

**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 SEPTEMBER 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 third 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),
- (c) On 27 July 2005, the Company completed the following transactions:
  - i) Public issue of 22,000,000 new ordinary shares of RM 0.50 each to Malaysian public, identified investors by way of private placement, eligible directors, employees and business associates of the Company and its subsidiaries and Bumiputera investors approved by Ministry of International Trade and Industry (“MITI”) at an issue price of RM1.00 per ordinary share; and
  - ii) Offer for sale by Offerors of 28,600,000 ordinary shares of RM0.50 each in the Company to Bumiputera investors approved by MITI at an offer price of RM1.00 per ordinary share.

The above exercise was in conjunction with and as part of the listing of and quotation for the entire issued and paid-up share capital of Eonmetall Group Berhad on Second Board of the Bursa Malaysia Securities Berhad (“BMSB”) on 03 August 2005.

**7. Dividend**

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

The Board of Eonmetall had on 07 November 2005 recommended the following interim dividend in respect of the financial year ending 31 December 2005 to the shareholders registered at the close of business on 24 November 2005 be paid on 29 November 2005:

- (a) first interim dividend of 5% less 28% tax totalling RM1,980,000; and
- (b) special interim dividend of 5% less 28% tax totalling RM1,980,000.

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**8. Segment revenue and results**

Financial data by business segment for the Group:

	<b>Current year to-date</b>	
	<b>30 September 2005</b>	
Revenue		Operating profit
RM'000		before tax
		RM'000
Machinery and equipment	17,668	7,723
Secondary flat steel and related products	31,839	3,276
IT solutions	202	205
	49,709	11,204

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

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

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

There were no material events subsequent to the current financial quarter ended 30 September 2005 up to the date of this report.

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

There were no changes in the composition of the Group during the current period 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 acquisition of the equity interest in EMT was completed on 28 February 2005, thereby making EMT a wholly-owned subsidiary of Eonmetall.

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

*(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.

*(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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**12. Capital commitments**

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

**13. 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 quarters to date, the Group recorded a revenue of RM 22.4 million and RM49.7 million respectively while profit after tax after recognition of negative goodwill amounted to RM8.6 million and RM18.1 million respectively.

The higher revenue in the current quarter was attributed to the increase in the sale of metalwork machinery and equipment and secondary flat steel and related products.

For the cumulative quarters, 64% of the revenue was mainly generated from secondary flat steel and related products while 36% from machinery and equipment segment. However, 69% of the operating profit was mainly generated from machinery and equipment segment while 29% was 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.

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

In tandem with the higher revenue in the current quarter under review, the Group reported a PBT of RM5.0 million, representing a significant increase of 150% over the preceding quarter PBT of RM2.0 million. It was mainly due to higher sales of metalwork machinery and equipment, which generally yielded a high margin than secondary flat steel and related products.

**15. Current year prospects**

Under the current 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.

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**16. 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 of profit forecast will only be applicable when the Group announces the results for the final quarter of the financial year.

**17. Taxation**

	Current year quarter 30 September 05 RM'000	Cumulative Quarters Current year to-date 30 September 05 RM'000
Current taxation - based on profit for the period	(81)	521

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

**18. 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.

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

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

**20. Utilisation of proceeds**

The Company was listed on Second Board of BMSB on 3 August 2005 and the total gross proceeds of RM0.02 million and RM22.0 million raised from the Rights Issue and Public Issue respectively have been utilised in the following manner:

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**FOR THE PERIOD ENDED 30 SEPTEMBER 2005**

**20. Utilisation of proceeds (con'd)**

	<b>Timeframe of utilisation from IPO</b>	<b>As per prospectus dated 30 June 2005</b>	<b>Utilised as at 30 September 2005</b>	<b>Balance unutilised as at 30 September 2005</b>
		RM'000	RM'000	RM'000
Construction of factory building	Within 18 Months	4,000	-	4,000#
Manufacturing of new machinery and equipment for expansion	Within 12 months	8,000	-	8,000#
Repayment of bank borrowings	Within 6 months	4,000	4,000	-
Working capital	Within 12 months	4,122	4,000	122
Estimated share issue expenses	Within 3 months	1,900	1,310	590*
	<b>TOTAL</b>	<b>22,022</b>	<b>9,310</b>	<b>12,712</b>

# Expected to start utilising when construction works commence by the beginning of year 2006. The proceeds are expected to be fully utilised by end of year 2006. These funds are currently placed as REPO with a licensed financial institution.

\* Expected to be fully utilized by October 2005.

**21. Status of corporate proposal announced**

Save for the listing of Eonmetall on the Second Board of BMSB, 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 RM' 000	Payable after 12 months RM' 000
<b>RM denominated borrowings</b>		
<b><u>Secured</u></b>		
Bank overdrafts	326	-
Bankers' acceptances	2,737	-
Term loan	977	2,480
Hire purchase	29	113
	4,069	2,593
<b><u>Unsecured</u></b>		
Bank overdrafts	16	-
Bankers' acceptances	14,217	-
	14,233	-
 Total RM denominated borrowing	 18,302	 2,593

**23. Foreign Currency Contracts**

As at 25 October 2005, the Group has entered into the following outstanding Foreign Currency Contracts ("FCC") to hedge its confirmed sales in foreign currencies:

<u>Foreign Currency</u>	<u>Outstanding Contract ( '000)</u>	<u>Equivalent Amount (RM'000)</u>	<u>Expiry Dates</u>
US Dollar	1,541	5,817	Oct' 05 – Dec' 05

FCC are entered into to hedge the Group's confirmed sales in foreign currency. The contracted rates will be used to convert the foreign currency amounts into Ringgit Malaysia. The purpose of the hedging is to mitigate the Group from the currency risk.

As these contracts are short-term in nature, as such the difference between the contracted rates and the spot rates are not taken up in the income statement.

The Group does not foresee any significant credit and market risk associated with the above FCC as these contracts are entered into with a credit worthy financial institution.

There is no cash outlay requirement for these contracts.

**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. Earnings per share**

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

	Current year Quarter 30 September 2005 (Unaudited)	Cumulative quarters Current year to-date 30 September 2005 (Unaudited)
Net profit after negative goodwill (RM'000)	8,620	18,050
<b>Basic :</b>		
Weighted average number of shares in issue ('000)	103,783	74,615
Basic earnings per share (sen)	<u>8.31</u>	<u>24.19</u>
<b>Diluted :</b>		
Weighted average number of shares ('000):		
- In issue	103,783	74,615
- Effect of ESOS	<u>204</u>	<u>69</u>
	<u>103,987</u>	<u>74,684</u>
Diluted earnings per share (sen)	<u>8.29</u>	<u>24.17</u>

By order of the Board

Goh Cheng Huat  
 Group Managing Director

**DATED THIS 07 NOVEMBER 2005**