

**EONMETALL GROUP BERHAD**  
**(Company No. 631617 D)**

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	<b>Three Months Ended</b>		<b>Year To Date Ended</b>	
	<b>30-Jun-06</b>	<b>30-Jun-05</b>	<b>30-Jun-06</b>	<b>30-Jun-05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>	<u>27,625</u>	<u>18,622</u>	<u>41,257</u>	<u>27,350</u>
Operating profit	7,026	5,957	8,476	10,649
Interest expense	(394)	(393)	(1,121)	(617)
Interest income	24	-	69	-
<b>Profit before tax</b>	<u>6,656</u>	<u>5,564</u>	<u>7,424</u>	<u>10,032</u>
Tax expense	181	(452)	(36)	(602)
<b>Profit after tax</b>	<u>6,837</u>	<u>5,112</u>	<u>7,388</u>	<u>9,430</u>
<b>Attributable to:</b>				
<b>Shareholders of the Company</b>	<u>6,837</u>	<u>5,112</u>	<u>7,388</u>	<u>9,430</u>
Basic earnings per share (sen)	<u>6.22</u>	<u>5.81</u>	<u>6.72</u>	<u>15.77</u>
Diluted earnings per share (sen)	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**EONMETALL GROUP BERHAD**  
**(Company No. 631617 D)**

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AT 30 JUNE 2006**

	<b>At 30 June 2006</b> <b>RM'000</b>	<b>At 31 December 2005</b> <b>RM'000</b> <b>(Restated)</b>
<b>Non-current assets</b>		
Property, plant and equipment	54,359	47,721
Other investment	57	32
	54,416	47,753
<b>Current assets</b>		
Inventories	35,052	31,208
Trade and other receivables	29,075	26,815
Tax recoverable	1,204	1,052
Deposits, cash and bank balances	7,593	11,167
	72,924	70,242
<b>Total assets</b>	<u>127,340</u>	<u>117,995</u>
<b>Equity</b>		
Share capital	55,000	55,000
Share premium	9,200	9,200
Capital reserve	901	461
Retained profits	29,531	22,143
<b>Total equity attributable to shareholders of the Company</b>	<u>94,632</u>	<u>86,804</u>
<b>Non-current liabilities</b>		
Borrowings	3,374	2,710
Deferred tax liabilities	4,956	5,420
	8,330	8,130
<b>Current liabilities</b>		
Trade and other payables	6,578	6,405
Borrowings	17,744	16,592
Taxation	56	64
	24,378	23,061
<b>Total liabilities</b>	<u>32,708</u>	<u>31,191</u>
<b>Total equity and liabilities</b>	<u>127,340</u>	<u>117,995</u>
	-	-
Net assets per share (RM)	<u>0.86</u>	<u>0.79</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**EONMETALL GROUP BERHAD**  
(Company No. 631617 D)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	← Attributable to equity shareholders of the Company →					Total RM'000
	Share Capital RM'000	Share premium, non- distributable RM'000	Negative goodwill non- distributable RM'000	Capital reserve, non- distributable RM'000	(Accumulated losses)/ Retained profits, distributable RM'000	
<b>At 1 January 2005</b>	*	-	-	-	(12)	(12)
Issue of shares pursuant to the acquisition of subsidiary companies	43,978	-	-	-	-	43,978
Rights issue	22	-	-	-	-	22
Negative goodwill arising from the acquisition of subsidiary companies	-	-	11,852	-	-	11,852
Negative goodwill recognised	-	-	(4,740)	-	4,740	-
Net profit for the year	-	-	-	-	4,690	4,690
Dividends	-	-	-	-	-	-
<b>At 30 June 2005</b>	<u>44,000</u>	<u>-</u>	<u>7,112</u>	<u>-</u>	<u>9,418</u>	<u>60,530</u>
<b>At 1 January 2006 (as restated)</b>	55,000	9,200	-	461	22,143	86,804
Net profit for the year	-	-	-	-	7,388	7,388
Equity settled share-based transactions	-	-	-	440	-	440
<b>At 30 June 2006</b>	<u>55,000</u>	<u>9,200</u>	<u>-</u>	<u>901</u>	<u>29,531</u>	<u>94,632</u>

Note :

1. \* represents subscribers' shares of RM2.00 comprising 4 Ordinary Shares of RM0.50 each.
2. Included in Net profit for the period ended 30 June 2005 was negative goodwill recognised amounting to RM 4,740,783.76.

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**EONMETALL GROUP BERHAD**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	<b>Six Months Ended</b>	
	<b>30-Jun-06</b>	<b>30-Jun-05</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	7,424	10,032
Adjustments for:		
Depreciation	2,152	1,261
Interest expenses	1,121	617
Interest income	(69)	-
(Gain)/Loss on disposal of plant and equipment	(75)	171
Negative goodwill recognised	-	(4,740)
Equity settled share-based transactions	440	-
Operating profit before working capital changes	10,993	7,341
(Increase)/Decrease in :		
Inventories	(3,844)	(7,121)
Trade and other receivables	(2,260)	3,705
Increase/(Decrease) in :		
Trade and other payables	173	(2,590)
Cash generated from operations	5,062	1,335
Tax paid	(660)	(490)
<b>Net cash generated from operating activities</b>	4,402	845
<b>Cash flows from investing activities</b>		
Proceeds from disposal of plant and equipment	143	380
Acquisition of subsidiaries, net of cash acquired	*	8
Purchase of property, plant and equipment	(8,858)	(239)
Purchase of other investment	(25)	-
Deposits pledged with licenced bank	(2)	-
Interest received	69	-
<b>Net cash (used in)/generated from investing activities</b>	(8,673)	149
<b>Cash flows from financing activities</b>		
Short term borrowings, net	2,183	8,270
Drawdown of term loan	969	-
Repayment of term loans	(702)	(407)
Repayment of hire purchase creditors	(19)	-
Proceeds from rights and public issue	-	22
Interest paid	(1,121)	(617)

**EONMETALL GROUP BERHAD**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	<b>Six Months Ended</b>	
	<b>30-Jun-06</b>	<b>30-Jun-05</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Net cash generated from financing activities</b>	1,310	7,268
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(2,961)</u>	<u>8,262</u>
<b>Cash and cash equivalents at beginning of year</b>	10,369	*
<b>Cash and cash equivalents at end of financial period</b>	<u><u>7,408</u></u>	<u><u>8,262</u></u>

Notes:

A. Cash and cash equivalents at end of period comprise:

Cash & bank balances	4,114	11,383
Deposits with licensed banks	3,400	1,000
Bank overdrafts	<u>(106)</u>	<u>(4,121)</u>
	<u><u>7,408</u></u>	<u><u>8,262</u></u>

B. \* represents RM2.00

The condensed cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 30 JUNE 2006**

**1. Basis of preparation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134<sub>2004</sub>, Interim Financial Reporting and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2005. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2005.

**2. Changes in accounting policies**

This quarterly consolidated financial report has been prepared by applying the accounting policies and methods of computation consistent with those used in the preparation of the most recent audited financial statements of the Group, except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) issued by MASB that are effective for the financial period beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of FRS 3, 102, 108, 110, 116, 121, 127, 132, 133, 136 and 138 does not have significant financial impact on the Group. The principal effects of the changes in accounting policy resulting from the adoption of other new/revised FRSs are as set out below:-

*(a) FRS 2 : Share-based payment*

This FRS requires an entity to recognize share-based payment transactions in its financial statements, including transactions with employee or other parties to be settled in cash, other assets, or equity instruments of the entity.

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**2. Changes in accounting policies (Cont'd)**

The Company operates an equity settled, share-based compensation plan for the employees of the Group, namely the Employee Share Option Scheme (“ESOS”). Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in income statement over the vesting periods of the grants with a corresponding increase in capital reserve within equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using the Binomial Lattice method.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The application is retrospective and accordingly, the comparative amounts as at 31 December 2005 are restated and the opening retained earnings as at 1 January 2006 has been adjusted. The financial impact to the Group arising from this change in accounting policy is as follows:-

	<b>At 1.1.2006</b>	
	<b>RM'000</b>	
Decrease in retained earnings		(461)
Increase in capital reserve		461
	<b>6 months ended</b>	
	<b>30.06.2006</b>	<b>30.06.2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Decrease in profit for the period	440	-

*(b) FRS 101 : Presentation of Financial Statements*

The adoption of the revised FRS 101 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures in the consolidated income statement.

In the consolidated balance sheet, minority interests are now presented within total equity. A similar requirement is also applicable to the statement of changes in equity.

**3. Auditors’ report on preceding annual financial statements**

The auditors’ report on the financial statements for the year ended 31 December 2005 was not qualified.

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**SELECTED EXPLANATORY NOTES  
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**4. Seasonality of operations**

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

**5. Unusual items due to their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial period-to-date, except for the changes in accounting policies as disclosed in Note 2.

**6. Material changes in estimates**

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

**7. 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 quarter.

**8. Dividends**

No dividends have been declared or paid by the Company for the current quarter.

**9. Segment revenue and results**

Financial data by business segment for the Group:

	6 months ended 30.06.2006	
	Revenue RM'000	Operating (loss)/profit RM'000
Machinery and equipment	9,415	4,298
Secondary flat steel and related products	31,752	5,010
IT solutions and automation	23	(191)
Investment holding	67	(641)
	<hr/> <u>41,257</u>	<hr/> <u>8,476</u>



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

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

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

On 8 August 2006, the Company acquired a new subsidiary known as De Bio Channel (M) Sdn Bhd ("De Bio"). De Bio will be a 100% owned subsidiary of the Company. The initial paid-up capital of De Bio will be RM2/= with the authorised share capital of RM100,000/=. De Bio will be principally involved in extraction of palm kernel oil. The first Directors of De Bio are Dato' Goh Cheng Huat and Mr Yeoh Cheng Chye.

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

On 16 May 2006, the Company incorporated a new company known as Eonsteel Sdn. Bhd. ("Eonsteel"). Eonsteel will be a 100% owned subsidiary of the Company. The initial paid-up capital of Eonsteel will be RM2/= with the authorised share capital of RM1,000,000/=. Eonsteel will be principally involved in upstream steel products processing including R & D in processing of steel. The first Directors of Eonsteel will be Dato' Goh Cheng Huat and Mr Yeoh Cheng Chye.

On 8 August 2006, the Company acquired a new subsidiary known as De Bio Channel (M) Sdn Bhd ("De Bio"). De Bio will be a 100% owned subsidiary of the Company. The initial paid-up capital of De Bio will be RM2/= with the authorised share capital of RM100,000/=. De Bio will be principally involved in extraction of palm kernel oil. The first Directors of De Bio are Dato' Goh Cheng Huat and Mr Yeoh Cheng Chye.

**13. Changes in contingent liabilities or contingent assets**

There were no material changes in contingent liabilities or contingent assets since 31 December 2005.

**14. Capital commitments**

Contracted but not provided for

At 30.6.2006  
RM'000

600

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

The Group revenue for the current quarter increased by RM9.0 million (from RM18.6 million to RM27.6 million) or 48% as compared to the corresponding quarter in the previous year mainly attributed to higher sales of machinery and equipment. Simultaneously, the Group's profit before tax for the current quarter has also increased by RM4.7 million (from RM2.0 million (excluding negative goodwill) to RM6.7 million) or 235% as compared to the corresponding quarter in the previous year.

The Group revenue for the current financial year-to-date increased by RM13.9 million (from RM27.4 million to RM41.3 million) or 51% as compared to the corresponding financial year-to-date in the previous year was mainly due to higher sale of secondary flat steel and related products. The Group's profit before tax for the current financial year-to-date increased by RM2.1 million (from RM5.3 million (excluding negative goodwill) to RM7.4 million) or 40% as compared to the corresponding financial year-to-date in the previous year. The increase was in line with the increase in revenue of the Group.

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

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

The Group's profit before tax increased by RM5.9 million (from RM0.8 million to RM6.7 million), 738% as compared to the preceding quarter mainly due to the higher sales of machinery and equipment in the current quarter which yielded a higher profit margin than other segment of business. Sales on machinery and equipment increased from RM0.3 million in the preceding quarter to RM9.1 million in the current quarter.

**17. Commentary of Prospects**

Barring any unforeseen circumstances, the Board of Directors of Eonmetall anticipates the performance of the group for the financial year to remain profitable.

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

Not applicable. The Group did not publish any profit forecast for the financial year under review.

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**SELECTED EXPLANATORY NOTES  
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**19. Taxation**

	3 months ended 30.06.06 RM'000	Year to date ended 30.06.06 RM'000
Current tax expense	(300)	(500)
Deferred tax expense	481	464
	<u>181</u>	<u>(36)</u>

**20. Unquoted investments and/or properties**

There was no sale of unquoted investments and/or properties for the current quarter.

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

	3 months ended 30.06.06 RM'000	Year to date ended 30.06.06 RM'000	
Total Purchases	<u>25</u>	<u>25</u>	
	At Cost	At Book Value	At Market Value
	RM'000	RM'000	RM'000
Investment in quoted securities as at 30 June 2006	<u>57</u>	<u>57</u>	<u>43</u>

There were no disposals of quoted securities for the current quarter.

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**SELECTED EXPLANATORY NOTES  
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**22. Utilisation of proceeds**

The Company was listed on the Second Board of Bursa Malaysia Securities Berhad (“Bursa Securities”) 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:

	<b>Timeframe of utilisation from IPO</b>	<b>As per prospectus dated 30.06.05</b>	<b>Utilised as at 30.06.06</b>	<b>Balance unutilised as at 30.06.06</b>
		RM'000	RM'000	RM'000
Construction of factory building	Within 18 Months	4,000	600	3,400 <sup>#</sup>
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	4,222	(100) <sup>*</sup>
Estimated share issue expenses	Within 3 months	1,900	1,800	100 <sup>*</sup>
	<b>TOTAL</b>	<b>22,022</b>	<b>18,622</b>	<b>3,400</b>

# The proceeds are expected to be fully utilised by end of year 2006. This fund is currently set aside and placed as REPO with a licensed financial institution.

\* The actual listing expenses were lower than the estimated amount. As such, the unutilised balance of proceeds of RM 99,958.88 allocated for share issue expenses was utilised for working capital purposes of the Group.

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**SELECTED EXPLANATORY NOTES  
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**23. Status of corporate proposal announced**

As announced to the Bursa Securities on 8 May 2006, the Company proposed to undertake the following corporate exercises:-

- a) Bonus issue of up to 63,250,000 new ordinary shares of RM0.50 each in Eonmetall to be credited as fully paid-up, on the basis of one (1) Bonus Share for every two (2) existing ordinary shares held in Eonmetall on the entitlement date to be determined later (“Proposed Bonus Issue”); and
- b) Transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of Eonmetall from the Second Board to the Main Board of Bursa Securities (“Proposed Transfer of Listing”).

The proposals are conditional upon approval being obtained from the following parties:

- a) the Securities Commission (“SC”) for the Proposed Transfer of Listing;
- b) the shareholders of Eonmetall at an extraordinary general meeting to be convened for the proposed Bonus Issue; and
- c) the Bursa Securities for the following:-
  - (i) the listing of and quotation for the Bonus Shares pursuant to the Proposed Bonus Issue; and
  - (ii) transfer of the listing of and quotation for the entire enlarged issued and paid up share capital of Eonmetall after the proposed Bonus Issue from the Second Board to the Main Board of Bursa Securities.

The Proposed Bonus Issue and Proposed Transfer of Listing are inter-conditional upon each other.

On 9 May 2006, the Company has submitted the application in relation to the Proposed Transfer of Listing to the SC.

On 19 July 2006, SC had informed that it will only consider the application for the proposed transfer of listing after fulfillment of the following:-

- a) Eonmetall is to provide the SC with the Company’s latest financial results after the first full anniversary year of the Company’s listing on the Second Board of Bursa Malaysia Securities Berhad; and
- b) The above financial results shall be accompanied by the directors’ report in relation to the latest financial position of the Eonmetall Group and forecast financial position for the financial year ending 31 December 2006.

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**SELECTED EXPLANATORY NOTES  
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**24. 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	-	-
Bankers' acceptances	-	-
Term loan	562	3,221
Hire purchase	46	153
	608	3,374
<b><u>Unsecured</u></b>		
Bank overdrafts	106	-
Bankers' acceptances	15,824	-
Term Loan	1,206	-
	17,136	-
Total RM denominated borrowing	17,744	3,374

**25. Foreign Currency Contracts**

As at 24 August 2006, 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	850	3,091	Different maturity dates up to November 2006

FCCs 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's exposure to foreign currency risk.

As at balance sheet date, no adjustment has been made for the above foreign currency contracts to account for the difference between the contracted rate and the prevailing market rate as the amount is immaterial.

The Group does not foresee any significant credit and market risk associated with the above foreign currency contracts as these were entered into with creditworthy financial institutions.

There is no cash outlay requirement for these contracts.

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**26. Changes in material litigation**

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

**27. Earnings per share**

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

	Three months ended 30.06.06	Year to date ended 30.06.06
Net profit (RM'000)	6,837	7,388
<b>Basic :</b>		
Weighted average number of shares in issue ('000)	110,000	110,000
Basic earnings per share (sen)	<u>6.22</u>	<u>6.72</u>
Diluted earnings per share (sen)	<u>NA</u>	<u>NA</u>

Fully diluted earnings per share has not been calculated and presented as the effect of the employees' share options is anti-dilutive.

By order of the Board

Dato' Goh Cheng Huat  
Group Managing Director

**DATED THIS 24 AUGUST 2006**