(f) 19,800,000	18.00
Directors									
Tan Sri Dato' Mohd Desa bin Pachi	Chairman/ Non-Executive Director	-	-	-	-	300,000	0.27	^(f) 19,800,000	18.00
Goh Cheng Huat	Managing Director	-	-	^(b) 84,632,752	96.17	50,000	0.05	^(c) 56,232,752	51.12
Yeoh Cheng Chye	Executive Director	1,087,424	1.24	-	-	1,487,424	1.35	-	-
Goh Kee Seng	Non-Executive Director	1,304,224	1.48	-	-	1,604,224	1.46	-	-
Tan Sri Dato' Soong Siew Hoong	Non-Executive Director	-	-	-	-	300,000	0.27	-	-
Tang Yin Kham	Independent Non-Executive Director	-	-	-	-	100,000	0.09	-	-
Phee Boon Leng	Independent Non-Executive Director	-	-	-	-	100,000	0.09	-	-
Key Management									
Leong Koi Seong	Factory Manager of EMI, EMT and EMS	-	-	-	-	220,000	0.20	-	-
Goh Khang Leng	Sales and Marketing Manager of EMI, EMT and EMS	-	-	-	-	110,000	0.10	-	-
Cheong Ah Seng	R&D Manager of EMT	-	-	-	-	132,000	0.12	-	-
Ng Kok Beng	Production Manager of EMT	-	-	-	-	132,000	0.12	-	-
Taran Tej Singh	Chief Operating Officer and Director of ECH	108,400	0.12	-	-	308,400	0.28	-	-
Low Yoon Choy	Special Project Manager of EMT	-	-	-	-	55,000	0.05	-	-
Yong Sarn Ching	IT Manager of EIT	-	-	-	-	110,000	0.10	-	-
Hooy Lih Ling	Accounting Manager of the Group	-	-	-	-	55,000	0.05	-	-

Notes:-

- Including their respective entitlements for the Pink Form Shares allocation pursuant to the IPO.
- Deemed interested by virtue of his shareholding of not less than 15% in ECSB pursuant to Section 6A of the Act.
- Deemed interested by virtue of his shareholding of not less than 15% in ECSB pursuant to Section 6A of the Act and his spouse's shareholding in Eonmetall.
- Deemed interested by virtue of her spouse's shareholding of not less than 15% in ECSB pursuant to Section 6A of the Act.
- Deemed interested by virtue of her spouse's shareholding of not less than 15% in ECSB pursuant to Section 6A of the Act and her spouse's shareholding in Eonmetall.
- Deemed interested by virtue of their shareholdings of not less than 15% in VLSB pursuant to Section 6A of the Act.

Details of the Promoter, substantial shareholders, Directors and key management of the Eonmetall Group are set out in Section 5 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)**1.3 FINANCIAL HIGHLIGHTS**

A summary of the 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 in issue ('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.

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

1. INFORMATION SUMMARY (Cont'd)

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% 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 financial information of the Group is detailed in Section 9 of this Prospectus.

1.4 AUDIT QUALIFICATIONS IN THE AUDITED FINANCIAL STATEMENTS FOR THE PAST FINANCIAL YEARS/ PERIODS

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

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1. INFORMATION SUMMARY (Cont'd)**1.5 SUMMARY OF PROFORMA CONSOLIDATED BALANCE SHEETS OF EONMETALL AS AT 31 DECEMBER 2004**

The Proforma Consolidated Balance Sheets of Eonmetall as set out below have been prepared by consolidating the audited financial statements of Eonmetall, EMI, EMT, 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 Eonmetall are provided for illustrative purposes only to show the effects of the Acquisitions, Rights Issue, Public Issue, Offer For Sale, utilisation of proceeds and ESOS on the assumptions that these transactions were effected on 31 December 2004.

	Audited as at 31 December 2004	After the Acquisitions (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
CURRENT ASSETS					
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
CURRENT LIABILITIES					
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
NET CURRENT (LIABILITIES)/ASSETS	(12)	13,272	13,294	21,394	37,894
	(12)	57,906	57,928	78,028	94,528
Financed by:					
SHARE CAPITAL	*	43,978	44,000	55,000	63,250
SHARE PREMIUM	-	-	-	9,100	17,350
LOSS CARRIED FORWARD	(12)	(12)	(12)	(12)	(12)
SHAREHOLDERS' FUNDS	(12)	43,966	43,988	64,088	80,588
NEGATIVE GOODWILL	-	6,778	6,778	6,778	6,778
DEFERRED TAXATION 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
NTA per Share (sen)^	Not applicable	57.69	57.69	64.42	69.06

1. INFORMATION SUMMARY (Cont'd)

Notes:-

* RM2.00 comprising 4 Shares as at 31 December 2004.

^ The computation of the above NTA per Share has included the negative goodwill that is to be recognised in the income statement in the year of the Acquisitions.

Detailed Reporting Accountants' letter and the Proforma Consolidated Balance Sheets thereon are set out in Sections 9.10 and 9.11 of this Prospectus respectively.

1.6 INTELLECTUAL PROPERTY

In connection with the Group's business, the Group has registered its industrial designs and trade marks with the relevant authorities and also owns the copyright for its software application. The Group also has been granted exclusive rights and licences to manufacture certain type of machinery and equipment.

Details of the licences and intellectual property of the Group are set out in Sections 4.2.4 and 4.2.5 of this Prospectus.

1.7 SUMMARY OF MATERIAL RISK FACTORS

An investment in the shares to be listed on the Bursa Securities involves a number of risks, some of which, including market, industry, liquidity, credit, operational, legal and regulatory risks, could be substantial and inherent in the business of the Group.

Prospective investors should rely on their own evaluations and to carefully consider the investment considerations before buying any of the IPO Shares, which are the subject of this Prospectus. The investment consideration that should be considered includes, but not limited to, the following:-

Item	Risk Factors
(i)	Business Risks
(ii)	Financial Risks
(iii)	Foreign Operations/ Currency Risk
(iv)	New Products and Services
(v)	Industry Life-Cycle
(vi)	Dependence on Customers
(vii)	Dependence on Suppliers
(viii)	Fluctuation in Prices of Raw Materials
(ix)	Use of Alternative Materials
(x)	Dependence on Imports of Raw Materials
(xi)	Intellectual Property
(xii)	Dependence on Directors and Key Management
(xiii)	Import Regulations
(xiv)	Insurance Coverage on Assets

1. INFORMATION SUMMARY (Cont'd)

- (xv) Competitive Risks
- (xvi) Global and Domestic Economic Downturn, and Global Events
- (xvii) Political, Government Control and Regulation Considerations
- (xviii) Control by Promoter and/or Substantial Shareholders
- (xix) Product Liabilities
- (xx) Technology Used
- (xxi) Borrowings Covenants
- (xxii) Achievability of Profit Forecast
- (xxiii) Disclosure Regarding Forward-Looking Statements
- (xxiv) Related Party Transactions/ Conflict of Interest
- (xxv) No Prior Market for Eonmetall's Shares
- (xxvi) Failure/ Delay in the Listing

Further details of the material risk factors are set out in Section 3 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)**1.8 PROFIT AND DIVIDEND RECORDS****CONSOLIDATED PROFIT FORECAST**

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*	(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# (sen)	13.98
The PE Multiple based on the IPO Price per Share are as follows:-	
Gross PE Multiple (times)	6.54
Net PE Multiple# (times)	7.15

Notes:-

* 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.

Based on the consolidated PAT.

DIVIDEND FORECAST

Financial Year Ending 31 December	Forecast 2005
Tax-exempt dividend rate per Share (%)	3.00
Tax-exempt dividend yield* (%)	1.50
Net dividend cover (times)	9.32

Note:-

* Based on the IPO Price.

Detailed information on the profit and dividend forecast is set out in Sections 9.6 and 9.8 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)**1.9 PROFORMA CONSOLIDATED NTA AS AT 31 DECEMBER 2004**

	Proforma Consolidated NTA (RM'000)	NTA Per Share (RM)
After adjusting for the Acquisitions, Rights Issue, Public Issue and utilisation of proceeds*	^70,866	0.64

Notes:-

* After deducting the estimated share issue expenses of RM1.90 million. Please refer to Section 2.7 of this Prospectus for details on the estimated share issue expenses.

^ Including the negative goodwill of approximately RM6.78 million.

The above proforma consolidated NTA is based on the enlarged issued and paid-up share capital of 110,000,000 Shares in Eonmetall.

1.10 PRINCIPAL STATISTICS RELATING TO THE IPO**1.10.1 Share Capital**

The following statistics relating to the IPO are derived from the full text of the Prospectus and should be read in conjunction with the text.

	Number of Shares	(RM)
AUTHORISED SHARE CAPITAL	200,000,000	100,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL AS AT THE DATE OF THIS PROSPECTUS	88,000,000	44,000,000
• New Shares to be issued pursuant to Public Issue	22,000,000	11,000,000
ENLARGED SHARE CAPITAL	110,000,000	55,000,000
• Existing Shares to be offered pursuant to the Offer For Sale	28,600,000	14,300,000

The IPO Price is RM1.00 per Share payable in full upon application, subject to the terms and conditions of this Prospectus.

1.10.2 Class of Shares

There is only one class of shares in the Company namely ordinary shares of RM0.50 each, all of which rank pari passu with one another. The IPO Shares rank pari passu in all respects with the other existing issued and paid-up Shares of the Company including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment thereof.

1. INFORMATION SUMMARY (Cont'd)**1.11 PROPOSED UTILISATION OF PROCEEDS**

The total gross proceeds arising from the Rights Issue and Public Issue will be utilised by the Group in the following manner:-

		Timeframe for Utilisation from the Date of Listing	Amount (RM'000)
(i)	Construction of factory building	Within 18 months	4,000
(ii)	Manufacture of new machinery and equipment for expansion	Within 12 months	8,000
(iii)	Repayment of bank borrowings	Within 6 months	4,000
(iv)	Working capital	Within 12 months	4,122
(v)	Estimated share issue expenses	Within 3 months	1,900
Total proceeds			22,022

Further details of the utilisation are set out in Section 2.7 of this Prospectus.

1.12 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:-

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

The Group has no foreign currency borrowings.

1. INFORMATION SUMMARY (Cont'd)

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.

Details of the working capital, borrowings, contingent liabilities, material commitments and material litigations/ arbitrations are set out in Sections 9.4 of this Prospectus.

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2. PARTICULARS OF THE IPO

This Prospectus is dated 30 June 2005.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Form, has also been lodged with the ROC who takes no responsibility for its contents.

The approval of the SC obtained vide its letter dated 27 January 2005 shall not be taken to indicate that the SC recommends the IPO and that investors should rely on their own evaluation to assess the merits and risks of the IPO.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the Bursa Securities has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the IPO Shares issued/offered through this Prospectus will be deposited directly with the Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Depository.

Application has been made to the Bursa Securities for admission to the Official List and for the listing of and quotation for the entire enlarged issued and fully paid-up share capital of Eonmetall on the Second Board of the Bursa Securities. The Bursa Securities had via its letter dated 7 October 2004 granted its approval-in-principle for the Listing on a "Ready" basis pursuant to the Rule of Bursa Securities subject to the conditions set out in Section 6.1 of this Prospectus. These Shares will be admitted to the Official List on the Second Board of the Bursa Securities and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and an undertaking from the Issuing House that the notices of allotment will be despatched to all successful applicants.

Acceptance of Applications for the IPO Shares will be conditional upon permission being granted by the Bursa Securities to deal in and for the quotation of the entire enlarged issued and fully paid-up share capital on the Second Board of the Bursa Securities. Accordingly, monies paid in respect of any Application accepted from the IPO will be returned if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC).

Pursuant to the Listing Requirements, an applicant must have at least 25% of the total number of Shares for which listing is sought in the hands of a minimum of one thousand (1,000) public shareholders holding not less than one hundred (100) Shares each at the point of listing. In the event that the above requirement is not met pursuant to the IPO, the Company may not be allowed to proceed with its listing on the Second Board of the Bursa Securities. In the event thereof, monies paid in respect of all Applications will be returned without interest if the said permission is not granted.

The Bursa Securities assumes no responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. Admission to the Official List of the Second Board of the Bursa Securities is not to be taken as an indication of the merits of the Company or of its Shares.

Applicants of the IPO Shares must have a CDS Account. In the case of an application by way of Application Form, an applicant should state his/her CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish his/her CDS Account number to the Participating Financial Institution by way of keying his/her CDS Account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Eonmetall. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Eonmetall since the date hereof.

2. PARTICULARS OF THE IPO (Cont'd)

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia shall be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and shall not be used for the purpose of an invitation to subscribe for the IPO Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers.

2.1 SHARE CAPITAL

	Number of Shares	(RM)
AUTHORISED SHARE CAPITAL	200,000,000	100,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL AS AT THE DATE OF THIS PROSPECTUS	88,000,000	44,000,000
• New Shares to be issued pursuant to Public Issue	22,000,000	11,000,000
ENLARGED SHARE CAPITAL	110,000,000	55,000,000
• Existing Shares to be offered pursuant to the Offer For Sale	28,600,000	14,300,000

The IPO Price is RM1.00 per Share payable in full upon application, subject to the terms and conditions of this Prospectus.

There is only one class of shares in the Company, namely, ordinary shares of RM0.50 each, all of which rank *pari passu* with one another. The IPO Shares will rank *pari passu* in all respects with the other existing issued Shares of the Company including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment thereof.

Subject to any special rights attaching to any share which may be issued by the Company in the future, the holders of the Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company, in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held.

2. PARTICULARS OF THE IPO (Cont'd)**2.2 OPENING AND CLOSING OF APPLICATION LISTS**

Applications will be accepted from 10.00 a.m. on 30 June 2005 and will remain open until 5.00 p.m. on 12 July 2005 or for such other later date or dates as the Directors of the Company, the Offeror and the Managing Underwriter may in their absolute discretion mutually decide. Late applications will not be accepted.

2.3 CRITICAL DATES OF THE IPO

Events	Tentative Date
Opening Date of the Applications	30 June 2005
Closing Date of the Applications*	12 July 2005
Tentative Date for Balloting of Applications	14 July 2005
Tentative Allotment Date	25 July 2005
Tentative Listing Date	26 July 2005

Note:-

* *The Closing Date of the Applications may be extended for further period or periods as the Directors of the Company, the Offeror and the Managing Underwriter may in their absolute discretion mutually decide.*

The timetable is tentative and is subject to change, which may be necessary to facilitate implementation procedures. In the event the closing date for the applications is extended, investors will be notified of the change in a widely circulated English and Bahasa Malaysia newspaper in Malaysia. Should the application period be extended, the dates for the balloting of the applications and the listing of and quotation for the entire enlarged issued and paid-up share capital of Eonmetall on the Second Board of the Bursa Securities will be extended accordingly.

2.4 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price of RM1.00 per Share was determined and agreed upon by the Company, the Offeror and AmMerchant Bank as Adviser, Managing Underwriter, Underwriter and Sole Placement Agent based on various factors including the following:-

- (i) The Group's operating history and conditions, and financial position as outlined in Sections 1.1 and 1.3 of this Prospectus;
- (ii) The future plans and prospects of the Group as outlined in this Prospectus;
- (iii) The forecast net PE Multiple of 7.15 times based on the forecast net EPS of 13.98 sen based on the enlarged issued and paid-up share capital of 110,000,000 Shares in Eonmetall;
- (iv) The proforma consolidated NTA of Eonmetall as at 31 December 2004 of RM0.64 per Share based on the enlarged issued and paid-up share capital of 110,000,000 Shares in Eonmetall; and
- (v) The forecast gross dividend yield of 1.50% based on the enlarged issued and paid-up share capital of 110,000,000 Shares in Eonmetall.

The Directors, Promoter and Offeror of the Company and AmMerchant Bank are of the opinion that the IPO Price is fair and reasonable after taken into consideration of the abovementioned factors.

2. PARTICULARS OF THE IPO (Cont'd)

2.5 DETAILS OF THE IPO**(i) Public Issue**

The Public Issue of 22,000,000 new Shares at an issue price of RM1.00 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

(a) Malaysian Public

6,000,000 Public Issue Shares representing approximately 5.45% of the enlarged issued and paid-up share capital will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) Private Placement

6,100,000 Public Issue Shares representing approximately 5.55% of the enlarged issued and paid-up share capital are reserved by way of Private Placement to selected investors (who are deemed public).

(c) Eligible Directors, Employees and Business Associates of the Group

5,500,000 Public Issue Shares representing 5.0% of the enlarged issued and paid-up share capital will be reserved for the eligible Directors, employees and business associates (which include the suppliers, sales agents, customers and others) of the Group.

Further details of Pink Form Shares allocation are set out in Section 2.5(iii) of this Prospectus.

(d) Bumiputera Investors

4,400,000 Public Issue Shares representing 4.0% of the enlarged issued and paid-up share capital will be reserved for Bumiputera investors approved by the MITI.

(ii) Offer For Sale

The Offer For Sale of 28,600,000 Shares at an offer price of RM1.00 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus and will be reserved for Bumiputera investors approved by the MITI.

2. PARTICULARS OF THE IPO (Cont'd)**(iii) Pink Form Shares Allocation**

The Pink Form Shares have been allocated to one hundred and fifty (150) eligible Directors and employees of the Group based on the following criteria as approved by the Company's Board of Directors:-

- (a) At least eighteen (18) years old;
- (b) Job position; and
- (c) Length of service.

Details of the Pink Form Shares allocation to the eligible Directors, employees and business associates of the Eonmetall Group are as follows:-

Directors

Name of Directors	Designation	Pink Form Shares Allocation
Tan Sri Dato' Mohd Desa bin Pachi	Chairman/ Non-Executive Director	300,000
Goh Cheng Huat	Managing Director	50,000
Yeoh Cheng Chye	Executive Director	400,000
Goh Kee Seng	Non-Executive Director	300,000
Tan Sri Dato' Soong Siew Hoong	Non-Executive Director	300,000
Tang Yin Kham	Independent Non-Executive Director	100,000
Phee Boon Leng	Independent Non-Executive Director	100,000
Total		1,550,000

Employees and Business Associates

Category	Number	Average No. of Shares to be Allocated to Each Person	Pink Form Shares Allocation
Management and professionals	23	111,043	2,554,000
Sales and marketing	5	5,800	29,000
Technical and supervisory	23	7,696	177,000
Clerical and administrative	28	4,750	133,000
Factory workers	64	4,484	287,000
Total eligible employees	143		3,180,000
Business associates	134	5,746	770,000
Total	277		3,950,000

However, the above Pink Forms Shares allocation is subject to the eligible Directors, employees and business associates subscribing to their respective allocations.

The summary of the IPO Shares is set out in Section 4.1.3(vi) of this Prospectus.

2. PARTICULARS OF THE IPO (Cont'd)

2.6 PURPOSES OF THE IPO

The purposes of the IPO are as follows:-

- (i) To provide the opportunity for the eligible Directors, employees and business associates of the Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of the Group;
- (ii) To comply with the National Development Policy requirements in respect of Bumiputera equity participation in the Group;
- (iii) To enable the Group to gain recognition and certain stature through its listing status and further enhance its corporate reputation and assist the Group in expanding its customer base;
- (iv) To provide additional funds to meet the present and future working capital requirement of the Group;
- (v) To enable the Group to gain access to the capital market to raise funds for future expansion, diversification, modernisation and continued growth of the Group; and
- (vi) To facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of Eonmetall on the Second Board of the Bursa Securities.

2.7 UTILISATION OF PROCEEDS

2.7.1 Gross Proceeds

The Rights Issue and the Public Issue are expected to raise gross proceeds of approximately RM0.02 million and RM22.0 million respectively which shall accrue to the Company.

The Group intends to utilise the proceeds raised in the following manner:-

		Timeframe for Utilisation from the Date of Listing	Amount (RM'000)
(i)	Construction of factory building	Within 18 months	4,000
(ii)	Manufacture of new machinery and equipment for expansion	Within 12 months	8,000
(iii)	Repayment of bank borrowings	Within 6 months	4,000
(iv)	Working capital	Within 12 months	4,122
(v)	Estimated share issue expenses	Within 3 months	1,900
Total proceeds			22,022

The Company will bear all expenses and fees incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of Eonmetall on the Second Board of the Bursa Securities, which include underwriting commission, placement fees, brokerage, professional fees, authorities fees, advertising and other fees. The aggregate expenses are estimated to be approximately RM1.90 million.

2. PARTICULARS OF THE IPO (Cont'd)

The Offer For Sale will raise gross proceeds of approximately RM28.60 million. This amount shall accrue entirely to the Offeror and no part of the proceeds is receivable by the Company. The Offeror shall bear all expenses such as brokerage, stamp duty, registration and share transfer fees relating to the Offer Shares estimated to be approximately RM0.29 million.

Notes:-

(i) Construction of Factory Building

Eonmetall Group plans to utilise RM4.0 million of the total proceeds to expand its operations by building a new production plant at a vacant land purchased. Please refer to Section 8.1 of this Prospectus for details of the land.

The new production plant will be mainly focused on the expansion for the manufacturing of steel products activities as well as Metalwork and Industrial Process Machinery and Equipment activities. Construction of the production plant is scheduled to commence by end of year 2005 and to be completed by end of year 2006.

(ii) Manufacture of New Machinery and Equipment for Expansion

Eonmetall Group proposes to invest RM8.0 million of the total proceeds to manufacture new machinery and equipment for its expansion plan. This is to cater for future business growth and expansion of the Group including the production of a new range of products. The Group expects to manufacture the new machinery and equipment by end of year 2005.

(iii) Repayment of Bank Borrowings

Eonmetall Group shall set aside RM4.0 million of the proceeds for the repayment of the Group's bank borrowings.

Such borrowings have been utilised to finance, inter alia, the working capital requirements of the Group, which include payment of creditors, salaries, purchase of raw materials/stocks and operating expenses.

The repayment of such borrowings will reduce the Group's gearing level from approximately 0.47 times to 0.26 times (based on the proforma Group's total borrowings as at 31 December 2004 and proforma Group shareholders' funds as at 31 December 2004).

(iv) Working Capital

Of the total proceeds, approximately RM4.12 million will be used as general working capital for the Group, which include payment of creditors, salaries, purchase of raw materials/stock and operating expenses.

2. PARTICULARS OF THE IPO (Cont'd)**(v) Estimated Share Issue Expenses**

The estimated share issue expenses for the listing of and quotation for the enlarged issued and paid-up share capital of 110,000,000 Shares in Eonmetall on the Second Board of the Bursa Securities are as follows:-

Estimated Share Issue Expenses	Amount (RM)
Fees to authorities	116,000
Professional fees #	650,000
Underwriting, placement fees, brokerage fees, printing, advertising and other miscellaneous expenses @	1,134,000
Total	1,900,000

Notes:-

Include fees for the Adviser, Reporting Accountants, Solicitors, Independent Business and Market Research Consultants and other professional advisers.

@ Any unutilised amount shall be used for working capital purposes of the Group.

Any variation in the actual Share issue expenses from the estimated amount will be adjusted via the working capital of Eonmetall Group.

2.7.2 Financial Impact from Utilisation of Proceeds

The utilisation of the Rights Issue and Public Issue proceeds by the Group is expected to have the following financial impact on the Group:-

- (i) The repayment of borrowings will reduce the Group's gearing level from approximately 0.47 times to 0.26 times (based on the proforma Group's total borrowings as at 31 December 2004 and proforma Group shareholders' funds as at 31 December 2004). At the prevailing average interest rate of approximately 7.55%, Eonmetall would be able to save interest cost of approximately RM0.30 million per annum.
- (ii) Based on the assumption that the Group will obtain bank borrowings of approximately RM16.12 million to finance the items (i), (ii) and (iv) set out above in Section 2.7.1 of this Prospectus, the financial impact of the utilisation of approximately RM16.12 million proceeds to repay the said RM16.12 million bank borrowings will result in an estimated interest savings of approximately RM1.22 million per annum for the Group based on an average interest rate of approximately 7.55% per annum.

2.8 UNDERWRITING COMMISSION AND BROKERAGE

The Underwriters as mentioned in Corporate Directory Section of this Prospectus, have agreed to underwrite the 11,500,000 IPO Shares to be issued/offered to the Malaysian public and the eligible Directors, employees and business associates of the Group. Underwriting commission is payable by the Company in respect of the Public Issue Shares at the rate of 2.0% of the total 11,500,000 Shares to be underwritten at the IPO Price to the respective Underwriters.

2. PARTICULARS OF THE IPO (Cont'd)

Brokerage is payable by the Company in respect of the Public Issue made available for application by the Malaysian public at the rate of 1.0% of the IPO Price in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Note: Unless stated, all capitalised terms shall bear the same meanings as prescribed in the Underwriting Agreement.

The following are extract of some Clauses of the Underwriting Agreement dated 25 May 2005 ("**Agreement**"), including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer:-

" Clause 1 REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

1.1 *As a condition of this Agreement by the Underwriters to underwrite the Underwritten Shares and in consideration thereof, the Company hereby represents, warrants and undertakes to each of the Underwriters that:*

1.1.1 *the directors of the Company (the "**Directors**") have made all reasonable enquiries to ensure all facts material for the Prospectus have been disclosed, and have verified the completeness and accuracy of all such information and to the best of their knowledge and belief, no material fact has been omitted therefrom.*

1.1.2 *the Prospectus:*

(a) *will comply in all material respects with the Companies Act 1965, the Securities Commission Act 1993 and any other applicable law and any rules, regulations and guidelines thereunder and is in form and substance satisfactory and acceptable to the SC, the Bursa Securities and all other relevant authorities;*

(b) *will contain all information which is material in the context of the IPO Shares and such information as contained therein will be true, complete, and accurate in all material respects;*

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2. PARTICULARS OF THE IPO (Cont'd)

(c) *will not omit to state or disclose any material fact or information required or necessary to be stated therein with regard to the IPO Shares and all statements of fact and information so made and disclosed, in the light of the circumstances under which they are made or disclosed, are true and accurate and not misleading in any respect and the Company shall if required by the Underwriters supply the Underwriters with evidence as to the accuracy thereof and where such information related to opinion or expectations, the basis of such opinion or expectations;*

1.1.3 *the IPO Shares and compliance by the Company with the terms of this Agreement:*

(a) *do not and will not conflict with, or result in a breach of any of the terms or provisions of the Memorandum and Articles of Association of the Group or any existing law, regulation or listing requirements applicable to or affecting the Company or its subsidiary or the IPO Shares; and*

(b) *do not and will not infringe the terms of, or constitute a default under, any judgment, order, licence, permit, approval, consent, trust deed, agreement or other instrument or obligation to which the Company or its subsidiary is a party or by which the Company or its subsidiary or any part of the undertakings, assets, properties or revenues of the Company or its subsidiary is bound or affected;*

1.1.4 *save as disclosed in the Prospectus and the documents (if any) attached thereto and as has been disclosed in writing to the Underwriters (if any) prior to the date hereof, there is no litigation, arbitration, administrative or winding-up proceedings which would materially and adversely affect the financial condition or otherwise on the earnings, affairs or business prospects of the Group;*

1.1.5 *no circumstances or situations have arisen or are existing, which will or are likely to materially and adversely affect the financial condition or business of the Company or the Group as a whole, or the success of the IPO Shares and that no material information has been withheld from the Underwriters which may affect its decision to underwrite the Underwritten Shares;*

2. PARTICULARS OF THE IPO (Cont'd)

- 1.1.6 *each of the Company and its subsidiaries will carry on and operate its business and affairs with due diligence and efficiency and in accordance with sound financial and commercial standards and practices;*
- 1.1.7 *save as disclosed in the Prospectus and the documents (if any) attached thereto and as has been disclosed in writing to the Underwriters (if any) prior to the date hereof, neither the Company nor its subsidiary has entered into any contract or commitment of an unusual or onerous nature, which, in the context of the IPO Shares, might be material for disclosure;*
- 1.1.8 *all necessary consents, waivers, approvals, authorisations or other orders of all regulatory authorities required for or in connection with the execution of this Agreement and the issue of the IPO Shares and any other matters contemplated hereby:*
- (a) *have been or will be unconditionally obtained by the due date therefor; or*
- (b) *if granted subject to conditions, such conditions will be fulfilled to the satisfaction of the Underwriters by the due date therefor; and*
- (c) *are or will remain in full force and effect;*
- 1.1.9 *all information furnished or supplied or to be furnished or supplied to the Underwriters for the purpose of or in connection with the IPO Shares is true, complete and accurate in all respects and nothing has been furnished or supplied or omitted from such information which would or may make any of the information untrue, incomplete, inaccurate or misleading, or which would or may reasonably be expected to affect the willingness of the Underwriters to underwrite the Unsubscribed Shares;*
- 1.1.10 *every statement of opinion, intention and expectation made in the Prospectus and the documents (if any) attached thereto are truly, fairly, reasonably, and honestly held by the directors of the Company and have been or will be made after due and careful enquiries and consideration and represent or will represent reasonable expectations based on facts known to the Company as at the date of such disclosure;*

2. PARTICULARS OF THE IPO (Cont'd)

- 1.1.11 *the IPO Shares or as the case may be, the execution and delivery by the Company, of the Prospectus and this Agreement and the performance of the obligations to be assumed thereunder and hereunder by the Company have been duly authorised by all necessary corporate action of the Company, including but not limited to the approval of the shareholders of the Company in a general meeting (if and to the extent it is required) and upon due execution of this Agreement, the obligations assumed hereunder will constitute the legally valid, binding and enforceable obligations of the Company in accordance with their terms;*
- 1.1.12 *each of the Company and its subsidiaries is a company duly incorporated under the laws of its place of incorporation and validly existing with full power and authority to conduct its business in the jurisdiction where it carries on business and is not in liquidation and no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver or manager or judicial manager of the Company or its subsidiary or of any of their respective assets or undertakings;*
- 1.1.13 *the Accounts have been prepared in accordance with the law and on a basis consistently applied in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Company and its subsidiary for the past five (5) financial years ended 31 December 2000 to 31 December 2004 as the case may be, and the Company and its subsidiary have made adequate provisions for appropriate disclosures of all known material liabilities whether actual or contingent, of the Company and its subsidiary as at such dates and have complied in all respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since 31 December 2004 there has been no material adverse change in the financial position of the Company or its subsidiary, save as may be disclosed in the Prospectus and the documents (if any) attached thereto, or prior to the Closing Date, in any public announcement or publicly available document or as has been disclosed to the Underwriters prior to the date of this Agreement;*

2. PARTICULARS OF THE IPO (Cont'd)

- 1.1.14 *other than indebtedness contested in good faith by the Company or its subsidiary as disclosed in the Prospectus and the documents (if any) attached thereto and to the best of the knowledge and belief of the Company, no outstanding indebtedness of the Company or its subsidiary has become or is likely to become payable by reason of default by the Company or such subsidiary and no event has occurred or is, so far as the Company is aware, impending which with the lapse of time, or the fulfilment of any condition, or the giving of any notice, may result in any such indebtedness becoming so payable;*
- 1.1.15 *all taxes (whether income tax, property tax or otherwise) of the Company and the Group, in particular but not limited to, all taxes which are material in the context of the IPO Shares, for which the Company and its subsidiary is liable or which ought to have been paid, have been duly paid or adequately provided for in the Accounts; all the returns, notices or information which are required to be made or given by the Company or its subsidiary for taxation, have been so made, are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant or appropriate authorities and there are no present circumstances (of which the Company is or ought reasonably to be aware) which are likely to give rise to any such dispute;*
- 1.1.16 *the records, statutory books and books of accounts of the Company and its subsidiary are duly entered and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and records and documents (including documents of title) are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the Companies Commission of Malaysia or other relevant authorities have been duly and correctly delivered or made;*
- 1.1.17 *all the assets of the Company and its subsidiary which are of an insurable nature have at all material times been and are at the date hereof, adequately insured against fire and other risks normally insured against by companies carrying on similar businesses or owning property of a similar nature. In respect of such insurances, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party;*

2. PARTICULARS OF THE IPO (Cont'd)

1.1.18 *there will be no material variation between the Prospectus in the form attached hereto and the Prospectus in the form filed with the Bursa Securities, SC and the Registrar of Companies without the prior written consent of the Underwriters;*

1.1.19 *the Company is not in default or in breach of any agreement to which it is bound or of the terms of any licence, permit, directive, legislation/regulation of any relevant authority, effect of which would materially affect the financial/other conditions of the Company.*

1.2. *The Company irrevocably and unconditionally, covenants and undertakes with each of the Underwriters to do the following:-*

1.2.1 *to pay all and any stamp and other documentary taxes or duties, payable on, or in connection with, the creation, issue and distribution of the IPO Shares and the execution of this Agreement including any interest and penalties resulting from delay or omission on the part of the Company;*

1.2.2 *to comply with the requirements and provisions of the Companies Act 1965, the Securities Commission Act 1993, the Listing Requirements of the Bursa Securities and all other applicable laws, rules and regulations and the requirements of all other relevant authorities;*

1.2.3 *to comply with all the conditions, if any, imposed by the Bursa Securities and the SC and any other relevant authority for the listing of and quotation for the entire IPO Shares on the Second Board of Bursa Securities;*

1.2.4 *to promptly and without any delay whatsoever notify the Underwriters of any breach of any of the representations, warranties or agreements or of any facts, information, situations or circumstances which the Company in its reasonable opinion believes may materially and adversely affect the business of the Company and its subsidiary as a whole, or the success of the IPO Shares and without prejudice to the generality of the foregoing, to take such steps as may be reasonably requested by the Underwriters to remedy or publicise the same, at any time prior to the Closing Date;*

1.2.5 *to give to the Underwriters any or all information which the Underwriters may require in respect of the accounts or affairs of the Company or its subsidiary or in connection with the IPO Shares or the other proposals contained in the Prospectus and the documents (if any) attached thereto;*

2. PARTICULARS OF THE IPO (Cont'd)

- 1.2.6 to fix the Closing Date together with the Underwriters;
 - 1.2.7 to do all other things and sign or execute such other documents as may reasonably be required by the Underwriters.
- 1.3 The commitment of each of the Underwriters to underwrite the Underwritten Shares is being made on the basis of the representations, warranties and undertakings of the Company in this clause 1 and with the intention that such representations, warranties and undertakings will remain true and accurate in all respects up to and including the Closing Date, and in consideration of such commitment to underwrite, the Company irrevocably and unconditionally undertakes with each of the Underwriters that it will:
- 1.3.1 hold and keep each of the Underwriters fully and effectively indemnified and to save it harmless against any and all damages, losses, liabilities, costs, claims, charges, proceedings, expenses, actions or demands (including but not limited to all costs, charges and expenses and legal fees, paid or incurred in disputing or defending any such claim or action) which each of the Underwriters may incur or suffer or which may be brought against each of the Underwriters as a result of any misrepresentation by the Company or its subsidiary or any breach on its part of such representations, warranties or undertakings or any failure by the Company to perform its obligations under this Agreement, in particular but not limited to the Company's failure to deposit the Unsubscribed Shares allotted to the Underwriters or their nominees pursuant to clause 9.2 into the securities accounts of the Underwriters (unless the Underwriters have been advised in writing of a change or termination of any of such representations, warranties or undertakings prior to the Closing Date, pursuant to clause 1.3.2 below and the Underwriters have elected not to terminate this Agreement notwithstanding such advice) or any failure by the Company to perform its obligations herein which entitles the Underwriters to terminate this Agreement pursuant to the provisions of clause 5;
 - 1.3.2 forthwith notify the Underwriters of any misrepresentation or of anything which has or may have rendered or will or may render untrue or incorrect any of its representations or its subsidiary, warranties or undertakings at any time prior to the Closing Date, which comes to its notice or of which it becomes aware or which occurs at any time prior to the Closing Date, but the giving of any such notice will not affect or prejudice any of the rights of the Underwriters hereunder;

2. PARTICULARS OF THE IPO (Cont'd)

- 1.3.3 *not publish any amendment or supplement to the Prospectus which the Underwriters have not previously been consented to in writing of or to which Underwriters or their legal advisers will reasonably object;*
- 1.3.4 *to notify in writing and discuss with the Underwriters any announcement proposed to be made to the public which would conflict in any material respect with any statement in the Prospectus but the giving of any such notice and any such discussion will not affect or prejudice any of the rights of each of the Underwriters hereunder;*
- 1.3.5 *to the extent permitted by law, not make public any information which will or is likely to affect the market price of the IPO Shares without prior written notice to and the prior written consent of the Underwriters unless required to do so by law.*
- 1.4 *If any action, proceeding, claim or demand is brought or asserted against the Underwriters in respect of which indemnity is sought from the Company, then the Underwriters will notify the Company in writing thereof, and the Company will to the extent required by each of the Underwriters and permitted by law assume the defence thereof on behalf of or in the name of the Underwriters, including the employment of legal advisers selected by the Underwriters, and the Company will bear all fees and expenses in relation thereto or arising therefrom. The Underwriters will have the right to select separate legal advisers to assume such legal defence and otherwise to participate in the defence of such action, proceeding, claim or demand and the Company will bear all fees and expenses of such separate legal advisers in relation thereto and arising therefrom.*
- 1.5 *At any time prior to the Closing Date, the Company will at the request of the Underwriters furnish or deliver to the Underwriters all information and documents which the Underwriters may reasonably request for, for the purpose of verifying the truth, completeness or accuracy of the representations, warranties and undertakings contained herein.*
- 1.6 *The representations, warranties and undertakings set out in this Agreement will survive the execution of this Agreement and will be deemed to be repeated on each day up to the date of delivery of the notice of allotment in respect of the Unsubscribed Shares subscribed for by the Underwriters as if made on each such day with reference to the facts and circumstances existing on each such day and the rights and remedies conferred upon the Underwriters by the aforesaid representations, warranties, agreements and indemnities will continue in full force and effect notwithstanding completion of the subscription and issue of the IPO Shares or any investigation by or on behalf of the Underwriters.*

2. PARTICULARS OF THE IPO (Cont'd)

Clause 4 CONDITIONS PRECEDENT

- 4.1 *The obligations of the Underwriters under this Agreement will further be conditional upon:*
- 4.1.1 *each of the Underwriters being reasonably satisfied that the listing and quotation of the IPO Shares on the Second Board of Bursa Securities will be granted within 2 clear Market Days after the submission to the Bursa Securities of the relevant documents including the receipt of confirmation from Bursa Depository confirming that all the respective central depository system accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants;*
 - 4.1.2 *the approval-in-principal for the listing of and quotation for the Proposed Listing has been obtained from the Bursa Securities, approval for the issuance of the IPO Shares from the SC and any approval from other relevant authority or authorities not being withdrawn, revoked, suspended or terminated on or prior to the Closing Date;*
 - 4.1.3 *there not having been on or prior to the Listing Date, any adverse change or any development reasonably likely to involve a prospective adverse change in the financial condition of the Company, from that set out in the Prospectus which is material in the context of the offering in the IPO Shares nor the occurrence of any event rendering untrue or incorrect to an extent which is material any representations or warranties contained in clause 1 as though they have been given or made on such date;*
 - 4.1.4 *the Underwriters having been satisfied that the Company has complied, and that the IPO Shares are in compliance with, the policies, guidelines and requirements of Bursa Securities and/or SC and all revisions, amendments and/or supplements thereto;*
 - 4.1.5 *the registration of the Prospectus and such other documents as may be required in accordance with the Securities Commission Act, 1993 of Malaysia and the lodgement with the Registrar of Companies on or before their issue, circulation or distribution to the public;*
 - 4.1.6 *the placement shares being fully subscribed by placees, full payments having been received from the placees and deposited into the designated bank account, jointly operate with the Managing Underwriter;*

2. PARTICULARS OF THE IPO (Cont'd)

- 4.1.7 *the Prospectus being issued within one (1) month after the date hereof, otherwise the Underwriters' obligations hereunder and their rights to the Underwriting Commission shall cease provided that the Company and the Underwriters may mutually agree to extend the date within which the Prospectus shall be issued and registered in accordance with clause 4.14 above;*
- 4.2 *If any of the conditions precedent in clause 4.1 above which is to be satisfied prior to the Closing Date for application of the IPO Shares is not satisfied, the Underwriters will thereupon be entitled to terminate this Agreement by notice in writing to the Company. In such event, this Agreement will automatically be terminated and the parties to this Agreement will be released and discharged from their respective obligations.*
- 4.3 *In the event of termination pursuant to clause 4.2 above, (except for the liability of the Company for payments of costs and expenses incurred prior to or in connection with such termination) the parties will be released and discharged from their obligations.*

Clause 5 TERMINATION BY THE UNDERWRITER IF ADVERSE CHANGES AND CONSEQUENCE THEREOF

- 5.1 *Notwithstanding anything contained in this Agreement, each of the Underwriters may by notice in writing to the Company given at any time before the Listing Date, terminates, cancels and withdraws its commitment to underwrite the Underwritten Shares and pursuant thereto terminate this Agreement if:*
- 5.1.1 *there is any breach by the Company of any of the representations, warranties or undertakings contained in clause 1, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or*
- 5.1.2 *the Company withholds any information of a material nature from the each of the Underwriters, which, in the reasonable opinion of any of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO Shares, or the distribution or sale of the IPO Shares; or*
- 5.1.3 *there has occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company or the Group; or*

2. PARTICULARS OF THE IPO (Cont'd)

- 5.1.4 *there has occurred, happened or come into effect any event or series of events beyond the reasonable control of each of the Underwriters by reason of Force Majeure which would have or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the Group or the success of the IPO Shares or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or*
 - 5.1.5 *any government, requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial and operational condition of the Company;*
 - 5.1.6 *there is failure on the part of the Company to perform any of its obligations herein contained;*
 - 5.1.7 *the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities;*
 - 5.1.8 *the Company has committed a breach of any of the representations, warranties, undertakings, covenants or other provisions of the Underwriting Agreement, the breach of which is either incapable of remedy or if capable of remedy, the Company has failed to remedy such breach within a period of fourteen (14) days from the date of a notice in writing from each of the Underwriters notifying the Company of such breach and require the Company to remedy the same;*
 - 5.1.9 *the Kuala Lumpur Composite Index has dropped to below 700 points and stayed below 700 points for at least five (5) consecutive market days;*
 - 5.1.10 *the approval for the Proposed Listing is withdrawn, modified and/or subject to terms and conditions not acceptable to each of the Underwriters; and*
 - 5.1.11 *in the event that the IPO Shares are not listed on the Second Board of the Bursa Securities for any reason whatsoever (which is not due to the default of the Underwriters) within a period of two (2) months from the Closing Date.*
- 5.2 *Upon such notice(s) of termination being given under clause 5.1, each of the Underwriters will be released and discharged of its obligations without prejudice to its rights.*

2. PARTICULARS OF THE IPO (Cont'd)

- 5.3 *This Agreement will thereafter be of no further force or effect and no party will be under any liability to any others in respect of this Agreement, except that the Company will remain liable in respect of any of its obligations and liabilities under clause 1, for the payment of the costs and expenses already incurred up to the date on which such notice was given and for the payment of any taxes, duties or levies and the Company will refund to each of the Underwriters the subscription monies, if any, relating to the IPO Shares without any deduction.*
- 5.4 *Each of the Underwriters and the Company may however, confer with a view to deferring the issuance of the IPO Shares or amending its terms or the terms of this Agreement or enter into a new underwriting agreement accordingly. However, neither the Company nor each of the Underwriters will be under any obligation to make a fresh agreement.*

Clause 6 UNDERWRITING OF THE UNDERWRITTEN SHARES

- 6.1 *In consideration of the underwriting commission referred to in clause 12.1 and column III of the First Schedule (the "**Underwriting Commission**"), each of the Underwriters relying upon each of the representations, warranties and undertakings set out in clause 1 and the terms of this Agreement have agreed to severally but not jointly, underwrite the Underwritten Shares at One Ringgit (RM1.00) per share in the amount set out opposite each of the Underwriters' names in column I of the First Schedule and having a total value set out in column II of the First Schedule.*
- 6.2 *Subject to any existing applicable laws and regulations, each of the Underwriters will be at liberty (but at their own cost and expense) to sub-underwrite their underwriting obligation under this Agreement in good faith upon such terms and conditions as it may deem fit and each of the Underwriters will pay any sub-underwriting commission payable in connection with such sub-underwriting. For the purpose of this clause, the Company consents to each of the Underwriters deliver a copy of the Prospectus and to disclose such information regarding the Company to the sub-underwriter(s).*

Clause 7 THE UNDERWRITER TO PURCHASE OR PROCURE PURCHASE

- 7.1 *If on the Closing Date, any of the Underwritten Shares have not been validly subscribed for by the public, each of the Underwriters will in good faith purchase or procure persons (whether individual or corporation) to purchase shares from the Underwritten Shares which have not been validly subscribed for.*
- 7.2 *The obligation of each of the Underwriters to purchase or procure the purchase will be calculated by reference to the Second Schedule subject to the maximum amount of the Underwritten Shares shown opposite their names in column I of the First Schedule.*

2. PARTICULARS OF THE IPO (Cont'd)

7.3 *The number of Unsubscribed Shares to be purchased or procured to be purchased by each of the Underwriters will be calculated based on the formula set out in the Second Schedule ("Agreed Proportions").*

Clause 11 AGREEMENT WILL BE ON TERMS OF PROSPECTUS

The agreement of each of the Underwriters to underwrite the Underwritten Shares will be on the terms and conditions of the Prospectus in the form filed with the Bursa Securities and the SC and lodged with the Registrar of Companies and notwithstanding any variation between the Prospectus attached, provided that no variation to the Prospectus will be made except in accordance with clause 1.3.3 above with regard to the following matters:

- 11.1 *the issued share capital of the Company;*
- 11.2 *the number of, the par value and issue price of the Underwritten Shares;*
- 11.3 *the information or statement relating to the financial conditions, contingent liabilities, material litigation, arbitration or other legal proceedings, material contracts, encumbrances, capital commitments affecting the Company and its subsidiary;*
- 11.4 *the Closing Date of the Underwritten Shares; and*
- 11.5 *the nature of business of the Company and its subsidiary.*

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3. RISK FACTORS

In evaluating an investment in the IPO Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following risk factors:-

(i) Business Risks

The Group is subject to certain risk inherent to the industry. These may include shortage in skilled workforce, increase in cost of workforce and operating cost, changes in general economic, business and credit conditions, and changes in government policies.

The Group has taken steps to mitigate the risks through continuous effort to maintain and source for skilled workers. The Group also embraces new technology to continuously improve its products and services to meet customers' demand and expectations. The Group also provides maintenance and after sales service to retain its customers.

(ii) Financial Risks

In terms of finance, the Eonmetall Group has been profitable for the last five (5) financial years. Eonmetall Group relies partially on its internally generated profits and short term financing to fund its growth and operations.

The Group's borrowings and indebtedness are disclosed in Section 9.4 of this Prospectus. As at 31 May 2005 (being the latest practicable date prior to the printing of this Prospectus), the Group's total borrowings amounted to approximately RM23.58 million. The Group intends to utilise part of the proceeds arising from the Rights Issue and Public Issue to repay its bank borrowings. Based on the Proforma Consolidated Balance Sheets of Eonmetall as at 31 December 2004 after incorporating the effects of the listing proposals and the utilisation of proceeds, the Group's gearing level is approximately 0.26 times.

The Group's working capital requirements are met partially by borrowings and internally generated funds. Given that the Group has interest bearing borrowings, future fluctuation in the interest rate could have material effects on the Group's interest and principal payments. There can be no assurance that the performance of the Group will not be affected in the event of adverse changes in the interest rates. Notwithstanding this, the funds to be generated in the future are expected to meet the repayment of the borrowings.

(iii) Foreign Operations/ Currency Risk

For the financial year ended 31 December 2004, approximately 41.6% of the Group's products were exported to overseas, mainly Middle East, Vietnam, Philippines, 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 pegging of the RM to USD has helped significantly in stabilising the RM against the USD. As most of the imports are quoted in USD, this will enable the Group to better plan for their business operation. Nevertheless, there can be no assurance that the fixed exchange rate will not be adjusted or removed or will not have any material impact on the Group's financial performance in the future.

3. RISK FACTORS (Cont'd)

(iv) New Products and Services

Part of the Group's business is in the manufacturing Metalwork and Industrial Process Machinery and Equipment, which is a specialised industry. This industry involves significant customisation and value-adding in terms of meeting customers' technical specifications and requirements. Therefore, the Group is susceptible to technical changes and technological developments in the machinery and equipment industry.

However, the Group is continuously undertaking R&D to improve on its product quality whilst keeping abreast of developments in new and emerging technologies. This will help the Group to continuously monitor market developments and create new products to meet the changing trends and customer requirements.

(v) Industry Life-Cycle

The Iron and Steel Industry is an important industry as it supplies critical raw materials required by many industries, including building and construction, manufacturing, consumer appliances and automotive industries. Currently, the life-cycle of the Secondary Flat Steel Products Industry in Malaysia is in the growth phase.

(Source: Assessment of the Secondary Flat Steel Product Industry, Vital Factor Consulting Sdn Bhd)

The Group is less susceptible to the industry's life-cycle of a particular country in view of its diverse markets, both locally and overseas. The Group produces a wide range of products and machinery such as Secondary Flat Steel Products, Metalwork Machinery and Equipment, and Industrial Process Machinery and Equipment, which caters to a variety of users at both Malaysia and overseas.

No assurance can be given that any change in the industry will not have any material impact on the Group's business.

(vi) Dependence on Customers

For the financial year ended 31 December 2004, Eonmetall Group's top customer contributed approximately 16.6% to the Group's total revenue. There may be a risk of over dependency on some of Eonmetall Group's major customers.

The top three (3) customers combined contributed approximately 29.9% of the Group's total revenue for the financial year ended 31 December 2004. In mitigation, the Group has an extensive customer base of two hundred and forty three (243) customers spread over twenty (20) countries including Malaysia.

The Group's customer base is also relatively established where 50.0% of its top ten (10) customers have been dealing with the Group for three (3) years or more. The Group's established customer base serves as an endorsement of the quality of the Group's products and services, and the stability of the customer base to sustain the business.

3. RISK FACTORS (Cont'd)

(vii) Dependence on Suppliers

For the financial year ended 31 December 2004, Eonmetall Group's top three (3) suppliers represented approximately 13.6%, 12.8% and 12.2% of the Group's total purchases respectively. They mainly supply galvanised steel. There may be a risk of over dependency on some of Eonmetall Group's major suppliers.

The top ten (10) suppliers combined represented approximately 66.0% of the Group's total purchases for the financial year ended 31 December 2004. In mitigation, the Group has been dealing with the top two (2) suppliers for the last five (5) and four (4) years respectively. These established business relationships would provide the basis for reliable and continuous support from the top two (2) suppliers. As part of Eonmetall Group's philosophy of cultivating long-term supplier relationships, approximately 70.0% of its top ten (10) suppliers have been dealing with the Group for three (3) years or more.

Eonmetall Group has a total of six (6) suppliers of galvanised steel among its top ten (10) suppliers. As such, if there is any shortage of galvanised steel from any particular supplier, Eonmetall Group is able to source from alternative suppliers.

(viii) Fluctuation in Prices of Raw Materials

The Steel Industry is vulnerable to changes in the international price of steel scrap. The price of scrap steel has increased by 50% from US\$200 per tonne in early 2003 to an average of USD300 per tonne in 2004.

The recent price increase is widely attributed to the strong demand for steel in China. China is the largest consumer of finished steel products, recording an apparent consumption of 232.4 million tonnes in 2003. The apparent consumption of finished steel in China is estimated at 263 million tonnes in 2004 (a 13.2% increase). Apparent consumption of finished steel is projected to reach between 280 million tonnes to 290 million tonnes in 2005 (an increase between 6.5% to 10.3%).

Furthermore, as flat rolling products are commodities, the prices of these commodities are subjected to fluctuation in world prices. In some situations, increases in the price of raw materials are not easily passed onto 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.

(Source: Assessment of the Secondary Flat Steel Product Industry, Vital Factor Consulting Sdn Bhd)

As these raw materials are commodities and therefore subjected to world prices, all manufacturers who use these raw materials are equally affected. No assurance can be given that any fluctuation of the raw materials prices will not have any material impact on the Group's business.

3. RISK FACTORS (Cont'd)

(ix) Use of Alternative Materials

Secondary Flat Steel Products can be substituted with products manufactured from other materials, for example, other metals, plastics, reinforced fibreglass or composite materials. Products manufactured from plastics, in particular, plastic injection moulded products, may be engineered and produced at low per-unit cost if mass-produced.

While mass-produced plastic injected moulded products have replaced steel as the raw material in the manufacture of certain goods (e.g. automotive bumper bars, casings for many consumer electrical and electronic appliances), there are certain applications which plastics is not suitable. For example, plastics cannot match the cost, heat resistance and tensile strength of drawn steel wire. As such, steel cannot be entirely replaced by other substitute materials.

Other substitute materials are currently either too expensive or cannot be easily mass produced, for example, reinforced fibreglass.

(Source: Assessment of the Secondary Flat Steel Product Industry, Vital Factor Consulting Sdn Bhd)

(x) Dependence on Imports of Raw Materials

The main raw materials used in the manufacture of downstream steel products are primarily steel and metal sheets, coils and plates. Steel is produced in over eighty (80) countries in every continent except Antarctica. The global steel trade is well established, with 38.9% of global finished steel production exported in 2003. The diversity of sources available from overseas is unlikely to render any significant or prolonged interruptions of supply.

(Source: Assessment of the Secondary Flat Steel Product Industry, Vital Factor Consulting Sdn Bhd)

For the financial year ended 31 December 2004, only approximately 36.8% of the Group's raw materials were imported from overseas. The Group is not overly dependent on any supplier for the raw materials used. This is because supply of the major raw materials used by the Group is mainly commodities that are available from alternative suppliers locally and overseas.

As at to-date, the Group has not encountered any major problems in sourcing the raw materials from suppliers.

(xi) Intellectual Property

Currently, the Group has registered its industrial designs and trade marks with the relevant authorities and has been granted exclusive licences to manufacture certain types of the products. The Group also owns the copyright for its software application (further details are set out in Section 4.2.5 of this Prospectus). However, the existing copyright, patents, licences and trade marks afford only limited practical protection. Accordingly, there can be no assurance that the Group will be able to effectively and expeditiously protect its proprietary rights against unauthorised copying, use or exploitation, any of which could have a material adverse effect on the Group's business, operating results and financial conditions.

Nonetheless, the Board believes that the risk is relatively low due to the nature of the Group's products that involves numerous aspects which are complex and time consuming to develop. Besides, as the production processes of EMT, EMI, EMS and ECH are capital intensive and proper segregation of the duties of skilled workers of the Group is in place, the risk of unauthorised copying, use or exploitation by employees of the Group's proprietary rights is minimised.

3. RISK FACTORS (Cont'd)

(xii) Dependence on Directors and Key Management

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and key management, who have been providing their services to the Group for more than five (5) years. The Group will strive to continue attracting and retaining skilled personnel to support its business operations and has made efforts to train its staff. In addition, Eonmetall has established an ESOS in order to retain the eligible Directors and employees of the Group who have contributed to the success of the Group. Management succession plan has been developed to ensure the smooth running and succession of the Group's business. As a result, the Board believes that the loss of key personnel will be kept to a minimum and the Group will continue to enjoy the support of the long term service management staff.

(xiii) Import Regulations

Manufacturers of Secondary Flat Steel Products are affected by import regulations to the extent that the import regulations artificially increase the price of the semi-finished feedstock that the manufacturer utilises above what it would cost if these import regulations were not in place. These include:-

- (a) an import license issued by the MITI is necessary to import billets, selected long products and selected flat products; and
- (b) import duties were raised to up to 50% on a range of flat products including tubes.

All manufacturers that are dependent on steel products as a source of raw materials are equally affected.

However, full import duty exemption are considered for the following seven (7) selected categories of manufacturing activities:-

- (a) automotive and components;
- (b) electrical and electronics;
- (c) shipping;
- (d) petroleum and gas;
- (e) steel furniture;
- (f) Licensed Manufacturer Warehouse/ Free Trade Zone companies; and
- (g) exporters.

(Source: Assessment of the Secondary Flat Steel Product Industry, Vital Factor Consulting Sdn Bhd)

Currently, approximately 93.5% of the imported steel raw materials of Eonmetall Group are entitled for the import duty exemption. In addition, with the implementation of AFTA, import duties are reduced to maximum of 5.0%. However, no assurance can be given that the relevant authorities will not revise the import regulation and that the import duty exemption may be removed.

3. RISK FACTORS (Cont'd)

(xiv) Insurance Coverage on Assets

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could impact on its business operations. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets on a continuous basis.

For the Group's operations, all assets such as plant and machineries, inventory, office equipment and furniture and fitting are sufficiently insured under fire and other insurance policies.

(xv) Competitive Risks

Operators in Secondary Flat Steel Products Industry face normal competitive conditions. There were approximately one hundred and thirty (130) operators manufacturing Secondary Flat Steel Products in Malaysia in year 2004. Although there are approximately one hundred and thirty (130) manufacturers of Secondary Flat Steel Products, each of these would produce or specialise in a different range of products. From that perspective, the number of operators within each product category is a smaller sub-set of the total of approximately one hundred and thirty (130) manufacturers of Secondary Flat Steel Products Industry. The large market size helps to moderate the competitive intensity of operators in this industry. As there is a wide proliferation of Secondary Flat Steel Products for a diverse range of industries and applications, the competitive intensity is also dependent on the product category involved.

Competition among operators in the Machinery and Equipment Industry focusing on the manufacturing of Industrial Processing Machinery is moderate. In 2004, there were twenty (20) companies involved in the manufacturing of rubber and palm oil processing machinery and equipment, which include raw rubber processing machinery, latex dipped product manufacturing lines, crude palm oil and edible oil processing machinery and equipment, while there were only six (6) companies in the manufacturing of Metalworking Machinery. Specialised machinery is customised to meet the needs of specific manufacturing environment.

(Source: *Business Overview of Eonmetall Group Berhad, Vital Factor Consulting Sdn Bhd*)

The Directors of the Company believe that the Group is in a competitive position against its competitors in both Malaysia and overseas as the Group conforms to international quality standards including ISO accreditation and compliance, and are able to meet the requirements and specifications of its customers. Besides, the Group has the capability to undertake in-house R&D, engineering design and testing in order to customise and modify its products based on varying customers' requirements.

(xvi) Global and Domestic Economic Downturn, and Global Events

A prolonged slowdown in the global economy will have a negative impact on the Malaysian economy and on manufacturers of Secondary Flat Steel Products.

Global economic uncertainties would also inadvertently impact on the domestic growth in infrastructure development and building and construction sectors. Similarly under this situation, consumers would also trim their spending, thus reducing demand for consumer goods. Ultimately the performance of user-industry sectors would affect the demand for Secondary Flat Steel Products.

Manufacturers that are financially strong, have extensive and established distribution networks, and a wide and diverse range of products would be better able to survive the impact of a global slowdown.

(Source: *Assessment of the Secondary Flat Steel Product Industry, Vital Factor Consulting Sdn Bhd*)

3. RISK FACTORS (Cont'd)

(xvii) Political, Government Control and Regulation Considerations

All business operations are subject to the jurisdiction of numerous governmental agencies or ministries. Adverse development in political, economic and regulatory conditions in Malaysia as well as other countries where the Group may operate, source its supplies or market its products could materially and adversely affect the financial and operational conditions as well as the overall profitability of the Group. Political and economic uncertainties include (but not limited to) changes in general economic, business and credit conditions, government legislations and policies affecting manufacturers, inflation, interest rates, fluctuation in foreign exchange rates, political or social development, risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation and currency exchange controls. As disclosed in Section 4.4.6 of this Prospectus, the Group's business is subject to certain rules and regulations.

Although the Eonmetall Group is adopting a prudent approach on its financials, there is no assurance that adverse political and economic development will not have a material impact on the Group.

(xviii) Control by Promoter and/or Substantial Shareholders

After the IPO, the Promoter and/or the substantial shareholders of Eonmetall, namely ECSB, Goh Cheng Huat and Tan Pak Say, as set out in Section 1.2 of this Prospectus will collectively control 51.17% of Eonmetall's enlarged issued and paid-up capital. As a result, these Promoter and/or substantial shareholders will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

(xix) Product Liabilities

Certain products of the Group which are sold to the end consumers are subject to the normal product liabilities. To-date, the Group has no outstanding product liability claims.

In mitigation, Eonmetall Group is covered by product liability insurances as detailed in Section 15.5(vii) of this Prospectus.

No assurance can be given that the consumers of the Group's products will not take any legal action against the Group for adverse impacts on the use of the Group's products.

(xx) Technology Used

Certain relevant technologies employed by the Group include rollforming technology, multi-engineering discipline technologies, other forming technologies and machinery and equipment technologies. Some of the risks involved with these and other relevant technologies may include technologies obsolescence, new technologies requiring expensive upgrading and proprietary technologies where the Group does not have access. However, the Group undertakes its own R&D to stay abreast of new and improved technology.

Nevertheless, despite management's actions in mitigating and minimising risks associated with technologies, there is no assurance that such risks may not have material impact on the business.

3. RISK FACTORS (Cont'd)

(xxi) Borrowings Covenants

Pursuant to credit facility agreements entered into by the Group with banks or financiers, it is bound by certain positive and negative covenants which may limit the Group's operating and financial flexibility. The aforesaid covenants are of a nature, which is commonly contained in credit facility agreements in Malaysia. Any act by the Group falling within the ambit or scope of such covenants will require the consent of the relevant bank/ financier. Breach of such covenants may give rise to a right by the bank/ financier to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Board is aware of such covenants and shall take all precautions necessary to prevent any such breach.

(xxii) Achievability of Profit Forecast

It should be noted that the profit forecast is based on various assumptions in respect to the levels and timing of revenues, cost, interest rates, exchange rates and various other matters of an operational or financial nature, which assumptions are believed by the Directors of the Company to be reasonable. These assumptions are nevertheless subject to uncertainties and contingencies. Because of the subjective judgments and inherent uncertainties of forecast and because of the events and circumstances may not occur as expected, no assurance can be given that such assumptions and the resultant forecast results will be realised, and actual results may be materially different from that shown. Potential investors should note carefully the bases and assumptions to the profit forecast as well as the comments by the Reporting Accountants in their letter on the consolidated profit forecast as set out in Section 9.5 of this Prospectus.

(xxiii) Disclosure Regarding Forward-Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecast and assumptions made by the Company, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation of the Company or its adviser that the plans and objectives of the Group will be achieved.

(xxiv) Related Party Transactions/ Conflict of Interest

As disclosed in Section 7.1 of this Prospectus, there are certain related-party transactions and/or potential and/or actual areas of conflict of interest involving the Directors and/or substantial shareholders and/or persons connected with the Directors and/or substantial shareholders of Eonmetall Group. The Directors and/or substantial shareholders of Eonmetall have given an undertaking that all business transactions between the Group and the Directors and/or substantial shareholders and/or persons connected to them, shall be based on arms length basis and on commercial terms that shall not disadvantage the Group.

3. RISK FACTORS (Cont'd)

Independent Directors have been appointed to the Audit Committee as well as to the Board. The responsibilities of the Independent Directors would be to provide balance to the management of the Group and undertake the functions, amongst others, overseeing the conduct of the Group's business to evaluate whether the business is being properly managed, identify principal risks and ensure the implementation of appropriate systems to manage these risks, and reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Should there be any issue or concern with regard to the related party transactions or conflict of interest affecting the Group, the Audit Committee will investigate and take the necessary measures.

(xxv) No Prior Market for Eonmetall's Shares

Prior to this IPO, there has been no public market for Eonmetall's Shares. There can be no assurance that an active market for Eonmetall's Shares will develop and continue to develop upon or subsequent to its listing on the Second Board of the Bursa Securities or, if developed, that such a market will be sustained. The IPO Price has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies engaged in business similar to that of the Group and the prevailing market conditions at the time the application for listing of Eonmetall was submitted to the SC. There can be no assurance that the IPO Price will correspond to the price at which Eonmetall's Shares will trade on the Second Board of the Bursa Securities upon or subsequent to its listing.

(xxvi) Failure/ Delay in the Listing

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following event occurs:-

- (a) The Bumiputera investors approved by the MITI fail to subscribe for the IPO Shares allocated to them;
- (b) The underwriters of the IPO fail to honour their obligations under the underwriting agreements;
- (c) The placees under the Private Placement fail to subscribe for the IPO Shares allocated to them; and
- (d) Eonmetall is unable to meet the public spread requirements, i.e. at least 25% of the total enlarged issued and paid-up share capital of Eonmetall must be held by a minimum of one thousand (1,000) public shareholders holding not less than one hundred (100) Shares each in Eonmetall at the point of listing.

Eonmetall Group will comply with the Listing Requirements and SC Guidelines whichever is applicable and relevant to the above. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Listing.