

EONMETALL GROUP BERHAD
(Company No. 631617 D)

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2007

	Three Months Ended		Period To Date Ended	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Revenue	<u>32,785</u>	<u>27,625</u>	<u>59,072</u>	<u>41,257</u>
Operating profit	3,650	7,026	7,888	8,476
Interest expense	(995)	(394)	(1,533)	(1,121)
Interest income	2	24	3	69
Profit before tax	<u>2,657</u>	<u>6,656</u>	<u>6,358</u>	<u>7,424</u>
Tax expense	2,711	1,176	2,373	959
Profit after tax	<u>5,368</u>	<u>7,832</u>	<u>8,731</u>	<u>8,383</u>
Attributable to:				
Shareholders of the Company	<u>5,368</u>	<u>7,832</u>	<u>8,731</u>	<u>8,383</u>
Basic earnings per share (sen)	<u>3.24</u>	<u>4.75</u>	<u>5.27</u>	<u>5.08</u>
Diluted earnings per share (sen)	<u>3.21</u>	<u>NA</u>	<u>5.22</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 2006 and the accompanying explanatory notes attached to the interim financial statements.

EONMETALL GROUP BERHAD
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CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2007

	At 30 June 2007 RM'000	(Audited) At 31 December 2006 RM'000 (Restated)
Assets		
Property, plant and equipment	86,683	70,838
Investment in associated company	85	-
Other investment	-	57
Total non-current assets	86,768	70,895
Total current assets		
Receivables, deposits and prepayments	35,643	31,108
Inventories	56,857	37,498
Current tax assets	33	876
Deferred tax assets	7,369	4,301
Cash and cash equivalents	5,217	7,284
	105,119	81,067
Total assets	191,887	151,962
Equity		
Share capital	83,006	55,000
Share premium	70	9,200
Share option reserve	1,198	1,020
Retained profits	27,231	40,847
Total equity	111,505	106,067
Liabilities		
Loans and Borrowings	14,365	7,085
Deferred tax liabilities	6,817	6,696
	21,182	13,781
Current liabilities		
Trade and other payables	5,440	10,278
Loans and Borrowings	53,702	21,831
Taxation	58	5
	59,200	32,114
Total liabilities	80,382	45,895
Total equity and liabilities	191,887	151,962
	-	-
Net assets per share (RM)	0.67	0.64

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

EONMETALL GROUP BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2007

	← Non-distributable →			Distributable	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Share option RM'000	Retained earnings RM'000	
At 1 January 2006	55,000	9,200	-	22,604	86,804
Effect of adopting FRS 2	-	-	347	(347)	-
Effect of adopting FRS 112	-	-		3,306	3,306
At 1 January 2006 (restated)	<u>55,000</u>	<u>9,200</u>	<u>347</u>	<u>25,563</u>	<u>90,110</u>
Profit for the period	-	-	-	8,383	8,383
Share-based payment	-	-	440	-	440
At 30 June 2006	<u><u>55,000</u></u>	<u><u>9,200</u></u>	<u><u>787</u></u>	<u><u>33,946</u></u>	<u><u>98,933</u></u>
At 1 January 2007	55,000	9,200	1,020	36,546	101,766
Effect of adopting FRS 112	-	-	-	4,301	4,301
At 1 January 2007 (restated)	<u>55,000</u>	<u>9,200</u>	<u>1,020</u>	<u>40,847</u>	<u>106,067</u>
Issue of shares pursuant to ESOS	406	270	-	-	676
Bonus issue (1 for 2)	27,600	(9,400)	-	(18,200)	-
Share-based payment	-	-	178	-	178
Dividend paid				(4,147)	(4,147)
Profit for the period	-	-	-	8,731	8,731
At 30 June 2007	<u><u>83,006</u></u>	<u><u>70</u></u>	<u><u>1,198</u></u>	<u><u>27,231</u></u>	<u><u>111,505</u></u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 PERIOD ENDED 30 JUNE 2007

	Six Months Ended	
	30-Jun-07	30-Jun-06
Cash flows from operating activities		
Profit before tax	6,358	7,424
Adjustments for:		
Depreciation	2,459	2,152
Interest expenses	1,533	1,121
Interest income	(3)	(69)
(Gain)/Loss on disposal of plant and equipment	3	(75)
Fixed assets written off	9	-
Gain on disposal of investment	(18)	-
Share-based payment	178	440
Operating profit before working capital changes	10,519	10,993
Increase in :		
Inventories	(19,359)	(3,844)
Trade and other receivables	(4,535)	(2,260)
Increase/(Decrease) in :		
Trade and other payables	(4,838)	173
Cash generated from/(used in) operations	(18,213)	5,062
Tax paid	322	(660)
Net cash generated from/(used in) operating activities	(17,891)	4,402
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	6	143
Purchase of property, plant and equipment	(18,237)	(8,858)
Purchase of other investment	-	(25)
Investment in associated company	(85)	-
Proceeds from disposal of other investment	75	-
Deposits pledged with licenced bank	-	(2)
Interest received	3	69
Net cash used in investing activities	(18,238)	(8,673)
Cash flows from financing activities		
Short term borrowings, net	29,966	2,183
Drawdown of term loans	8,936	969
Repayment of term loans	(911)	(702)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2007

	Six Months Ended	
	30-Jun-07	30-Jun-06
Repayment of hire purchase creditors	(26)	(19)
Proceeds from issue of shares for share option exercised	676	-
Dividend paid	(4,147)	-
Interest paid	(1,533)	(1,121)
Net cash generated from financing activities	32,961	1,310
Net decrease in cash and cash equivalents	(3,168)	(2,961)
Cash and cash equivalents at beginning of period	4,433	10,369
Cash and cash equivalents at end of financial period	1,265	7,408

Notes:

A. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash & bank balances	5,137	4,114
Deposits with licensed banks (excluding deposits pledged)	80	3,400
Bank overdrafts	(3,952)	(106)
	1,265	7,408

The condensed cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 2007**

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134₂₀₀₄, 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 2006. 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 2006.

2. Changes in accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for the financial period beginning 1 January 2007:

FRS 112 Income Taxes
FRS 117 Leases
FRS 124 Related Party Disclosures

The Group and the company plan to apply FRS 139 (which its effective date has yet to be announced), for the annual period beginning 1 January 2008.

The adoption of the above revised FRSs does not result in any significant change in the group’s accounting policies except for the following:

FRS 112 : Income Taxes

The Group adopted an accounting policy to recognise the deferred tax assets arising from reinvestment allowances (“RA”), to the extent that it is probable that future taxable profit will be utilised against any unutilised RA.

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2. Changes in accounting policies (Cont'd)

The application is retrospective and accordingly, the comparative amounts as at 31 December 2006 are restated and the opening retained earnings as at 1 January 2007 has been adjusted. The financial impact to the Group arising from this change in accounting policy is as follows:-

	At 1.1.2007	
	RM'000	
Increase in retained earnings		4,301
Increase in deferred tax assets		4,301
	6 months ended	
	30.06.2007	30.06.2006
	RM'000	RM'000
Increase in profit for the period	3,068	995

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2006 was not qualified.

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.

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

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2007

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities for the current quarter under review except for the followings:-

- a) On 23 January 2007, the issued and paid up share capital of the Company was increased from 110,000,000 ordinary shares of RM0.50 each to 110,401,000 ordinary shares of RM0.50 each via the allotment of 401,000 ordinary shares issued pursuant to the exercise of Employee Share Option Scheme at the exercise price of RM1.00 per share.
- b) On 14 February 2007, the Company issued Bonus Shares of 55,200,500 new ordinary shares of RM0.50 each on the basis of 1 new ordinary share for every 2 existing ordinary shares held. The issued and paid-up share capital of the Company was increased from 110,401,000 ordinary shares of RM0.50 each to 165,601,500 ordinary shares of RM0.50 each.
- c) On 12 March 2007, the issued and paid up share capital of the Company was increased from 165,601,500 ordinary shares of RM0.50 each to 165,631,500 ordinary shares of RM0.50 each via the allotment of 30,000 ordinary shares issued pursuant to the exercise of Employee Share Option Scheme at the exercise price of RM0.67 (ex-bonus price) per share.
- d) On 25 April 2007, the issued and paid up share capital of the Company was increased from 165,631,500 ordinary shares of RM0.50 each to 165,901,500 ordinary shares of RM0.50 each via the allotment of 270,000 ordinary shares issued pursuant to the exercise of Employee Share Option Scheme at the exercise price of RM0.67 (ex-bonus price) per share.
- e) On 22 June 2007, the issued and paid up share capital of the Company was increased from 165,901,500 ordinary shares of RM0.50 each to 166,012,500 ordinary shares of RM0.50 each via the allotment of 111,000 ordinary shares issued pursuant to the exercise of Employee Share Option Scheme at the exercise price of RM0.67 (ex-bonus price) per share.

8. Dividends

During the financial period, the Company paid a first and final dividend of 5% or 2.5 sen per share (Tax Exempt) totaling RM4,147,537.49 in respect of the financial year ended 31 December 2006 on 29 June 2007.

9. Segment revenue and results

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Financial data by business segment for the Group:

	Period ended 30.06.2007	
	Revenue	Operating
	RM'000	profit/(loss)
		RM'000
Machinery and equipment	14,300	5,520
Secondary flat steel and related products	44,767	2,923
IT solutions and automation	5	(162)
Investment holding	-	(393)
	<hr/>	<hr/>
	59,072	7,888

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 balance sheet date

There were no material events subsequent to the balance sheet date apart from:

The issuance of 3,878,000 ordinary share of RM0.50 each for cash pursuant to the exercise of Employee Share Option Scheme at the exercise price of RM0.67 (ex-bonus price) per share as follow:-

- 432,000 ordinary shares allotted on 16 July 2007;
- 535,000 ordinary shares allotted on 25 July 2007;
- 2,504,500 ordinary shares allotted on 13 August 2007; and
- 406,500 ordinary shares allotted on 14 August 2007.

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter save as:

- a) On 6 April 2007, the Company incorporated a new company known as Eonmetall Petro-Chem (M) Sdn. Bhd. ("EMPC"). EMPC is a 100% owned subsidiary of the Company. The initial paid-up capital of EMPC is RM2/= with the authorised share capital of RM100,000/=. EMPC will be principally involved in the business of engineering services in oil, gas and chemical industry. The first Directors of EMPC are Dato' Goh Cheng Huat and Mr Yeoh Cheng Chye.

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

- b) On 29 May 2007, the company's wholly-owned subsidiary, Eonmetall Industries Sdn Bhd increased its issued and paid up capital from RM2,500,000 to RM10,000,000 by allotting additional 7,500,000 ordinary shares of RM1.00 each.
- c) As at to-date, EMPC had invested 30% equity interest amounting to RM282,000 in Eonmetall Global Composites LLC, an associated company incorporated in Dubai.

13. Capital commitments

	As at 30.06.2007 RM'000	As at 31.12.2006 RM'000
Contracted but not provided for	<u>636</u>	<u>1,400</u>

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

The Group's revenue for the current quarter increased by RM5.2million (from RM27.6million to RM32.8million) or 19% as compared to the corresponding quarter in the previous year. The major increase in revenue arises from distribution of coil, contributed approximately 30% of current quarter's revenue.

The Group's revenue for the current financial period-to-date increased by RM17.8 million (from RM41.3 million to RM59.1 million) or 43% as compared to the corresponding financial period-to-date in previous year. The incremental revenue is mainly contributed by the distribution of coils.

However, the Group's profit before tax dropped by RM1.0 million (from RM7.4 million to RM6.4 million) or 14% as compared to the corresponding financial period-to-date in the previous year. This was mainly due to the distribution of coil in general yielded a lower margin as compare to other product.

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

The Group’s profit before tax decreased by RM1.0million (from RM3.7million to RM2.7million), 27% as compared to the preceding quarter mainly due to the lower sales of machinery and equipment in the current quarter which yielded a higher profit margin than other segment of business. Sales of machinery and equipment decreased from RM10.7 million in the preceding quarter to RM3.6 million in the current quarter.

16. Commentary of Prospects

Barring any unforeseen circumstances, the Board of Directors of Eonmetall anticipates the performance of the group for the financial year 2007 to be further improved.

17. Variance of actual and forecast profit

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

18. Taxation

	3 months ended 30.06.07 RM’000	Period to date ended 30.06.07 RM’000
Current tax expense	401	573
Deferred tax expense	(44)	122
Deferred tax asset	(3,068)	(3,068)
	<u>(2,711)</u>	<u>(2,373)</u>

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19. Unquoted investments and/ or properties

There were no material purchases or disposals of unquoted investment and/or properties in the current quarter and financial period-to-date except for EMPC had invested 30% equity interest amounted RM84,600 in Eonmetall Global Composites LLC, an associated company incorporated in Dubai.

20. Quoted investments

There were no material purchases or disposals of quoted investment during the current quarter and financial period-to-date except for disposal of quoted shares for a total proceeds of RM75,500 with a gain on disposal of RM18,454.

21. 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.

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21. Status of corporate proposal announced (Cont'd)

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.

On 13 October 2006, the Company has furnished the requested information to the SC for their further review.

On 7 December 2006, MIMB on behalf of the Board announced the SC's approval for the Proposed Transfer of Listing vide its letter dated 5 December 2006 subject to the following condition: -

- (i) MIMB should confirm to the SC that Eonmetall has complied with the term and condition of approval and all other relevant requirements in relation to the proposal as stipulated in the Policies and Guidelines on Issue/Offer of Securities.

MIMB on behalf of the company announced that Bursa Securities has, vide its letter dated 25 January 2007 approved-in-principal the following:-

- a) Listing of up to 63,250,000 new ordinary shares of RM0.50 each to be issued pursuant to the Proposed Bonus Issue; and
- b) The transfer of Eonmetall's entire enlarged issued and paid-up share capital of up to RM94, 875,000 comprising up to 189,780,000 ordinary shares of RM0.50 each (after the Proposed Bonus Issue) from the Second Board to the Main Board of Bursa Securities.

The Bonus Issue was approved by the shareholders of the Company at an EGM held on 12 January 2007 and 55,200,500 new shares were issued and allotted pursuant to the Bonus Issue on 14 February 2007.

The entire enlarged issued and paid-up share capital of RM82,800,750 comprising 65,601,500 ordinary shares of RM0.50 each of the Company was transferred from the Second Board to the Main Board of Bursa Malaysia Securities Berhad on 2 March 2007.

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**SELECTED EXPLANATORY NOTES
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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
RM denominated borrowings		
<u>Secured</u>		
Term loans	2,095	14,184
Hire purchases	56	181
	2,151	14,365
<u>Unsecured</u>		
Bank overdrafts	3,952	-
ECR	2,032	-
Bankers' acceptances	45,567	-
	51,551	-
Total RM denominated borrowing	53,702	14,365

23. Foreign Currency Contracts

As at 22 August 2007, 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	2,800	9,633	Different maturity dates up to November 2007

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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**SELECTED EXPLANATORY NOTES
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FOR THE PERIOD ENDED 30 JUNE 2007****24. Changes in material litigation**

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

25. 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 30.06.07	Period to date ended 30.06.07
Net profit (RM'000)	5,368	8,731
Basic :		
Weighted average number of shares in issue ('000)	165,841	165,652
Basic earnings per share (sen)	<u>3.24</u>	<u>5.27</u>
Diluted :		
Weighted average number of shares ('000):		
- In issue	165,841	165,652
- Effect of ESOS	<u>1,219</u>	<u>1,526</u>
	<u>167,060</u>	<u>167,178</u>
Diluted earnings per share (sen)	<u>3.21</u>	<u>5.22</u>

By order of the Board

Dato' Goh Cheng Huat
Group Managing Director

DATED THIS 24th August 2007