

EONMETALL GROUP BERHAD
(Company No. 631617 D)

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2008

	Three Months Ended		Year To Date Ended	
	31-Mar-08	31-Mar-07	31-Mar-08	31-Mar-07
	RM'000	RM'000	RM'000	RM'000
Revenue	<u>35,162</u>	<u>26,287</u>	<u>35,162</u>	<u>26,287</u>
Operating profit	1,207	4,238	1,207	4,238
Interest expense	(612)	(538)	(612)	(538)
Interest income	8	1	8	1
Share of profit of associates	1,251	-	1,251	-
Profit before tax	<u>1,854</u>	<u>3,701</u>	<u>1,854</u>	<u>3,701</u>
Tax expense	46	(338)	46	(338)
Profit after tax	<u>1,900</u>	<u>3,363</u>	<u>1,900</u>	<u>3,363</u>
Attributable to:				
Shareholders of the Company	<u>1,900</u>	<u>3,363</u>	<u>1,900</u>	<u>3,363</u>
Basic earnings per share (sen)	<u>1.11</u>	<u>2.03</u>	<u>1.11</u>	<u>2.03</u>
Diluted earnings per share (sen)	<u>1.10</u>	<u>2.01</u>	<u>1.10</u>	<u>2.01</u>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

EONMETALL GROUP BERHAD
(Company No. 631617 D)

CONDENSED CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2008

	Unaudited At 31 March 2008 RM'000	Audited At 31 December 2007 RM'000
Assets		
Property, plant and equipment	89,236	83,812
Prepaid land lease payments	1,056	1,061
Investment in associates	3,745	2,494
Deferred tax assets	4,286	4,286
Total non-current assets	98,323	91,653
Receivables, deposits and prepayments	43,722	35,991
Inventories	44,852	55,996
Current tax assets	190	288
Cash and cash equivalents	6,656	7,393
Total current assets	95,420	99,668
Total assets	<u>193,743</u>	<u>191,321</u>
Equity		
Share capital	85,583	85,373
Share premium	1,501	1,430
Share option reserve	774	750
Translation reserve	69	69
Statutory reserve	102	102
Retained earnings	32,184	30,284
Total equity attributable to shareholders of the company	<u>120,213</u>	<u>118,008</u>
Minority interest	*	*
Liabilities		
Loans and borrowings	27,301	28,419
Deferred tax liabilities	2,560	2,643
Total non-current liabilities	29,861	31,062
Current liabilities		
Payables and accruals	17,586	18,767
Loans and borrowings	26,083	23,484
Current tax liabilities	-	-
Total current liabilities	43,669	42,251
Total liabilities	<u>73,530</u>	<u>73,313</u>
Total equity and liabilities	<u>193,743</u>	<u>191,321</u>
Net assets per share (RM)	<u>0.70</u>	<u>0.70</u>

Note :

1.* Represents minority interest of RM92.00

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 PERIOD ENDED 31 MARCH 2008**

	Share capital RM'000	Share premium RM'000	Non-distributable			Distributable Retained earnings RM'000	Total equity RM'000	Minority interest RM'000	Total equity RM'000
			Share option reserve RM'000	Statutory reserve RM'000	Translation reserve RM'000				
At 1 January 2007	55,000	9,200	1,020	-	-	36,546	101,766	-	101,766
Effect of adopting FRS 112			-	-	-	4,301	4,301	-	4,301
At 1 January 2007 (restated)	55,000	9,200	1,020	-	-	40,847	106,067	-	106,067
Issue of shares pursuant to ESOS	216	205	-	-	-	-	421	-	421
Bonus issue (1 for 2)	27,600	(9,400)	-	-	-	(18,200)	-	-	-
Profit for the period	-	-	-	-	-	3,363	3,363	-	3,363
Share-based payment	-	-	89	-	-	-	89	-	89
At 31 March 2007	82,816	5	1,109	-	-	26,010	109,940	-	109,940
At 1 January 2008	85,373	1,430	750	102	69	30,284	118,008	*	118,008
Issue of shares pursuant to ESOS	210	71	-	-	-	-	281	-	281
Profit for the period	-	-	-	-	-	1,900	1,900	-	1,900
Share-based payment	-	-	24	-	-	-	24	-	24
At 31 March 2008	85,583	1,501	774	102	69	32,184	120,213	*	120,213

Note :

1.* Represents minority interest of RM92.00

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 31 MARCH 2008

	Three Months Ended	
	31-Mar-08	31-Mar-07
	RM	RM
Cash flows from operating activities		
Profit before tax	1,854	3,701
Adjustments for:		
Depreciation of property, plant and equipment	1,545	1,163
Amortisation of prepaid land lease payments	5	-
Interest expenses	612	538
Interest income	(8)	(1)
Share of profit of associates	(1,251)	-
Loss on disposal of plant and equipment	-	3
Share-based payment	24	89
Operating profit before working capital changes	2,781	5,493
Decrease / (Increase) in :		
Inventories	11,144	(4,438)
Trade and other receivables	(7,731)	(4,243)
Decrease in :		
Trade and other payables	(1,181)	(5,969)
Cash generated from / (used in) operations	5,013	(9,157)
Tax refunded /(paid)	61	(42)
Net cash generated from / (used in) operating activities	5,074	(9,199)
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	-	6
Purchase of property, plant and equipment	(6,969)	(6,973)
Interest received	8	1
Net cash used in investing activities	(6,961)	(6,966)

EONMETALL GROUP BERHAD
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2008

	Three Months Ended	
	31-Mar-08	31-Mar-07
	RM	RM
Cash flows from financing activities		
Short term borrowings, net	2,254	4,011
Drawdown of term loans	-	8,936
Repayment of term loans	(1,103)	(356)
Repayment of hire purchase creditors	(15)	(12)
Proceeds from issue of shares for share option exercised	281	421
Interest paid	(612)	(538)
Net cash generated from financing activities	805	12,462
Net decrease in cash and cash equivalents	(1,082)	(3,703)
Cash and cash equivalents at beginning of period	7,205	4,433
Cash and cash equivalents at end of financial period	6,123	730

Notes:

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

Cash & bank balances	6,573	4,371
Deposits with licensed banks (excluding deposits pledged)	83	80
Bank overdrafts	(533)	(3,721)
	6,123	730

The condensed cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

EONMETALL GROUP BERHAD

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008

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 2007. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

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 2007 except for the adoption of the following Financial Reporting Standards (“FRS”), Amendment to FRS and IC Interpretations issued by MASB that is effective for the Group’s annual financial period commencing 1 January 2008.

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

FRS 139 Financial Instruments : Recognition and Measurement which the effective date has yet to be announced has not been adopted by the Group.

The adoption of the abovementioned FRSs does not result in any significant change in the group’s accounting policies.

3. Auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2007 was not qualified.

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2008**

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

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

a) Issuance of shares

For the current quarter under review, the issued and paid-up share capital was increased from 170,746,000 ordinary shares of RM0.50 each to 171,166,000 ordinary shares of RM0.50 each by issuance of 420,000 new shares pursuant to the exercise of options granted under the Employees' Share Option Scheme at the exercise price of RM0.67 per share as follow:-

- 50,000 ordinary shares allotted on 02 January 2008;
- 226,000 ordinary shares allotted on 17 January 2008;
- 144,000 ordinary shares allotted on 20 February 2008;

8. Dividends paid

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

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008

9. Segment revenue and results

Financial data by business segment for the Group:

	Period ended 31.03.2008	
	Revenue	Operating
	RM'000	profit/(loss)
		RM'000
Machinery and equipment	4,055	(251)
Secondary flat steel and related products	20,694	1,133
IT solutions and automation	7	(112)
Trading activities	10,406	582
Investment holding	-	(145)
	<u>35,162</u>	<u>1,207</u>

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 period

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

The issuance of 5,000 ordinary share of RM0.50 each for cash pursuant to the exercise of Employee Share Option Scheme at the exercise price of RM0.67 per share on 20 May 2008.

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 1 April 2008, the Company announced that its wholly owned subsidiary, Eonmetall Petrol-Chem (M) Sdn Bhd had on the same date, disposed off its entire equity interest of 60 shares of SGD1.00 each, representing 60% of the issued and paid up share capital of Eonmetall Bintai Koyo JV Pte. Ltd. (formerly known as Victorious Builders Pte. Ltd.) for a total cash consideration of SGD60 to an independent party.

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2008**

13. Capital commitments

The capital commitments as at 31 March 2008 were as follows :

	As at 31.03.08 RM'000
Contracted but not provided for	<u>600</u>
Approved but not contracted for	<u>610</u>

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

During the quarter under review, the Group recorded a higher revenue of RM35.2million, representing an increase of RM8.9million (from RM26.3million to RM35.2million) or 34% as compared to the corresponding quarter preceding year. The increase in revenue was attributable by higher demand for secondary flat steel and related products besides trading activity with the Group's associates. Secondary flat steel and related products and trading activities contributed approximately 59% and 30% of the Group's total revenue respectively.

However, the Group's profit before tax ("PBT") showed a decrease by RM1.8 million (from RM3.7 million to RM1.9 million) or 49% as compared to the corresponding financial period in the previous year. The substantial drop in Group's PBT was mainly due 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 by RM6.6 million (from RM10.7 million to RM4.1 million) compared to the corresponding quarter preceding year. The drop in the Group's PBT is also due to new factory CAPEX investment, depreciation increased by 33% to RM1.5 million for the current quarter under review.

There were no material factors affecting the earnings and/ or revenue of the Group for the current quarter under review except for share of profit of associates which constitute approximately 67% of the Group's PBT.

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2008**

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

The Group’s profit before tax increased by RM3.4 million (from loss before tax of RM1.5million to profit before tax of RM1.9 million), 227% as compared to the preceding quarter. The Group would show a drop in profit before tax of RM3.0million (from RM4.9million excluding allowance for doubtful debts to RM1.9million) as explained in the table below due to the lower sales of machinery and equipment in the current quarter which generally yielded a higher profit margin than other segment of business. Share of profit from associates in Dubai, United Arab Emirates showed an encouraging growth of 18% to RM1.3million as compared to RM1.1million in the preceding quarter.

	3 months ended 31.03.08 RM 000	3 months ended 31.12.2007 RM 000
Profit before tax before allowance for doubtful debts	1,854	4,876
Less : Allowance for doubtful debts	-	(6,362)
Profit /(Loss) before tax	<u>1,854</u>	<u>(1,486)</u>

16. Commentary of Prospects

Barring any unforeseen circumstances, the Board of Directors of Eonmetall anticipates the performance of the group for the financial year 2008 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.

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2008****18. Taxation**

	3 months ended 31.03.08 RM'000	Peiod to date ended 31.03.08 RM'000
Current tax expense	(36)	(36)
Deferred tax expense	82	82
	46	46

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.

20. Quoted investments

There were no material purchases or disposals of quoted investment during the current quarter and financial period-to-date.

21. Status of corporate proposal announced

There are no corporate proposals announced but not completed as at the date of this announcement.

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
RM denominated borrowings		
<u>Secured</u>		
Term loans	4,421	27,173
Hire purchases	63	128
	4,484	27,301
<u>Unsecured</u>		
Bank overdrafts	533	-
Foreign currency loans	1,951	-
Bankers' acceptances	19,115	-
	21,599	-
Total RM denominated borrowing	26,083	27,301

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2008**

23. Foreign Currency Contracts

As at 29 May 2008, 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>
USD	1,658	5,249	Different maturity dates up to April 2009
EURO	24	119	Maturing in June 2008

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.

24. Changes in material litigation

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

25. Dividends

The Board of Eonmetall had on 29 February 2008 recommended a first and final dividend of 5% tax exempt in respect of the financial year ended 31 December 2007 which was approved by the shareholders at Annual General Meeting on 29 May 2008. The first and final dividend will be paid on 30 June 2008 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 9 June 2008.

The Board of Directors does not recommend any interim dividend for the current quarter ended 31 March 2008 (1st quarter 2007 : Nil).

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2008****26. 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 31.03.08	Period to date ended 31.03.08
Net profit (RM'000)	1,900	1,900
Basic :		
Weighted average number of shares in issue ('000)	171,047	171,047
Basic earnings per share (sen)	<u>1.11</u>	<u>1.11</u>
Diluted :		
Weighted average number of shares ('000):		
- In issue	171,047	171,047
- Effect of ESOS	2,291	2,291
	<u>173,338</u>	<u>173,338</u>
Diluted earnings per share (sen)	<u>1.10</u>	<u>1.10</u>

By order of the Board

Dato' Goh Cheng Huat
Group Managing Director

DATED THIS 29th May 2008