

**EONMETALL GROUP BERHAD**  
**(Formerly known as Eoncap Corporation Berhad)**  
**(Company No. 631617-D)**  
**(Incorporated in Malaysia)**

**SELECTED EXPLANATORY NOTES**  
**TO THE INTERIM FINANCIAL REPORT**  
**FOR THE PERIOD ENDED 30 JUNE 2005**

**1. Basis of preparation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements of the Company and its subsidiaries for the year ended 31 December 2004.

There are no comparative figures presented as this is the second quarterly report made by the Company, and the Group was only in existence on 28 February 2005.

**2. Auditors' Qualification**

There was no auditors' report of the Group for the preceding financial year as this is the first set of consolidated financial statements prepared. However, the auditors' report of the Company for the financial year ended 31 December 2004 was not qualified.

**3. Seasonal and cyclical factors**

The business operations of the Group are not significantly affected by any seasonal or cyclical factors.

**4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows**

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the current period under review

**5. Material changes in estimates**

There were no material changes in estimates of amounts reported in the current period under review.

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**6. Issuances and repayment of debt and equity securities**

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities for the current period under review apart from:

- (a) Issuance of 87,955,278 shares by the Company as consideration for the acquisition of the subsidiaries as detailed in Note 11.
- (b) On 18 April 2005, the issued and paid up share capital of the Company was further increased to RM44,000,000 comprising 88,000,000 ordinary shares of RM0.50 each by way of Rights Issues of approximately fifty-one (51) shares for every 100,000 existing shares held, based on the enlarged share capital of the Company (after the acquisitions mentioned above).

**7. Dividend paid**

No dividend was paid by the Company during the current period under review.

**8. Segment revenue and results**

Financial data by business segment for the Group

	<b>Current year to-date 30 June 2005</b>	
	Revenue	Operating profit before tax
	RM'000	RM'000
Machinery and equipment	<b>7,229</b>	<b>3,353</b>
Secondary flat steel and related products	<b>19,972</b>	<b>2,679</b>
IT solutions	<b>149</b>	<b>(123)</b>
	<b>27,350</b>	<b>5,909</b>

**9. Valuation of property, plant and equipment**

Not applicable. No valuation policy was adopted for property, plant and equipment of the Group.

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**10. Material events subsequent to the end of the interim period**

There were no material events subsequent to the end of the period under review apart from:

- a) On 27 July 2005, the issued and paid up share capital of the Company was further increased to RM55,000,000 comprising 110,000,000 ordinary shares of RM0.50 each by way of public issue of 22,000,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.00 per ordinary share.
- b) The entire enlarged issued and paid-up share capital of RM 55,000,000 comprising 110,000,000 ordinary shares of RM 0.50 each of the Company are expected to be listed on the Second Board of Bursa Malaysia Securities Berhad on 3 August 2005

**11. Changes in the composition of the Group**

There were no changes in the composition of the Group for the current year to date under review except for:-

*(a) Acquisition of the equity interest in Eonmetall Technology Sdn Bhd (“EMT”)*

On 30 August 2004, Eonmetall entered into a Conditional Share Sale Agreement with Eonmetall Corporation Sdn Bhd (“ECSB”) to acquire the entire issued and paid up share capital of EMT comprising 2,500,000 ordinary shares of RM1.00 each, for a purchase consideration of RM25,180,650 satisfied wholly by the issuance of 50,361,300 new shares at an issue price of RM0.50 per share.

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

The acquisition of the equity interest in EMT was completed on 28 February 2005, thereby making EMT a wholly-owned subsidiary of Eonmetall.

*(b) Acquisition of the equity interest in Eonmetall Industries Sdn Bhd (“EMI”)*

On 30 August 2004, Eonmetall entered into a Conditional Share Sale Agreement with ECSB to acquire the entire issued and paid up share capital of EMI comprising 2,500,000 ordinary shares of RM1.00 each, for a purchase consideration of RM9,835,960 satisfied wholly by the issuance of 19,671,920 new shares at an issue price of RM0.50 per share.

The acquisition of the equity interest in EMI was completed on 28 February 2005, thereby making EMI a wholly-owned subsidiary of Eonmetall.

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**11. Changes in the composition of the Group (Cont'd)**

*(c) Acquisition of the equity interest in Eonmetall Systems Sdn Bhd (“EMS”)*

On 30 August 2004, Eonmetall entered into a Conditional Share Sale Agreement with ECSB to acquire the entire issued and paid up share capital of EMS comprising 2,500,000 ordinary shares of RM1.00 each, for a purchase consideration of RM5,038,030 satisfied wholly by the issuance of 10,076,060 new shares at an issue price of RM0.50 per share.

The acquisition of the equity interest in EMS was completed on 28 February 2005, thereby making EMS a wholly-owned subsidiary of Eonmetall.

*(d) Acquisition of the equity interest in Eontarr IT Solutions Sdn Bhd (“EIT”)*

On 30 August 2004, a Conditional Share Sale Agreement was made between ECSB, Goh Kee Seng and Yeoh Cheng Chye to acquire the entire issued and paid up share capital of EIT comprising 100,000 ordinary shares of RM1.00 each, for a purchase consideration of RM2,718,561 satisfied wholly by the issuance of 5,437,122 new shares at an issue price of RM0.50 per share.

The acquisition of the equity interest in EIT was completed on 28 February 2005, thereby making EIT a wholly-owned subsidiary of Eonmetall.

*(e) Acquisition of the equity interest in Eonchem Technology Sdn Bhd (“ECH”)*

On 30 August 2004, a Conditional Share Sale Agreement was made between ECSB, Goh Kee Seng, Lee Liang, Ng Chee Heong, V & M Mixtec Asia Sdn Bhd, Profina Teknik Sdn Bhd and Taran Tej Singh to acquire the entire issued and paid up share capital of ECH comprising 1,000,000 ordinary shares of RM1.00 each, for a purchase consideration of RM1,204,438 satisfied wholly by the issuance of 2,408,876 new shares at an issue price of RM0.50 per share.

The acquisition of the equity interest in ECH was completed on 28 February 2005, thereby making ECH a wholly-owned subsidiary of Eonmetall.

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**13. Capital commitments**

As at the date of this announcement, the Group has no material capital commitments.

**14. Review of earnings and/or revenue of the Company and its subsidiaries for current quarter and financial year-to-date**

For the current quarter and cumulative quarter to date, the Group recorded a revenue of RM18.6 million and RM27.4 million respectively while profit after tax and negative goodwill amount to RM5.1 million and RM9.4 million respectively.

For the cumulative quarters, 73% of the revenue was mainly generated from secondary steel and related products while 26% from machinery and equipment segment.

However, 57% of the operating profit was mainly generated from machinery and equipment segment while 45% from secondary steel and related products.

There were no material factors affecting the earnings and/or revenue of the Group for the current quarter and financial period to date.

**15. Material change in Profit Before Taxation (“PBT”) reported on as compared with the immediate preceding quarter.**

The Group reported a PBT of RM2.0 million for the current quarter under review as compared to the PBT of RM3.3 million in the preceding quarter. Current quarter under review reported a lower PBT was mainly due to higher sales of secondary flat steel and related products which generally yielded a lower margin than machinery and equipment segment.

**16. Current year prospects**

Barring any unforeseen circumstances, the Board of Directors of Eonmetall (“Board”) is cautiously optimistic that the performance of the Group for the financial year ending 31 December 2005 will be satisfactory.

**17. Variance of actual and forecast profit**

The Group has not provided any quarterly profit forecast and therefore no variance information is available for presentation. The analysis on the variance on profit forecast will only be applicable when the Group announces the results for the final quarter of the financial year.

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**18. Taxation**

	<b>Individual quarter</b>	<b>Cumulativ e quarter</b>
	Current year quarter	Current year to- date
	30 June 05 RM'000	30 June 05 RM'000
Current taxation - based on profit for the period	452	602

The lower effective tax rate for the current quarter under review is mainly due to the tax incentives enjoyed by subsidiaries of the Company.

**19. Profit/(Loss) on sale of unquoted investments and/or properties**

There were no profit/(loss) on sale of unquoted investments and/or properties for the current period under review.

**20. Purchase or disposal of quoted securities**

There were no material purchases or disposals of quoted shares during the current period under review.

**21. Status of corporate proposal announced**

Save for the listing of Eonmetall on the Second Board of Bursa Securities, there is no corporate proposal announced but not completed as at the date of this announcement.

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**22. Group borrowings**

The Group's borrowings as at the end of the current reporting period are as follows:-

	Payable within 12 months	Payable after 12 months
	RM' 000	RM' 000
<b>RM denominated borrowings</b>		
<b><u>Secured</u></b>		
Bank overdrafts	2,358	-
Bankers' acceptances	6,400	-
Term loan	1,153	2,609
	9,911	2,609
<b><u>Unsecured</u></b>		
Bank overdrafts	1,764	-
Bankers' acceptances	13,671	-
	15,435	-
Total RM denominated borrowing	25,346	2,609

**23. Off balance sheet financial instrument**

There are no off balance sheet financial instruments as at the date of this report.

**24. Changes in material litigation**

There are no material litigation involving the Group as at the date of this report.

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**25. Basic earnings per share**

The basic earnings per share is computed based on the net profit divided by the weighted average number of shares in issue.

	Current year Quarter 30 June 2005 (Unaudited)	Cumulative quarters Current year to-date 30 June 2005 (Unaudited)
Net profit for the period (RM'000)	5,112	9,430
<i>Weighted average number of shares in issue ('000)</i>	87,992	59,789
Basic earnings per share (sen)	5.81	15.77

By order of the Board

Goh Cheng Huat  
Group Managing Director

**DATED THIS 01 AUGUST 2005**