

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad (“**Bursa Securities**”) takes no responsibility for the contents of this Circular (including the valuation certificate and report), makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. Bursa Securities has not perused the contents of this Circular in relation to the Proposed Exemptions (as defined herein).

The Securities Commission Malaysia (“**SC**”) had on 5 December 2025 notified that it has no further comments on the contents of this Circular and independent advice letter (“**IAL**”) in relation to the Proposed Exemptions. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the independent adviser or assumes responsibility for the correctness of any statements made, opinions expressed or reports contained in this Circular as well as the IAL. The SC takes no responsibility for the contents of this Circular as well as the IAL, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or part of the contents of this Circular as well as the IAL.



EURO HOLDINGS BERHAD
(Registration No. 200401008055 (646559-T))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

 **TA SECURITIES**
AN UNWAVERING COMMITMENT
TA SECURITIES HOLDINGS BERHAD
(Registration No.: 197301001467 (14948-M))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B


DWA
advisory
DWA ADVISORY SDN BHD
(Registration No. 201301002419 (1032257-D))

The Notice of Extraordinary General Meeting (“**EGM**”) and the Form of Proxy are enclosed at the end of this Circular. The EGM will be held as follows:

Venue of the EGM	:	Level 1, Room 3 of the Supreme Hotel Melaka at 25, Jalan Kota Laksamana 2/15, Taman Kota Laksamana, 75200 Melaka
Date and time of the EGM	:	Wednesday, 31 December 2025 at 10:00 a.m.
Last date and time for lodging the Form of Proxy	:	Monday, 29 December 2025 at 10:00 a.m.

As a shareholder who is entitled to attend and vote at the EGM, you are entitled to appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, the Form of Proxy must be deposited with our Company’s Share Registrar, Aldpro Corporate Services Sdn Bhd at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia or alternatively, the Form of Proxy must be received either via electronically at admin@aldpro.com.my or via facsimile at 03-2201 7774 not less than forty-eight (48) hours before the time appointed for holding of the EGM or at any adjournment thereof. The Form of Proxy once deposited will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, the Form of Proxy shall be deemed to have been revoked.

This Circular is dated 16 December 2025

CIRCULAR TO SHAREHOLDERS IN RELATION TO:

PART A

- (I) PROPOSED ACQUISITION BY EUROSTEEL LINE SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF EURO HOLDINGS BERHAD (“EURO” OR “COMPANY”), OF A PARCEL OF LEASEHOLD INDUSTRIAL LAND HELD UNDER PN 65466, LOT 20111, MUKIM OF CHENG, DISTRICT OF MELAKA TENGAH, STATE OF MELAKA, TOGETHER WITH 4 BLOCKS OF INDUSTRIAL BUILDINGS ERECTED THEREON FROM SUPREME POWER AUTO SDN BHD (“SPASB” OR THE “VENDOR”) FOR A PURCHASE CONSIDERATION OF RM56.00 MILLION TO BE SATISFIED VIA A COMBINATION OF CASH OF RM38.00 MILLION AND ISSUANCE OF 400,000,000 NEW ORDINARY SHARES IN EURO (“EURO SHARES” OR “SHARES”) (“CONSIDERATION SHARES”) AT AN ISSUE PRICE OF RM0.045 PER CONSIDERATION SHARE (“PROPOSED ACQUISITION”);**
- (II) PROPOSED SETTLEMENT OF DEBTS OWING TO DATO’ SRI LIM TECK BOON (“DATO’ SRI LIM”), IMPONOTIVE AUTO SDN BHD, SPASB AND SUPREME POWER PERFORMANCE (M) SDN BHD AMOUNTING TO RM25,344,446 TO BE SATISFIED ENTIRELY VIA THE ISSUANCE OF 563,209,911 NEW SHARES (“SETTLEMENT SHARES”) AT AN ISSUE PRICE OF RM0.045 PER SETTLEMENT SHARE (“PROPOSED DEBT SETTLEMENT”);**
- (III) PROPOSED PRIVATE PLACEMENT OF UP TO 331,991,700 NEW SHARES, REPRESENTING UP TO 25% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES, IF ANY) AT AN ISSUE PRICE TO BE DETERMINED LATER (“PROPOSED PRIVATE PLACEMENT”);**
- (IV) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 2,623,168,711 NEW SHARES (“RIGHTS SHARES”) ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 1 EXISTING SHARE HELD ON AN ENTITLEMENT DATE AND AT AN ISSUE PRICE TO BE DETERMINED LATER (“PROPOSED RIGHTS ISSUE”);**
- (V) PROPOSED EXEMPTION TO DATO’ SRI LIM AND THE PERSONS ACTING IN CONCERT (“PACS”) WITH HIM FROM THE OBLIGATION TO UNDERTAKE A MANDATORY OFFER FOR THE REMAINING SHARES NOT ALREADY OWNED BY THEM (“MANDATORY OFFER”) UPON COMPLETION OF THE PROPOSED ACQUISITION PURSUANT TO SUBPARAGRAPH 4.08(1)(A) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS ISSUED BY THE SC (“RULES”) (“PROPOSED EXEMPTION 1”);**
- (VI) PROPOSED EXEMPTION TO DATO’ SRI LIM AND HIS PACS FROM THE OBLIGATION TO UNDERTAKE A MANDATORY OFFER UPON COMPLETION OF THE PROPOSED DEBT SETTLEMENT PURSUANT TO SUBPARAGRAPH 4.08(1)(B) OF THE RULES (“PROPOSED EXEMPTION 2”); AND**
- (VII) PROPOSED EXEMPTION TO DATO’ SRI LIM AND HIS PACS FROM THE OBLIGATION TO UNDERTAKE A MANDATORY OFFER UPON COMPLETION OF THE PROPOSED RIGHTS ISSUE PURSUANT TO SUBPARAGRAPH 4.08(1)(B) OF THE RULES (“PROPOSED EXEMPTION 3”)**

(THE PROPOSED EXEMPTION 1, PROPOSED EXEMPTION 2 AND PROPOSED EXEMPTION 3 ARE COLLECTIVELY REFERRED TO AS THE “PROPOSED EXEMPTIONS”)

(THE PROPOSED ACQUISITION, PROPOSED DEBT SETTLEMENT, PROPOSED PRIVATE PLACEMENT, PROPOSED RIGHTS ISSUE AND PROPOSED EXEMPTIONS ARE COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

PART B

INDEPENDENT ADVICE LETTER FROM DWA ADVISORY SDN BHD TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF EURO IN RELATION TO THE PROPOSED ACQUISITION, PROPOSED DEBT SETTLEMENT AND PROPOSED EXEMPTIONS

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

“18M-FPE”	:	18-month financial period ended
“3M-FPE”	:	3-month financial period ended
“Act”	:	Companies Act 2016
“Advances”	:	Financial support amounting to RM28,863,057 received by the Borrowers from the Lenders in the form of cash advances, commencing from 1 July 2023 until 31 December 2024
“Board”	:	Board of Directors of our Company
“Borrowers”	:	Collectively, our Company, Euro Space Industries, Euro Chairs, Euro Space System and ELSB
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“Circular”	:	This circular to shareholders of our Company dated 16 December 2025 in relation to the Proposals
“CMSA”	:	Capital Markets and Services Act 2007
“Code”	:	Malaysian Code on Take-Overs and Mergers 2016
“Consideration Shares”	:	400,000,000 new EURO Shares to be issued to Dato’ Sri Lim at an issue price of RM0.045 per Consideration Share pursuant to the Proposed Acquisition
“Constitution”	:	Constitution of our Company
“Dato’ Sri Lim”	:	Dato’ Sri Lim Teck Boon, who is a shareholder of EURO and person connected with Datin Sri Ong Lely and Datuk Lim
“Datuk Lim”	:	Datuk Lim Sze Way, who is the Group Deputy Managing Director of EURO
“Debts”	:	Debts amounting to RM25,344,446 owing to the Lenders
“Deposit”	:	A sum of RM1,680,000.00 which is equivalent to 3% of the Purchase Consideration, to be paid in cash, being the deposit payment as set out in the SPA
“Director”	:	The director of our Company and shall have the meaning given in subsection 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisition and Proposed Debt Settlement were agreed upon: (i) a director of our Company, our subsidiaries or holding company; and (ii) a chief executive of our Company, our subsidiaries or holding company

DEFINITIONS (CONT'D)

“DWA Advisory” or “Independent Adviser”	:	DWA Advisory Sdn Bhd (Registration No. 201301002419 (1032257-D))
“EGM”	:	Extraordinary general meeting of our Company
“ELSB”	:	Eurosteel Line Sdn Bhd (Registration No. 201001005669 (890287-M)), a wholly-owned subsidiary of our Company
“Entitled Shareholders”	:	Shareholders whose names appear in the Record of Depositors of our Company as at 5.00 p.m. on the Entitlement Date
“Entitlement Date”	:	The date to be determined by our Board and announced later by our Company, on which the names of the shareholders must appear in our Company’s Record of Depositors as at 5.00 p.m. on that date in order to be entitled for the Proposed Rights Issue
“EPS”	:	Earnings per Share
“EURO” or “Company”	:	EURO Holdings Berhad (Registration No. 200401008055 (646559-T))
“Euro Chairs”	:	Euro Chairs Manufacturer (M) Sdn Bhd (Registration No. 198701006250 (164921-X)), a wholly-owned subsidiary of our Company
“EURO Group” or “Group”	:	Collectively, our Company and our subsidiaries
“EURO Shares” or “Shares”	:	Ordinary shares in our Company
“Euro Space Industries”	:	Euro Space Industries (M) Sdn Bhd (Registration No. 198301010110 (105420-W)), a wholly-owned subsidiary of our Company
“Euro Space System”	:	Euro Space System Sdn Bhd (Registration No. 199601005874 (378220-D)), a wholly-owned subsidiary of our Company
“FYE(s)”	:	Financial year ended/ending, as the case may be
“IAL”	:	Independent advice letter issued by DWA Advisory in respect of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions as set out in Part B of this Circular
“IASB”	:	Imponotive Auto Sdn Bhd (Registration No. 200301011490 (613910-U)), which is 99.00%-owned by Dato’ Sri Lim (a shareholder of EURO and person connected with Datin Sri Ong Lely and Datuk Lim)
“Interested Directors”	:	Collectively, Datin Sri Ong Lely and Datuk Lim, who have interests in the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions as set out in Section 19 of Part A of this Circular
“Interested Major Shareholders”	:	Collectively, Dato’ Sri Lim, Datin Sri Ong Lely, Datin Chooi Moi and S.P.A. Furniture
“LAT”	:	Loss after tax attributable to the owners of our Company
“Lenders”	:	Collectively, Dato’ Sri Lim, IASB, SPASB and SPPSB

DEFINITIONS (*CONT'D*)

“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	8 December 2025, being the latest practicable date prior to the date of this Circular
“LPS”	:	Losses per Share
“LTD”	:	5 March 2025, being the last trading day prior to the date of the SPA and the Settlement Agreement
“Major Shareholder”	:	Any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisition and Proposed Debt Settlement were agreed upon a shareholder with a shareholding of 10.00% or more (or 5.00% or more where such person is the largest shareholder of our Company) in our Company or any other company which is our subsidiary or holding company
“Mandatory Offer”	:	The mandatory offer for the remaining EURO Shares not already owned by Dato’ Sri Lim and his PACs
“Maximum Scenario”	:	Up to 2,623,168,711 Rights Shares to be issued, based on the following: <ul style="list-style-type: none">(i) the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue; and(ii) subscription by the Undertaking Shareholders pursuant to the Undertakings, and all other Entitled Shareholders subscribe in full for their entitlements under the Proposed Rights Issue.
“Minimum Scenario”	:	1,473,837,611 Rights Shares to be issued, based on the following: <ul style="list-style-type: none">(i) the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue; and(ii) subscription by the Undertaking Shareholders pursuant to the Undertakings, and no other Entitled Shareholders subscribe for their entitlements under the Proposed Rights Issue.
“NA”	:	Net assets attributable to the owners of our Company
“Only Private Placement and Rights Issue Scenario”	:	1,473,837,611 Rights Shares to be issued, based on the following: <ul style="list-style-type: none">(i) none of the Proposed Acquisition and Proposed Debt Settlement are implemented/completed prior to the implementation of the Proposed Rights Issue;(ii) the Proposed Private Placement is completed prior to the implementation of the Proposed Rights Issue; and(iii) subscription by the Undertaking Shareholders pursuant to the Undertakings, and no other Entitled Shareholders subscribe for their entitlements under the Proposed Rights Issue.
“PACs”	:	Persons acting in concert with Dato’ Sri Lim, namely Datin Sri Ong Lely, Datin Chooi Moi, Datuk Lim, S.P.A. Furniture and PH Performance, pursuant to paragraph 216(3)(h) and subsection 216(2) of the CMSA (as the case may be)

DEFINITIONS (*CONT'D*)

“PH Performance”	:	PH Performance (M) Sdn Bhd (Registration No. 200701007172 (765173-A))
“Placee(s)”	:	Independent third-party investor(s) who qualify under Schedules 6 and 7 of the CMSA
“Placement Shares”	:	Up to 331,991,700 new Shares to be issued pursuant to the Proposed Private Placement
“Proposals”	:	Collectively, the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement, Proposed Rights Issue and Proposed Exemptions
“Proposed Acquisition”	:	Proposed acquisition by ELSB of the Subject Property from the Vendor for the Purchase Consideration to be satisfied via a combination of cash of RM38.00 million and issuance of 400,000,000 Consideration Shares at an issue price of RM0.045 per Consideration Share
“Proposed Debt Settlement”	:	Proposed settlement of debts owing to the Lenders amounting to RM25,344,446 to be satisfied entirely via the issuance of 563,209,911 Settlement Shares at an issue price of RM0.045 per Settlement Share
“Proposed Exemptions”	:	Collectively, the Proposed Exemption 1, Proposed Exemption 2 and Proposed Exemption 3
“Proposed Exemption 1”	:	Proposed exemption to Dato’ Sri Lim and his PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Acquisition pursuant to subparagraph 4.08(1)(a) of the Rules
“Proposed Exemption 2”	:	Proposed exemption to Dato’ Sri Lim and his PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Debt Settlement pursuant to subparagraph 4.08(1)(b) of the Rules
“Proposed Exemption 3”	:	Proposed exemption to Dato’ Sri Lim and his PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Rights Issue pursuant to subparagraph 4.08(1)(b) of the Rules
“Proposed Private Placement”	:	Proposed private placement of up to 331,991,700 Placement Shares, representing up to 25% of the total number of issued Shares (excluding treasury shares, if any) at an issue price with a discount of not more than 15% to the 5-day VWAP of EURO Shares immediately preceding the price-fixing date(s) to be determined later
“Proposed Rights Issue”	:	Proposed renounceable rights issue of up to 2,623,168,711 Rights Shares on the basis of 1 Rights Share for every 1 existing Share held on the Entitlement Date and at an issue price with a discount of not more than 20% to the TERP of EURO Shares immediately preceding the price-fixing date to be determined later
“Purchase Consideration”	:	Purchase consideration of RM56.00 million pursuant to the Proposed Acquisition
“Record of Depositors”	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository

DEFINITIONS (CONT'D)

“Rights Shares”	:	Up to 2,623,168,711 new Shares to be issued pursuant to the Proposed Rights Issue
“Rules”	:	Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC
“SC”	:	Securities Commission Malaysia
“Settlement Agreement”	:	The settlement agreement dated 6 March 2025 entered between the Borrowers and the Lenders for the Proposed Debt Settlement
“Settlement Shares”	:	563,209,911 new Shares at an issue price of RM0.045 to be issued pursuant to the Proposed Debt Settlement
“Settlement Sum”	:	Settlement sum of RM25,344,446 pursuant to the Proposed Debt Settlement
“S.P.A. Furniture”	:	S.P.A. Furniture (M) Sdn Bhd (Registration No. 201001014830 (899066-A)), which is 50.00%-owned by Datin Sri Ong Lely and 50.00%-owned by Datin Chooi Moi
“SPA”	:	The conditional sale and purchase agreement dated 6 March 2025 entered between ELSB and SPASB for the Proposed Acquisition
“SPASB” or “Vendor”	:	Supreme Power Auto Sdn Bhd (Registration No. 200401030935 (669443-U)), which is approximately 100.00%-owned by Dato’ Sri Lim and less than 0.01%-owned by Lim Jen Jin
“SPPSB”	:	Supreme Power Performance (M) Sdn Bhd (Registration No. 200601038054 (757814-U)), which is 95.31%-owned by Dato’ Sri Lim and 4.69%-owned by Datuk Yong Thien Wiew
“sq. ft.”	:	Square feet
“Subject Property”	:	A parcel of leasehold industrial land held under PN 65466, Lot 20111, Mukim of Cheng, District of Melaka Tengah, State of Melaka, together with 4 blocks of industrial buildings erected thereon
“TA Securities” or “Principal Adviser”	:	TA Securities Holdings Berhad (Registration No. 197301001467 (14948-M))
“TERP”	:	Theoretical ex-rights price
“Unconditional Date”	:	The date on which the conditions precedent of the SPA set out in Clause 3.1 of Appendix I of this Circular are all fulfilled
“Undertakings”	:	Unconditional and irrevocable written undertakings dated 6 March 2025 from the Undertaking Shareholders in respect of the Proposed Rights Issue
“Undertaking Shareholders”	:	Collectively, Dato’ Sri Lim, PH Performance, S.P.A. Furniture and Datuk Lim
“Valuer” or “Laurelcap”	:	Laurelcap Sdn Bhd (Registration No. 200801005326 (806610-U))
“VWAP”	:	Volume weighted average market price
“WACC”	:	Weighted average cost of capital

DEFINITIONS (*CONT'D*)

CURRENCY

“RM” and “sen” : Ringgit Malaysia and sen

All references to “we”, “us”, “our” and “ourselves” in this Circular, if any, shall mean EURO or where the context requires, our Group.

References to “you” or “your” are to the shareholders of our Company, unless the context otherwise requires.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations, enactments or rules of the stock exchange is a reference to such statutes, rules, regulations, enactments or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time of day and date, unless otherwise stated.

Any discrepancy in the figures included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Group’s plans and objectives will be achieved.

[The rest of this page has been intentionally left blank]

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY SETS OUT THE SALIENT INFORMATION ON THE PROPOSALS. PLEASE READ THIS CIRCULAR (INCLUDING ITS APPENDICES AND THE INDEPENDENT ADVICE LETTER FROM DWA ADVISORY CONTAINED HEREIN) CAREFULLY FOR FURTHER DETAILS ON THE PROPOSALS BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

Summary of the Proposals	<p>(i) Proposed Acquisition</p> <p>The Proposed Acquisition entails the acquisition of the Subject Property by ELSB from the Vendor for the Purchase Consideration to be satisfied via a combination of cash of RM38.00 million and issuance of Consideration Shares at an issue price of RM0.045 per Consideration Share, subject to the terms and conditions set forth in the SPA, the salient terms of which are set out in Appendix I of this Circular.</p> <p>The Vendor has nominated Dato' Sri Lim to receive all the Consideration Shares to be issued pursuant to the Proposed Acquisition.</p> <p>Please refer to Section 2 of Part A of this Circular for further information.</p> <p>(ii) Proposed Debt Settlement</p> <p>On 6 March 2025, the Borrowers had entered into the Settlement Agreement with the Lenders to settle an agreed settlement sum of RM25,344,446 via the issuance of Settlement Shares to Dato' Sri Lim (who is the sole nominee appointed by IASB, SPASB and SPPSB to receive and accept the Settlement Shares at an issue price of RM0.045 each, subject to the terms and conditions set forth in the Settlement Agreement, the salient terms of which are set out in Appendix II of this Circular). For the avoidance of doubt, the Settlement Shares to be issued to Dato' Sri Lim will be owned by him upon issuance and will not be held on behalf of IASB, SPASB and SPPSB. Dato' Sri Lim is the controlling shareholder of IASB, SPASB and SPPSB with equity interest of approximately 99.00%, 100.00% and 95.31% respectively.</p> <p>Please refer to Section 3 of Part A of this Circular for further information.</p> <p>(iii) Proposed Private Placement</p> <p>The Proposed Private Placement entails the issuance of Placement Shares, representing up to 25% of the total number of issued Shares (excluding treasury shares, if any) as at the LPD to the Placee(s) to be identified at a later date.</p> <p>Please refer to Section 4 of Part A of this Circular for further information.</p> <p>(iv) Proposed Rights Issue</p> <p>The Proposed Rights Issue, which is to be undertaken on a renounceable basis, entails the issuance of Rights Shares, at an issue price to be determined and announced later by our Board, on the basis of 1 Rights Share for every 1 existing Share held by the Entitled Shareholders.</p> <p>Please refer to Section 5 of Part A of this Circular for further information.</p> <p>It is the intention of our Company to implement the Proposals in the following order:</p> <ul style="list-style-type: none">(i) the Proposed Acquisition and Proposed Debt Settlement concurrently;(ii) the Proposed Private Placement after the completion of the Proposed Acquisition and Proposed Debt Settlement; and
---------------------------------	---

EXECUTIVE SUMMARY (CONT'D)

(iii) the Proposed Rights Issue after the completion of the Proposed Private Placement.

(v) Proposed Exemption 1

Dato' Sri Lim will be receiving the Consideration Shares. In this regard, the shareholdings of Dato' Sri Lim and his PACs upon completion of the Proposed Acquisition will be as follows:

Name	As at the LPD		After the Proposed Acquisition	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Dato' Sri Lim	1,783,500	0.13	401,783,500	23.25
Datin Sri Ong Lely	-	-	-	-
Datin Chooi Moi	-	-	-	-
Datuk Lim	-	-	-	-
S.P.A. Furniture	508,559,200	38.30	508,559,200	29.43
PH Performance	285,000	0.02	285,000	0.02
Total	510,627,700	38.45	910,627,700	52.70

Notes:

(1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.

(2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.

Upon implementation of the Proposed Acquisition, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 38.45% as at the LPD to 52.70% upon the issuance of the Consideration Shares to Dato' Sri Lim, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs pursuant to subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules.

As it is not the intention of Dato' Sri Lim and his PACs to undertake such Mandatory Offer, Dato' Sri Lim and his PACs intend to submit an application to seek the SC's approval for the Proposed Exemption 1, subject to approval being obtained from the non-interested shareholders of our Company for the same at the forthcoming EGM.

Please refer to **Section 6.1** of Part A of this Circular for further information.

(vi) Proposed Exemption 2

Scenario 1(A) – Assuming the Proposed Acquisition is not implemented (i.e. only Proposed Debt Settlement is implemented)

Name	As at the LPD		After the Proposed Debt Settlement	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Dato' Sri Lim	1,783,500	0.13	564,993,411	29.88
Datin Sri Ong Lely	-	-	-	-
Datin Chooi Moi	-	-	-	-
Datuk Lim	-	-	-	-
S.P.A. Furniture	508,559,200	38.30	508,559,200	26.89
PH Performance	285,000	0.02	285,000	0.02
Total	510,627,700	38.45	1,073,837,611	56.78

EXECUTIVE SUMMARY (CONT'D)

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,891,177,011 after the Proposed Debt Settlement.

Scenario 1(B) – Assuming the Proposed Acquisition is implemented (i.e. both Proposed Acquisition and Proposed Debt Settlement are implemented)

	(I)		(II)		(III)	
	As at the LPD		After the Proposed Acquisition		After (II) and the Proposed Debt Settlement	
Name	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾
Dato' Sri Lim	1,783,500	0.13	401,783,500	23.25	964,993,411	42.12
Datin Sri Ong Lely	-	-	-	0.00	-	-
Datin Chooi Moi	-	-	-	0.00	-	-
Datuk Lim	-	-	-	0.00	-	-
S.P.A. Furniture	508,559,200	38.30	508,559,200	29.43	508,559,200	22.20
PH Performance	285,000	0.02	285,000	0.02	285,000	0.01
Total	510,627,700	38.45	910,627,700	52.70	1,473,837,611	64.33

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.
- (3) Computed based on total number of issued Shares of 2,291,177,011 after the Proposed Acquisition and Proposed Debt Settlement.

Upon completion of the Proposed Debt Settlement:

- (i) if the Proposed Acquisition is implemented, the individual shareholding of Dato' Sri Lim in our Company is expected to increase from 23.25% after the Proposed Acquisition to 42.12% upon issuance of the Settlement Shares to Dato' Sri Lim, i.e. increase to more than 33%, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules; and
- (ii) if the Proposed Acquisition is not implemented, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 38.45% as at the LPD to 56.78% upon issuance of the Settlement Shares to Dato' Sri Lim, i.e. increase by more than 2% within a 6-month period, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules.

As it is not the intention of Dato' Sri Lim and his PACs to undertake such Mandatory Offer, Dato' Sri Lim and his PACs intend to submit an application to seek the SC's approval for the Proposed Exemption 2, subject to approval being obtained from the non-interested shareholders of our Company for the same at the forthcoming EGM.

Please refer to **Section 6.2** of Part A of this Circular for further information.

EXECUTIVE SUMMARY (CONT'D)

(vii) Proposed Exemption 3

The tables below illustrate the maximum potential shareholding of Dato' Sri Lim and his PACs in EURO based on the possible scenarios of implementation of the Proposed Rights Issue.

Scenario 2(A) – Assuming only the Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented

Name	(I)		(II)		(III)	
	As at the LPD		After the Proposed Private Placement		After (II) and the Proposed Rights Issue*	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾
Dato' Sri Lim	1,783,500	0.13	1,783,500	0.11	243,031,854	7.75
Datin Sri Ong Lely	-	-	-	-	-	-
Datin Chooi Moi	-	-	-	-	-	-
Datuk Lim	-	-	-	-	482,496,705	15.40
S.P.A. Furniture	508,559,200	38.30	508,559,200	30.63	1,017,118,400	32.45
PH Performance	285,000	0.02	285,000	0.02	241,818,352	7.72
Total	510,627,700	38.45	510,627,700	30.76	1,984,465,311	63.32

Notes:

* Assuming subscription by Dato' Sri Lim, PH Performance, S.P.A. Furniture and Datuk Lim pursuant to the Undertakings.

(1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.

(2) Computed based on the total number of issued Shares of 1,659,958,800 after the Proposed Private Placement.

(3) Computed based on the total number of issued Shares of 3,133,796,411 after the Proposed Private Placement and Proposed Rights Issue.

EXECUTIVE SUMMARY (CONT'D)

Scenario 2(B) – Assuming only the Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented						
Name	(I)		(II)		(III)	
	As at the LPD		After the Proposed Acquisition		After (II) and the Proposed Private Placement	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾
Dato' Sri Lim	1,783,500	0.13	401,783,500	23.25	401,783,500	19.51
Datin Sri Ong Lely	-	-	-	-	-	-
Datin Chooi Moi	-	-	-	-	-	-
Datuk Lim	-	-	-	-	-	-
S.P.A. Furniture	508,559,200	38.30	508,559,200	29.43	508,559,200	24.69
PH Performance	285,000	0.02	285,000	0.02	285,000	0.01
Total	510,627,700	38.45	910,627,700	52.70	910,627,700	44.21
					2,384,465,311	67.48

Notes:

* Assuming subscription by Dato' Sri Lim, PH Performance, S.P.A. Furniture and Datuk Lim pursuant to the Undertakings.

(1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.

(2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.

(3) Computed based on total number of issued Shares of 2,059,958,800 after the Proposed Acquisition and Proposed Private Placement.

(4) Computed based on total number of issued Shares of 3,533,796,411 after the Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue.

EXECUTIVE SUMMARY (CONT'D)

Scenario 2(C) – Assuming only the Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented								
Name	(I) As at the LPD		(II) After the Proposed Debt Settlement		(III) After (II) and the Proposed Private Placement		(IV) After (III) and the Proposed Rights Issues*	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾
Dato’ Sri Lim	1,783,500	0.13	564,993,411	29.88	564,993,411	25.41	806,241,765	21.81
Datin Sri Ong Lely	-	-	-	-	-	-	-	-
Datin Chooi Moi	-	-	-	-	-	-	-	-
Datuk Lim	-	-	-	-	-	-	482,496,705	13.05
S.P.A. Furniture	508,559,200	38.30	508,559,200	26.89	508,559,200	22.88	1,017,118,400	27.51
PH Performance	285,000	0.02	285,000	0.02	285,000	0.01	241,818,352	6.54
Total	510,627,700	38.45	1,073,837,611	56.78	1,073,837,611	48.30	2,547,675,222	68.91

Notes:

* Assuming subscription by Dato' Sri Lim, PH Performance, S.P.A. Furniture and Datuk Lim pursuant to the Undertakings.

(1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.

(2) Computed based on total number of issued Shares of 1,891,177,011 after the Proposed Debt Settlement.

(3) Computed based on total number of issued Shares of 2,223,168,711 after the Proposed Debt Settlement and Proposed Private Placement.

(4) Computed based on total number of issued Shares of 3,697,006,322 after the Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue.

EXECUTIVE SUMMARY (CONT'D)

Scenario 2(D) – Assuming the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented										
Name	(I)		(II)		(III)		(IV)		(V)	
	As at the LPD		After the Proposed Acquisition		After (II) and the Proposed Debt Settlement		After (III) and the Proposed Private Placement		After (IV) and the Proposed Rights Issue*	
No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁵⁾	
Dato’ Sri Lim	1,783,500	0.13	401,783,500	23.25	964,993,411	42.12	964,993,411	36.79	1,206,241,765	29.44
Datin Sri Ong Lely	-	-	-	-	-	-	-	-	-	-
Datin Chooi Moi	-	-	-	-	-	-	-	-	-	-
Datuk Lim	-	-	-	-	-	-	-	-	482,496,705	11.78
S.P.A. Furniture	508,559,200	38.30	508,559,200	29.43	508,559,200	22.20	508,559,200	19.39	1,017,118,400	24.83
PH Performance	285,000	0.02	285,000	0.02	285,000	0.01	285,000	0.01	241,818,352	5.90
Total	510,627,700	38.45	910,627,700	52.70	1,473,837,611	64.33	1,473,837,611	56.19	2,947,675,222	71.95

Notes:

* Assuming subscription by Dato' Sri Lim, PH Performance, S.P.A. Furniture and Datuk Lim pursuant to the Undertakings.

(1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.

(2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.

(3) Computed based on total number of issued Shares of 2,291,177,011 after the Proposed Acquisition and Proposed Debt Settlement.

(4) Computed based on total number of issued Shares of 2,623,168,711 after the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement.

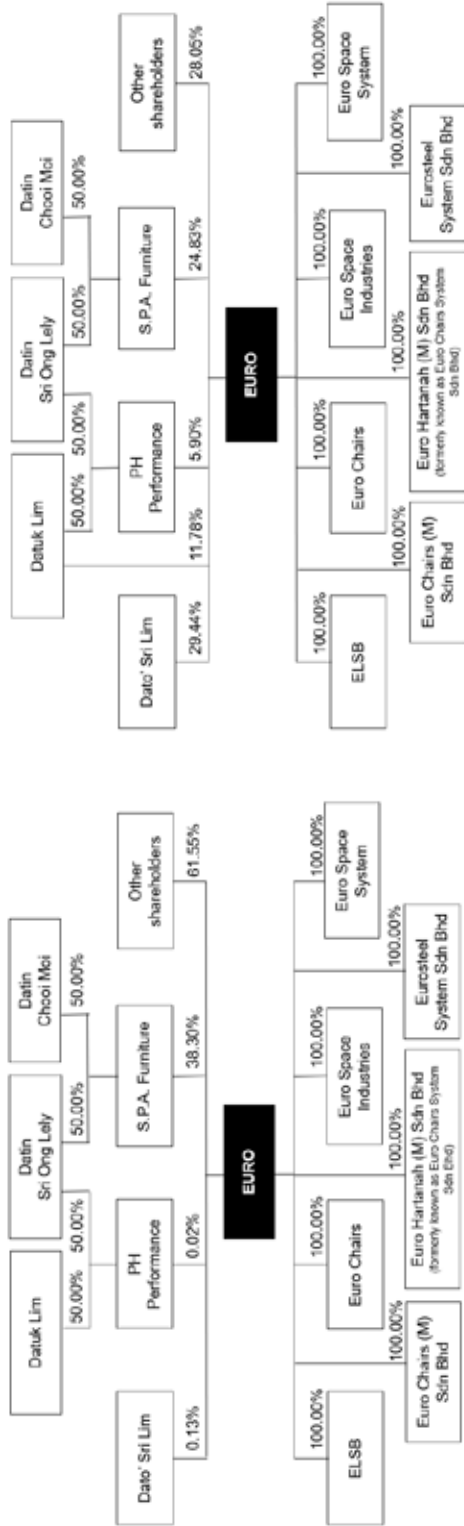
(5) Computed based on total number of issued Shares of 4,097,006,322 after the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue.

EXECUTIVE SUMMARY (CONT'D)

The diagrams below illustrate the changes of shareholding structure of EURO for the maximum shareholding scenario of Dato' Sri Lim and his PACs in EURO (i.e. Scenario 2(D), assuming the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented):

**After the Proposed Acquisition, Proposed Debt Settlement,
Proposed Private Placement and Proposed Rights Issue (only
Undertaking Shareholders subscribed to the Rights Shares
pursuant to the Undertakings)**

As at the LPD



[The rest of this page has been intentionally left blank]

EXECUTIVE SUMMARY (CONT'D)

	<p>Upon implementation of the Proposed Rights Issue, assuming only the Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings:</p> <ul style="list-style-type: none">(i) if only the Proposed Private Placement and Proposed Rights Issue are implemented, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 30.76% upon the completion of the Proposed Private Placement to 63.32% upon issuance of the Rights Shares, i.e. increase to more than 33%, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules;(ii) if only the Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue are implemented, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 44.21% upon the completion of the Proposed Private Placement to 67.48% upon issuance of the Rights Shares, i.e. increase by more than 2% within a 6-month period, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules; and(iii) if only the Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue are implemented, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 48.30% upon completion of the Proposed Private Placement to 68.91% upon issuance of the Rights Shares, i.e. increase by more than 2% within a 6-month period, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules. <p>As it is not the intention of Dato' Sri Lim and his PACs to undertake such Mandatory Offer, Dato' Sri Lim and his PACs intend to submit an application to seek the SC's approval for the Proposed Exemption 3, subject to the approval being obtained from the non-interested shareholders of our Company for the Proposed Exemption 3 and the Proposed Private Placement, as the case may be, at the forthcoming EGM.</p> <p>Please refer to Section 6.3 of Part A of this Circular for further information.</p>
--	---

[The rest of this page has been intentionally left blank]

EXECUTIVE SUMMARY (CONT'D)

Utilisation of proceeds	The Proposed Private Placement will raise gross proceeds of up to approximately RM14.94 million (based on the indicative issue price of the Placement Shares of RM0.045) to meet our Group’s day-to-day working capital requirements for our existing businesses for up to 24 months from the date of completion of the Proposed Private Placement.				
	The Proposed Rights Issue will raise gross proceeds of up to approximately RM104.93 million (based on the indicative issue price of the Rights Shares of RM0.040) to be utilised by our Group in the following manner:				
		Minimum Scenario	Only Private Placement and Rights Issue Scenario	Maximum Scenario	Estimated timeframe for utilisation of proceeds
		RM’000	RM’000	RM’000	
	Proposed Rights Issue				
	• Cash payment for the balance Purchase Consideration	36,320	-	36,320	Within 12 months
	• Working capital	11,084	47,404	52,057	Within 36 months
	• Capital expenditures on existing facilities and/or investments in new business(es)	10,000	10,000	15,000	Within 24 months
	• Estimated expenses for the Proposals	1,550	1,550	1,550	Within 3 months
	Total	58,954	58,954	104,927	
Please refer to Section 8 of Part A of this Circular for further information.					
Rationale and benefits of the Proposals	(i) Proposed Acquisition				
	<ul style="list-style-type: none">Allows our Group to gain full control over the use of the Subject Property without the uncertainty associated with rental renewals and potential rent fluctuations; andAllows our Group to benefit from potential property value appreciation over time, creating additional value for our shareholders.				
	Please refer to Section 2.12 of Part A of this Circular for further information.				
Rationale and benefits of the Proposals	(ii) Proposed Debt Settlement				
	<ul style="list-style-type: none">Enables our Company to settle the indebtedness without incurring additional debt obligation/ interest expenses by our Company;Reduces our Company’s debt whilst conserving our Company’s cash and bank balances, which can instead be used for other purposes including the working capital for our Company’s business; and				

EXECUTIVE SUMMARY (CONT'D)

	<ul style="list-style-type: none"> Strengthens our Company's equity base as well as NA through the capitalisation of debt into equity and improve the overall financial position of our Company immediately after the settlement of Settlement Sum. <p>Please refer to Section 3.7 of Part A of this Circular for further information.</p> <p>(iii) Proposed Private Placement</p> <ul style="list-style-type: none"> Provides our Company an expeditious way of raising funds from the capital market and can be implemented in multiple tranches to align with our Group's funding requirements; and Upon completion of the Proposed Private Placement, the enlarged capital base is expected to strengthen our Group's financial position and future earnings when the economic and financial benefits from the use of proceeds are realised. Enables our Company to maintain compliance with Paragraph 8.02(1) of the Listing Requirements after the Proposed Rights Issue. <p>Please refer to Section 4.7 of Part A of this Circular for further information.</p> <p>(iv) Proposed Rights Issue</p> <ul style="list-style-type: none"> Allows our Company to raise funds expeditiously without incurring interest costs associated with bank borrowings or issuance of debt instruments that will result in cash outflow arising from interest servicing costs; The proceeds to be raised from the issuance of Rights Shares will strengthen the cash flow of our Company and utilisation of the said proceeds for the working capital for our Group's businesses is expected to contribute positively to our Company's future earnings and financial performance; and The Proposed Rights Issue will involve the issuance of new Shares without diluting the Entitled Shareholders' shareholdings, if all Entitled Shareholders fully subscribe for their respective entitlements under the Proposed Rights Issue. <p>Please refer to Section 5.8 of Part A of this Circular for further information.</p> <p>(v) Proposed Exemptions</p> <ul style="list-style-type: none"> Relieve Dato' Sri Lim and his PACs from the obligation to undertake Mandatory Offer under subsections 218(2) and 218(3) of the CMSA read together with subsection 15(2) of the Code (where applicable) and subparagraphs 4.01(a) and 4.01(b) of the Rules as a result of the Proposed Acquisition, Proposed Debt Settlement and/or Proposed Rights Issue, as the case may be. <p>Please refer to Section 6.4 of Part A of this Circular for further information.</p>
Approvals required	<p>(i) Bursa Securities for the listing and quotation of the Consideration Shares, Settlement Shares, Placement Shares and Rights Shares on the Main Market of Bursa Securities;</p> <p>(ii) the SC for the Proposed Exemptions. The application for the Proposed Exemptions will be made after the approvals of the non-interested shareholders of our Company as detailed in item (iii) below are obtained at the forthcoming EGM; and</p> <p>(iii) the non-interested shareholders of our Company for the Proposals; and</p>

EXECUTIVE SUMMARY (CONT'D)

	<p>(iv) the shareholders of our Company for waiver of statutory pre-emptive rights for the Placement Shares under Section 85(1) of the Act and Clause 61 of the Constitution of our Company.</p> <p>Section 85(1) of the Act provides that “Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.”</p> <p>Pursuant to Section 85 of the Act read together with Clause 61 of the Constitution of our Company, the shareholders have a statutory pre-emptive right to be offered any new Shares which rank equally to the existing Shares.</p> <p>By approving the resolution in relation to the Proposed Private Placement, which entails the allotment and issuance of the Placement Shares to the Placees which will rank equally with the existing issued Shares, the shareholders of our Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Act and Clause 61 of the Constitution of our Company to be first offered the Placement Shares which will result in a dilution to their shareholding percentage in our Company at the forthcoming EGM.</p> <p>Please refer to Section 15 of Part A of this Circular for further information.</p>
Conditionality	<p>Save as disclosed below, the Proposals are not inter-conditional upon each other:</p> <ul style="list-style-type: none"> (i) the Proposed Acquisition and the Proposed Exemption 1 are inter-conditional upon each other; (ii) the Proposed Debt Settlement and the Proposed Exemption 2 are inter-conditional upon each other; (iii) the Proposed Rights Issue and the Proposed Exemption 3 are inter-conditional upon each other; and (iv) the Proposed Rights Issue is conditional upon the Proposed Private Placement but not vice versa. <p>Subject to the approvals of our Company’s non-interested shareholders for the Proposals as set out in item (iii) of Section 15 of Part A of this Circular, as the case may be, it is the intention of our Company to implement the Proposals in the following order:</p> <ul style="list-style-type: none"> (i) the Proposed Acquisition and Proposed Debt Settlement concurrently; (ii) the Proposed Private Placement after the completion of the Proposed Acquisition and Proposed Debt Settlement; and (iii) the Proposed Rights Issue after the completion of the Proposed Private Placement. <p>For the avoidance of doubt, in the event any of the Proposals is not approved by our Company’s non-interested shareholders at the forthcoming EGM, our Company may implement any of the Proposals which is/are approved by our non-interested shareholders, subject to the following:</p> <ul style="list-style-type: none"> (i) the relevant Proposed Exemptions being approved by our non-interested shareholders and the SC, where applicable and as detailed in Section 6 of Part A of this Circular; and

EXECUTIVE SUMMARY (CONT'D)

	<p>(ii) the inter-conditional relationship and implementation sequence of the Proposals as disclosed above.</p> <p>Please refer to Section 16 of Part A of this Circular for further information.</p>
Directors' recommendation	<p>Our Board (save for the Interested Directors), after having considered all aspects of the Proposals and being of the opinion that the Proposals are:</p> <p>(i) in the best interests of our Company;</p> <p>(ii) fair, reasonable and on normal commercial terms; and</p> <p>(iii) not detrimental to the interest of the non-interested shareholders of our Company,</p> <p>is recommending our Company's non-interested shareholders to vote IN FAVOUR of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.</p> <p>Please refer to Section 22 of Part A of this Circular for further information.</p>

[The rest of this page has been intentionally left blank]

TABLE OF CONTENTS

PAGE**PART A****LETTER TO THE SHAREHOLDERS OF OUR COMPANY IN RELATION TO THE PROPOSALS**

1.	INTRODUCTION	2
2.	DETAILS OF THE PROPOSED ACQUISITION	3
3.	DETAILS OF THE PROPOSED DEBT SETTLEMENT	10
4.	DETAILS OF THE PROPOSED PRIVATE PLACEMENT	19
5.	DETAILS OF THE PROPOSED RIGHTS ISSUE	23
6.	DETAILS OF THE PROPOSED EXEMPTIONS	34
7.	PUBLIC SHAREHOLDING SPREAD	46
8.	UTILISATION OF PROCEEDS	49
9.	PREVIOUS FUND-RAISING EXERCISES	57
10.	ADDITIONAL INFORMATION	61
11.	RISK FACTORS	66
12.	INDUSTRY OUTLOOK AND PROSPECTS OF OUR GROUP	67
13.	EFFECTS OF THE PROPOSALS	71
14.	HISTORICAL SHARE PRICES	84
15.	APPROVALS REQUIRED	84
16.	CONDITIONALITY	85
17.	CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION	86
18.	HIGHEST PERCENTAGE RATIOS	86
19.	INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM	87
20.	TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS	88
21.	AUDIT COMMITTEE'S STATEMENT	88
22.	DIRECTORS' STATEMENT AND RECOMMENDATION	91
23.	ADVISERS	91
24.	ESTIMATED TIMEFRAME FOR COMPLETION	92
25.	EGM	92
26.	FURTHER INFORMATION	93

TABLE OF CONTENTS (*CONT'D*)

PART B

INDEPENDENT ADVICE LETTER FROM DWA ADVISORY TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF EURO IN RELATION TO THE PROPOSED ACQUISITION, PROPOSED DEBT SETTLEMENT AND PROPOSED EXEMPTIONS	94
--	-----------

APPENDICES

I	SALIENT TERMS OF THE SPA	269
II	SALIENT TERMS OF THE SETTLEMENT AGREEMENT	273
III	VALUATION CERTIFICATE AND UPDATE VALUATION CERTIFICATE FOR THE SUBJECT PROPERTY	276
IV	FURTHER INFORMATION	293

NOTICE OF EGM	ENCLOSED
----------------------	-----------------

FORM OF PROXY	ENCLOSED
----------------------	-----------------

[The rest of this page has been intentionally left blank]

PART A

**LETTER TO THE SHAREHOLDERS OF OUR COMPANY IN RELATION TO THE
PROPOSALS**



EURO HOLDINGS BERHAD
(Registration No. 200401008055 (646559-T))
(Incorporated in Malaysia)

Registered Office:

B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur, Wilayah Persekutuan

16 December 2025

Board of Directors

Lt Gen (R) Dato' Sri Sabri bin Adam (*Independent Non-Executive Chairman*)
Datin Sri Ong Lely (*Group Managing Director*)
Datuk Lim Sze Way (*Group Deputy Managing Director*)
Yong Teck Wee (*Executive Director*)
Tan Poh Ling (*Non-Independent Non-Executive Director*)
Chua Yeow Fatt (*Independent Non-Executive Director*)
Datuk Haji Azmi bin Hussain (*Independent Non-Executive Director*)
Yip Kit Weng (*Independent Non-Executive Director*)

To: The shareholders of our Company

Dear Sir / Madam,

- (I) PROPOSED ACQUISITION;**
- (II) PROPOSED DEBT SETTLEMENT;**
- (III) PROPOSED PRIVATE PLACEMENT;**
- (IV) PROPOSED RIGHTS ISSUE; AND**
- (V) PROPOSED EXEMPTIONS**

(COLLECTIVELY, THE “PROPOSALS”)

1. INTRODUCTION

On 6 March 2025, TA Securities had, on behalf of our Board, announced that:

- (i) our Company proposes to undertake the Proposals;
- (ii) ELSB had on the even date entered into the SPA with SPASB for the Proposed Acquisition; and
- (iii) the Borrowers had on the even date entered into the Settlement Agreement with the Lenders for the Proposed Debt Settlement.

ELSB and the Vendor had, vide a supplemental letter dated 13 March 2025, mutually agreed to vary the term in the SPA in relation to the payment of the Deposit as detailed in **Section 2.4** of Part A of this Circular.

On 6 March 2025, our Board (save for the Interested Directors) appointed DWA Advisory to act as the Independent Adviser to advise our non-interested Directors and non-interested shareholders on the Proposed Acquisition and Proposed Debt Settlement pursuant to Paragraph 10.08 of the Listing Requirements and Proposed Exemptions pursuant to paragraph 3.06 of the Rules.

Our Company had on 21 August 2025 revised the conditionality of the Proposals to include that the Proposed Rights Issue is conditional upon the Proposed Private Placement but not vice versa, as set out in **Section 16** of Part A of this Circular.

The Borrowers and the Lenders had, vide a supplemental letter dated 4 September 2025, mutually agreed to extend the period for fulfilment of the conditions precedent under the Settlement Agreement for an additional 6 months, i.e. up to and including 5 March 2026.

Bursa Securities had vide its letter dated 12 December 2025 approved the listing and quotation of the Consideration Shares, Settlement Shares, Placement Shares and Rights Shares on the Main Market of Bursa Securities, subject to the conditions as set out in **Section 16** of Part A of this Circular.

Further, the SC had on 5 December 2025 notified that it has no further comments to the contents of this Circular and the IAL in respect of the Proposed Exemptions. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the Independent Adviser or assumes responsibility for the correctness of any statements made, opinions expressed or reports contained in this Circular as well as the IAL.

The Proposed Acquisition and Proposed Debt Settlement are deemed to be related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the interested parties as set out in **Section 19** of Part A of this Circular.

As set out in **Section 16** of Part A of this Circular, save as disclosed below, the Proposals are **not inter-conditional** upon each other:

- (i) the Proposed Acquisition and the Proposed Exemption 1 are inter-conditional upon each other;
- (ii) the Proposed Debt Settlement and the Proposed Exemption 2 are inter-conditional upon each other;
- (iii) the Proposed Rights Issue and the Proposed Exemption 3 are inter-conditional upon each other; and
- (iv) the Proposed Rights Issue is conditional upon the Proposed Private Placement but not vice versa.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS, TO SET OUT THE VIEWS AND RECOMMENDATIONS OF OUR BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED AT THE END OF THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR (INCLUDING THE APPENDICES AND THE INDEPENDENT ADVICE LETTER FROM DWA ADVISORY CONTAINED HEREIN) CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition of the Subject Property by ELSB from the Vendor for the Purchase Consideration to be satisfied via a combination of cash of RM38.00 million and issuance of the Consideration Shares, subject to the terms and conditions set forth in the SPA, the salient terms of which are set out in **Appendix I** of this Circular.

2.1 Information on the Subject Property

A summary of the information on the Subject Property is as follows:

Registered owner	: SPASB
Title no.	: PN 65466 (Formerly known as HSD 82284 & PN 54142 respectively)
Lot no.	: Lot 20111 (Formerly known as PT 9666 & Lot 19400 respectively)
Mukim / District / State	: Mukim of Cheng, District of Melaka Tengah, State of Melaka
Postal address	: Lot No. 19400-1, Jalan TTC 12, Taman Teknologi Cheng, 75250 Cheng, Melaka
Titled land area	: 3.121 hectares (approximately 335,944.44 sq. ft.)
Tenure	: Leasehold for 99 years (expiring on 23 December 2109)
Category of land use	: <i>Perusahaan</i>
Express conditions	: For industrial use only
Existing use	: Manufacturing, office, warehouse and epoxy plant
Restriction-in-interest	: This land is not allowed to be transferred or leased in any way except after obtaining written permission from the Melaka State Authority. This restriction of interest is exempted for first transfer or lease. ⁽¹⁾
Charge/Encumbrances	: Charged to OCBC Bank (Malaysia) Berhad (“ OCBC Bank ”) vide Presentation No. 0400SC2016013899 dated 16 November, 2016 ⁽²⁾
Endorsements	: Nil
Valuer	: Laurelcap
Date of valuation	: 16 December 2024 and 1 October 2025
Market value	: RM57.0 million (as appraised by the Valuer using the Cost Approach)

Notes:

- (1) The Subject Property is not eligible for such exemption as it no longer qualifies as a first transfer or lease.
- (2) The Subject Property will be discharged prior to the completion of the Proposed Acquisition. Such discharge is subject to full redemption of the existing charge with OCBC Bank by the Vendor by utilising part of the cash consideration pursuant to the Proposed Acquisition or the Vendor providing replacement security to replace the Subject Property as security for the existing charge with OCBC Bank.

The Subject Property encompasses 4 blocks of industrial buildings erected on the industrial land detailed as follows:

Buildings	Details of buildings	Gross floor area (sq. ft.)	Age of building (year)	Existing use
Block A	Single storey warehouse	58,800	10	Manufacturing and office
Block B	Single storey warehouse	31,050	10	Warehouse
Block C	Single storey warehouse	23,870	10	Epoxy Plant
Block D	Single storey warehouse with a basement and a mezzanine floor	131,820	30*	Warehouse and office

Note:

* The age of Block D of 30 years is based on the issuance of its Certificate of Fitness for Occupation in 1995.

As at the LPD, the Subject Property is rented by Euro Space Industries pursuant to a tenancy agreement entered between Euro Space Industries and SPASB dated 3 June 2022 (“**Tenancy Agreement**”) which has been renewed on 23 May 2024 with a monthly rental of RM248,462.28 from 2 June 2024 to 1 June 2026. It is our Company’s intention to complete the Proposed Acquisition prior to the expiration of the said tenancy, i.e. 1 June 2026, subject to the fulfilment of the condition precedents set forth in the SPA. In the event that the Proposed Acquisition is completed prior to the expiration of the said tenancy, there will be an early termination of the said tenancy agreement, whereby SPASB shall be entitled to forfeit the deposit paid by Euro Space Industries (“**Rental Deposit**”), and Euro Space Industries shall further compensate SPASB in the amount equivalent to the rental of the remaining months of the tenancy before the expiration of the Tenancy Agreement (“**Rental Compensation**”) pursuant to the Tenancy Agreement. However, SPASB had on 25 September 2025 agreed to waive its entitlement to the forfeiture of the Rental Deposit and Rental Compensation.

As at the LPD, the Subject Property is currently used by our Group for our operations.

2.2 Information on the Vendor

SPASB is a private limited company incorporated in Malaysia on 14 October 2004 under the Companies Act, 1965. SPASB is principally involved in the wholesale and retail sale of all kinds of parts, components, supplies, tools and accessories for motor vehicles and wholesale of variety of goods without any particular specialisation as well as activities of holding company.

As at the LPD, the issued share capital of SPASB is RM4,000,000 comprising 4,000,000 ordinary shares.

As at the LPD, the directors of SPASB are as follows:

Name	Designation	Nationality
Dato’ Sri Lim	Director	Malaysian
Dato’ Lim Chaw Teng	Director	Malaysian
Lim Jen Jin	Director	Malaysian

As at the LPD, the shareholders of SPASB are as follows:

Name	No. of shares held	%
Dato’ Sri Lim	3,999,999	100.00
Lim Jen Jin	1	Neg
Total	4,000,000	100.00

Note:

Neg Negligible. Being less than 0.01%.

2.3 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following:

- (i) the market value of the Subject Property of RM57.00 million as appraised by the Valuer vide its valuation report dated 16 December 2024 and its update valuation certificate dated 1 October 2025 using the Cost Approach⁽¹⁾ as the primary approach and Income Approach by way of Investment Method⁽²⁾ as the secondary approach to cross check against the primary approach adopted. The Purchase Consideration represents a discount of RM1.00 million or 1.75% to the appraised market value of the Subject Property; and
- (ii) the rationale for the Proposed Acquisition as set out in **Section 2.12** of Part A of this Circular.

Notes:

- (1) The Cost Approach involves the valuation of the land by comparison with evidence of values of comparable land and adding to its current replacement cost of the building(s) less depreciation, if necessary. The current replacement cost includes the construction cost, financial charges, advertising charges, professional fees, other incidental expenses and developer's profit. The Cost Approach is adopted as the primary approach as it is the most appropriate for reflecting the brick-and-mortar value of the Subject Property, which is purpose-built for a specific industry.
- (2) The Income Approach by way of Investment Method derives the market value from an estimate of the market rental, which means the estimated amount for which an interest in real property should be leased/tenanted on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Outgoings or operating expenses, such as repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is capitalized at an appropriate current market yield to arrive at its indicative market value.

2.4 Mode of settlement and source of fund for the Purchase Consideration

The Purchase Consideration will be satisfied via a combination of cash of RM38.00 million and issuance of the Consideration Shares in the following manner:

	Mode of settlement	RM'000	%
1 Deposit			
Within 7 working days from the procurement of the following:	Cash	1,680	3.0
(i) our non-interested shareholders' approval for the Proposed Acquisition and the Proposed Exemption 1 at the forthcoming EGM; and			
(ii) ELSB's shareholder's approval for the Proposed Acquisition and all other relevant regulatory and corporate approvals (if any) ⁽¹⁾			
2 Balance Purchase Consideration			
Within 6 months from Unconditional Date ⁽²⁾	Cash	36,320	64.9
Within 6 months from Unconditional Date ⁽²⁾	Consideration Shares ⁽³⁾	18,000	32.1
Total		56,000	100.0

Notes:

- (1) Pursuant to the supplemental letter dated 13 March 2025, the term in relation to the payment of the Deposit set out in the SPA, i.e., the Deposit shall be paid within 7 working days from the date of the SPA, has been varied to extend the payment of the Deposit to within 7 working days from the procurement of (i) our non-interested shareholders' approval for the Proposed Acquisition and the Proposed Exemption 1 at the forthcoming EGM; and (ii) ELSB's shareholder's approval for the Proposed Acquisition.
- (2) Unconditional Date as defined in **Appendix I** of this Circular.
- (3) The Vendor has nominated Dato' Sri Lim to receive all the Consideration Shares to be issued pursuant to the Proposed Acquisition.

It is intended for the Purchase Consideration to be satisfied via a combination of cash of RM38.00 million and issuance of the Consideration Shares to preserve our cash resources for working capital requirements and other operational needs, while minimising the additional borrowings and the associated finance costs.

Source of fund

Our Group intends to fund the cash payment for the Deposit of RM1.68 million by using our Group's internally-generated funds and the balance Purchase Consideration of RM36.32 million via the proceeds to be raised from the Proposed Rights Issue. In the event the Proposed Rights Issue is not completed prior to the due date for the cash payment for the balance Purchase Consideration, our Group will procure bank borrowings to finance the cash payment for the balance Purchase Consideration while pending the completion of the Proposed Rights Issue upon which our Group will utilise of the proceeds from the Proposed Rights Issue to repay the said bank borrowings.

In the event the Proposed Rights Issue and/or Proposed Exemption 3 is not approved by the non-interested shareholders of our Company, our Group will utilise our internally-generated funds and/or bank borrowings to fund the cash payment for the balance Purchase Consideration. In such event, the exact proportion of funding will be decided at a later date depending on our Group's gearing level and working capital requirement at that juncture.

2.5 Basis and justification for the issue price of the Consideration Shares

The issue price of RM0.045 per Consideration Share was determined based on negotiations between the parties to the SPA after taking into consideration, among others, the following:

- (i) the issue price of the Consideration Shares is within the range of the transacted prices of EURO Shares for the past 12 months prior to the LTD with the lowest transacted price of RM0.045 on 10 October 2024 and the highest transacted price of RM0.110 on 14 June 2024; and
- (ii) the issue price of the Consideration Shares represents a discount of RM0.0051 or 10.18% to the 5-day VWAP of EURO Shares of RM0.0501 as at the LTD.

[The rest of this page has been intentionally left blank]

For information, the comparisons of the issue price of the Consideration Shares against the closing market price and VWAP of EURO Shares up to and including the LTD as well as the consolidated NA per EURO share are set out below:

(a) Closing market price and VWAP of EURO Shares

	Market price/ VWAP	Discount of the issue price of RM0.045 to the closing market price / VWAP	
	(RM)	(RM)	(%)
Closing market price as at the LTD	0.0500	(0.0050)	(10.00)
<u>Up to and including the LTD</u>			
5-day VWAP	0.0501	(0.0051)	(10.18)
One (1)-month VWAP	0.0505	(0.0055)	(10.89)
Three (3)-month VWAP	0.0539	(0.0089)	(16.51)
Six (6)-month VWAP	0.0557	(0.0107)	(19.21)
Twelve (12)-month VWAP	0.0723	(0.0273)	(37.76)

(Source: Bloomberg)

(b) Consolidated NA per EURO Share

	Consolidated NA per EURO Share	Discount of the issue price of RM0.045 to the consolidated NA per EURO Share	
	(RM)	(RM)	(%)
Audited as at 30 June 2025	0.0760 ⁽¹⁾	(0.0310)	(40.79)
Based on pro forma NA of our Group (upon completion of the Proposed Acquisition)	0.0688 ⁽²⁾	(0.0238)	(34.59)

Notes:

- (1) Computed based on the audited consolidated NA of our Group as at 30 June 2025 of RM100.91 million divided by total issued Shares of EURO as at 30 June 2025 of 1,327,967,100 Shares.
- (2) Computed based on the pro forma consolidated NA of our Group of RM118.91 million divided by total issued Shares of EURO upon completion of the Proposed Acquisition of 1,727,967,100 Shares.

Our Board (save for the Interested Directors) is of the view that the issue price for the Consideration Shares, including the discount represented by the issue price for the Consideration Shares, is **reasonable** after taking into consideration, among others the following:

- (i) Dato' Sri Lim's willingness to accept the Consideration Shares in lieu of cash for the purpose of the Proposed Acquisition which enables our Group to enhance our asset base without any immediate impact on our cash flow position as compared to full settlement via cash. This also enables our Group to conserve our cash position which can be channelled towards financing our day-to-day operations and/or pursue other business opportunities, where required; and
- (ii) the Consideration Shares are subject to market risk of EURO Shares to be assumed by Dato' Sri Lim, which is influenced by factors including uncertainties such as market sentiments, economic conditions, changes in government policies, liquidity of EURO Shares as well as volatility of the general equity markets. The volatility of EURO Shares which had fluctuated approximately 59.09% from the lowest transacted price of RM0.045 to the highest transacted price of RM0.110 for the past 12 months prior to the LTD.

The issuance of the Consideration Shares at a discount will result in a higher number of Shares being issued to Dato' Sri Lim (who is an Interested Major Shareholder) and in turn further dilute the shareholdings of the non-interested shareholders of our Company.

2.6 Original cost and date of investment in the Subject Property

The original cost of investment of the Vendor in the Subject Property and the date of such investments are set out below:

Date of investment	Purposes	Cost of investment (RM)
16 May 2011	Purchase of the land with Block D erected thereon	9,500,000
31 December 2011	Renovation and refurbishment of Block D	12,500,000
2 December 2016	Construction of Blocks A, B and C	30,581,551
		52,581,551

2.7 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the then existing issued Shares, save and except that the Consideration Shares will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of our Company, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

Subject to the relevant approvals being obtained for the Proposed Acquisition, Proposed Rights Issue, Proposed Exemption 1 and Proposed Exemption 3 as detailed in **Section 15** of Part A of this Circular, as it is the intention of our Company to implement the Proposed Acquisition prior to the Proposed Rights Issue, as detailed in **Section 16** of Part A of this Circular, the Consideration Shares will be entitled to the Proposed Rights Issue.

2.8 Listing and quotation of the Consideration Shares

The Consideration Shares will, upon allotment and issuance, be listed on the Main Market of Bursa Securities.

2.9 Liabilities to be assumed by our Group

Save for the obligations of ELSB in respect of the SPA for the Proposed Acquisition, among which are set out in **Sections 2 to 5 of Appendix I** of this Circular, there are no other liabilities, including contingent liabilities and/or guarantees to be assumed by our Group arising from the Proposed Acquisition.

2.10 Additional financial commitment required

As our Group has been using the Subject Property for our operational purpose, our Group does not foresee any additional financial commitment arising from the Proposed Acquisition and/or required for the Subject Property.

2.11 Take-over implication

Upon completion of the Proposed Acquisition, the individual shareholding of Dato' Sri Lim in EURO is expected to increase from 0.13% to 23.25% as at the LPD while the collective shareholding of Dato' Sri Lim and his PACs in EURO is expected to increase from 38.45% as at the LPD to 52.70% upon the issuance of the Consideration Shares to Dato' Sri Lim. Therefore, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase by more than 2% within a 6-month period which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs for the Shares not already owned by them under subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules.

As it is not the intention of Dato' Sri Lim and his PACs to undertake such Mandatory Offer, Dato' Sri Lim and his PACs intend to submit an application to seek the SC's approval for the Proposed Exemption 1 as detailed in **Section 6.1** of Part A of this Circular, subject to the approval being obtained from the non-interested shareholders of our Company for the Proposed Exemption 1 at the forthcoming EGM. In this regard, the Proposed Acquisition and the Proposed Exemption 1 are **inter-conditional** upon each other. The Proposed Acquisition will not be implemented in the event the non-interested shareholders of our Company do not approve any of the Proposed Acquisition and/or Proposed Exemption 1 and/or the SC does not approve the Proposed Exemption 1.

2.12 Rationale and benefits of the Proposed Acquisition

Our Group is principally involved in the business of manufacturing, marketing, and trading furniture, as well as trading steel and steel storages. Our Group relocated our manufacturing plant in Rawang, Selangor to Melaka as part of our effort to realign our businesses. Since June 2022, our Group has been renting and operating on the Subject Property, which now houses our Group's manufacturing facilities, showroom, and corporate office for our manufacturing and trading operations.

Acquiring the Subject Property aligns with our Group's long-term business growth and sustainability. The Proposed Acquisition will allow our Group to gain full control over the use of the Subject Property without the uncertainty associated with rental renewals and potential rent fluctuations. The removal of recurring rental obligations is expected to free up our Group's cash flows, which can be redirected toward our operational needs and strategic initiatives, ultimately contributing to improved profit margins over time.

Further, having ownership over the Subject Property will allow our Group to benefit from potential property value appreciation over time, which is expected to contribute to an increase in our Group's NA, assuming minimal increase in the total liabilities in our Group. This, in turn, would enhance our NA per share, hence creating additional value for our shareholders.

3. DETAILS OF THE PROPOSED DEBT SETTLEMENT

On 6 March 2025, the Borrowers had entered into the Settlement Agreement with the Lenders to settle an agreed settlement sum of RM25,344,446 via the issuance of Settlement Shares to Dato' Sri Lim (who is the sole nominee appointed by IASB, SPASB and SPPSB to receive and accept the Settlement Shares at an issue price of RM0.045 each, subject to the terms and conditions of the Settlement Agreement, the salient terms of which are set out in **Appendix II** of this Circular). For the avoidance of doubt, the Settlement Shares to be issued to Dato' Sri Lim will be owned by him upon issuance and will not be held on behalf of IASB, SPASB and SPPSB. Dato' Sri Lim is the controlling shareholder of IASB, SPASB and SPPSB with equity interest of approximately 99.00%, 100.00% and 95.31% respectively.

Pursuant to the Settlement Agreement, our Company shall repay the Lenders the outstanding amount due of RM25,344,446 which represents a partial settlement to the total amount provided by the Lenders in favour of the Borrowers as at 31 December 2024 of RM28,863,057 in the following manner:

Lenders	Advances			No. of Settlement Shares to be issued
	Amount outstanding as at 31 December 2024	Amount to be settled	Amount outstanding after the Proposed Debt Settlement	
	(RM)	(RM)	(RM)	
Dato' Sri Lim	17,253,722	15,361,769	1,891,953	563,209,911
IASB ^(a)	5,124,326	4,410,813	713,513	-
SPASB ^(a)	6,006,209	5,146,764	859,445	-
SPPSB ^(a)	478,800	425,100	53,700	-
Total	28,863,057	25,344,446	3,518,611	563,209,911

Note:

(a) Dato' Sri Lim is the director and shareholder of IASB, SPASB and SPPSB.

The Proposed Debt Settlement is intended to be implemented concurrently with the Proposed Acquisition after taking into consideration that both the Settlement Shares and Consideration Shares will be issued to Dato' Sri Lim. Please refer to **Appendix II** of this Circular for the salient terms of the Settlement Agreement.

[The rest of this page has been intentionally left blank]

3.1 Nature of debt owing to the Lenders

The Borrowers had received Advances from the Lenders commencing from 1 July 2023 until 31 December 2024. The breakdown of the Advances is detailed as follows:

Period of transaction	Purposes	Borrowers	Advances to the Borrowers (RM)
1 July 2023 to 31 December 2024	(a) Working capital requirements		
	• Payment for staff related expenses	EURO	33,542
		Euro Space Industries	290,010
		Euro Chairs	22,615
		Euro Space System	1,500
			<u>347,667</u>
	• Payment to our Group's trade payables	Euro Space Industries	35,039
		ELSB	4,263,200
			<u>4,298,239⁽¹⁾</u>
	• Payment for our Group's general administrative expenses (i.e., among others, rental expenses, quit rent and assessment and professional fees)	EURO	718,511
		Euro Space Industries	5,690,166
		Euro Chairs	368,936
		Euro Space System	228
		ELSB	5,407,404
			<u>12,185,245⁽²⁾</u>
	• Purchase of machineries	Euro Space Industries	7,425,000 ⁽³⁾
	• Purchase of mould	ELSB	3,817,000 ⁽⁴⁾
	(b) Repayment of bank borrowings (i.e. term loans and overdraft)	EURO and Euro Space Industries	689,906
6 February 2024	Acquisition of 80,000 ordinary shares, representing 24.24% of the equity interest in Eurosteel Systems Sdn. Bhd.	ELSB	100,000
Total			<u>28,863,057</u>

Notes:

- (1) The breakdown of the payment to our Group's trade payables is as follows:

Types of trade payables	Advances (RM)	Amount outstanding as at the LPD (RM)
Suppliers for office furniture	35,039	-
Suppliers for steel and steel products	4,263,200	-
Total	4,298,239	-

- (2) The breakdown of the payment for our Group's general administrative expenses is as follows:

Description	Amount (RM)
Rental expenses	11,918,900
Quit rent and assessment	131,766
Professional fees	81,666
Others	52,913
Total	12,185,245

- (3) The breakdown of the types and number of machineries purchased is as follows:

Types of machines	No. of units	Amount (RM)
Automatic Laser Cutting Machine	1	1,850,000
Hydraulic Shearing Machine	1	820,000
Turret Punch Press Machine	1	830,000
Hydraulic Press Brake Machine	1	1,900,000
Punch Machine	1	2,025,000
Total		7,425,000

- (4) Our Group had purchased 7 units of moulds, which are in various specifications (such as sizes) and are used for our steel and steel products business.

Save as disclosed below, there are no other amount outstanding incurred by our Group to the related parties (including the Lenders) from 1 January 2025 up to 30 September 2025 ("Subsequent Outstanding Amount"):

Description	Transacting parties	Amount outstanding incurred (RM)	Payment made up to 30 September 2025 (RM)	Amount outstanding as at 30 September 2025 (RM)
Rental expenses	ELSB / IASB	2,178,596	-	2,178,596
Rental expenses	Euro Chairs / SPPSB	61,000	-	61,000
Rental expenses	Euro Space Industries / SPPSB	116,300	-	116,300
Rental expenses	Euro Space Industries / SPASB	2,148,922	-	2,148,922
Total		4,504,818	-	4,504,818

For the avoidance of doubt, the Subsequent Outstanding Amount as disclosed above are amount billed by but yet to be paid to the related parties, instead of advances provided by the related parties. The Subsequent Outstanding Amount disclosed above are for the 9-month period from 1 January 2025 to 30 September 2025, therefore differs from the amount due to related parties disclosed in our Group's audited consolidated financial statements for the FYE 30 June 2025 in our Company's Annual Report 2025. Our Group intends to settle the Subsequent Outstanding Amount as disclosed above via our Group's internally-generated funds and/or bank borrowings. In the event the aforesaid sources of funds are insufficient to settle the Subsequent Outstanding Amount as and when they fall due, our Group may seek other form of fund-raising exercises which are available and suitable for our Company as our Board thinks fit.

Our Group had entered into this debt arrangement as our Group needed immediate working capital for the aforementioned purposes, whereby the payments for staff related expenses, trade payables as well as general administrative expenses are required for the continuity of our Group's business operations, whereas the machineries and moulds purchased are used for our steel products business in line with our Group's expansion plan in the said business. Despite our available cash and bank balances of RM2.88 million as at 31 December 2024 and RM0.05 million as at 30 June 2025, our Group had entered into this debt agreement as it is our Group's intention to conserve the available cash to support our working capital needs and/or to address short-term financial obligations as they arise, including repayment of term loans. Dato' Sri Lim, being the Major Shareholder of EURO during the relevant period and the spouse to Datin Sri Ong Lely (our Group Managing Director and an indirect Major Shareholder of our Company (by virtue of her interest in S.P.A. Furniture)), was willing to extend advances to our Group to support our operational financial needs.

The amount due to the Lenders were unsecured, interest-free and repayable on demand without specific repayment period or term. The Borrowers intend to partially settle approximately 87.81% of the Advances through the Proposed Debt Settlement despite the Advances being interest-free and has no specific repayment period or term as part of our Group's efforts to strengthen our financial position by reducing our indebtedness and increasing our NA and to minimise any potential risks associated with the outstanding Advances (such as the Lender demanding for repayment which may cause financial stress to our Group or failure of repayment). Our Company has undertaken to settle the Advances on behalf of our subsidiaries as our subsidiaries, which are unlisted, have limited fund-raising avenues. Consequently, our subsidiaries are now indebted to our Company for the respective amount of the Advances. Upon the completion of the Proposed Debt Settlement (i.e., upon issuance and allotment of the Settlement Shares to Dato' Sri Lim), the Borrowers' indebtedness to the Lenders shall be deemed partially settled, resulting in a balance Advances of RM3,518,611 (mainly comprising advances that were incurred closest to 31 December 2024) which shall remain interest-free, unsecured and repayable on demand by the Lenders after such period that may be mutually agreed in writing between the Borrowers and the Lenders. The decision to proceed with a partial settlement, rather than full repayment, is due to the balance of the Advances comprises advances that was incurred more recently. The Borrowers intends to repay the balance of the Advances owing to the Lenders from their internally-generated funds.

3.2 Information on the Lenders

(i) Dato' Sri Lim

Dato' Sri Lim, aged 43, was a Major Shareholder of our Company within the last 6 months prior to the date of the Settlement Agreement and is currently a shareholder of our Company. He completed his secondary school education at St David's High School, Melaka in 1998. He is the spouse of Datin Sri Ong Lely, who is the Group Managing Director and an indirect Major Shareholder of our Company (by virtue of her 50.00% direct interest in S.P.A. Furniture), and brother of Datuk Lim, who is the Group Deputy Managing Director of our Company.

He has more than 20 years of experience in the manufacturing and supplying of steel related products, mainly to the automotive and construction industries. He is currently the shareholder and director of several private limited companies, namely IASB, Kuasa Waja Automobile (M) Sdn. Bhd., LTB Auto Holdings (M) Sdn. Bhd., LTB Industry Sdn. Bhd., LTB Marketing Sdn. Bhd., S.P.A. Auto Group (M) Sdn. Bhd., S.P.A. Supreme Holdings (M) Sdn. Bhd., SPASB, Supreme Power Marketing (M) Sdn. Bhd., SPPSB and Supreme Pyramid Sdn. Bhd., which are principally involved in the manufacturing and supplying of automotive parts including but not limited to exhaust systems, mufflers, disc brakes and safety bars as well as trading of scaffolding, production of engine lubricants as well as wholesale and trading of various auto-parts. He has also ventured into business relating to property development involving the development of, among others, industrial factories, commercial shophots and a hotel, namely Supreme Hotel in Melaka.

As at the LPD, Dato' Sri Lim's shareholdings in EURO are as follows:

	As at the LPD			
	Direct		Indirect	
	No. of EURO Shares	% ⁽¹⁾	No. of EURO Shares	%
Dato' Sri Lim	1,783,500	0.13	-	-

Notes:

- (1) Computed based on total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.

Upon completion of the Proposed Acquisition and Proposed Debt Settlement, Dato' Sri Lim's shareholding in EURO will be as follows:

	After the Proposed Acquisition				After the Debt Settlement			
	Direct		Indirect		Direct		Indirect	
	No. of EURO Shares	% ⁽¹⁾	No. of EURO Shares	%	No. of EURO Shares	% ⁽²⁾	No. of EURO Shares	%
Dato' Sri Lim	401,783,500	23.25	-	-	964,993,411	42.12	-	-

Notes:

- (1) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.
- (2) Computed based on total number of issued Shares of 2,291,177,011 after the Proposed Acquisition and Proposed Debt Settlement.

For the avoidance of doubt, neither S.P.A Furniture nor Datin Sri Ong Lely, in her capacity as a director and shareholder of S.P.A Furniture, is accustomed or under any obligation, whether formal or informal, to act in accordance with the directions, instructions, or wishes of Dato' Sri Lim in relation to EURO Shares. Accordingly, the interest held by S.P.A Furniture in our Company shall not be deemed as an indirect interest of Dato' Sri Lim.

(ii) IASB

IASB is a private limited company incorporated in Malaysia on 2 May 2003 under the Companies Act, 1965. IASB is principally involved in trading of all kinds of automobile exhaust mounting and related accessories.

As at the LPD, the issued share capital of IASB is RM3,001,000 comprising 3,001,000 ordinary shares.

As at the LPD, the directors of IASB are as follows:

Name	Designation	Nationality
Dato' Sri Lim	Director	Malaysian
Dato' Lim Chaw Teng	Director	Malaysian

As at the LPD, the shareholders of IASB are as follows:

Name	No. of shares held	%
Dato' Sri Lim	2,970,990	99.00
Dato' Lim Chaw Teng	30,010	1.00
Total	3,001,000	100.00

As at the LPD, IASB does not hold any EURO Shares.

(iii) SPASB

Please refer to **Section 2.2** of Part A of this Circular for the information on SPASB.

As at the LPD, SPASB does not hold any EURO Shares.

(iv) SPPSB

SPPSB is a private limited company incorporated in Malaysia on 28 December 2006 under the Companies Act, 1965. SPPSB is principally involved in wholesale and retail of parts, components, supplies, tools and accessories for motor vehicles, maintenance and repair of motor vehicles and activities of holding company.

As at the LPD, the issued share capital of SPPSB is RM3,200,000 comprising 3,200,000 ordinary shares.

As at the LPD, the directors of SPPSB are as follows:

Name	Designation	Nationality
Dato' Sri Lim	Director	Malaysian
Datuk Yong Thien Wico	Director	Malaysian

As at the LPD, the shareholders of SPPSB are as follows:

Name	No. of shares held	%
Dato' Sri Lim	3,050,000	95.31
Datuk Yong Thien Wico	150,000	4.69
Total	3,200,000	100.00

As at the LPD, SPPSB does not hold any EURO Shares.

3.3 Basis and justification for the issue price of the Settlement Shares

The issue price of RM0.045 per Settlement Share was determined based on negotiations between the parties to the Settlement Agreement after taking into consideration, among others, the following:

- (i) the issue price of the Settlement Shares is within the range of the transacted prices of EURO shares for the past 12 months prior to the LTD with the lowest transacted price of RM0.045 on 10 October 2024 and the highest transacted price of RM0.110 on 14 June 2024.

- (ii) the issue price of the Settlement Shares represents a discount of RM0.0051 or 10.18% to the 5-day VWAP of EURO Shares of RM0.0501 as at 5 March 2025, being the LTD.

For information, the comparisons of the issue price of the Settlement Shares against the closing market price and VWAP of EURO Shares up to and including the LTD as well as the consolidated NA per EURO share are set out below:

- (i) Closing market price and VWAP of EURO Shares

	Market price/ VWAP	Discount of the issue price of RM0.045 to the closing market price / VWAP	
	(RM)	(RM)	(%)
Closing market price as at the LTD	0.0500	(0.0050)	(10.00)

Up to and including the LTD

5-day VWAP	0.0501	(0.0051)	(10.18)
One (1)-month VWAP	0.0505	(0.0055)	(10.89)
Three (3)-month VWAP	0.0539	(0.0089)	(16.51)
Six (6)-month VWAP	0.0557	(0.0107)	(19.21)
Twelve (12)-month VWAP	0.0723	(0.0273)	(37.76)

(Source: Bloomberg)

- (ii) Consolidated NA per EURO Share

	Consolidated NA per EURO Share	Discount of the issue price of RM0.045 to the consolidated NA per EURO Share	
	(RM)	(RM)	(%)
Audited as at 30 June 2025	0.0760 ⁽¹⁾	(0.0310)	(40.79)
Based on pro forma NA of our Group (upon completion of the Proposed Acquisition and Proposed Debt Settlement)	0.0630 ⁽²⁾	(0.0180)	(28.57)

Notes:

- (1) Computed based on the audited consolidated NA of our Group as at 30 June 2025 of RM100.91 million divided by total issued Shares of EURO as at 30 June 2025 of 1,327,967,100 Shares.
- (2) Computed based on the pro forma consolidated NA of our Group of RM144.25 million divided by total issued Shares of EURO upon completion of the Proposed Acquisition and Proposed Debt Settlement of 2,291,177,011 Shares.

The discount of 10.18% was deemed to be reasonable as it is at a level sufficiently attractive for Dato' Sri Lim to accept the Settlement Shares in lieu of cash for the settlement of the Settlement Sum while increasing his investment in our Company. Further, it is also representing the same discount rate for the Consideration Shares (as set out in **Section 2.5** of Part A of this Circular).

The Settlement Shares are subject to market risk of EURO Shares to be assumed by Dato' Sri Lim, which is influenced by factors including uncertainties such as market sentiments, economic conditions, changes in government policies, liquidity of EURO Shares as well as volatility of the general equity markets. The volatility of EURO Shares which had fluctuated approximately 59.09% from the highest transacted price of RM0.110 to the lowest transacted price of RM0.045 for the past 12 months prior to the LTD.

Further to the above, the settlement of the Advances via the issuance of Settlement Shares allows our Group to conserve the cash for our day-to-day working capital as well as enhancing our Group's financial position with the increase in our Group's NA from RM89.55 million upon completion of the Proposed Acquisition to RM114.90 million upon completion of the Proposed Debt Settlement as set out in **Section 13.2** of Part A of this Circular.

Premised on the above, our Board (save for the Interested Directors) is of the view that the issue price for the Settlement Shares is **reasonable**.

The issuance of the Settlement Shares at a discount will result in a higher number of Shares being issued to Dato' Sri Lim (who is an Interested Major Shareholder) and in turn further dilute the shareholdings of the other non-interested shareholders of our Company.

3.4 Ranking of the Settlement Shares

The Settlement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or any other forms of distributions, the entitlement date of which is prior to the date of allotment and issuance of the Settlement Shares.

Subject to the relevant approvals being obtained for the Proposed Debt Settlement, Proposed Rights Issue, Proposed Exemption 2 and Proposed Exemption 3 as detailed in **Section 15** of Part A of this Circular, as it is the intention of our Company to implement the Proposed Debt Settlement prior to the Proposed Rights Issue, as detailed in **Section 16** of Part A of this Circular, the Settlement Shares will be entitled to the Proposed Rights Issue.

3.5 Listing and quotation of the Settlement Shares

The Settlement Shares will, upon allotment and issuance, be listed on the Main Market of Bursa Securities.

3.6 Take-over implication

The Settlement Shares will be issued to Dato' Sri Lim as the sole nominee appointed by IASB, SPASB and SPPSB to receive and accept the Settlement Shares. For the avoidance of doubt, the Settlement Shares to be issued to Dato' Sri Lim will be owned by him upon issuance and will not be held on behalf of IASB, SPASB and SPPSB. Upon completion of the Proposed Debt Settlement, which may be on standalone basis or with the other corporate exercises comprising the Proposals:

- (i) if the Proposed Acquisition is implemented, the individual shareholding of Dato' Sri Lim in EURO is expected to increase from 23.25% after the Proposed Acquisition to 42.12% upon issuance of the Settlement Shares to Dato' Sri Lim, i.e. increase to more than 33%, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs for the Shares not already owned by them under subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules, whereas the collective shareholding of Dato' Sri Lim and his PACs in EURO is expected to increase from 52.70% after the Proposed Acquisition to 64.33% upon issuance of the Settlement Shares to Dato' Sri Lim which will not give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs⁽¹⁾; and
- (ii) if the Proposed Acquisition is not implemented, the collective shareholding of Dato' Sri Lim and his PACs in EURO is expected to increase from 38.45% as at the LPD to 56.78% upon issuance of the Settlement Shares to Dato' Sri Lim, i.e. increase by more than 2% within a 6-month period, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs for the Shares not already owned by them under subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules.

Note:

- (1) The collective shareholding of Dato' Sri Lim and his PACs in EURO after the Proposed Acquisition is 52.70%, i.e. more than 50%, which will not trigger the creeping threshold pursuant to subparagraph 4.01(b) of the Rules, i.e. an acquisition of more than 2% of the voting shares or voting rights of a company in any period of 6 months by an acquirer holding more than 33% but not more than 50% of the voting shares or voting rights of the company.

As it is not the intention of Dato' Sri Lim and his PACs to undertake such Mandatory Offer, Dato' Sri Lim and his PACs intend to submit an application to seek the SC's approval for the Proposed Exemption 2 as detailed in **Section 6.2** of Part A of this Circular, subject to the approval being obtained from the non-interested shareholders of our Company for the Proposed Exemption 2 at the forthcoming EGM. In this regard, the Proposed Debt Settlement and the Proposed Exemption 2 are **inter-conditional** upon each other. The Proposed Debt Settlement will not be implemented in the event the non-interested shareholders of our Company do not approve any of the Proposed Debt Settlement and/or Proposed Exemption 2 and/or the SC does not approve the Proposed Exemption 2.

Please refer to **Section 6.2** of Part A of this Circular for further details of the movement of shareholdings of Dato' Sri Lim and his PACs upon implementation of the Proposed Debt Settlement.

3.7 Rationale and benefits of the Proposed Debt Settlement

The Proposed Debt Settlement is intended to fully settle the Settlement Sum. Our Board is of the view that the settlement of the Settlement Sum via the issuance of Settlement Shares to Dato' Sri Lim is the most appropriate method as it would enable our Company to:

- (i) settle the indebtedness without incurring additional debt obligation or interest expenses that may be incurred by our Company via other forms of financing such as bank borrowings;
- (ii) reduce our Company's debt whilst conserving our Company's cash and bank balances, which can instead be used for other purposes including the working capital for our Company's business; and
- (iii) strengthen our Company's equity base as well as NA through the capitalisation of debt into equity and improve the overall financial position of our Company immediately after the settlement of Settlement Sum.

4. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

4.1 Size of placement

The Proposed Private Placement entails the issuance of Placement Shares, representing up to 25% of the total number of issued Shares (excluding treasury shares, if any) as at the LPD. The maximum number of the Placement Shares is computed based on 25% of the total number of issued Shares (excluding treasury shares, if any) as at the LPD as detailed below:

$$25\% \quad \times \quad 1,327,967,100 \text{ Shares as at the LPD (excluding treasury shares, if any)} \quad = \quad 331,991,700 \text{ Placement Shares (rounded to eliminate odd lots)}$$

As at the LPD, our Company has an issued share capital of RM95,508,076 comprising 1,327,967,100 EURO Shares. Our Company does not have any treasury shares and convertible securities as at the LPD.

The actual number of Placement Shares to be issued will be determined and announced at a later date after the receipt of the approval from our Company's non-interested shareholders at the forthcoming EGM.

4.2 Placement arrangement

Our Company intends to place the Placement Shares to the Placee(s) to be identified at a later date.

The Placement Shares are **not** intended to be placed to the following:

- (i) director, major shareholder or chief executive of EURO or a holding company of EURO (“**Interested Person**”);
- (ii) a person connected with an Interested Person; and/or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Subject to market conditions and the timing of identification of the Placee(s), the Proposed Private Placement may be implemented in 1 or more tranches within 6 months from the date of approval of Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities or any extended period as may be approved by Bursa Securities.

The implementation of the placement arrangement in multiple tranches would provide flexibility to our Company to procure interested investors to subscribe for the Placement Shares from time to time.

The Proposed Private Placement is intended to be implemented after the completion of the Proposed Acquisition and Proposed Debt Settlement. In the event the Proposed Acquisition and/or the Proposed Debt Settlement is not approved by our Company’s non-interested shareholders at the forthcoming EGM, our Company will still implement the Proposed Private Placement if it is approved by our non-interested shareholders at the forthcoming EGM.

4.3 Basis and justification for the issue price of the Placement Shares

The issue price of each tranche of the Placement Shares shall be determined separately and fixed by our Board and announced at a later date after obtaining the relevant approvals for the Proposed Private Placement. The Placement Shares will be issued based on a discount of not more than 15.00% to the 5-day VWAP of EURO Shares immediately preceding the price-fixing date(s).

Our Board is of the opinion that the discount of not more than 15.00% to the 5-day VWAP of EURO Shares immediately preceding the price-fixing date(s) will provide our Company with more flexibility when fixing the issue price of the Placement Shares and will increase its attractiveness for the Placee(s) to subscribe for the Placement Shares with an aim to raise the required funds for the purposes as detailed in **Section 8.1** of Part A of this Circular. Further, the said discount rate is comparable to the discount rates for the issue price for the new Shares issued pursuant to the Private Placement 2023, as defined and detailed in **Section 9** of Part A of this Circular, of 14.47% and 14.34% to the 5-day VWAP of the Shares up to and including the last market day immediately preceding the respective price-fixing dates for the Private Placement 2023.

For illustration purposes, the issue price per Placement Share is assumed at RM0.045, representing a discount of RM0.0009 or approximately 1.96% to the 5-day VWAP of EURO Shares up to and including the LPD of RM0.0459.

[The rest of this page has been intentionally left blank]

For information, the comparisons of the indicative issue price per Placement Share against the closing market price and VWAP of EURO Shares up to and including the LPD as well as the consolidated NA per EURO share are set out below:

(i) Closing market price of EURO Shares

The table below sets out the discount of the indicative issue price of RM0.045 per Placement Share to the closing market prices or the respective VWAP of EURO Shares over various timeframes up to and including the LPD:

	Market price/ VWAP	Discount of the indicative issue price of RM0.045 to the closing market price / VWAP	
	(RM)	(RM)	(%)
Closing market price as at the LPD	0.0500	(0.0050)	(10.00)
<u>Up to and including the LPD</u>			
5-day VWAP	0.0459	(0.0009)	(1.96)
One (1)-month VWAP	0.0457	(0.0007)	(1.53)
Three (3)-month VWAP	0.0494	(0.0044)	(8.91)
Six (6)-month VWAP	0.0487	(0.0037)	(7.60)
Twelve (12)-month VWAP	0.0511	(0.0061)	(12.00)

(Source: Bloomberg)

(ii) Consolidated NA per EURO Share

	Consolidated NA per EURO Share	Discount of the indicative issue price of RM0.045 to the consolidated NA per EURO Share	
	(RM)	(RM)	(%)
Audited as at 30 June 2025	0.0760 ⁽¹⁾	(0.0310)	(40.79)
Based on pro forma NA of our Group (upon completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement)	0.0607 ⁽²⁾	(0.0157)	(25.86)

Notes:

- (1) Computed based on the audited consolidated NA of our Group as at 30 June 2025 of RM100.91 million divided by total issued Shares of EURO as at 30 June 2025 of 1,327,967,100 Shares.
- (2) Computed based on the pro forma consolidated NA of our Group of RM159.19 million divided by total issued Shares of EURO upon completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement of 2,623,168,711 Shares.

4.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or any other forms of distributions, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares.

Subject to the relevant approvals being obtained for the Proposed Private Placement, Proposed Rights Issue and Proposed Exemption 3 as detailed in **Section 15** of Part A of this Circular, as it is the intention of our Company to implement the Proposed Private Placement prior to the Proposed Rights Issue, as detailed in **Section 16** of Part A of this Circular, the Placement Shares will be entitled to the Proposed Rights Issue.

4.5 Listing and quotation of the Placement Shares

The Placement Shares will, upon allotment and issuance, be listed on the Main Market of Bursa Securities.

4.6 Take-over implication

The Proposed Private Placement will not give rise to any potential take-over implication in view of the placement arrangement as set out in **Section 4.2** of Part A of this Circular. However, the Proposed Rights Issue which is conditional upon the Proposed Private Placement will give rise to take-over implications upon completion as detailed in **Section 5.7** of Part A of this Circular.

4.7 Rationale and benefits of the Proposed Private Placement

After due consideration on the various methods of fundraising, our Board is of the opinion that the Proposed Private Placement is the most appropriate avenue to raise additional funds to meet the purposes as set out in **Section 8.1** of Part A of this Circular, after considering the following:

- (i) the Proposed Private Placement provides our Company an expeditious way of raising funds from the capital market and can be implemented in multiple tranches to align with our Group's funding requirements;
- (ii) the Proposed Private Placement will not require our Company to arrange for any underwriting or to procure any undertaking from our Company's shareholders to guarantee a minimum amount of funds to be raised as would usually be required for a rights issue of shares;
- (iii) the Proposed Private Placement serves as an additional funding for our Group's working capital requirements without incurring additional interest cost and debt repayment obligation as compared to bank borrowings or issuance of debt instruments;
- (iv) although the Proposed Private Placement will result in a dilution to the existing shareholders' shareholding as a result of the issuance of new Shares to the third party investors, upon completion of the Proposed Private Placement, the enlarged capital base is expected to strengthen our Group's financial position and future earnings when the economic and financial benefits from the use of proceeds are realised; and
- (v) the Proposed Private Placement enables our Company to maintain compliance with Paragraph 8.02(1) of the Listing Requirements which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding any treasury shares) are in the hands of public shareholders, after the Proposed Rights Issue. For illustration purposes only, assuming that (a) the Proposed Private Placement is not approved by the non-interested shareholders of our Company at the forthcoming EGM; and (b) only the Undertaking Shareholders subscribe for their entitlements to the Rights Shares pursuant to the Undertakings as set out in **Section 5.3** of Part A of this Circular and no other Entitled Shareholders subscribe for their entitlement under the Proposed Rights Issue, the public shareholding spread of our Company will decrease from 35.67% (after the Proposed Acquisition and Proposed Debt Settlement) to 21.71%.

5. DETAILS OF THE PROPOSED RIGHTS ISSUE

The Proposed Rights Issue, which is to be undertaken on a renounceable basis, entails the issuance of Rights Shares, at an issue price to be determined and announced later by our Board, on the basis of 1 Rights Share for every 1 existing Share held by Entitled Shareholders.

The Proposed Rights Issue is intended to be implemented after the completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement. In the event the Proposed Acquisition and Proposed Debt Settlement are not approved by our Company's non-interested shareholders at the forthcoming EGM, our Company will still implement the Proposed Rights Issue subject to the following:

- (i) the Proposed Exemption 3 being approved by the non-interested shareholders of our Company and the SC; and
- (ii) the Proposed Private Placement being approved by the non-interested shareholders of our Company.

5.1 Basis of Rights Shares to be issued

The basis of 1 Rights Share for every 1 existing Share held on the Entitlement Date was arrived at after taking into consideration the following:

- (i) the amount of proceeds of up to RM104.93 million that our Company wishes to raise as detailed in **Section 8.2** of Part A of this Circular (based on the indicative issue price of RM0.040 per Rights Share). The amount of proceeds to be raised is subject to the final issue price of the Rights Shares; and
- (ii) the rationale for the Proposed Rights Issue as set out in **Section 5.8** of Part A of this Circular.

[The rest of this page has been intentionally left blank]

5.2 Number of Rights Shares to be issued

The Proposed Rights Issue will be undertaken based on the following scenarios:

Minimum Scenario	1,473,837,611 Rights Shares to be issued, based on the following: <ul style="list-style-type: none">(i) the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue; and(ii) subscription by the Undertaking Shareholders pursuant to the Undertakings as set out in Section 5.3 of Part A of this Circular, and no other Entitled Shareholders subscribe for their entitlement under the Proposed Rights Issue.
Maximum Scenario	Up to 2,623,168,711 Rights Shares to be issued, based on the following: <ul style="list-style-type: none">(i) the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue; and(ii) subscription by the Undertaking Shareholders pursuant to the Undertakings as set out in Section 5.3 of Part A of this Circular, and all other Entitled Shareholders subscribe in full for their entitlements under the Proposed Rights Issue.
Only Private Placement and Rights Issue Scenario	1,473,837,611 Rights Shares to be issued, based on the following: <ul style="list-style-type: none">(i) none of the Proposed Acquisition and Proposed Debt Settlement are implemented/completed prior to the implementation of the Proposed Rights Issue;(ii) the Proposed Private Placement is completed prior to the implementation of the Proposed Rights Issue; and(iii) subscription by the Undertaking Shareholders pursuant to the Undertakings as set out in Section 5.3 of Part A of this Circular and no other Entitled Shareholders subscribe in full for their entitlements under the Proposed Rights Issue.

The actual number of Rights Shares to be issued will depend on the total number of issued Shares held by the Entitled Shareholders on the Entitlement Date after taking into consideration the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement and the eventual level of subscription for the Proposed Rights Issue.

The Rights Shares will be provisionally allotted and issued to the Entitled Shareholders. The entitlements to the Rights Shares are renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Proposed Rights Issue.

Any fractional entitlements of Rights Shares under the Proposed Rights Issue will be disregarded and/or dealt with in such manner by our Board in its absolute discretion deem fit or expedient and in the best interests of our Company.

Any unsubscribed Rights Shares shall be made available for excess applications by the Entitled Shareholders and/or their renounee(s). Our Board intends to reduce the incidence of odd lots and to allocate any excess Rights Shares in a fair and equitable manner on a basis to be determined by our Board and announced later by our Company.

5.3 Minimum subscription level and undertakings

Subject to the approvals of our Company's non-interested shareholders at the forthcoming EGM, our Company intends to raise minimum gross proceeds of RM58.95 million (which entails the subscription of 1,473,837,611 Rights Shares at the indicative issue price of RM0.040 each) from the Proposed Rights Issue ("**Minimum Subscription Level**") after taking into consideration, amongst others, the funding requirements of our Group as set out in **Section 8** of Part A of this Circular.

In this regard, our Board has procured the Undertakings from the Undertaking Shareholders to subscribe for the Rights Shares in the following manner:

- (i) In the case of any or all of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement being completed prior to the implementation of the Proposed Rights Issue:
 - (a) Dato' Sri Lim will subscribe for at least 241,248,354 Rights Shares by subscribing to his entitlement and apply for excess Rights Shares, if required, under the Proposed Rights Issue, and will renounce up to 25% and 50% of his entitlement under the Proposed Rights Issue to PH Performance⁽¹⁾ and Datuk Lim respectively ("**Rights Renunciation**"), after taking into consideration the availability of funds for purpose of subscribing to the Rights Shares by Dato' Sri Lim. The Rights Renunciation arrangement allows Dato' Sri Lim and his PACs to maintain their collective shareholding percentage of 56.19% in our Company in the event of full subscription of the Proposed Rights Issue (i.e. if the Rights Renunciation is not implemented and Dato' Sri Lim does not fully subscribe to his entitlement under the Proposed Rights Issue, the unsubscribed portion will be made available for subscription by the other Entitled Shareholders and/or their renouncee(s) via excess application and the collective shareholding of Dato' Sri Lim and his PACs in our Company will be diluted), whereas the resultant individual shareholding percentage of Dato' Sri Lim in our Company will decrease from 36.79% to 22.99%. The exact quantum of the Rights Renunciation will be dependent on the resultant number of Shares held by Dato' Sri Lim upon completion of the Proposed Acquisition and/or Proposed Debt Settlement, whereby the Consideration Shares and/or the Settlement Shares will be issued to Dato' Sri Lim, as the case may be.

In the event Dato' Sri Lim's entitlement under the Proposed Rights Issue is lower than his intended subscription of at least 241,248,354 pursuant to the Undertaking provided by him, Dato' Sri Lim will only renounce 100,000 Rights Shares entitlement under the Proposed Rights Issue to Datuk Lim to enable Datuk Lim to subscribe to the Rights Shares pursuant to the Undertaking provided by Datuk Lim as Datuk Lim currently does not have any shareholding in EURO as at the LPD. In this regard, save for the foregoing scenario, Dato' Sri Lim will first ensure he has sufficient entitlement under the Proposed Rights Issue to fulfil his Undertaking, while his remaining entitlement under the Proposed Rights Issue will be renounced in the proportion of 2/3 and 1/3 of the remaining entitlement to Datuk Lim and PH Performance respectively. The tables below illustrate the quantum of the Rights Renunciation based on the possible scenarios of implementation of the Proposed Rights Issue:

Assuming only the Proposed Private Placement is completed prior to the implementation of the Proposed Rights Issue

	Shareholdings in EURO as at the LPD		Shareholdings in EURO after the Proposed Private Placement		Entitlement under the Proposed Rights Issue	Entitlement under the Proposed Rights Issue after the Rights Renunciation
	No. of Shares	%	No. of Shares	%		
Dato' Sri Lim	1,783,500	0.13	1,783,500	0.11	1,783,500	(100,000)
PH Performance	285,000	0.02	285,000	0.02	285,000	-
Datuk Lim	-	-	-	-	-	100,000
Total	2,068,500	0.15	2,068,500	0.13	2,068,500	2,068,500

Assuming only the Proposed Acquisition and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue

	Shareholdings in EURO as at the LPD		Shareholdings in EURO after the Proposed Acquisition and Proposed Private Placement		Entitlement under the Proposed Rights Issue	Entitlement under the Proposed Rights Issue after the Rights Renunciation
	No. of Shares	%	No. of Shares	%		
Dato' Sri Lim	1,783,500	0.13	401,783,500	19.50	401,783,500	(160,535,146)
PH Performance	285,000	0.02	285,000	0.01	285,000	53,511,715
Datuk Lim	-	-	-	-	-	107,023,431
Total	2,068,500	0.15	402,068,500	19.52	402,068,500	402,068,500

Assuming only the Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue

	Shareholdings in EURO as at the LPD		Shareholdings in EURO after the Proposed Debt Settlement and Proposed Private Placement		Entitlement under the Proposed Rights Issue	Entitlement under the Proposed Rights Issue after the Rights Renunciation
	No. of Shares	%	No. of Shares	%		
Dato' Sri Lim	1,783,500	0.13	564,993,411	25.41	564,993,411	(323,745,057)
PH Performance	285,000	0.02	285,000	0.01	285,000	107,915,019
Datuk Lim	-	-	-	-	-	215,830,038
Total	2,068,500	0.15	565,278,411	25.43	565,278,411	565,278,411

Assuming the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue

	Shareholdings in EURO as at the LPD		Shareholdings in EURO after the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement		Entitlement under the Proposed Rights Issue	Entitlement under the Proposed Rights Issue after Renunciation
	No. of Shares	%	No. of Shares	%		
Dato' Sri Lim	1,783,500	0.13	964,993,411	36.79	964,993,411	241,248,354
PH Performance	285,000	0.02	285,000	0.01	285,000	241,533,352
Datuk Lim	-	-	-	-	-	482,496,705
Total	2,068,500	0.15	965,278,411	36.80	965,278,411	965,278,411

[The rest of this page has been intentionally left blank]

- (b) PH Performance will subscribe for at least 241,533,352 Rights Shares by subscribing to its entitlement under the Proposed Rights Issue and up to 25% of Dato' Sri Lim's entitlement under the Proposed Rights Issue to be renounced to PH Performance pursuant to the Rights Renunciation and apply for excess Rights Shares, if required, under the Proposed Rights Issue;
 - (c) S.P.A. Furniture will subscribe for at least 508,559,200 Rights Shares by subscribing to its entitlement under the Proposed Rights Issue; and
 - (d) Datuk Lim will subscribe for at least 482,496,705 Rights Shares by subscribing up to 50% of Dato' Sri Lim's entitlement under the Proposed Rights Issue to be renounced to her pursuant to the Rights Renunciation and apply for excess Rights Shares, if required, under the Proposed Rights Issue; or
- (ii) In the case where none of the Proposed Acquisition, Proposed Debt Settlement, Proposed Exemption 1 and Proposed Exemption 2 are approved by our Company's non-interested shareholders at the forthcoming EGM and not implemented such that only the Proposed Private Placement and the Proposed Rights Issue can be implemented, the Proposed Rights Issue will be undertaken via the Undertaking Shareholders subscribing to their own respective entitlement and/or excess Rights Shares under the Proposed Rights Issue based on the Undertakings up to an aggregate of 1,473,837,611 Rights Shares, subject to the Proposed Exemption 3 being approved by the non-interested shareholders of our Company and the SC and the Proposed Private Placement being approved by the non-interested shareholders of our Company.

Note:

- (1) PH Performance is incorporated in Malaysia on 9 March 2007 as a private limited company under the Companies Act, 1965 under CH Performance (M) Sdn. Bhd. It then assumed its present name since 2 June 2009. It is principally involved in export and trading in automotive parts. As at the LPD, the directors and shareholders of PH Performance (which holds 0.02% equity interest in our Company) and their respective shareholding are as follows:

Name	Designation	% of shareholding held in PH Performance
Datin Sri Ong Lely	Director	50.00%
Datuk Lim	Director	50.00%
Total		100.00%

[The rest of this page has been intentionally left blank]

For illustration purpose and in line with our Company's intention to implement the Proposed Rights Issue after the completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement, the details of the Undertakings based on the assumption that the Undertaking Shareholders in the event the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are approved by our Company's non-interested shareholders at the forthcoming EGM and implemented successfully are as follows:

Undertaking Shareholders	No. of Shares to be held after the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement				Subscription pursuant to the Undertakings			No. of Shares to be held after the Proposed Rights Issue	
	No. of Shares held as at the LPD		Proposed Private Placement		Entitlement under the Proposed Rights Issue	Based on entitlement under the Proposed Rights Issue	Based on entitlement to be renounced by Dato' Sri Lim	Total	No. of Shares
	No. of Shares	%	No. of Shares	%					
Dato' Sri Lim	1,783,500	0.13	964,993,411	36.79	964,993,411	241,248,354 ⁽¹⁾	-	241,248,354	1,206,241,765
PH Performance	285,000	0.02	285,000	0.01	285,000	285,000 ⁽²⁾	241,248,352 ⁽²⁾	241,533,352	241,818,352
S.P.A. Furniture	508,559,200	38.30	508,559,200	19.39	508,559,200	508,559,200 ⁽³⁾	-	508,559,200	1,017,118,400
Datuk Lim	-	-	-	-	-	-	482,496,705 ⁽⁴⁾	482,496,705	482,496,705
Total	510,627,700	38.45	1,473,837,611	56.19	1,473,837,611	750,092,554	723,745,057	1,473,837,611	2,947,675,222

Notes:

- (1) Dato' Sri Lim will subscribe for 25% of his entitlement under the Proposed Rights Issue and renounce up to 25% and 50% of his entitlement under the Proposed Rights Issue to PH Performance and Datuk Lim respectively.
- (2) PH Performance will subscribe for its entitlement under the Proposed Rights Issue and up to 25% of Dato' Sri Lim's entitlement under the Proposed Rights Issue to be renounced to PH Performance pursuant to the Rights Renunciation in full.
- (3) S.P.A. Furniture will subscribe for its entitlement under the Proposed Rights Issue in full.
- (4) Datuk Lim will subscribe for up to 50% of Dato' Sri Lim's entitlement under the Proposed Rights Issue to be renounced to her pursuant to the Rights Renunciation in full.

For illustration purpose, the details of the Undertakings under the Only Private Placement and Rights Issue Scenario are as follows:

Undertaking Shareholders	No. of Shares held as at the LPD		No. of Shares to be held after the Proposed Private Placement		Subscription pursuant to the Undertakings					No. of Shares to be held after the Proposed Rights Issue	
	No. of Shares	%	No. of Shares	%	Entitlement under the Proposed Rights Issue	Based on entitlement under the Proposed Rights Issue	Based on entitlement to be renounced by Dato' Sri Lim	Excess application	Total	No. of Shares	%
Dato' Sri Lim	1,783,500	0.13	1,783,500	0.11	1,783,500	1,683,500 ⁽¹⁾	-	239,564,854 ⁽¹⁾	241,248,354	243,031,854	7.76
PH Performance	285,000	0.02	285,000	0.02	285,000	285,000 ⁽²⁾	-	241,248,352 ⁽²⁾	241,533,352	241,818,352	7.72
S.P.A. Furniture	508,559,200	38.30	508,559,200	30.64	508,559,200	508,559,200 ⁽³⁾	-	- ⁽³⁾	508,559,200	1,017,118,400	32.46
Datuk Lim	-	-	-	-	-	-	100,000 ⁽⁴⁾	482,396,705 ⁽⁴⁾	482,496,705	482,496,705	15.40
Total	510,627,700	38.45	510,627,700	30.76	510,627,700	509,290,075	100,000	963,209,911	1,473,837,611	1,984,465,311	63.32

Notes:

- (1) Dato' Sri Lim will (i) subscribe for 1,683,500 Rights Shares of his entitlement under the Proposed Rights Issue and renounce 100,000 Rights Shares of his entitlement under the Proposed Rights Issue to Datuk Lim; and (ii) apply for excess Rights Shares to the extent such that an aggregate of 1,473,837,611 Rights Shares are subscribed by all the Entitled Shareholders (including Dato' Sri Lim) and/or their renouncee(s) under the Proposed Rights Issue.
- (2) PH Performance will (i) subscribe for its entitlement under the Proposed Rights Issue in full; and (ii) apply for excess Rights Shares to the extent such that an aggregate of 1,473,837,611 Rights Shares are subscribed by all the Entitled Shareholders (including PH Performance) and/or their renouncee(s) under the Proposed Rights Issue.
- (3) S.P.A. Furniture will subscribe for its entitlement under the Proposed Rights Issue in full.
- (4) Datuk Lim will (i) subscribe for 100,000 Rights Shares of Dato' Sri Lim's entitlement under the Proposed Rights Issue in full; and (ii) apply for excess Rights Shares to the extent such that an aggregate of 1,473,837,611 Rights Shares are subscribed by all the Entitled Shareholders (including Datuk Lim) and/or their renouncee(s) under the Proposed Rights Issue.

Pursuant to the Undertakings, the Undertaking Shareholders:

- (i) will not sell, transfer or dispose of their shareholdings or otherwise reduce their shareholdings in any manner, from the date of such undertaking until the Entitlement Date;
- (ii) will subscribe for the Rights Shares in the manner as disclosed above to meet the Minimum Subscription Level pursuant to the Proposed Rights Issue; and
- (iii) confirmed that they have sufficient financial means and resources to fulfil their respective commitment under the Undertakings.

TA Securities has verified that the respective Undertaking Shareholders have sufficiency of financial resources to fulfil the Undertakings.

As the Minimum Subscription Level will be fully satisfied via the Undertakings, our Company will not procure any underwriting arrangement for the remaining Rights Shares not subscribed for by other Entitled Shareholders.

The final number of Rights Shares to be issued under the Minimum Scenario to arrive at the Minimum Subscription Level of RM58.95 million will depend on the final issue price of the Rights Shares to be fixed and announced by our Board at a later date.

The Undertakings are not expected to result in any breach in the public shareholding spread requirement by our Company under Paragraph 8.02(1) of the Listing Requirements, which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding any treasury shares) are in the hands of public shareholders, upon completion of the Proposed Rights Issue. As detailed in **Section 7** of Part A of this Circular, the public shareholding spread of our Company as at the LPD is approximately 61.55% and is expected to decrease to:

- (i) 28.05% upon completion of the Proposed Rights Issue under the Minimum Scenario in the event the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue;
- (ii) 36.68% upon completion of the Proposed Rights Issue under the Only Private Placement and Rights Issue Scenario in the event the Proposed Acquisition, Proposed Debt Settlement and/or Proposed Exemptions are not approved by our Company's non-interested shareholders at the forthcoming EGM and not implemented; or
- (iii) 43.81% upon completion of the Proposed Rights Issue under the Maximum Scenario in the event the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue.

In the event Minimum Subscription Level has been achieved via subscription by other Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) of respective entitlements and any excess Rights Shares, the Undertaking Shareholders will still be obliged to subscribe in full for their Rights Shares entitlements pursuant to the Undertakings which will result in the increase in the individual shareholding percentage of the other Undertaking Shareholders (save for Dato' Sri Lim whose individual shareholding percentage in our Company will decrease) and collective shareholding percentage of Dato' Sri Lim and his PACs in our Company.

5.4 Basis of determining and justification for the issue price of the Rights Shares

The issue price of the Rights Shares shall be fixed and announced by our Board at a later date before the announcement of the Entitlement Date, after taking into consideration, amongst others, the following:

- (a) the amount of proceeds that our Company wishes to raise for purposes as set out in **Section 8.2** of Part A of this Circular;
- (b) the rationale for the Proposed Rights Issue, as set out in **Section 5.8** of Part A of this Circular; and

- (c) the TERP of the Shares based on the 5-day VWAP of the Shares up to and including the last trading day prior to the price-fixing date.

Our Board intends to fix the issue price of the Rights Shares such that the issue price is at a discount of not more than 20% to the TERP of the Shares. This was determined by our Board after taking into consideration the need for our Company to price the Rights Shares at an issue price deemed sufficiently attractive to encourage subscription of the Rights Shares and to enable our Group to raise the necessary funds to meet our funding requirements as set out in **Section 8.2** of Part A of this Circular.

For illustration purpose, an indicative issue price of RM0.040 per Rights Share is assumed throughout Part A of this Circular. The indicative issue price is at a discount of RM0.0030 or approximately 6.87% to the TERP of the Shares of RM0.0430, calculated based on the 5-day VWAP of the Shares up to and including the LPD of RM0.0459.

For information, the comparisons of the indicative issue price per Right Share against the closing market price and VWAP of EURO Shares up to and including the LPD as well as the consolidated NA per EURO share are set out below:

- (i) Closing market price and TERP of EURO Shares

	<u>Market price/ VWAP</u>	<u>TERP⁽¹⁾</u>	<u>Discount of the indicative issue price of RM0.040 of Rights Shares to the TERP</u>	
	<u>(RM)</u>	<u>(RM)</u>	<u>(RM)</u>	<u>(%)</u>
Closing market price as at the LPD	0.0500	0.0450	(0.0050)	(11.11)
<u>Up to and including the LPD</u>				
5-day VWAP	0.0459	0.0430	(0.0030)	(6.87)
One (1)-month VWAP	0.0457	0.0429	(0.0029)	(6.65)
Three (3)-month VWAP	0.0494	0.0447	(0.0047)	(10.51)
Six (6)-month VWAP	0.0487	0.0444	(0.0044)	(9.81)
Twelve (12)-month VWAP	0.0511	0.0456	(0.0056)	(12.22)

(Source: Bloomberg)

Note:

- (1) TERP is computed as follows:

$$\text{TERP} = \frac{(A \times Y) + (B \times Z)}{A + B}$$

Where:

- A : Number of Shares after the completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement
- B : Number of Rights Shares
- Y : Respective closing market price / VWAP of Shares
- Z : Indicative issue price of Rights Shares

(ii) Consolidated NA per EURO Share

The comparison of the indicative issue price of RM0.040 per Rights Share to the consolidated NA per EURO Share are as follows:

	Consolidated NA per EURO Share	Discount of the indicative issue price of RM0.040 to the consolidated NA per EURO Share	
	(RM)	(RM)	(%)
Audited as at 30 June 2025	0.0760 ⁽¹⁾	(0.0360)	(47.37)
Based on pro forma NA of our Group (<i>upon completion of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue</i>)	0.0500 ⁽²⁾	(0.0100)	(20.00)

Notes:

- (1) Computed based on the audited consolidated NA of our Group as at 30 June 2025 of RM100.91 million divided by total issued Shares of EURO as at 30 June 2025 of 1,327,967,100 Shares.
- (2) Computed based on the pro forma consolidated NA of our Group of RM262.57 million divided by total issued Shares of EURO upon completion of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (under the Maximum Scenario) of 5,246,337,422 Shares.

5.5 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or any other forms of distributions, the entitlement date of which is prior to the date of allotment and issuance of the Rights Shares.

5.6 Listing and quotation of the Rights Shares

The Rights Shares will, upon allotment and issuance, be listed on the Main Market of Bursa Securities.

5.7 Take-over implication

Upon completion of the Proposed Rights Issue, assuming only the Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings:

- (i) if only the Proposed Private Placement and Proposed Rights Issue are implemented (i.e. Scenario 2(A) as illustrated in **Section 6.3** of Part A of this Circular), the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 30.76% upon the completion of the Proposed Private Placement to 63.32% upon issuance of the Rights Shares, i.e. increase to more than 33%, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules;
- (ii) if only the Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue are implemented (i.e. Scenario 2(B) as illustrated in **Section 6.3** of Part A of this Circular), the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 44.21% upon the completion of the Proposed Private Placement to 67.48% upon issuance of the Rights Shares, i.e. increase by more than 2% within a 6-month period, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules; and

- (iii) if only the Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue are implemented (i.e. Scenario 2(C) as illustrated in **Section 6.3** of Part A of this Circular), the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 48.30% upon the completion of the Proposed Private Placement to 68.91% upon issuance of the Rights Shares, i.e. increase by more than 2% within a 6-month period, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs for the Shares not already owned by them under subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules.

As it is not the intention of Dato' Sri Lim and his PACs to undertake such Mandatory Offer, Dato' Sri Lim and his PACs intend to submit an application to seek the SC's approval for the Proposed Exemption 3 as detailed in **Section 6.3** of Part A of this Circular, subject to the approval being obtained from the non-interested shareholders of our Company for the Proposed Exemption 3 and the Proposed Private Placement at the forthcoming EGM. In this regard, the Proposed Rights Issue and the Proposed Exemption 3 are **inter-conditional** upon each other. The Proposed Rights Issue will not be implemented in the event of the following:

- (i) the non-interested shareholders of our Company do not approve any of the Proposed Rights Issue and/or Proposed Exemption 3 and/or the SC does not approve the Proposed Exemption 3; and/or
- (ii) the non-interested shareholders of our Company do not approve the Proposed Private Placement.

5.8 Rationale and benefits of the Proposed Rights Issue

As at 30 June 2025, our Company's cash and bank balances stood at RM0.05 million, of which the Management intends to preserve for our Company's working capital requirements and/or to address any short-term obligations in a timely manner.

In view of the above and after due consideration of various fund-raising options, our Board is of the view that the Proposed Rights Issue is an appropriate avenue of fund-raising based on the following key considerations:

- (i) the Proposed Rights Issue allows our Company to raise funds expeditiously without incurring interest costs associated with bank borrowings or issuance of debt instruments that will result in cash outflow arising from interest servicing costs. Moreover, our Company will also be able to preserve such cash, which otherwise would be used for interest costs, for our Company's working capital requirements and/or to address any short-term obligations in a timely manner;
- (ii) the proceeds to be raised from the issuance of Rights Shares will strengthen the cash flow of our Company and utilisation of the said proceeds for the working capital for our Group's businesses as disclosed in **Section 8.2** of Part A of this Circular is expected to contribute positively to our Company's future earnings and financial performance; and
- (iii) the Proposed Rights Issue will involve the issuance of new Shares without diluting the Entitled Shareholders' shareholdings, if all Entitled Shareholders fully subscribe for their respective entitlements under the Proposed Rights Issue and ultimately, participate in the prospects and future growth of our Company.

6. DETAILS OF THE PROPOSED EXEMPTIONS

The Proposed Exemptions entails the Proposed Exemption 1, Proposed Exemption 2 and Proposed Exemption 3 as detailed in the ensuing subsections of this **Section 6**.

Subject to the approvals of our Company's non-interested shareholders for the Proposals, it is the intention of our Company to implement the Proposals in the following order:

- (i) the Proposed Acquisition and Proposed Debt Settlement concurrently;

- (ii) the Proposed Private Placement after the completion of the Proposed Acquisition and Proposed Debt Settlement; and
- (iii) the Proposed Rights Issue after the completion of the Proposed Private Placement.

Group of persons acting in concert

Pursuant to subsections 216(2) and 216(3) of the CMSA, the group of persons acting in concert including Dato' Sri Lim in relation to EURO are as follows:

<u>Name</u>	<u>Nature of relationship</u>
Dato' Sri Lim	<ul style="list-style-type: none"> • Shareholder with 0.13% equity interest in EURO • Son of Dato' Lim Chaw Teng and Datin Chooi Moi • Spouse of Datin Sri Ong Lely • Brother of Datuk Lim
Datin Sri Ong Lely	<ul style="list-style-type: none"> • Director and shareholder of S.P.A. Furniture • Spouse of Dato' Sri Lim • Daughter-in-law of Dato' Lim Chaw Teng and Datin Chooi Moi • Sister-in-law of Datuk Lim • Director and shareholder of PH Performance • A PAC to Dato' Sri Lim by virtue of paragraph 216(3)(h) of the CMSA
Datin Chooi Moi	<ul style="list-style-type: none"> • Director and shareholder of S.P.A. Furniture • Spouse of Dato' Lim Chaw Teng • Mother to Dato' Sri Lim and Datuk Lim • Mother-in-law to Datin Sri Ong Lely • A PAC to Dato' Sri Lim by virtue of paragraph 216(3)(h) of the CMSA
Datuk Lim	<ul style="list-style-type: none"> • Sister of Dato' Sri Lim • Daughter of Dato' Lim Chaw Teng and Datin Chooi Moi • Sister-in-law of Datin Sri Ong Lely • Director and shareholder of PH Performance • A PAC to Dato' Sri Lim by virtue of paragraph 216(3)(h) of the CMSA
S.P.A. Furniture	<ul style="list-style-type: none"> • Controlling shareholder with 38.30% equity interest in EURO • Directors and shareholders are Datin Sri Ong Lely and Datin Chooi Moi, who have 50.00% equity interest each in S.P.A. Furniture • A PAC to Dato' Sri Lim by virtue of subsection 216(2) of the CMSA
PH Performance	<ul style="list-style-type: none"> • Shareholder with 0.02% equity interest in EURO • Shareholders and directors are Datin Sri Ong Lely and Datuk Lim, who have 50.00% equity interest each in PH Performance • A PAC to Dato' Sri Lim by virtue of subsection 216(2) of the CMSA

[The rest of this page has been intentionally left blank]

6.1 Proposed Exemption 1

Shareholdings of Dato' Sri Lim and his PACs upon completion of the Proposed Acquisition

Dato' Sri Lim will be receiving the Consideration Shares. In this regard, the shareholdings of Dato' Sri Lim and his PACs upon completion of the Proposed Acquisition will be as follows:

Name	As at the LPD		After the Proposed Acquisition	
	No. of Shares	%⁽¹⁾	No. of Shares	%⁽²⁾
Dato' Sri Lim	1,783,500	0.13	401,783,500	23.25
Datin Sri Ong Lely	-	-	-	-
Datin Chooi Moi	-	-	-	-
Datuk Lim	-	-	-	-
S.P.A. Furniture	508,559,200	38.30	508,559,200	29.43
PH Performance	285,000	0.02	285,000	0.02
Total	510,627,700	38.45	910,627,700	52.70

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.

As disclosed above, upon implementation of the Proposed Acquisition, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 38.45% as at the LPD to 52.70% upon the issuance of the Consideration Shares to Dato' Sri Lim, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs pursuant to subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules.

As it is not the intention of Dato' Sri Lim and his PACs to undertake such Mandatory Offer, Dato' Sri Lim and his PACs intend to submit an application to seek the SC's approval for the Proposed Exemption 1, subject to approval being obtained from the non-interested shareholders of our Company for the same at the forthcoming EGM.

In this regard, the Proposed Acquisition and the Proposed Exemption 1 are **inter-conditional** upon each other. Dato' Sri Lim and his PACs will abstain from voting in respect of their shareholdings in our Company, whether direct or indirect, on the resolutions pertaining to the Proposed Acquisition and the Proposed Exemption 1 at the forthcoming EGM. In addition, Dato' Sri Lim and his PACs will also undertake to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in our Company (if any) on the resolutions pertaining to the Proposed Acquisition and the Proposed Exemption 1 at the forthcoming EGM.

The Proposed Acquisition will not be implemented in the event the non-interested shareholders of our Company do not approve any of the Proposed Acquisition and/or Proposed Exemption 1 and/or the SC does not approve the Proposed Exemption 1.

6.2 Proposed Exemption 2

Shareholdings of Dato' Sri Lim and his PACs upon completion of the Proposed Debt Settlement

Dato' Sri Lim will be receiving the Settlement Shares. Upon completion of the Proposed Debt Settlement, which may be on standalone basis or with the other corporate exercises comprising the Proposals:

- (i) if the Proposed Acquisition is implemented, the individual shareholding of Dato' Sri Lim in EURO is expected to increase from 23.25% after the Proposed Acquisition to 42.12% upon issuance of the Settlement Shares to Dato' Sri Lim, i.e. increase to more than 33%, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules; and
- (ii) if the Proposed Acquisition is not implemented, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 38.45% as at the LPD to 56.78% upon issuance of the Settlement Shares to Dato' Sri Lim, i.e. increase by more than 2% within a 6-month period, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules.

The tables below illustrate the maximum potential shareholding of Dato' Sri Lim and his PACs in EURO based on the possible scenarios of implementation of the Proposed Debt Settlement.

Scenario 1(A) – Assuming the Proposed Acquisition is not implemented (i.e. only Proposed Debt Settlement is implemented)

Name	As at the LPD		After the Proposed Debt Settlement	
	No. of Shares	%⁽¹⁾	No. of Shares	%⁽²⁾
Dato' Sri Lim	1,783,500	0.13	564,993,411	29.88
Datin Sri Ong Lely	-	-	-	-
Datin Chooi Moi	-	-	-	-
Datuk Lim	-	-	-	-
S.P.A. Furniture	508,559,200	38.30	508,559,200	26.89
PH Performance	285,000	0.02	285,000	0.02
Total	510,627,700	38.45	1,073,837,611	56.78

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,891,177,011 after the Proposed Debt Settlement.

[The rest of this page has been intentionally left blank]

Scenario 1(B) – Assuming the Proposed Acquisition is implemented (i.e. both Proposed Acquisition and Proposed Debt Settlement are implemented)

	(I)		(II)		(III)	
	As at the LPD		After the Proposed Acquisition		After (II) and the Proposed Debt Settlement	
Name	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾
Dato' Sri Lim	1,783,500	0.13	401,783,500	23.25	964,993,411	42.12
Datin Sri Ong Lely	-	-	-	0.00	-	-
Datin Chooi Moi	-	-	-	0.00	-	-
Datuk Lim	-	-	-	0.00	-	-
S.P.A. Furniture	508,559,200	38.30	508,559,200	29.43	508,559,200	22.20
PH Performance	285,000	0.02	285,000	0.02	285,000	0.01
Total	510,627,700	38.45	910,627,700	52.70	1,473,837,611	64.33

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.
- (3) Computed based on total number of issued Shares of 2,291,177,011 after the Proposed Acquisition and Proposed Debt Settlement.

[The rest of this page has been intentionally left blank]

As it is not the intention of Dato' Sri Lim and his PACs to undertake such Mandatory Offer, Dato' Sri Lim and his PACs intend to submit an application to seek the SC's approval for the Proposed Exemption 2, subject to approval being obtained from the non-interested shareholders of our Company for the same at the forthcoming EGM.

In this regard, the Proposed Debt Settlement and the Proposed Exemption 2 are inter-conditional upon each other. Dato' Sri Lim and his PACs will abstain from voting in respect of their shareholdings in our Company, whether direct or indirect, on the resolutions pertaining to the Proposed Debt Settlement and the Proposed Exemption 2 at the forthcoming EGM. In addition, Dato' Sri Lim and his PACs will also undertake to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in our Company (if any) on the resolutions pertaining to the Proposed Debt Settlement and the Proposed Exemption 2 at the forthcoming EGM.

The Proposed Debt Settlement will not be implemented in the event the non-interested shareholders of our Company do not approve any of the Proposed Debt Settlement and/or Proposed Exemption 2 and/or the SC does not approve the Proposed Exemption 2.

6.3 Proposed Exemption 3

Shareholdings of Dato' Sri Lim and his PACs upon completion of the Proposed Rights Issue (assuming only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings)

Pursuant to the Proposed Rights Issue, the Undertaking Shareholders have provided the Undertakings to subscribe for the Rights Shares in the manner as set out in **Section 5.3** of Part A of this Circular. Upon implementation of the Proposed Rights Issue, assuming only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings:

- (i) under Scenario 2(A) as illustrated below, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 30.76% upon the completion of the Proposed Private Placement to 63.32% upon issuance of the Rights Shares, i.e. increase to more than 33%, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules;
- (ii) under Scenario 2(B) as illustrated below, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 44.21% upon the completion of the Proposed Private Placement to 67.48% upon issuance of the Rights Shares, i.e. increase by more than 2% within a 6-month period, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules; and
- (iii) under Scenario 2(C) as illustrated below, the collective shareholding of Dato' Sri Lim and his PACs in our Company is expected to increase from 48.30% upon the completion of the Proposed Private Placement to 68.91% upon issuance of the Rights Shares, i.e. increase by more than 2% within a 6-month period, which will give rise to a Mandatory Offer obligation by Dato' Sri Lim and his PACs under subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules.

[The rest of this page has been intentionally left blank]

The tables below illustrate the maximum potential shareholding of Dato' Sri Lim and his PACs in EURO based on the possible scenarios of implementation of the Proposed Rights Issue.

Scenario 2(A) – Assuming only the Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented

Name	(I)		(II)		(III)	
	As at the LPD		After the Proposed Private Placement		After (II) and the Proposed Rights Issue*	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾
Dato' Sri Lim	1,783,500	0.13	1,783,500	0.11	243,031,854	7.75
Datin Sri Ong Lely	-	-	-	-	-	-
Datin Chooi Moi	-	-	-	-	-	-
Datuk Lim	-	-	-	-	482,496,705	15.40
S.P.A. Furniture	508,559,200	38.30	508,559,200	30.63	1,017,118,400	32.45
PH Performance	285,000	0.02	285,000	0.02	241,818,352	7.72
Total	510,627,700	38.45	510,627,700	30.76	1,984,465,311	63.32

Notes:

* Assuming subscription by Dato' Sri Lim, PH Performance, S.P.A. Furniture and Datuk Lim pursuant to the Undertakings.

(1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.

(2) Computed based on the total number of issued Shares of 1,659,958,800 after the Proposed Private Placement.

(3) Computed based on the total number of issued Shares of 3,133,796,411 after the Proposed Private Placement and Proposed Rights Issue.

[The rest of this page has been intentionally left blank]

Scenario 2(B) – Assuming only Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented

Name	(I)		(II)		(III)		(IV)	
	As at the LPD		After the Proposed Acquisition		After (II) and the Proposed Private Placement		After (III) and the Proposed Rights Issues*	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾
Dato' Sri Lim	1,783,500	0.13	401,783,500	23.25	401,783,500	19.51	643,031,854	18.20
Datin Sri Ong Lely	-	-	-	-	-	-	-	-
Datin Chooi Moi	-	-	-	-	-	-	-	-
Datuk Lim	-	-	-	-	-	-	482,496,705	13.66
S.P.A. Furniture	508,559,200	38.30	508,559,200	29.43	508,559,200	24.69	1,017,118,400	28.78
PH Performance	285,000	0.02	285,000	0.02	285,000	0.01	241,818,352	6.84
Total	510,627,700	38.45	910,627,700	52.70	910,627,700	44.21	2,384,465,311	67.48

Notes:

- * Assuming subscription by Dato' Sri Lim, PH Performance, S.P.A. Furniture and Datuk Lim pursuant to the Undertakings.
- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.
- (3) Computed based on total number of issued Shares of 2,059,958,800 after the Proposed Acquisition and Proposed Private Placement.
- (4) Computed based on total number of issued Shares of 3,533,796,411 after the Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue.

Scenario 2(C) – Assuming only Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented

Name	(I)		(II)		(III)		(IV)	
	As at the LPD		After the Proposed Debt Settlement		After (II) and the Proposed Private Placement		After (III) and the Proposed Rights Issues*	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾
Dato' Sri Lim	1,783,500	0.13	564,993,411	29.88	564,993,411	25.41	806,241,765	21.81
Datin Sri Ong Lely	-	-	-	-	-	-	-	-
Datin Chooi Moi	-	-	-	-	-	-	-	-
Datuk Lim	-	-	-	-	-	-	482,496,705	13.05
S.P.A. Furniture	508,559,200	38.30	508,559,200	26.89	508,559,200	22.88	1,017,118,400	27.51
PH Performance	285,000	0.02	285,000	0.02	285,000	0.01	241,818,352	6.54
Total	510,627,700	38.45	1,073,837,611	56.78	1,073,837,611	48.30	2,547,675,222	68.91

Notes:

- * Assuming subscription by Dato' Sri Lim, PH Performance, S.P.A. Furniture and Datuk Lim pursuant to the Undertakings.
- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,891,177,011 after the Proposed Debt Settlement.
- (3) Computed based on total number of issued Shares of 2,223,168,711 after the Proposed Debt Settlement and Proposed Private Placement.
- (4) Computed based on total number of issued Shares of 3,697,006,322 after the Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue.

Scenario 2(D) – Assuming the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented

Name	(I)		(II)		(III)		(IV)		(V)	
	As at the LPD		After the Proposed Acquisition		After (II) and the Proposed Debt Settlement		After (III) and the Proposed Private Placement		After (IV) and the Proposed Rights Issue*	
	No. of shares	%(⁽¹⁾)	No. of shares	%(⁽²⁾)	No. of shares	%(⁽³⁾)	No. of shares	%(⁽⁴⁾)	No. of shares	%(⁽⁵⁾)
Dato' Sri Lim	1,783,500	0.13	401,783,500	23.25	964,993,411	42.12	964,993,411	36.79	1,206,241,765	29.44
Datin Sri Ong Lely	-	-	-	-	-	-	-	-	-	-
Datin Chooi Moi	-	-	-	-	-	-	-	-	-	-
Datuk Lim	-	-	-	-	-	-	-	-	482,496,705	11.78
S.P.A. Furniture	508,559,200	38.30	508,559,200	29.43	508,559,200	22.20	508,559,200	19.39	1,017,118,400	24.83
PH Performance	285,000	0.02	285,000	0.02	285,000	0.01	285,000	0.01	241,818,352	5.90
Total	510,627,700	38.45	910,627,700	52.70	1,473,837,611	64.33	1,473,837,611	56.19	2,947,675,222	71.95

Notes:

* Assuming subscription by Dato' Sri Lim, PH Performance, S.P.A. Furniture and Datuk Lim pursuant to the Undertakings.

(1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.

(2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.

(3) Computed based on total number of issued Shares of 2,291,177,011 after the Proposed Acquisition and Proposed Debt Settlement.

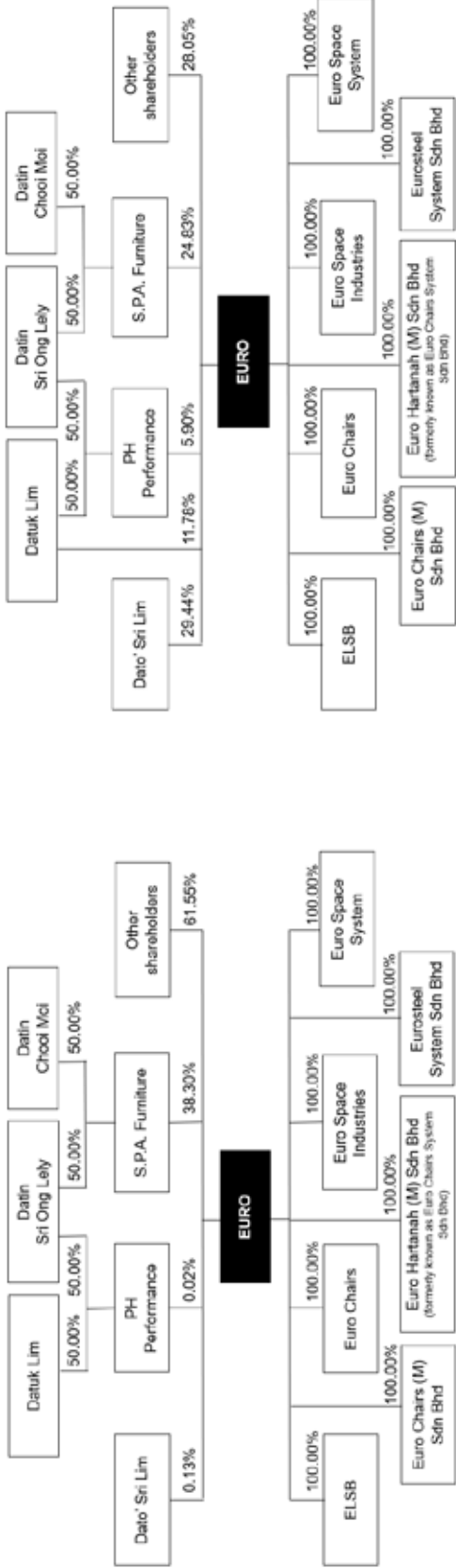
(4) Computed based on total number of issued Shares of 2,623,168,711 after the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement.

(5) Computed based on total number of issued Shares of 4,097,006,322 after the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue.

The diagrams below illustrate the changes of shareholding structure of EURO for the maximum shareholding scenario of Dato’ Sri Lim and his PACs in EURO (i.e. Scenario 2(D), assuming the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented):

After the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings)

As at the LPD



[The rest of this page has been intentionally left blank]

As it is not the intention of Dato' Sri Lim and his PACs to undertake such Mandatory Offer, Dato' Sri Lim and his PACs intend to submit an application to seek the SC's approval for the Proposed Exemption 3, subject to the approvals from the non-interested shareholders of our Company for the Proposed Exemption 3 and Proposed Private Placement being obtained at the forthcoming EGM.

In this regard, the Proposed Rights Issue and the Proposed Exemption 3 are inter-conditional upon each other. Dato' Sri Lim and his PACs will abstain from voting in respect of their shareholdings in our Company, whether direct or indirect, on the resolutions pertaining to the Proposed Rights Issue and the Proposed Exemption 3 at the forthcoming EGM. In addition, Dato' Sri Lim and his PACs will also undertake to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in our Company (if any) on the resolutions pertaining to the Proposed Rights Issue and the Proposed Exemption 3 at the forthcoming EGM.

The Proposed Rights Issue will not be implemented in the event of the following:

- (i) the non-interested shareholders of our Company do not approve any of the Proposed Rights Issue and/or Proposed Exemption 3 and/or the SC does not approve the Proposed Exemption 3; and/or
- (ii) the non-interested shareholders of our Company do not approve the Proposed Private Placement.

Dealings in Shares by Dato' Sri Lim and his PACs

Dato' Sri Lim and his PACs have declared and confirmed that they have not acquired any direct or indirect interest in any of the Shares during the past 6 months prior to our Company's announcement in relation to the Proposals on 6 March 2025.

6.4 Rationale and benefits of the Proposed Exemptions

The Proposed Exemptions will relieve Dato' Sri Lim and his PACs from the obligation to undertake Mandatory Offer under subsections 218(2) and 218(3) of the CMSA read together with subsection 15(2) of the Code (where applicable) and subparagraphs 4.01(a) and 4.01(b) of the Rules as a result of the Proposed Acquisition, Proposed Debt Settlement and/or Proposed Rights Issue, as the case may be.

[The rest of this page has been intentionally left blank]

7. PUBLIC SHAREHOLDING SPREAD

Pursuant to Paragraph 8.02(1) of the Listing Requirements, a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders.

The pro forma effects of the Proposals on the public shareholding spread of our Company based on the possible scenarios of implementation of the Proposals are as follows:

Minimum Scenario

Name	(I)		(II)		(III)		(IV)		(V)	
	As at the LPD		After the Proposed Acquisition		After (II) and the Proposed Debt Settlement		After (III) and the Proposed Private Placement		After (IV) and the Proposed Rights Issue	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁵⁾
Issued share capital	1,327,967,100	100.00	1,727,967,100	100.00	2,291,177,011	100.00	2,623,168,711	100.00	4,097,006,322	100.00
<u>Less:</u>										
Directors, substantial shareholders and their associates										
- Dato' Sri Lim	1,783,500	0.13	401,783,500	23.25	964,993,411	42.12	964,993,411	36.79	1,206,241,765	29.44
- PH Performance	285,000	0.02	285,000	0.02	285,000	0.01	285,000	0.01	241,818,352	5.90
- S.P.A. Furniture	508,559,200	38.30	508,559,200	29.43	508,559,200	22.20	508,559,200	19.39	1,017,118,400	24.83
- Datin Sri Ong Lely	-	-	-	-	-	-	-	-	-	-
- Datin Chooi Moi	-	-	-	-	-	-	-	-	-	-
- Datuk Lim	-	-	-	-	-	-	-	-	482,496,705	11.78
Public shareholding spread	817,339,400	61.55	817,339,400	47.30	817,339,400	35.67	1,149,331,100	43.81	1,149,331,100	28.05

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.

- (3) Computed based on total number of issued Shares of 2,291,177,011 after the Proposed Debt Settlement.
- (4) Computed based on total number of issued Shares of 2,623,168,711 after the Proposed Private Placement.
- (5) Computed based on total number of issued Shares of 4,097,006,322 after the Proposed Rights Issue.

Maximum Scenario

	(I)		(II)		(III)		(IV)		(V)	
	As at the LPD		After the Proposed Acquisition		After (II) and the Proposed Debt Settlement		After (III) and the Proposed Private Placement		After (IV) and the Proposed Rights Issue	
Name	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁵⁾
Issued share capital	1,327,967,100	100.00	1,727,967,100	100.00	2,291,177,011	100.00	2,623,168,711	100.00	5,246,337,422	100.00
Less:										
Directors, substantial shareholders and their associates										
- Dato' Sri Lim	1,783,500	0.13	401,783,500	23.25	964,993,411	42.12	964,993,411	36.79	1,206,241,765	22.99
- PH Performance	285,000	0.02	285,000	0.02	285,000	0.01	285,000	0.01	241,818,352	4.61
- S.P.A. Furniture	508,559,200	38.30	508,559,200	29.43	508,559,200	22.20	508,559,200	19.39	1,017,118,400	19.39
- Datin Sri Ong Lely	-	-	-	-	-	-	-	-	-	-
- Datin Chooi Moi	-	-	-	-	-	-	-	-	-	-
- Datuk Lim	-	-	-	-	-	-	-	-	482,496,705	9.20
Public shareholding spread	817,339,400	61.55	817,339,400	47.30	817,339,400	35.67	1,149,331,100	43.81	2,298,662,200	43.81

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.
- (3) Computed based on total number of issued Shares of 2,291,177,011 after the Proposed Debt Settlement.

- (4) Computed based on total number of issued Shares of 2,623,168,711 after the Proposed Private Placement.
- (5) Computed based on total number of issued Shares of 5,246,337,422 after the Proposed Rights Issue.

Only Private Placement and Rights Issue Scenario

Name	(I)		(II)		(III)	
	As at the LPD		After the Proposed Private Placement		After (II) and the Proposed Rights Issue	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾
Issued share capital	1,327,967,100	100.00	1,659,958,800	100.00	3,133,796,411	100.00
<u>Less:</u>						
Directors, substantial shareholders and their associates						
- Dato' Sri Lim	1,783,500	0.13	1,783,500	0.11	243,031,854	7.75
- PH Performance	285,000	0.02	285,000	0.02	241,818,352	7.72
- S.P.A. Furniture	508,559,200	38.30	508,559,200	30.63	1,017,118,400	32.45
- Datin Sri Ong Lely	-	-	-	-	-	-
- Datin Chooi Moi	-	-	-	-	-	-
- Datuk Lim	-	-	-	-	482,496,705	15.40
Public shareholding spread	817,339,400	61.55	1,149,331,100	69.24	1,149,331,100	36.68

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,659,958,800 after the Proposed Private Placement.
- (3) Computed based on total number of issued Shares of 3,133,796,411 after the Proposed Private Placement and Proposed Rights Issue.

8. UTILISATION OF PROCEEDS

8.1 Proposed Private Placement

The Proposed Private Placement will raise gross proceeds of up to approximately RM14.94 million (based on the indicative issue price of the Placement Shares of RM0.045) to meet our Group's day-to-day working capital requirements for our existing businesses for up to 24 months from the date of completion of the Proposed Private Placement in the following manner:

Description	Note	RM'000
Payments to suppliers and creditors	(a)	5,500
Staff salaries and related costs	(b)	3,940
Other operating and administrative expenses	(c)	5,500
Total		14,940

Notes:

- (a) Comprising payments to suppliers for, among others, purchase of raw materials, parts and consumables as well as services in relation to our Group's operations. For the FYE 30 June 2025, our Group's payment to suppliers and creditors amounted to approximately RM99.54 million.
- (b) Comprising staff salaries, wages, allowances and overtime as well as statutory payments and/or contributions. For the FYE 30 June 2025, our Group's staff salaries and related costs amounted to approximately RM2.35 million.
- (c) Comprising, among others, payments for rentals, utilities, upkeep of office and facilities as well as professional fees in relation to audit, tax, secretarial and legal matters, the breakdown of which is as follows:

Description	RM'000
Rental expense*	4,000
Utilities expense	200
Upkeep of office and facilities	200
Professional fees	1,000
Others	100
Total	5,500

- * Comprising rental expense for a single-storey detached commercial building with a mezzanine floor located at Mukim Cheng, Melaka which is used as the warehouse cum showroom for our Group's steel products ("Steel Warehouse cum Showroom"). The Steel Warehouse cum Showroom is rented by ELSB pursuant to a tenancy agreement entered between ELSB and IASB dated 3 June 2022 which has been renewed on 23 May 2024 with a monthly rental of RM237,837.93 from 2 June 2024 to 1 June 2026 (with an option to renew for a further 2 years, with an increase of not more than 10% of the prevailing monthly rental upon renewal). For the avoidance of doubt, the Steel Warehouse cum Showroom is not part of the Subject Property.

For the FYE 30 June 2025, our Group's other operating and administrative expenses amounted to RM13.55 million.

8.2 Proposed Rights Issue

The Proposed Rights Issue will raise gross proceeds of up to approximately RM104.93 million (based on the indicative issue price of the Rights Shares of RM0.040) to be utilised by our Group in the following manner:

	Minimum Scenario	Only Private Placement and Rights Issue Scenario	Maximum Scenario	Note	Expected time frame for utilisation of proceeds
	RM'000	RM'000	RM'000		
<u>Proposed Rights Issue</u>					
• Cash payment for the balance Purchase Consideration	36,320	-	36,320	(i)	Within 12 months
• Working capital	11,084	47,404	52,057	(ii)	Within 36 months
• Capital expenditures on existing facilities and/or investments in new business(es)	10,000	10,000	15,000	(iii)	Within 24 months
• Estimated expenses for the Proposals	1,550	1,550	1,550	(iv)	Within 3 months
Total	58,954	58,954	104,927		

Notes:

(i) Cash payment for the balance Purchase Consideration

In the event the Proposed Acquisition and Proposed Rights Issue are implemented

Our Company intends to allocate RM36.32 million of the gross proceeds from the Proposed Rights Issue for the cash payment of the balance Purchase Consideration for the Proposed Acquisition as detailed in **Section 2.4** of Part A of this Circular. In the event our Group has procured bank borrowings for the cash payment of the balance Purchase Consideration for the Proposed Acquisition, our Group will then use the earmarked proceeds of RM36.32 million to repay the said bank borrowings instead.

In the event the Proposed Acquisition is implemented but the Proposed Rights Issue is not implemented

Our Group will use internally-generated funds and bank borrowings to fund the Proposed Acquisition and the estimated expenses for the Proposals.

[The rest of this page has been intentionally left blank]

In the event the Proposed Rights Issue is implemented but the Proposed Acquisition is not implemented

In the event the Proposed Acquisition and/or Proposed Exemption 1 are not approved by the non-interested shareholders of our Company, the entire proceeds allocated for the cash payment for the balance Purchase Consideration will then be channelled to the working capital of our Group as detailed below:

Description	RM'000	Expected time frame for utilisation of proceeds
Payments to suppliers and creditors ^(a)	13,100	Within 36 months
Staff salaries and related costs ^(b)	10,120	Within 36 months
Other operating and administrative expenses ^(c)	13,100	Within 36 months
Total	36,320	

- (a) Comprising payments to suppliers for, among others, purchase of raw materials, parts and consumables as well as services in relation to our Group's operations as detailed below:

Description	RM'000
Purchase of raw materials	6,950
Purchase of parts and consumables	6,000
Outsourced installation service	150
Total	13,100

- (b) Comprising staff salaries, wages, allowances and statutory payments and/or contributions as detailed below:

Description	RM'000
Salaries, wages and allowances	9,035
Statutory payments and/or contributions	1,085
Total	10,120

- (c) Comprising among others, payments for rentals, utilities, upkeep of office and facilities as well as professional fees in relation to audit, tax, secretarial and legal matters as detailed below:

Description	RM'000
Rental expenses *	7,000
Utilities expense	1,550
Upkeep of office and facilities	1,550
Professional fees	3,000
Total	13,100

- * Comprising rental expenses for the Steel Warehouse cum Showroom and Mid Valley Office and Showroom (as defined herein) as well as new branches and showrooms as detailed below:

Description	RM'000
Steel Warehouse cum Showroom	5,400
Mid Valley Office and Showroom	360
New branches and showrooms	1,240
Total	7,000

Please refer to **Section 8.1** of Part A of this Circular for the details of the rental of the Steel Warehouse cum Showroom.

The office and showroom which is located at Mid Valley City, Kuala Lumpur (“**Mid Valley Office and Showroom**”) is currently used as the office for our finance department, meeting room as well as showroom for our furniture products. It is rented by Euro Space Industries pursuant to a tenancy agreement entered between Euro Space Industries and KLHOME Holdings Sdn Bhd dated 1 April 2025 with a monthly rental of RM10,000.00 commencing from 1 April 2025 to 31 March 2027.

Our Group is in the midst of exploring to set up new branches and showrooms for our furniture products at strategic locations across Malaysia as well as the Southeast Asia in line with our plan to expand our business as detailed in **Section 12.4** of Part A of this Circular. As at the LPD, our Group has yet to identify any exact location for the said new branches and showrooms.

For the avoidance of doubt, the proceeds of RM36.32 million which will be channelled to the working capital of our Group in the event the Proposed Acquisition and/or Proposed Exemption 1 are not approved by the non-interested shareholders of our Company as detailed above form part of the proceeds of RM47.40 million allocated for the working capital of our Group under the Only Private Placement and Rights Issue Scenario as detailed in Note (ii) below.

Please refer to **Section 2** of Part A of this Circular for further details of the Proposed Acquisition.

(ii) Working capital

Our Company intends to allocate up to RM11.08 million, RM47.40 million and RM52.06 million of the gross proceeds from the Proposed Rights Issue under the Minimum Scenario, Only Private Placement and Rights Issue Scenario and Maximum Scenario respectively to meet our Group’s day-to-day working capital requirements for our existing businesses up to 36 months from the completion of the Proposed Rights Issue in the following manner:

Description	Note	Minimum	Only Private	Maximum
		Scenario	Placement and	Scenario
		RM’000	Rights Issue	RM’000
			Scenario	
			RM’000	RM’000
Payments to suppliers and creditors	(a)	4,400	17,500	19,300
Staff salaries and related costs	(b)	2,284	12,404	13,457
Other operating and administrative expenses	(c)	4,400	17,500	19,300
Total		11,084	47,404	52,057

[The rest of this page has been intentionally left blank]

Notes:

- (a) Comprising payments to suppliers for, among others, purchase of raw materials, parts and consumables as well as services in relation to our Group's operations as detailed below:

		Only Private Placement and Rights Issue Scenario	
	Minimum Scenario	Maximum Scenario	
Description	RM'000	RM'000	RM'000
Purchase of raw materials	2,350	9,300	10,100
Purchase of parts and consumables	2,000	8,000	9,000
Outsourced installation service	50	200	200
Total	4,400	17,500	19,300

- (b) Comprising staff salaries, wages, allowances and statutory payments and/or contributions as detailed below:

		Only Private Placement and Rights Issue Scenario	
	Minimum Scenario	Maximum Scenario	
Description	RM'000	RM'000	RM'000
Salaries, wages and allowances*	2,040	11,075	12,015
Statutory payments and/or contributions	244	1,329	1,442
Total	2,284	12,404	13,457

- * Comprising staff salaries, wages, allowances and bonus as detailed below:

		Only Private Placement and Rights Issue Scenario	
	Minimum Scenario	Maximum Scenario	
Description	RM'000	RM'000	RM'000
Salaries	1,800	9,000	9,000
Wages	100	550	550
Travelling allowance	140	300	300
Bonus or gratuity	-	1,225	2,165
Total	2,040	11,075	12,015

Notwithstanding the proceed from the Proposed Private Placement allocated for our Group's staff salaries and related cost of RM3.94 million to be utilised in 24 months as disclosed in **Section 8.1** of Part A of this Circular, our Company intends to allocate RM2.04 million (under the Minimum Scenario), RM11.08 million (under the Only Private Placement and Rights Issue Scenario) and RM12.02 million (under the Maximum Scenario) of the proceed to be raised from the Proposed Rights Issue for our Group's staff salaries and related cost, after taking into consideration the budgeted amount of staff salaries and related costs for the next 36 months which accounted for the expected increase in our Group's headcount in light with our plan to expand our business as detailed in **Section 12.4** of Part A of this Circular as well as bonus or gratuity to reward our staffs, subject to our Group's profitability.

- (c) Comprising, among others, payments for rentals, utilities, upkeep of office and facilities as well as professional fees in relation to audit, tax, secretarial and legal matters as detailed below:

Description	Minimum	Only Private Placement and Rights Issue	Maximum
	Scenario	Scenario	Scenario
	RM'000	RM'000	RM'000
Rental expenses ⁽¹⁾	3,000	10,000	10,000
Utilities expense	150	1,700	1,700
Upkeep of office and facilities	150	1,700	1,700
Professional fees ⁽²⁾	1,000	4,000	4,400
Others	100	100	1,500
Total	4,400	17,500	19,300

- (1) Comprising rental expenses for the Steel Warehouse cum Showroom, Mid Valley Office and Showroom as well as new branches and showrooms as detailed below:

Description	Minimum	Only Private Placement and Rights Issue	Maximum
	Scenario	Scenario	Scenario
	RM'000	RM'000	RM'000
Steel Warehouse cum Showroom	3,000	5,400	5,400
Mid Valley Office and Showroom	-	360	360
New branches and showrooms	-	4,240	4,240
Total	3,000	10,000	10,000

Please refer to **Section 8.1** of Part A of this Circular for the details of the rental of the Steel Warehouse cum Showroom.

Please refer to Note (i) of **Section 8.2** of Part A of this Circular for the details of the rental of the Mid Valley Office and Showroom and the new branches and showrooms.

- (2) Comprising professional fees in relation to audit, tax, secretarial and legal matters as detailed below:

Description	Minimum	Only Private Placement and Rights Issue	Maximum
	Scenario	Scenario	Scenario
	RM'000	RM'000	RM'000
Audit fee	300	800	800
Tax advisory fee	100	200	200
Secretarial fee	100	100	100
Legal fee	500	2,000	2,000
Other consultation fees	-	900	1,300
Total	1,000	4,000	4,400

Apart from the typical expenses to be incurred regularly, the professional fees as disclosed above also comprise, among others, legal and consultation fees in relation to the material litigations involving our Group as disclosed in **Section 3** of Appendix IV of this Circular.

Any surplus or shortfall for any category under the working capital will be adjusted against one or more other categories under the working capital requirements. In the event of surplus, the excess will first be utilised for staff salaries and related costs, followed by payments to suppliers and creditors, and other operating and administrative expenses.

(iii) Capital expenditures on existing facilities and/or investments in new business(es)

Our Company intends to use up to RM15.00 million of the gross proceeds from the Proposed Rights Issue to finance our Group's capital expenditures on our existing facilities and/or investments in new business(es) opportunities to be identified.

Subject to the funding requirements of our Group at the time of utilisation, the percentage of the allocation of the proceeds to be utilised for each component are estimated to be as follows:

Description	Note	Estimated percentage of allocation of the proceeds	Minimum Scenario or Only Private Placement and Rights Issue Scenario	Maximum Scenario
		%	RM'000	RM'000
Capital expenditures on existing facilities	(a)			
• Refurbishment and renovation works		25.0	2,500	3,750
• Installation of solar panels		25.0	2,500	3,750
		50.0	5,000	7,500
Investments in new business(es)	(b)	50.0	5,000	7,500
Total		100.0	10,000	15,000

Depending on our Group's funding requirements and whether any opportunities of potential investments arise at that point of utilisation, our Board shall have the absolute discretion to vary the percentage of allocation to meet our Group's funding requirements.

Notes:

(a) Capital expenditures on existing facilities

As at the LPD, our Group is principally engaged in the manufacturing and trading of office furniture as well as trading of steel products and related businesses. Our Group plans to carry out refurbishment and renovation works at the Subject Property in Melaka and our factory in Rawang, Selangor to improve the functionality and appearance of the facilities, as well as installation of solar panels on the roofs of our Group's buildings at the Subject Property in Melaka for generation of solar energy.

Our Group intends to utilise up to RM7.50 million of the proceeds from the Proposed Rights Issue to fund our plans for the aforementioned refurbishment and renovation works as well as installation of the solar systems which are expected to improve the operational and energy efficiencies of our Group's facilities and reduce costs of electricity consumption which in turn will contribute positively to our Group's operations and financial performance. The actual amounts to be incurred will depend on the amounts billed by third party contractors and/or service providers to carry out the refurbishment and renovation works as well as the installation of the solar panels. In the event the actual expenses are higher than the allocated amount, the deficit will be funded out of the portion allocated for our Group's working capital.

(b) Investments in new business(es)

Our Group will also utilise the proceeds from the Proposed Rights Issue to acquire and invest in other viable businesses with favourable outlook that can generate positive returns to our Group and increase the shareholders' value. Our Group intends to assess potential opportunities in sectors such as industrial property development and transportation and logistics services, which could enhance our Group's future earnings and/or complement our existing business. However, as at the LPD, our Company has not identified any suitable and viable investments, whether in the form of acquisitions, investments and/or joint ventures, or whether these investments will be an industry complementary or a different industry to our Group. Without limiting the specific industry or type of business which our Group has yet to identify will provide our Group with flexibility in pursuing opportune investments as at when they arise which will be in the best interest of our Company and our shareholders.

Our Company will make an immediate announcement and disclose the amount that will be utilised from the proceeds of the Proposed Rights Issue, and issue the required circular(s) upon such acquisitions, investments and/or joint ventures have been identified and/or agreements have been entered by our Group in compliance with the Listing Requirements. If the nature of the transaction requires proposed diversification of business activity which requires the approval of the shareholders of our Company to be sought pursuant to the Listing Requirements, our Board will seek the necessary approval(s) from the shareholders of our Company at a general meeting.

(iv) **Estimated expenses for the Proposals**

The breakdown of the estimated expenses for the Proposals are as follows:

Description	RM'000
Professional fees ^(a)	1,316
Fees payable to relevant authorities ^(b)	141
Other incidental expenses in relation to the Proposals ^(c)	93
	1,550

Notes:

- (a) Comprising professional fees payable, including the applicable sales and services tax, to the Principal Adviser, Solicitors, Valuer, Independent Adviser, Company Secretary and Share Registrar as well as any other relevant professionals required for the Proposals.
- (b) Comprising fees payable to Bursa Securities, SC and Companies Commission of Malaysia for the Proposals, where applicable.
- (c) Comprising expenses to convene the forthcoming EGM, printing, advertising and other ancillary expenses in relation to the Proposals.

In the event the actual expenses are higher than the allocated amount, the deficit will be funded out of the portion allocated for our Group's working capital. Conversely, if the actual expenses are lower than the allocated amount, the excess will be utilised for the working capital for our Group as detailed in item (ii) above.

In the event the Proposed Rights Issue is not implemented, our Group will utilise our internally-generated funds to fund the estimated expenses for the Proposals.

Pending utilisation of the proceeds from the Proposed Private Placement and Proposed Rights Issue for the above purposes, the unused proceeds will be placed in interest-bearing deposits with licensed financial institutions and/or short-term money market instruments as our Board deems fit. The interests derived from the deposits placed with financial institutions and/or any gains arising from the short-term money market instruments will be used as additional general working capital for our Group as detailed in item (ii) above, such as, among others, payments to suppliers and creditors, staff salaries and related costs and other operating and administrative expenses, the allocation of which has not been determined at this juncture and will be based on our Group's requirements at the relevant time.

In the event of an immaterial change to the utilisation of proceeds as detailed above, an announcement will be made in relation to change to the utilisation of proceeds.

In the event of a material change to the utilisation of proceeds as detailed above, the approval from our Company's shareholders is required pursuant to Paragraph 8.22 of the Listing Requirements, which stipulates that:

“(1) A listed issuer must issue a circular to its shareholders and seek its shareholder approval if it proposes to make:

- (a) a material change to the utilisation of proceeds raised by the listed issuer from its initial public offering or new issue of securities which has been approved by way of specific shareholder approval; or*
- (b) a material amendment, modification or variation to a proposal which has been approved by shareholders in general meeting.*

(2) For the purpose of subparagraph (1) above –

- (a) a change to the utilisation of proceeds is considered material if such change is 25% or more of the total proceeds raised; or*
- (b) an amendment, modification or variation is considered material if it can be reasonably expected to have a material effect on the decision of a holder of securities of the listed issuer in relation to such proposal.”.*

9. PREVIOUS FUND-RAISING EXERCISES

Our Company had undertaken the following fundraising exercise in the past 5 years preceding the date of this Circular:

(i) Private Placement 2022

Our company had on 3 June 2022 obtained a general mandate pursuant to Sections 75 and 76 of the Act from our shareholders at our Company's 18th annual general meeting, whereby our Board had been authorised to issue and allot new EURO Shares not exceeding 20% of the total number of issued EURO Shares (excluding any treasury shares) at the time of issue (“**General Mandate**”).

Our Company had implemented the private placement of new EURO Shares pursuant to the General Mandate (“**Private Placement 2022**”) as follows:

- (i) placement of first tranche of the Private Placement 2022 via the issuance of 40,000,000 Shares at an issue price of RM0.124 per Share on 4 August 2022 which raised total gross proceeds of approximately RM4.96 million; and
- (ii) placement of final tranche of the Private Placement 2022 via the issuance of 40,000,000 Shares at an issue price of RM0.118 per Share on 23 August 2022 which raised total gross proceeds of approximately RM4.72 million.

The aggregate gross proceeds from the Private Placement 2022 of approximately RM9.68 million had been fully utilised as follows:

	Proposed utilisation⁽¹⁾	Proposed utilisation⁽²⁾	Actual utilisation
Purposes	RM'000	RM'000	RM'000
Working capital ⁽³⁾	10,605	7,518	7,518
Repayment of bank borrowings ⁽⁴⁾	9,253	2,075	2,075
Expenses for the Private Placement 2022 ⁽⁵⁾	190	87	87
Total	20,048	9,680	9,680

Notes:

- (1) As illustrated in our Company's announcement dated 24 June 2022 in relation to the Private Placement 2022, based on the indicative issue price of RM0.125 per Share and 160,380,000 Shares, being the maximum number of new Shares could be issued pursuant to the Private Placement 2022.
- (2) Based on the issuance of 40,000,000 new Shares at an issue price of RM0.124 each for the first tranche and 40,000,000 new Shares at an issue price of RM0.118 each for the final tranche.
- (3) The proceeds were utilised for our Group's working capital requirements as detailed below:

Description	RM'000
Payment of our Group's trade payables in relation to our manufacturing of office furniture of approximately RM4.19 million for the purchase of raw materials such as metal sheet, metal coil and plastic material as well as for the property development business of approximately RM1.11 million for the payment to contractor for the services rendered for the construction of the Damai Vista Project in Cheras, Kuala Lumpur	5,296
Utility expenses and maintenance expenses of our Group's manufacturing facilities in Rawang, Selangor	956
Payment of our Group's staff related expenses (comprising of employees' salaries and allowances, wages and overtime) and other statutory contributions and payments (inclusive of Employees' Provident Fund (EPF) and Social Security Organisation (SOCSO) contributions)	801
General administrative expenses (i.e., rental and cost to upkeep office equipment, professional/consultancy fees, audit fees, legal fees, tax fees, utilities and others)	465
Total	7,518

- (4) The proceeds were utilised to partially repay the following bank borrowing facilities in view of the interest savings of approximately RM0.15 million per annum (with an average annual interest rate of approximately 7.08%) following our Group's internal assessment of prevailing interest rates and interest savings as well as our management of banking facilities to match our operational needs:

Banking facilities	Interest rates	Repayment amount RM'000
Term loans	5.47% to 9.39%	1,229
Overdrafts	6.68% to 6.76%	846
Total		2,075

- (5) The proceeds were utilised for the expenses for the Private Placement 2022 which mainly comprise the professional fees (including placement fee) paid to the Principal Adviser.

(ii) Private Placement 2023

Our Company had on 28 April 2023 obtained the shareholders' approval for the private placement of up to 264,570,000 new EURO Shares, representing 30% of EURO Shares in issue (excluding any treasury shares) ("**Private Placement 2023**").

Our Company had implemented the Private Placement 2023 as follows:

- (i) placement of first tranche of the Private Placement 2023 via the issuance of 220,475,000 Shares at an issue price of RM0.065 per Share on 26 September 2023 which raised total gross proceeds of approximately RM14.33 million; and
- (ii) placement of final tranche of the Private Placement 2023 via the issuance of 44,095,000 Shares at an issue price of RM0.043 per Share on 2 April 2024 which raised total gross proceeds of approximately RM1.90 million.

The aggregate gross proceeds from the Private Placement 2023 of approximately RM16.23 million had been fully utilised as follows:

	Proposed utilisation⁽¹⁾	Proposed utilisation⁽²⁾	Actual utilisation
Purposes	RM'000	RM'000	RM'000
Working capital ⁽³⁾	26,512	11,837	11,837
Repayment of bank borrowings	4,000	4,000	4,000
Expenses for the Private Placement 2023	390	390	390
Total	30,902	16,227	16,227

Notes:

- (1) As illustrated in the circular to our shareholders dated 13 April 2023 in relation to the Private Placement 2023, based on the indicative issue price of RM0.1168 per Share.
- (2) Based on the issuance of 220,475,000 Shares at an issue price of RM0.065 each for the first tranche and 44,095,000 Shares at an issue price of RM0.0043 each for the final tranche.
- (3) The proceeds were utilised for our Group's working capital requirements as detailed below:

Description	RM'000
Payment of our Group's trade payables in relation to the purchase of raw materials such as (i) steel sheet, coil and plastic material for the manufacturing of office furniture and (ii) steel plate, steel tube and steel rod for the trading of steel products	8,390
Payment of our Group's staff related expenses (comprising employees' salaries and allowances, wages and overtime) and other statutory contributions and payments (inclusive of Employees' Provident Fund (EPF), Social Security Organisation (SOCSO) contributions)	1,772
General administrative expenses (i.e., rental and cost to upkeep office equipment, professional/consultancy fees, audit fees, legal fees, tax fees, utilities and others)	1,675
Total	11,837

- (4) The proceeds were utilised to partially repay the following bank borrowing facilities in view of the interest savings of approximately RM0.28 million per annum (with an average annual interest rate of approximately 7.08%) following our Group's internal assessment of prevailing interest rates and interest savings as well as our management of banking facilities to match our operational needs:

Banking facilities	Interest rates	Repayment amount
		RM'000
Term loans	6.00% to 7.35%	656
Overdrafts	6.68% to 6.78%	3,344
Total		4,000

- (5) The proceeds were utilised for the expenses for the Private Placement 2023 as follows:

Description	RM'000
Professional fees ⁽ⁱ⁾	302
Other incidental expenses in relation to the Proposals ⁽ⁱⁱ⁾	88
Total	390

- (i) Comprising professional fees payable, including the applicable sales and services tax, to the Principal Adviser, Placement Agent, Solicitors, Company Secretary and Share Registrar.
- (ii) Comprising expenses to convene the EGM, printing, advertising and other ancillary expenses in relation to the Private Placement 2023.

For the avoidance of doubt, none of Dato' Sri Lim and his PACs were the placee(s) for the Private Placement 2022 and Private Placement 2023.

[The rest of this page has been intentionally left blank]

10. ADDITIONAL INFORMATION

10.1 Historical financial information of our Group

A summary of the financial information of our Group based on our audited financial statements for the FYE 31 December 2021, 18M-FPE 30 June 2023, FYE 30 June 2024 and FYE 30 June 2025 as well as unaudited financial statements for the 3M-FPE 30 September 2024 and 3M-FPE 30 September 2025 is set out below:

	Audited				Unaudited	
	FYE 31 December 2021	18M-FPE 30 June 2023	FYE 30 June 2024	FYE 30 June 2025	3M-FPE 30 September 2024	3M-FPE 30 September 2025
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	79,381	225,898	79,179	115,054	14,980	16,548
Loss before tax	(21,986)	(12,379)	(16,684)	(8,111)	(2,491)	(1,878)
LAT	(21,736)	(12,395)	(20,743)	(7,529)	(3,196)	(1,890)
Total comprehensive income/(loss) attributable to owners of our Company	(21,736)	1,385	(20,743)	(4,170)	(3,196)	(1,890)
Total assets	109,389	121,309	156,397	151,603	119,453	149,221
Total liabilities	65,850	45,631	51,319	50,695	51,098	50,203
Shareholders' funds/NA	44,328	75,001	105,078	100,908	68,355	99,018
Share capital	48,402	79,281	95,508	95,508	95,508	95,508
Current assets	70,811	56,451	56,183	47,804	53,953	47,638
Current liabilities	58,081	28,133	37,739	43,074	44,049	42,649
Current ratio (times) ⁽¹⁾	1.22	2.01	1.49	1.11	1.23	1.12
No. of Shares in issue ('000)	801,900	1,063,397 ⁽²⁾	1,327,967 ⁽³⁾	1,327,967	1,327,967	1,327,967
Weighted average no. of Shares ('000)	801,900	1,063,397	1,327,967	1,327,967	1,327,967	1,327,967
Basic earnings / (loss) per Share (sen) ⁽⁴⁾	(2.71)	0.13	(1.56)	(0.31)	(0.24)	(0.14)
NA per Share (sen) ⁽⁵⁾	5.53	7.05	7.91	7.60	5.15	7.46
Total borrowings	28,207	16,731	3,980	723	3,661	-
Fixed deposit	6,757	2,404	6	-	6	-
Cash and bank balances	2,141	3,362	632	52	678	414
Net borrowings ⁽⁶⁾	19,309	10,965	3,342	671	2,977	N/A*
Gearing (times) ⁽⁷⁾	0.44	0.15	0.03	0.01	0.04	N/A*

Notes:

- * Not applicable in view that it is in a net cash position.
- (1) Computed based on current assets divided by current liabilities.
 - (2) The increase in number of Shares in issue from 801,900,000 to 1,063,397,000 is pursuant to the issuance of 181,497,100 EURO shares to settle the debts owing to Dato' Sri Lim in 2023.
 - (3) The increase in number of Shares in issue from 1,063,397,000 to 1,327,967,000 is pursuant to the issuance of 44,095,000 EURO shares for the private placement exercise completed in 2024.
 - (4) Computed based on the total comprehensive income or loss (as the case may be) attributable to owners of our Company divided by the weighted average number of Shares in issue.
 - (5) Computed based on the NA divided by the number of Shares in issue.
 - (6) Computed based on total borrowings less fixed deposit and cash and bank balances.
 - (7) Computed based on net borrowings divided by the NA.

Commentaries:**(i) Unaudited 3M-FPE 30 September 2025 vs 3M-FPE 30 September 2024**

Our Group's revenue for the 3M-FPE 30 September 2025 increased by RM1.57 million or 10.48% from RM14.98 million for 3M-FPE 30 September 2024 to RM16.55 million. The increase in revenue was mainly due to higher demand for steel-related products from our Group's customers which saw such sales increased from RM14.98 million for the 3M-FPE 30 September 2024 to RM16.55 million for the 3M-FPE 30 September 2025.

Our Group's LAT for the 3M-FPE 30 September 2025 decreased by RM1.31 million or 40.94% from RM3.20 million for 3M-FPE 30 September 2024 to RM1.89 million, which was in line with the increase in revenue as detailed above.

Our Group recorded net cash position as at 30 September 2025 as compared to net borrowings of RM2.98 million as at 30 September 2024 mainly due to the full repayment of term loans during the 3M-FPE 30 September 2025.

(ii) FYE 30 June 2025 vs FYE 30 June 2024

Our Group's revenue for the FYE 30 June 2025 increased by RM35.87 million or 45.30% from RM79.18 million for FYE 30 June 2024 to RM115.05 million. The increase in revenue was mainly due to higher demand for steel-related products from our Group's customers which saw such sales increased from RM79.18 million for the FYE 30 June 2024 to RM115.05 million for the FYE 30 June 2025.

Our Group's LAT for the FYE 30 June 2025 decreased by RM13.21 million or 63.69% from RM20.74 million for FYE 30 June 2024 to RM7.53 million. The decrease in LAT was in line with the increase in revenue as detailed above and due to the reduction in operational costs incurred by our Group as a result of lower interest expense.

Our Group's net borrowings as at 30 June 2025 decreased by RM2.67 million or 79.94% from RM3.34 million as at 30 June 2024 to RM0.67 million as at 30 June 2025. The decrease was mainly due to the repayment of term loans during the FYE 30 June 2025.

(iii) FYE 30 June 2024 vs 18M-FPE 30 June 2023

Our Group's revenue for the FYE 30 June 2024 decreased by RM71.42 million or 47.42% from RM150.60 million for the 18M-FPE 30 June 2023 on annualised basis (18M-FPE 30 June 2023: RM225.90 million) to RM79.18 million for the FYE 30 June 2024. The decrease in revenue was mainly due to the following:

- (i) decrease in revenue from trading of steel and furniture from RM142.24 million for the 18M-FPE 30 June 2023 on annualised basis (18M-FPE 30 June 2023: 213.36 million) to RM79.18 million for the FYE 30 June 2024 attributable to the lower demand for steel from our Group's customers; and
- (ii) absence of revenue from property development in FYE 30 June 2024 as our Company had in June 2023 divested our subsidiary which was principally involved in property development, namely Euroland & Development Sdn Bhd.

Our Group's LAT for the FYE 30 June 2024 increased by RM12.48 million or 151.09% from RM8.26 million for the 18M-FPE 30 June 2023 on annualised basis (18M-FPE 30 June 2023: RM12.40 million) to RM20.74 million for the FYE 30 June 2024, which was in line with the decrease in revenue as detailed above.

Our Group's net borrowings as at 30 June 2024 decreased by RM7.63 million or 69.55% from RM10.97 million as at 30 June 2023 to RM3.34 million as at 30 June 2024. The decrease was mainly due to the repayment on the term loans during the FYE 30 June 2024.

(iv) 18M-FPE 30 June 2023 vs FYE 31 December 2021

Our Group's annualised revenue for the 18M-FPE 30 June 2023 increased by RM71.22 million or 89.72% from RM79.38 million for the FYE 31 December 2021 to RM150.60 million (18M-FPE 30 June 2023: RM225.90 million). The increase in revenue was mainly due to the following:

- (i) increase in revenue from manufacturing and trading of furniture, trading of steel from RM89.51 million for the FYE 31 December 2021 to RM143.98 million for the 18M-FPE 30 June 2023 on annualised basis (18M-FPE 30 June 2023: RM215.97 million) attributable to the continuous strong demand for steel related products from our Group's customers at relatively high steel prices at that time, with weekly price adjustments; and
- (ii) higher revenue from property development which is recognised over the period of contract, based on the stage of completion in satisfying the performance obligation of RM6.61 million for the 18M-FPE 30 June 2023 on annualised basis (18M-FPE 30 June 2023: RM9.93 million) attributable to the delivery of vacant possession of the residential units to the purchasers after obtaining the Certificate of Completion and Compliance.

Our Group's annualised LAT for the 18M-FPE 30 June 2023 decreased by RM13.48 million or 62.01% from RM21.74 million for the FYE 31 December 2021 to RM8.26 million (18M-FPE 30 June 2023: RM12.40 million). The decrease in LAT was mainly due to the increase in revenue as detailed above and the gain on disposal of investment in subsidiaries of RM27.29 million as well as the gain on disposal of property, plant and equipment of RM9.42 million in 18-FPE 30 June 2023.

Our Group's net borrowings as at 30 June 2023 decreased by RM8.34 million or 43.19% from RM19.31 million as at 31 December 2021 to RM10.97 million as at 30 June 2023. The decrease was mainly due to repayment of terms loans during the 18M-FPE 30 June 2023.

10.2 Impact and value creation of the Proposals to our Group and our Company's shareholders

The Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue will entail issuance of new Shares. The shareholders of our Company will experience dilution in their percentage of shareholdings and voting interest in our Company as a result of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement, as detailed in **Section 7** of Part A of the Circular. Further, Entitled Shareholders who do not or are unable to subscribe fully for their entitlements pursuant to the Proposed Rights Issue will experience dilution in their proportionate percentage of shareholdings and voting interest in our Company and the percentage of the enlarged issued share capital represented by their shareholdings in our Company accordingly. The dilutive effect of the Proposed Rights Issue on the shareholders' shareholdings may be mitigated via subscription by the Entitled Shareholders of their entitlement in full and additional Rights Shares by way of excess application.

In addition, the increase in the number of Shares pursuant to the issuance of Consideration Shares, Settlement Shares, Placement Shares and Rights Shares in our Company will have a dilutive impact to our Group's EPS. However, such dilutive effect on our Group's EPS is expected to be mitigated as the Proposals are expected to contribute positively to the future earnings of our Group in ensuing financial year(s) via, among others, the benefits to be derived from the Proposed Acquisition and Proposed Debt Settlement as well as the utilisation of the proceeds from Proposed Private Placement and Proposed Rights Issue.

The Proposed Acquisition will allow our Group to gain full control over the use of the Subject Property without the uncertainty associated with rental renewals and potential rent fluctuations. The removal of recurring rental obligations is expected to free up our Group's cash flows, which can be redirected toward our operational needs and strategic initiatives, ultimately contributing to improved profit margins over time. Further, having ownership over the Subject Property will allow our Group to benefit from potential property value appreciation over time, which is expected to contribute to an increase in our Group's NA, assuming minimal increase in the total liabilities in our Group. This, in turn, would enhance our NA per share, hence creating additional value for our shareholders.

The Proposed Debt Settlement will enable our Group to settle the Settlement Sum due to the Lenders without depleting our cash reserves or increasing our gearing ratio. The anticipated benefits of the Proposals which include, among others, the reduced financial obligations of our Group through the Proposed Debt Settlement and availability of funds for our Group's working capital, should give rise to an expected improvement on our Group's financial performance, which in turn is expected to create value for our Company's shareholders.

The Proposed Private Placement will facilitate our Group in meeting our cash flow needs by providing immediate funds to fund our working capital requirements for up to 24 months without the need for additional bank borrowings. This is a potential improvement in our Group's financial performance, which will create value for our shareholders as any use of debt financing with its associated interest costs would reduce the earnings of our Group.

In the event the Proposed Acquisition is implemented but the Proposed Rights Issue is not implemented, our Group is expected to incur bank borrowings to settle the cash payment of the balance Purchase Consideration for the Proposed Acquisition as detailed in **Section 2.4** of Part A of this Circular. Nevertheless, the Proposed Acquisition is expected to reduce rental payment obligations and allows our Group to enjoy the benefits of owning the Subject Property such as to benefit from potential property value appreciation over time, creating additional value for our shareholders.

Our Board believes that the benefits of the Proposed Acquisition and Proposed Debt Settlement, usage of proceeds from the Proposed Private Placement and Proposed Rights Issue would improve our Group's operations, thereby having a positive impact on the earnings of our Group.

10.3 Adequacy of the Proposals in addressing our Group's financial concerns

As at 30 June 2025, our Group's cash and bank balances stood at approximately RM0.05 million. Our Board is of the view that the cash and bank balances available for our Group should be conserved to facilitate our Group's current manufacturing and trading of steel products and office furniture as well as our Group's future expansion when suitable opportunities arise.

The Proposed Debt Settlement will enable our Group to settle the Settlement Sum due to the Lenders without depleting our cash reserves or increasing our gearing ratio.

The Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue enable our Group to reduce our financial obligations to a more manageable level (by reducing the outstanding trade and other payables and bank borrowings) without incurring any significant cash outflow from our existing cash and bank balances.

Further, the proceeds from the Proposed Private Placement and Proposed Rights Issue which will also be used for our Group's working capital requirements is an expeditious way to address our Group's current cash flows requirements. This will enable our Group to alleviate our financial obligations and ensuring business continuity.

Premised on the foregoing, our Board is of the view that the Proposals are adequate to address our Group's financial concerns in the near term and allow our Group to focus on improving the financial performance and ensuring the sustainability of the businesses of our Group moving forward.

10.4 Steps taken or to be undertaken by our Group to improve our financial situation

Our Group has undertaken the following steps to improve our financial performance and strengthen our financial position:

- (i) our Group is using e-commerce and other digital platforms to market our furniture products intended to provide alternative sources of revenue to reach the market in Asia as well as Europe to mitigate the impact of COVID-19 on our Group's business activities;
- (ii) our Group has put in place a prudent measure to monitor our receivables turnover. The overseas customers are required to make a deposit upon confirmation of order and arrange for the balance payment prior to the delivery of the said order whilst for local customer, no credit terms will be granted except for some long-term customers with good payment track record whereby the credit terms provided will be between 30 to 60 days. As a result, our Group has achieved a lower impairment loss on trade receivables, reducing from RM4.83 million as at 30 June 2023 to RM2.44 million as at 30 June 2025;
- (iii) since second half of 2023, our Group had commenced our operations at the Subject Property which was rented from SPASB to expand our manufacturing facilities for office furniture and steel products. Our Group has improved our gross earnings by improving our pricing strategies and production costs which resulted in our Group recording a gross profit of RM5.29 million in the FYE 30 June 2025 as compared to RM2.40 million in FYE 30 June 2024;
- (iv) our Group has diversified into trading of steel products and related business which was approved by our Company's shareholders at the EGM held on 28 April 2023 ("**Diversification**"). Since then, the Diversification has generated a total revenue of approximately RM194.19 million to our Group up to 30 June 2025; and
- (v) our Group had disposed our entire equity interest in Euroland & Development Sdn Bhd in June 2023 as part of our Group's effort to improve our financial performance and condition in view that the property development activities under the said entity has been recording losses before tax of RM44.28 million and RM12.62 million for the 18M-FPE 30 June 2023 and FYE 31 December 2021.

Our Board is of the opinion that the abovementioned steps taken are expected to improve the financial position and performance of our Group. Our Group will constantly review our financial performance and exercise prudence in our decisions and will continue to implement strategies to increase our revenue and review our operations for any potential cost saving measures to improve our financial performance and condition.

11. RISK FACTORS

11.1 Risks relating to the Proposed Acquisition and Proposed Debt Settlement

11.1.1 Non-completion risks

The Proposed Acquisition is subject to the terms and conditions of the SPA. There are no assurances that the Proposed Acquisition will not be exposed to risks such as inability by either party to the Subject Property to fulfill the terms and conditions of the SPA. However, we will take all reasonable steps that are within our control, such as conducting thorough due diligence and ensuring timely compliance with relevant regulatory and contractual requirements to ensure that terms and conditions of the SPA are fulfilled by the stipulated date and in accordance with the provisions of the SPA.

The completion of the Proposed Debt Settlement is subject to, amongst others, the fulfilment of the conditions precedent within the conditions precedent period, failing which may result in termination of the Settlement Agreement. As a result of such termination, the debts shall become due and payable by us to the Lenders as and when such repayment is requested by the Lenders under the existing arrangement as previously agreed between the parties. In this respect, we will take reasonable steps that are within our control to ensure completion of the Proposed Debt Settlement, including but not limited to closely monitoring the progress of the Proposed Debt Settlement and ensuring timely fulfilment of the conditions precedent within the cut-off date as stipulated in the Settlement Agreement.

For the avoidance of doubt, in the event of non-completion of the Proposed Debt Settlement due to whatever reason, our Company will consider other avenue for the repayment of settlement sum to the Lenders such as undertaking further fund-raising exercise, including private placements or rights issues.

11.1.2 Risk of dilution to minority shareholders' interests and increased influence of the controlling shareholders in our Company

The collective shareholding of Dato' Sri Lim and his PACs (including S.P.A. Furniture being the controlling shareholder of our Company) will increase from 38.45% as at the LPD, to 71.95% upon completion of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (assuming only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings), with a corresponding dilution to the equity interest of other shareholders in our Company. As a result, they will be able to exercise influence over the election of the directors and the approval of any corporate proposals or transactions requiring the approval of our Company's shareholders, unless they are required to abstain from voting either by law and by relevant guidelines or regulations.

11.2 Risks relating to the Proposed Rights Issue

11.2.1 Investment and capital market risk

The market prices of the Rights Shares are influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of EURO Shares, the outlook of industries in which we operate, changes in regulatory requirements or market conditions, as well as the financial performance and fluctuations in our Group's operating results.

In addition, the performance of the Malaysian share market (where EURO Shares are listed) is dependent on the economic and political conditions in Malaysia and overseas as well as external factors such as, amongst others, the performance of the world bourses and flows of foreign funds. In view of this, there can be no assurance that the Rights Shares will trade above the issue price or TERP upon or subsequent to their listing on the Main Market of Bursa Securities.

Our Group will endeavour to improve our revenue and earnings thereby increasing the likelihood of a positive reflection in the market price of EURO Shares.

11.2.2 Delay or failure to implement the Proposed Rights Issue

The Proposed Rights Issue is exposed to the risk that they may be delayed or not implemented due to the occurrence of force majeure events or circumstances which are beyond the control of our Company and principal adviser arising prior to the implementation of the Proposed Rights Issue. Such events or circumstances include, epidemics or pandemics, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations, and changes in political leadership.

There can be no assurance that the abovementioned events will not occur and cause a delay or failure to implement the Proposed Rights Issue. If not implemented, all monies received from the Proposed Rights Issue will be refunded without interest to the Entitled Shareholders/subscribers and/or their renouncee(s)/transferee(s) (if applicable).

If such monies are not repaid within 14 days after our Company becomes liable, our Company will repay such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC in accordance with subsection 243(2) of the CMSA.

In order to mitigate this risk, our Company has procured the Undertakings in order to meet the Minimum Subscription Level. The successful implementation of the Proposed Rights Issue is dependent on the fulfilment of the Undertakings from the Undertaking Shareholders. In addition, our Company will endeavour to obtain the requisite approvals and take all reasonable and necessary steps to ensure completion of the Proposed Rights Issue.

11.2.3 Potential dilution of existing shareholders' shareholdings

Entitled Shareholders who do not subscribe for their entitlements under the Proposed Rights Issue will have their shareholdings being diluted upon completion of the Proposed Rights Issue as a result of the issuance of the Rights Shares. As at the LPD, the total shareholding of shareholders of our Company (apart from Dato' Sri Lim and his PACs) is approximately 61.55%. The aggregate resultant shareholdings of Dato' Sri Lim and his PACs upon completion of Proposed Rights Issue under the Minimum Scenario, Maximum Scenario and Only Private Placement and Rights Issue Scenario are 71.95%, 56.19% and 63.32% respectively while the other shareholdings of the shareholders of our Company are 28.05%, 43.81% and 36.68% respectively. Consequently, their proportionate entitlements to any dividends, rights, allotments and/or other distributions that our Company may declare, make or pay after the completion of the Proposed Rights Issue will correspondingly be diluted.

In order to attract the Entitled Shareholders to subscribe for the Proposed Rights Issue and mitigate the risk of potential dilution of their shareholdings, our Board will fix the issue price for the Rights Shares at a later date at potential discounts to the TERP.

12. INDUSTRY OUTLOOK AND PROSPECTS OF OUR GROUP

12.1 Overview and outlook of Malaysian economy

In 2025, the economy is expected to grow between 4% and 4.8%, underpinned by firm domestic demand. From the demand perspective, private consumption is anticipated to remain resilient, supported by higher disposable income, favourable labour market conditions, targeted assistance programmes and vibrant tourism activities. Investment momentum will be sustained by the realisation of multi-year projects and strong inflows into high-growth segments such as semiconductors and data centres. From a supply perspective, the services and manufacturing sectors will continue to lead growth. The services sector will be driven by robust tourism activities, dynamic retail trade and increased demand for business-related services. Meanwhile, the manufacturing sector will benefit from growing semiconductor demand due to the expansion of the digital economy and the increasing use of artificial intelligence edge applications as well as strong performance in domestic-oriented industries.

In 2026, Malaysia's economy is projected to expand between 4% and 4.5%, supported by resilient domestic demand and a steady external sector. Growth will be anchored by private consumption, boosted by the implementation of the salary adjustment under phase 2 of the Public Service Remuneration System (SSPA), continuation of targeted assistance programmes and robust tourism activities in conjunction with Visit Malaysia 2026 (VM2026). In addition, strong investment performance will be supported by higher capital expenditures, particularly in high-impact strategic sectors. The services and manufacturing will remain key drivers of growth, complemented by sustained construction and agriculture sectors.

(Source: Macroeconomic Outlook, Economic Outlook 2026, Ministry of Finance Malaysia)

The Malaysian economy expanded by 5.2% in the third quarter ("3Q") of 2025 (second quarter ("2Q") of 2025: 4.4%), driven by sustained domestic demand and higher net exports. Household spending was supported by positive labour market conditions, income-related policy measures, and cash assistance programmes. Investment activity was underpinned by continued capital expansion by both private and public sectors. On the external front, net exports registered higher growth as export growth outpaced import growth.

On the supply side, growth was led by the services and manufacturing sectors. Growth in the services sector was mainly contributed by consumer-related sub-sectors, while the manufacturing sector's performance was driven by stronger production in electrical and electronics ("E&E") and consumer-related goods. Meanwhile, the mining and quarrying sector rebounded, reflecting a recovery in crude oil and natural gas production post-scheduled maintenance work. On a quarter-on-quarter, seasonally-adjusted basis, growth expanded by 2.4% (2Q of 2025: 2.2%).

(Source: Economic and Financial Developments in Malaysia in the 3Q of 2025, Bank Negara Malaysia)

12.2 Overview and outlook of manufacturing and furniture industry in Malaysia

In 2024, Malaysia's manufacturing sector affirmed its strategic importance by attracting more approved projects and generating higher employment opportunities than the previous year. This reflects the sector's continued shift toward advanced manufacturing, with investments focusing on automation, high-value industries and sustainable practices. Strong participation from both domestic and foreign investors highlights confidence in Malaysia's industrial ecosystem, supported by strategic policies and targeted incentives. These developments strengthened the sector's role as a catalyst for economic growth and industrial innovation.

The manufacturing sector secured RM120.5 billion in approved investments across 1,108 projects, accounting for 31.8% of Malaysia's total approved investments of RM378.5 billion (2023: RM152.0 billion worth of investments were secured, representing a total of 46.1% of the RM329.5 billion in total approved investments).

(Source: Malaysia Investment Performance Report 2024 and Malaysia Investment Performance Report 2023, Malaysian Investment Development Authority)

The manufacturing sector growth is expected to moderate slightly to 3.9% in 2025 (2024: 4.2%), as the continued expansion of the E&E and consumer-related industries are offset by slower growth in primary and construction-related industries. Primary-related industry is expected to be affected by lower natural gas output and scheduled upstream maintenance. As key infrastructure projects are near completion, construction-related manufacturing growth is also expected to record a moderation. Nevertheless, the E&E industry is set to benefit from the broader spillovers of the global tech upcycle, which is expected to record growth across all semiconductor segments. This is underpinned by the continued growth in global sales outlook, driven by external demand for consumer electronics and artificial intelligence-related semiconductors. Consumer-related industries will gain support from continued household spending and the launch of domestic electric vehicle models.

(Source: Outlook & Policy in 2025, Bank Negara Malaysia)

Malaysian timber products have a strong global market presence in key export markets. According to the Global Trade Atlas, seven timber product exports from Malaysia were ranked among the top 10 and top 20 globally in terms of export value in 2024. In the top 10 segment, wooden furniture and plywood were ranked 5th, mouldings 7th, and wooden frame 9th. In the top 20 segment, builders' joinery and carpentry was ranked 14th, while both sawn timber and fibreboard were ranked 17th in 2024.

Wooden furniture (including bamboo and rattan furniture) remained the top timber product exported by Malaysia in 2024, accounting for 43.2% of the total exports with a value of RM9.89 billion (increased by 8.4% year-on-year). Malaysia's export of wooden furniture ranked 5th globally in 2024. The biggest market was the United States (RM4.99 billion; 50.4% share). Singapore was the 2nd largest export destination valued at RM747.44 million (7.6% share), followed by Australia at RM515.44 million (5.2% share), United Kingdom at RM481.56 million (5.2% share), Japan at RM437.79 million (4.4% share), Canada at RM425.13 million (4.3% share), the Philippines at RM255.64 million (2.6% share), United Arab Emirates at RM231.38 million (2.3% share), Saudi Arabia at RM173.79 million (1.8% share) and India at RM155.36 million (1.6% share).

(Source: Annual Report 2024, Malaysian Timber Council)

12.3 Overview and outlook of steel industry in Malaysia

Global steel demand in 2025 is projected to be flat compared to 2024, reaching about 1,749 million tonnes ("Mt"). According to the World Steel Association Short Range Outlook released in October 2025, a modest rebound of 1.3% is forecasted for 2026, pushing global demand to 1,773 Mt.

(Source: Short Range Outlook October 2025, The World Steel Association)

The global iron and steel market size is expected to reach RM10.8 trillion by 2030. Factors contributing to this growth include:

- (i) rising urbanisation and infrastructure projects;
- (ii) growth of the E&E and machinery and equipment industries driven by semiconductor and automation demands; and
- (iii) the transition towards energy efficiency and decarbonisation within the industry. This potential growth has created opportunities for Malaysia to expand and strengthen the domestic industry, ensuring its competitiveness on a global scale. These opportunities include decarbonisation of steel products and shifting towards higher value-added activities.

(Source: NIMP 2030 – Metal Industry, Ministry of Investment, Trade and Industry)

[The rest of this page has been intentionally left blank]

12.4 Prospects and future plans of our Group

Our Group is mainly involved in the manufacturing and trading of office furniture. As part of our Group's plans to improve our financial performance, our Group has undertaken the diversification of our existing business to include the trading of steel products and related business, which was approved by our Company's shareholders at the EGM held on 28 April 2023, and had disposed our entire equity interest in Euroland & Development Sdn Bhd in June 2023.

Our Group has realigned our business through strategic relocation of our manufacturing plant in Rawang, Selangor to Melaka (i.e. the Subject Property). Our Group will re-focus and re-emphasise on our growth in office furniture and steel related products. Our Group intends to focus on the design and development activities for the creation of new innovative technology methods for use in its steel products business segment, as well as expanding our offering of steel-related items to complement our current offering of office furniture. Additionally, the trading division will be focusing on market growth for furniture products such as ergonomic office chairs, desks, and workstations by establishing new branches and showrooms within Asia, targeting countries including Singapore, Thailand, Vietnam, and Indonesia, with the aim to strengthen our Group's market presence and customer reach. The trading division will also explore the avenue to export products such as filing cabinets and modular furniture systems overseas to increase revenue. Accordingly, additional headcount will be required across sales, marketing, and operations departments to manage the new branches and distribution channels. To expand into new markets, our Group may enter into a joint venture with other firms whose office furniture and steel products business divisions require specialised skill sets, experience and additional resources. On the property development segment, our Group will explore for potential opportunities in viable property development projects such as industrial development projects which may involve joint venture arrangements that can contribute positively to our Group's financial performance. As at the LPD, our Group does not have any ongoing or planned property development activities.

For the FYE 30 June 2025, the revenue and profit contribution from our office furniture and steel related products amounted to approximately RM115.05 million, all of which was generated from the Malaysia market. There is no contribution from other geographical markets.

Our Group's prospects in the near term are expected to be challenging but manageable despite the numerous challenges posed by the ongoing Russian-Ukraine conflict which led to disruption on commodities' supply chain, higher than anticipated inflationary pressures, and the tightening of central banks' monetary policies which not only adversely impacted on the demand of our Group's products, but also affect the manufacturing and trading of office furniture. Our Group will manage these challenges by constantly monitoring the market conditions and geopolitical events that may impact our supply chain which will help our Group to identify potential risks early and take timely action to mitigate them including reviewing our financial performance and exercising prudence in our decisions in order to respond to any evolving circumstances. The management of our Group will continue to implement strategies to increase revenue and adopt cost saving initiatives to sustain growth in our Group's business.

Our Group is using e-commerce and other digital platforms to market our furniture products to provide alternative sources of revenue to reach the market in Asia as well as Europe to mitigate the impact of COVID-19 on our Group's business activities.

The manufacturing and trading division will continue to leverage on our strong base of export clientele and explore new countries to diversify our market base as a growth strategy and managing our business risk. Our extensive range of high-quality products will ensure the long-term sustainability and growth of the business. Our Group foresees the rise of raw material cost and higher fixed overheads will continue to put pressure on production cost of our Group's manufacturing and trading division as there is a global shortage of raw materials. Our Group is therefore mindful of the challenges of these costs and shall continue to improve productivity and optimise operational efficiencies.

In light of the favourable outlook of the manufacturing and furniture industry and steel industry in Malaysia as set out in **Sections 12.2 and 12.3** of Part A of this Circular respectively, and our Group's efforts to improve our financial performance and plans to grow our prospects as detailed above, our Board is of the view that the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue will contribute positively to our Group's financial performance and position in the future.

13. EFFECTS OF THE PROPOSALS

The Proposed Exemptions will not have any effect on our Company's share capital, the NA and gearing of our Group, the substantial shareholders' shareholdings in our Company and the earnings/losses and EPS / LPS of our Company.

The pro forma effects of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue on our Company's share capital, the NA and gearing of our Group, the substantial shareholders' shareholdings in our Company and the earnings/losses and EPS/LPS of our Company illustrated in this section are based on the assumption that the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue are approved by our Company's non-interested shareholders at the forthcoming EGM.

Please refer to **Sections 6.2 and 6.3** of Part A of this Circular for the permutation for scenarios on the shareholding structure of the substantial shareholders.

13.1 Share capital

The pro forma effects of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue on our Company's share capital are as follows:

	Minimum Scenario		Maximum Scenario		Only Private Placement and Rights Issue Scenario	
	No. of Shares	RM'000	No. of Shares	RM'000	No. of Shares	RM'000
Issued share capital as at the LPD	1,327,967,100	95,508	1,327,967,100	95,508	1,327,967,100	95,508
Issuance of the Consideration Shares ⁽¹⁾	400,000,000	18,000	400,000,000	18,000	-	-
	1,727,967,100	113,508	1,727,967,100	113,508	1,327,967,100	95,508
Issuance of the Settlement Shares ⁽²⁾	563,209,911	25,344	563,209,911	25,344	-	-
	2,291,177,011	138,852	2,291,177,011	138,852	1,327,967,100	95,508
Issuance of the Placement Shares ⁽³⁾	331,991,700	14,940	331,991,700	14,940	331,991,700	14,940
	2,623,168,711	153,792	2,623,168,711	153,792	1,659,958,800	110,448
Issuance of the Rights Shares ⁽⁴⁾	1,473,837,611	57,404	2,623,168,711	103,377	1,473,837,611	57,404
Enlarged issued share capital	4,097,006,322	211,196	5,246,337,422	257,169	3,133,796,411	167,852

Notes:

- (1) Based on the issue price of RM0.045 per Consideration Share.
- (2) Based on the issue price of RM0.045 per Settlement Share.

(3) Based on an indicative issue price of RM0.045 per Placement Share.

(4) Based on an indicative issue price of RM0.040 per Rights Share and after taking into account the estimated expenses for the Proposals of RM1.55 million. In the event the Proposed Rights Issue is not implemented, our Group will utilise our internally-generated funds to fund the estimated expenses for the Proposals of RM1.55 million.

13.2 NA and gearing

The pro forma effects of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue on the NA and gearing of our Group, based on the audited consolidated statement of financial position of our Company as at 30 June 2025 and assuming that the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue had been effected on that date, are as follows:

Minimum Scenario

	(I)	(II)	(III)	(IV)	(V)
	(Audited) As at 30 June 2025	Subsequent events up to the LPD	After the Proposed Acquisition	After (II) and the Proposed Debt Settlement	After (III) and the Proposed Private Placement
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	95,508	95,508	113,508 ⁽¹⁾	138,853 ⁽²⁾	153,792 ⁽³⁾
Revaluation reserve	35,258	35,258	35,258	35,258	35,258
Accumulated losses	(29,858)	(29,858)	(29,858)	(29,858)	(29,858)
Total equity	100,908	100,908	118,908	144,253	159,192
					216,596
No. of Shares ('000)	1,327,967	1,327,967	1,727,967	2,291,177	2,623,169
NA per Share ⁽⁵⁾ (RM)	0.08	0.08	0.07	0.06	0.05
Net borrowings ⁽⁶⁾	671	671 ⁽⁷⁾	671	671	671
Gearing ⁽⁸⁾ (times)	0.01	0.01	0.01	Neg	Neg

Notes:

Neg Negligible. Being less than 0.01.

(1) Based on the issuance of 400,000,000 Consideration Shares at the issue price of RM0.045 per Consideration Share.

- (2) Based on the issuance of 563,209,911 Settlement Shares at the issue price of RM0.045 per Settlement Share.
- (3) Based on the issuance of 331,991,700 Placement Shares at the indicative issue price of RM0.045 per Placement Share.
- (4) Based on the issuance of 1,473,837,611 Rights Shares at the indicative issue price of RM0.040 per Rights Share and after taking into account the estimated expenses for the Proposals of RM1.55 million. In the event the Proposed Rights Issue is not implemented, our Group will utilise our internally-generated funds to fund the estimated expenses for the Proposals of RM1.55 million.
- (5) Computed based on NA divided by the number of Shares in issue.
- (6) Computed based on total borrowings less fixed deposit and cash and bank balances.
- (7) After taking into consideration the repayment of bank borrowings for the period from 1 July 2024 until 30 June 2025 amounting to RM3.26 million.
- (8) Computed based on net borrowings divided by total equity.

[The rest of this page has been intentionally left blank]

Maximum Scenario

	(I)	(II)	(III)	(IV)	(V)
(Audited) As at 30 June 2025	Subsequent events up to the LPD	After the Proposed Acquisition	After (II) and the Proposed Debt Settlement	After (III) and the Proposed Private Placement	After (IV) and the Proposed Rights Issue
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	95,508	113,508 ⁽¹⁾	138,853 ⁽²⁾	153,792 ⁽³⁾	257,169 ⁽⁴⁾
Revaluation reserve	35,258	35,258	35,258	35,258	35,258
Accumulated losses	(29,858)	(29,858)	(29,858)	(29,858)	(29,858)
Total equity	100,908	118,908	144,253	159,192	262,569

No. of Shares ('000)	1,327,967	1,727,967	2,291,177	2,623,169	5,246,337
NA per Share ⁽⁵⁾ (RM)	0.08	0.08	0.06	0.06	0.05

Net borrowings ⁽⁶⁾	671	671 ⁽⁷⁾	671	671	671
Gearing ⁽⁸⁾ (times)	0.01	0.01	Neg	Neg	Neg

Notes:

Neg Negligible. Being less than 0.01.

(1) Based on the issuance of 400,000,000 Consideration Shares at the issue price of RM0.045 per Consideration Share.

(2) Based on the issuance of 563,209,911 Settlement Shares at the issue price of RM0.045 per Settlement Share.

(3) Based on the issuance of 331,991,700 Placement Shares at the indicative issue price of RM0.045 per Placement Share.

(4) Based on the issuance of 2,623,168,711 Rights Shares at the indicative issue price of RM0.040 per Rights Share and after taking into account the estimated expenses for the Proposals of RM1.55 million. In the event the Proposed Rights Issue is not implemented, our Group will utilise our internally-generated funds to fund the estimated expenses for the Proposals of RM1.55 million.

(5) Computed based on NA divided by the number of Shares in issue.

(6) Computed based on total borrowings less fixed deposit and cash and bank balances.

- (7) After taking into consideration the repayment of bank borrowings for the period from 1 July 2024 until 30 June 2025 amounting to RM3.26 million.
- (8) Computed based on net borrowings divided by total equity.

Only Private Placement and Rights Issue Scenario

	(I)	(II)	(III)
(Audited) As at 30 June 2025	Subsequent events up to the LPD	After (I) and the Proposed Private Placement	After (II) and the Proposed Rights Issue
RM'000	RM'000	RM'000	RM'000
Share capital	95,508	110,448 ⁽¹⁾	167,851 ⁽²⁾
Revaluation reserve	35,258	35,258	35,258
Accumulated losses	(29,858)	(29,858)	(29,858)
Total equity	100,908	115,848	173,251

No. of Shares ('000)	1,327,967	1,659,959	3,133,796
NA per Share ⁽³⁾ (RM)	0.08	0.07	0.06
Net borrowings ⁽⁴⁾	671	671	671
Gearing ⁽⁵⁾ (times)	0.01	0.01	Neg

Notes:

Neg Negligible. Being less than 0.01.

- (1) Based on the issuance of 331,991,700 Placement Shares at the indicative issue price of RM0.045 per Placement Share.
- (2) Based on the issuance of 1,473,837,611 Rights Shares at the indicative issue price of RM0.040 per Rights Share and after taking into account the estimated expenses for the Proposals of RM1.55 million.
- (3) Computed based on NA divided by the number of Shares in issue.
- (4) Computed based on total borrowings less fixed deposit and cash and bank balances.

(5) Computed based on net borrowings divided by total equity.

(6) After taking into consideration the repayment of bank borrowings for the period from 1 July 2024 until 30 June 2025 amounting to RM3.26 million.

13.3 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue on the substantial shareholders' shareholdings in our Company are as follows:

Minimum Scenario

Name	As at the LPD			(I) After the Proposed Acquisition			
	Direct		Indirect	Direct		Indirect	
	No. of Shares	% ⁽¹⁾		No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Dato' Sri Lim	1,783,500	0.13	-	401,783,500	23.25	-	-
PH Performance	285,000	0.02	-	285,000	0.02	-	-
S.P.A. Furniture	508,559,200	38.30	-	508,559,200	29.43	-	-
Datin Sri Ong Lely	-	-	510,627,700 ⁽⁶⁾	-	-	910,627,700 ⁽⁶⁾	52.70
Datin Chooi Moi	-	-	508,559,200 ⁽⁷⁾	-	-	508,559,200 ⁽⁷⁾	29.43
Datuk Lim	-	-	285,000 ⁽⁸⁾	-	-	285,000 ⁽⁸⁾	0.02
Total	510,627,700	38.45		910,627,700	52.70		

[The rest of this page has been intentionally left blank]

Name	(II) After (I) and the Proposed Debt Settlement			(III) After (II) and the Proposed Private Placement		
	Direct		Indirect	Direct		Indirect
	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾
Dato' Sri Lim	964,993,411	42.12	-	-	964,993,411	36.79
PH Performance	285,000	0.01	-	-	285,000	0.01
S.P.A. Furniture	508,559,200	22.20	-	-	508,559,200	19.39
Datin Sri Ong Lely	-	-	1,473,837,611 ⁽⁶⁾	64.33	-	1,473,837,611 ⁽⁶⁾
Datin Chooi Moi	-	-	508,559,200 ⁽⁷⁾	22.20	-	508,559,200 ⁽⁷⁾
Datuk Lim	-	-	285,000 ⁽⁸⁾	0.01	-	285,000 ⁽⁸⁾
Total	1,473,837,611	64.33			1,473,837,611	56.19

Name	(IV) After (III) and the Proposed Rights Issue		
	Direct		Indirect
	No. of Shares	% ⁽⁵⁾	No. of Shares
Dato' Sri Lim	1,206,241,765	29.44	-
PH Performance	241,818,352	5.90	-
S.P.A. Furniture	1,017,118,400	24.83	-
Datin Sri Ong Lely	-	-	2,465,178,517 ⁽⁶⁾
Datin Chooi Moi	-	-	1,017,118,400 ⁽⁷⁾
Datuk Lim	482,496,705	11.78	241,818,352 ⁽⁸⁾
Total	2,947,675,222	71.95	

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.
- (3) Computed based on total number of issued Shares of 2,291,177,011 after the Proposed Debt Settlement.

- (4) Computed based on total number of issued Shares of 2,623,168,711 after the Proposed Private Placement.
- (5) Computed based on total number of issued Shares of 4,097,006,322 after the Proposed Rights Issue.
- (6) Deemed interested by virtue of her shareholding held in S.P.A Furniture and PH Performance pursuant to Section 8 of the Act and the shareholdings held by her spouse, namely Dato' Sri Lim, pursuant to Section 59(11)(c) of the Act.
- (7) Deemed interested by virtue of her shareholding held in S.P.A Furniture pursuant to Section 8 of the Act.
- (8) Deemed interested by virtue of her shareholding held in PH Performance pursuant to Section 8 of the Act.

[The rest of this page has been intentionally left blank]

Maximum Scenario

Name	As at the LPD			(I) After the Proposed Acquisition		
	Direct		Indirect	Direct		Indirect
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Dato' Sri Lim	1,783,500	0.13	-	-	401,783,500	23.25
PH Performance	285,000	0.02	-	-	285,000	0.02
S.P.A. Furniture	508,559,200	38.30	-	-	508,559,200	29.43
Datin Sri Ong Lely	-	-	510,627,700 ⁽⁶⁾	38.45	-	-
Datin Chooi Moi	-	-	508,559,200 ⁽⁷⁾	38.30	-	-
Datuk Lim	-	-	285,000 ⁽⁸⁾	0.02	-	-
Total	510,627,700	38.45			910,627,700	52.70

Name	(II) After (I) and the Proposed Debt Settlement			(III) After (II) and the Proposed Private Placement		
	Direct		Indirect	Direct		Indirect
	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾
Dato' Sri Lim	964,993,411	42.12	-	-	964,993,411	36.79
PH Performance	285,000	0.01	-	-	285,000	0.01
S.P.A. Furniture	508,559,200	22.20	-	-	508,559,200	19.39
Datin Sri Ong Lely	-	-	1,473,837,611 ⁽⁶⁾	64.33	-	-
Datin Chooi Moi	-	-	508,559,200 ⁽⁷⁾	22.20	-	-
Datuk Lim	-	-	285,000 ⁽⁸⁾	0.01	-	-
Total	1,473,837,611	64.33			1,473,837,611	56.19

(IV)

After (III) and the Proposed Rights Issue

Name	Direct		Indirect	
	No. of Shares	%⁽⁵⁾	No. of Shares	%⁽⁵⁾
Dato' Sri Lim	1,206,241,765	22.99	-	-
PH Performance	241,818,352	4.61	-	-
S.P.A. Furniture	1,017,118,400	19.39	-	-
Datin Sri Ong Lely	-	-	2,465,178,517 ⁽⁶⁾	46.99
Datin Chooi Moi	-	-	1,017,118,400 ⁽⁷⁾	19.39
Datuk Lim	482,496,705	9.20	241,818,352 ⁽⁸⁾	4.61
Total	2,947,675,222	56.19		

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on total number of issued Shares of 1,727,967,100 after the Proposed Acquisition.
- (3) Computed based on total number of issued Shares of 2,291,177,011 after the Proposed Debt Settlement.
- (4) Computed based on total number of issued Shares of 2,623,168,711 after the Proposed Private Placement.
- (5) Computed based on total number of issued Shares of 5,246,337,422 after the Proposed Rights Issue.
- (6) Deemed interested by virtue of her shareholdings held in S.P.A Furniture and PH Performance pursuant to Section 8 of the Act and the shareholding held by her spouse, namely Dato' Sri Lim, pursuant to Section 59(1)(c) of the Act.
- (7) Deemed interested by virtue of her shareholding held in S.P.A Furniture pursuant to Section 8 of the Act.
- (8) Deemed interested by virtue of her shareholding held in PH Performance pursuant to Section 8 of the Act.

Only Private Placement and Rights Issue Scenario

Name	As at the LPD			(I) After the Proposed Private Placement		
	Direct		Indirect	Direct		Indirect
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Dato' Sri Lim	1,783,500	0.13	-	-	1,783,500	0.11
PH Performance	285,000	0.02	-	-	285,000	0.02
S.P.A. Furniture	508,559,200	38.30	-	-	508,559,200	30.63
Datin Sri Ong Lely	-	-	510,627,700 ⁽⁴⁾	38.45	-	-
Datin Chooi Moi	-	-	508,559,200 ⁽⁵⁾	38.30	-	-
Datuk Lim	-	-	285,000 ⁽⁶⁾	0.02	-	-
Total	510,627,700	38.45			510,627,700	30.76

Name	(II) After (I) and the Proposed Rights Issue		
	Direct		Indirect
	No. of Shares	% ⁽³⁾	No. of Shares
Dato' Sri Lim	243,031,854	7.75	-
PH Performance	241,818,352	7.72	-
S.P.A. Furniture	1,017,118,400	32.45	-
Datin Sri Ong Lely	-	-	1,501,968,606 ⁽⁴⁾
Datin Chooi Moi	-	-	1,017,118,400 ⁽⁵⁾
Datuk Lim	482,496,705	15.40	241,818,352 ⁽⁶⁾
Total	1,984,465,311	63.32	

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Computed based on the total number of issued Shares of 1,659,958,800 after the Proposed Private Placement.
- (3) Computed based on the total number of issued Shares of 3,133,796,411 after the Proposed Private Placement and Proposed Rights Issue.
- (4) Deemed interested by virtue of her shareholdings held in S.P.A Furniture and PH Performance pursuant to Section 8 of the Act and the shareholding held by her spouse, namely Dato' Sri Lim, pursuant to Section 59(11)(c) of the Act.
- (5) Deemed interested by virtue of her shareholding held in S.P.A Furniture pursuant to Section 8 of the Act.
- (6) Deemed interested by virtue of her shareholding held in PH Performance pursuant to Section 8 of the Act.

[The rest of this page has been intentionally left blank]

13.4 Earnings/Losses and EPS/LPS

The Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue will not have any material effect on the consolidated earnings/losses of our Company for the FYE 30 June 2026. The EPS/LPS is expected to be diluted as a result of the issuance of the Consideration Shares, Settlement Shares, Placement Shares and Rights Shares.

Based on the audited consolidated financial statements of our Company for the FYE 30 June 2025 and assuming the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue have been effected on 1 July 2024, being the beginning of the FYE 30 June 2025, the pro forma effects of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue on the consolidated losses and LPS of our Company are as follows:

	(I)		(II)		(III)		(IV)			
	Audited as at 30 June 2025		After the Proposed Acquisition		After (I) and the Proposed Debt Settlement		After (II) and the Proposed Private Placement		After (III) and the Proposed Rights Issue	
	RM'000		RM'000		RM'000		RM'000		Minimum Scenario	Maximum Scenario
LAT / Pro forma LAT	(4,170)		(4,170)		(4,170)		(4,170)		(4,170)	(4,170)
Weighted average no. of Shares ('000)	1,327,967		1,727,967 ⁽¹⁾		2,291,177 ⁽²⁾		2,623,169 ⁽³⁾		4,097,006 ⁽⁴⁾	5,246,337 ⁽⁵⁾
LPS / Pro forma LPS (sen) ⁽⁶⁾	(0.31)		(0.24)		(0.18)		(0.16)		(0.10)	(0.08)

Notes:

- (1) Computed based on the issuance of 400,000,000 Consideration Shares after the Proposed Acquisition.
- (2) Computed based on the issuance of 563,209,911 Settlement Shares after the Proposed Acquisition and Proposed Debt Settlement.
- (3) Computed based on the issuance of 331,991,700 Placement Shares after the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement.
- (4) Computed based on the issuance of 1,473,837,611 Rights Shares after the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (under Minimum Scenario).
- (5) Computed based on the issuance of 2,623,168,711 Rights Shares after the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (under Maximum Scenario).
- (6) Computed based on the pro forma LAT divided by weighted average number of Shares.

13.5 Convertible securities

Our Company does not have any convertible securities as at the LPD.

14. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted prices of EURO Shares for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
<u>2024</u>		
December	0.055	0.050
<u>2025</u>		
January	0.070	0.050
February	0.055	0.050
March	0.055	0.045
April	0.055	0.045
May	0.055	0.045
June	0.055	0.045
July	0.050	0.045
August	0.050	0.045
September	0.060	0.045
October	0.055	0.045
November	0.050	0.045

The last transacted market price of EURO Shares on 5 March 2025 (being the last trading day prior to the announcement of the Proposals) was RM0.050.

The last transacted market price of EURO Shares on 8 December 2025 (being the LPD) was RM0.050.

(Source: Bloomberg)

15. APPROVALS REQUIRED

The Proposals are subject to the approvals being obtained from the following:

- (i) Bursa Securities for the listing and quotation of the Consideration Shares, Settlement Shares, Placement Shares and Rights Shares on the Main Market of Bursa Securities.

The approval by Bursa Securities for the above was obtained vide its letter dated 12 December 2025, subject to the following conditions:

Conditions imposed	Status of compliance
(a) Our Company and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	To be complied with.
(b) Our Company must comply with the public security holding spread requirements pursuant to paragraph 8.02(1) of the Listing Requirements upon listing of the Consideration Shares, Settlement Shares, Placement Shares and Rights Shares;	To be complied with.

	<u>Conditions imposed</u>	<u>Status of compliance</u>
(c)	Our Company is required to furnish Bursa Securities with a certified true copy of the resolutions passed by our shareholders at the forthcoming EGM prior to the listing of the new shares to be issued;	To be complied with.
(d)	TA Securities is required to furnish Bursa Securities with details of the placees in accordance with paragraph 6.15 of the Listing Requirements as soon as practicable after each tranche of placement and before the listing of the Placement Shares;	To be complied with.
(e)	TA Securities and our Company are required to inform Bursa Securities upon completion of the Proposals; and	To be complied with.
(f)	Our Company is required to furnish Bursa Securities with a written confirmation of our compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed.	To be complied with.
(ii)	the SC for the Proposed Exemptions. The application for the Proposed Exemptions will be made after the approvals of the non-interested shareholders of our Company as detailed in item (iii) below are obtained at the forthcoming EGM;	
(iii)	the non-interested shareholders of our Company for the Proposals; and	
(iv)	shareholders of our Company for the waiver of statutory pre-emptive rights for the Placement Shares under Section 85(1) of the Act and Clause 61 of the Constitution of our Company.	

Section 85(1) of the Act provides that "Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Pursuant to Section 85 of the Act read together with Clause 61 of the Constitution of our Company, the shareholders have a statutory pre-emptive right to be offered any new Shares which rank equally to the existing Shares.

By approving resolution in relation to the Proposed Private Placement, which entails the allotment and issuance of the Placement Shares to the Placees which will rank equally with the existing issued Shares, the shareholders of our Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Act and Clause 61 of the Constitution of our Company to be first offered the Placement Shares which will result in a dilution to their shareholding percentage in our Company at the forthcoming EGM.

16. CONDITIONALITY

Save as disclosed below, the Proposals are **not inter-conditional** upon each other:

- (i) the Proposed Acquisition and the Proposed Exemption 1 are inter-conditional upon each other;
- (ii) the Proposed Debt Settlement and the Proposed Exemption 2 are inter-conditional upon each other;
- (iii) the Proposed Rights Issue and the Proposed Exemption 3 are inter-conditional upon each other; and
- (iv) the Proposed Rights Issue is conditional upon the Proposed Private Placement but not vice versa.

Subject to the approvals of our Company's non-interested shareholders for the Proposals as set out in item (iii) in **Section 15** of Part A of this Circular, it is the intention of our Company to implement the Proposals in the following order:

- (i) the Proposed Acquisition and Proposed Debt Settlement concurrently;
- (ii) the Proposed Private Placement after the completion of the Proposed Acquisition and Proposed Debt Settlement; and
- (iii) the Proposed Rights Issue after the completion of the Proposed Private Placement.

For the avoidance of doubt, in the event any of the Proposals is not approved by our Company's non-interested shareholders at the forthcoming EGM, our Company may implement any of the Proposals which is/are approved by our non-interested shareholders, subject to the following:

- (i) the relevant Proposed Exemptions being approved by our non-interested shareholders and the SC, where applicable and as detailed in **Section 6** of Part A of this Circular; and
- (ii) the inter-conditional relationships and implementation sequence of the Proposals as disclosed above.

Save as disclosed above, the Proposals are not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.

17. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Our Board confirms that, save for the Proposals, there is no corporate exercise which has been announced but not yet completed as at the LPD.

18. HIGHEST PERCENTAGE RATIOS

The highest percentage ratio applicable for the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 84.17% computed based on the Purchase Consideration of RM56.00 million over the market capitalisation of our Company of RM66.53 million, calculated based on the 5-day VWAP of EURO Shares up to and including the LTD of RM0.0501 and the number of existing Shares as at the LTD of 1,327,967,100 Shares.

The highest percentage ratio applicable for the Proposed Debt Settlement pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 42.41% computed based on the 563,209,911 Settlement Shares to be issued pursuant to the Proposed Debt Settlement over the number of Shares in issue as at the LTD of 1,327,967,100 Shares.

Pursuant to the rule of aggregation under Paragraph 10.12(2) of the Listing Requirements given that the Proposed Acquisition and Proposed Debt Settlement are entered into or involves the same party (i.e. Dato' Sri Lim) and parties connected with him (i.e. the other Lenders), the highest aggregated percentage ratio applicable to the Proposed Acquisition and Proposed Debt Settlement is 122.27%.

19. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors, Major Shareholders, chief executive of our Company and/or persons connected to them has any interest, direct or indirect, in the Proposed Acquisition, Proposed Debt Settlement and the Proposed Exemptions:

- (a) Dato' Sri Lim, who was a Major Shareholder of our Company within the last 6 months prior to the date of the SPA and Settlement Agreement and currently a shareholder with 0.13% equity interest in our Company, is the son of Datin Chooi Moi, the spouse of Datin Sri Ong Lely and the brother of Datuk Lim;
- (b) Datin Sri Ong Lely, who is the Group Managing Director and an indirect Major Shareholder of our Company (by virtue of her interest in S.P.A. Furniture, a controlling shareholder with 38.30% equity interest in EURO), is the spouse of Dato' Sri Lim (who is a major shareholder and director of the Vendor and other Lenders), a director and major shareholder of S.P.A. Furniture (by virtue of her 50.00% direct interest in S.P.A. Furniture) and a presumed PAC to Dato' Sri Lim pursuant to paragraph 216(3)(h) of the CMSA;
- (c) Datuk Lim, who is the Group Deputy Managing Director of our Company, is the sister of Dato' Sri Lim and a presumed PAC to Dato' Sri Lim pursuant to paragraph 216(3)(h) of the CMSA;
- (d) Datin Chooi Moi, who is an indirect Major Shareholder of our Company (by virtue of her interest in S.P.A. Furniture, a controlling shareholder with 38.30% equity interest in EURO), is the mother of Dato' Sri Lim, a director and major shareholder of S.P.A. Furniture (by virtue of her 50.00% direct interest in S.P.A. Furniture) and a presumed PAC to Dato' Sri Lim pursuant to paragraph 216(3)(h) of the CMSA; and
- (e) S.P.A. Furniture, which is a controlling shareholder with 38.30% equity interest in our Company, is a presumed PAC to Dato' Sri Lim pursuant to subsection 216(2) of the CMSA in view of the interests of Datin Sri Ong Lely and Datin Chooi Moi in S.P.A. Furniture.

As the Proposed Rights Issue and the Proposed Exemption 3 are **inter-conditional** upon each other, the Interested Directors and Interested Major Shareholders are therefore also deemed to be interested in the Proposed Rights Issue.

Save for the Interested Major Shareholders and Interested Directors, none of the Directors, Major Shareholders, chief executive of our Company and/or persons connected to them has any interest, direct or indirect, in the Proposed Rights Issue apart from their respective entitlements under the Proposed Rights Issue (including the rights to renounce their entitlements or subscribe for such entitlements renounced by others), if any, to which all Entitled Shareholders are similarly entitled.

As the Proposed Rights Issue is conditional upon the Proposed Private Placement but not vice versa, the Interested Directors and Interested Major Shareholders are therefore also deemed to be interested in the Proposed Private Placement.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings of our Company pertaining to the Proposals. The Interested Major Shareholders and Interested Directors will abstain from voting in respect of their direct and/or indirect shareholdings in our Company (if any) on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

Further, the Interested Major Shareholders and Interested Directors will also ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company (if any) on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

The shareholdings of the Interested Major Shareholders and Interested Directors as well as the persons connected to them in our Company as at the LPD are as follows:

Name	Direct		Indirect	
	No. of Shares	%⁽¹⁾	No. of Shares	%⁽¹⁾
<u>Interested Major Shareholder and Interested Director</u>				
Datin Sri Ong Lely	-	-	510,627,700 ⁽²⁾	38.45
<u>Interested Major Shareholders</u>				
Dato' Sri Lim	1,783,500	0.13	-	-
S.P.A. Furniture	508,559,200	38.30	-	-
Datin Chooi Moi	-	-	508,559,200 ⁽³⁾	38.30
<u>Interested Director</u>				
Datuk Lim	-	-	285,000 ⁽⁴⁾	0.02
<u>Persons connected</u>				
PH Performance	285,000	0.02	-	-

Notes:

- (1) Computed based on the total number of issued Shares of 1,327,967,100 as at the LPD.
- (2) Deemed interested by virtue of her shareholding held in S.P.A Furniture and PH Performance pursuant to Section 8 of the Act and the shareholdings held by her spouse, namely Dato' Sri Lim, pursuant to Section 59(11)(c) of the Act.
- (3) Deemed interested by virtue of her shareholding held in S.P.A Furniture pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of her shareholding held in PH Performance pursuant to Section 8 of the Act.

20. TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Save for the recurrent related party transactions as disclosed in the circular to the shareholders of our Company dated 31 October 2025, there were no other related party transactions entered into between our Company and the Vendor and any of the Lenders as well as persons connected to them for the 12 months preceding the LPD.

21. AUDIT COMMITTEE'S STATEMENT

The audit committee of our Company, after having considered all aspects of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Exemptions, including but not limited to the salient terms of the SPA and Settlement Agreement, the bases and justifications for the Purchase Consideration and the issue prices of the Consideration Shares, Settlement Shares and Placement Shares, the rationale, benefits and effects of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Exemptions, the market value of the Subject Property as appraised by the Valuer, as well as the evaluation of the Independent Adviser as set out in Part B of this Circular, is of the view that the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Exemptions are:

- (i) in the best interest of our Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of our Company.

The audit committee of our Company is of the view that the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Exemptions are fair and reasonable after taking into consideration, among others, the following:

(i) Proposed Acquisition

Currently, the Subject Property houses our Group's manufacturing facilities, showroom and corporate office. The Proposed Acquisition enables our Group to have full control over the Subject Property, allowing us to utilise the space in line with our evolving business needs while mitigating the risk of operational disruptions due to potential termination or non-renewal of tenancy agreement. This flexibility to use the space without restrictions aligns with our Group's strategic long-term business positioning, enabling us to respond effectively to changing market conditions and operational requirements while ensuring greater stability and sustainability in our operations.

Notwithstanding the estimated ownership-related costs such as quit rent, assessment, fire insurance and refurbishment or major repairs which will be borne by our Group after the completion of the Proposed Acquisition, our Group is expected to achieve long-term cost savings by eliminating the rental expenses of approximately RM3.00 million per annum, based on the current rental rate which is subject to further upward revision upon renewal of tenancy. The elimination of recurring rental obligations is expected to free up our Group's cash flows which can be redirected toward our operational needs and strategic initiatives, ultimately contributing to our Group's profit margins over time.

In addition, after the Proposed Acquisition, our ownership of the Subject Property also provides potential long-term value creation and capital appreciation to our Group in view of the Subject Property's characteristics such as locality (i.e. accessibility and proximity to major routes which facilitates connections to key commercial and industrial nodes in Melaka and the Klang Valley, and future infrastructure projects) and established industrial environment (i.e. surrounded by a mixture of well-known industrial and manufacturing companies as well as retail landmarks) which are expected to support its market value and marketability over time. The potential value appreciation of the Subject Property is expected to contribute to an increase in our Group's NA (assuming minimal increase in the total liabilities in our Group) and in turn enhance our Group's NA per Share, hence creating additional value for the shareholders of our Company.

The Subject Property is currently rented by Euro Space Industries from SPASB, constituting a related party transaction and require regulatory disclosures and approvals. Therefore, the Proposed Acquisition will reduce our Group's reliance on related party (i.e. SPASB) and eliminate risks associated with long-term transactions with related party and in turn strengthen our Group's corporate governance practices.

Notwithstanding that the Proposed Acquisition will dilute the shareholdings of the non-interested shareholders of our Company from 61.55% as at the LPD to 47.30% after the Proposed Acquisition as illustrated in **Section 7** of Part A of this Circular, our Group is expected to benefit from the Proposed Acquisition in respect of long-term business positioning, potential cost savings and value gains as well as elimination of potential conflict of interest and risks associated with related party transactions as set out above which in turn will create additional value for the shareholders of our Company.

(ii) Proposed Debt Settlement

Unlike settlement via cash, borrowings and/or proceeds raised from the Proposed Rights Issue, the Proposed Debt Settlement via issuance of Settlement Shares allows our Group to preserve our cash reserves for operational needs, thus represents an opportunity for our Group to settle the Settlement Sum without incurring new debt obligations and additional interest expenses.

The settlement of the Advances via the issuance of Settlement Shares would enable our Company to strengthen our equity base as well as NA through the capitalisation of debt into equity and improve the overall financial position of our Group immediately after the settlement of Settlement Sum.

Notwithstanding that the Proposed Debt Settlement will dilute the shareholdings of the non-interested shareholders of our Company from 47.30% after the Proposed Acquisition to 35.67% after the Proposed Debt Settlement as illustrated in **Section 7** of Part A of this Circular, our Group is expected to benefit from the Proposed Debt Settlement as it allows our Group to focus on stabilising our businesses and financial performance as set out above and in turn enhances long-term value for the shareholders of our Company.

(iii) Proposed Private Placement

The Proposed Private Placement offers an expeditious fundraising avenue and a degree of certainty for our Company to raise funds as compared to a rights issue which is more time-consuming and costly (i.e. additional time and costs to be incurred for, among others, the preparation and issuance of an abridged prospectus to the shareholder) and dependent on the subscription rate by the entitled shareholders and/or their renounce(s). Further, the Proposed Private Placement can be implemented in multiple tranches, providing our Company with the flexibility to time our fundraising in line with our Group's capital requirements.

The Proposed Private Placement will raise gross proceeds of up to approximately RM14.94 million (based on the indicative issue price of the Placement Shares of RM0.045) to meet our Group's day-to-day working capital requirements for our existing businesses as detailed in **Section 8.1** of Part A of this Circular, strengthening our Group's capital base and cash flow position as well as financial position without incurring debt obligations.

As disclosed in **Section 16** of Part A of this Circular, the Proposed Private Placement is conditional upon the Proposed Rights Issue but not vice versa. Such conditionality enables our Company to maintain compliance with Paragraph 8.02(1) of the Listing Requirements which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding any treasury shares) are in the hands of public shareholders, after the Proposed Rights Issue.

Notwithstanding that the Proposed Private Placement will dilute the individual shareholdings of the non-interested shareholders of our Company, it could be in favour of the non-interested shareholders of our Company in view that the Placement Shares will not be placed to any Interested Person and/or person connected with an Interested Person and will in turn increase the collective shareholdings of the non-interested shareholders of our Company as follows:

- (a) from 35.67% after the Proposed Debt Settlement to 43.81% after the Proposed Private Placement under the Minimum Scenario or Maximum Scenario; or
- (b) from 61.55% as at the LPD to 69.24% after the Proposed Private Placement,

as illustrated in **Section 7** of Part A of this Circular.

(iv) Proposed Exemptions

Notwithstanding that the Proposed Acquisition, Proposed Debt Settlement and Proposed Rights Issue (under the Minimum Scenario) will result in dilution of the shareholdings of the non-interested shareholders of our Company, the Proposed Exemptions will relieve Dato' Sri Lim and his PACs from the obligation to undertake Mandatory Offer under subsections 218(2) and 218(3) of the CMSA read together with subsection 15(2) of the Code (where applicable) and subparagraphs 4.01(a) and 4.01(b) of the Rules as a result of the Proposed Acquisition, Proposed Debt Settlement and/or Proposed Rights Issue, as the case may be, and thus allowing our Company to implement and realise the benefits of the Proposed Acquisition, Proposed Debt Settlement and Proposed Rights Issue.

The audit committee of our Company has also taken note that DWA Advisory had considered the above and is still of the opinion that the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Exemptions are:

- (i) in the best interest of our Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of our Company.

22. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for the Interested Directors), after having considered all aspects of the Proposals, including but not limited to the bases and justifications for the Purchase Consideration and the issue prices of the Consideration Shares, Settlement Shares, Placement Shares and Rights Shares, the rationale, benefits and effects of the Proposals, the market value of the Subject Property as appraised by the Valuer, as well as the evaluation of the Independent Adviser as set out in Part B of this Circular, is of the opinion that the Proposals are:

- (i) in the best interests of our Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of our Company.

Accordingly, our Board (save for the Interested Directors) recommends that you vote **IN FAVOUR** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

23. ADVISERS

TA Securities has been appointed as the Principal Adviser to our Company for the Proposals.

The Proposed Acquisition and Proposed Debt Settlement are deemed to be related party transactions pursuant to Paragraph 10.08 of the Listing Requirements by virtue of the interests of the Interested Directors and Interested Major Shareholders as set out in **Section 19** of Part A of this Circular.

Accordingly, our Company has appointed DWA Advisory as the Independent Adviser in accordance with the Listing Requirements to undertake the following in relation to the Proposed Acquisition and Proposed Debt Settlement:

- (i) comment as to whether the Proposed Acquisition and Proposed Debt Settlement are:
 - (a) fair and reasonable so far as the non-interested shareholders of our Company are concerned; and
 - (b) to the detriment of the non-interested shareholders of our Company,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise the non-interested shareholders of our Company on whether they should vote in favour of the Proposed Acquisition and Proposed Debt Settlement in the forthcoming EGM; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

DWA Advisory has also been appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of our Company on the Proposed Exemptions pursuant to paragraph 3.06 of the Rules.

The independent advice letter from DWA Advisory to the non-interested Directors and non-interested shareholders of our Company in relation to the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions is set out in Part B of this Circular.

24. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals set out in **Section 15** of Part A of this Circular being obtained and the fulfilment of all the conditions precedent set out in the SPA and Settlement Agreement, our Board expects the Proposals to be completed by the 2nd quarter of 2026. The tentative timetable for the Proposals is as follows:

Tentative timing	Events
31 December 2025	EGM for the Proposals
End January 2026	Approval from the SC for the Proposed Exemptions
Mid February 2026	Completion of the Proposed Acquisition and Proposed Debt Settlement
Mid March 2026	(i) Listing and quotation of the Placement Shares (ii) Completion of the Proposed Private Placement (iii) Announcement of Entitlement Date
End March 2026	(i) Entitlement Date (ii) Despatch of abridged prospectus, notices of provisional allotment and rights subscription forms
Mid April 2026	Last day for payment and acceptance of the Rights Shares
End April 2026	(i) Listing and quotation of the Rights Shares (ii) Completion of the Proposed Rights Issue

25. EGM

The notice convening the EGM and the Form of Proxy are enclosed at the end of this Circular. The EGM will be held at Level 1, Room 3 of the Supreme Hotel Melaka at 25, Jalan Kota Laksamana 2/15, Taman Kota Laksamana, 75200 Melaka on Wednesday, 31 December 2025 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the resolutions to give effect to the Proposals.

If you are unable to attend and vote at the forthcoming EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, the Form of Proxy must be deposited with our Company's Share Registrar, Aldpro Corporate Services Sdn Bhd at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia or alternatively, the Form of Proxy must be received either via electronically at admin@aldpro.com.my or via facsimile at 03-2201 7774 not less than forty-eight (48) hours before the time appointed for holding of the EGM or at any adjournment thereof. The Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, the Form of Proxy shall be deemed to have been revoked.

26. FURTHER INFORMATION

You are advised to refer to the enclosed appendices for further information.

Yours faithfully,
For and on behalf of the Board
EURO HOLDINGS BERHAD

LT GEN (R) DATO' SRI SABRI BIN ADAM
Independent Non-Executive Chairman

PART B

**INDEPENDENT ADVICE LETTER FROM DWA ADVISORY TO THE NON-INTERESTED
DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF OUR COMPANY IN RELATION
TO THE PROPOSED ACQUISITION, PROPOSED DEBT SETTLEMENT AND PROPOSED
EXEMPTIONS**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the 'Definitions' section and Part A of the Circular except where the context otherwise requires or where otherwise defined in this independent advice letter ("IAL"). All references to "you" are references to the non-interested Directors and non-interested shareholders of the Company while references to "we", "us" or "our" are to DWA Advisory, being the Independent Adviser for the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions. Any discrepancies in the tables included in this IAL between the amounts listed, actual figures and the total thereof are due to rounding.

This executive summary, highlighting the salient points of the Proposals, is intended to be a brief summary of this IAL prepared by DWA Advisory. The non-interested shareholders of the Company are advised to read this IAL carefully together with Part A of the Circular and the enclosed appendices, and to consider carefully the recommendation contained in this IAL, in conjunction with Part A of the Circular before voting on the ordinary resolution to give effect to the Proposed Exemptions at the forthcoming EGM of EURO.

1. INTRODUCTION

On 6 March 2025, TA Securities, on behalf of the Board, announced that EURO proposed to undertake the following:

- (i) Proposed Acquisition;
- (ii) Proposed Debt Settlement;
- (iii) Proposed Private Placement;
- (iv) Proposed Rights Issue;
- (v) Proposed Exemption 1;
- (vi) Proposed Exemption 2; and
- (vii) Proposed Exemption 3.

The Board also announced that, on the even date, ELSB, a wholly-owned subsidiary of EURO had entered into the SPA with SPASB for the Proposed Acquisition and the Borrowers had entered into the Settlement Agreement with the Lenders for the Proposed Debt Settlement.

ELSB and the Vendor had, vide a supplemental letter dated 13 March 2025, mutually agreed to vary the term in the SPA in relation to the payment of the Deposit as detailed in **Section 2.4** of Part A of the Circular.

The Company had on 21 August 2025 revised the conditionality of the Proposals to include that the Proposed Rights Issue is conditional upon the Proposed Private Placement but not vice versa, as set out in **Section 16** of Part A of the Circular.

The Borrowers and the Lenders had, vide a supplemental letter dated 4 September 2025, mutually agreed to extend the period for fulfilment of the conditions precedent under the Settlement Agreement for an additional 6 months, i.e. up to and including 5 March 2026.

As disclosed in **Section 16** of Part A of the Circular, we noted that the Proposals are **not inter-conditional** upon one another, save as set out below:

- (i) the Proposed Acquisition and the Proposed Exemption 1 are **inter-conditional** upon each other;
- (ii) the Proposed Debt Settlement and the Proposed Exemption 2 are **inter-conditional** upon each other;

- (iii) the Proposed Rights Issue and the Proposed Exemption 3 are **inter-conditional** upon each other; and
- (iv) the Proposed Rights Issue is conditional upon the Proposed Private Placement but not vice versa.

We further noted that the Company intends to implement the Proposals in the following order:

- (i) the Proposed Acquisition and Proposed Debt Settlement concurrently;
- (ii) the Proposed Private Placement after the completion of the Proposed Acquisition and Proposed Debt Settlement; and
- (iii) the Proposed Rights Issue after the completion of the Proposed Private Placement.

The Proposed Acquisition and Proposed Debt Settlement are deemed to be related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors, Interested Major Shareholders and persons connected to them as set out in **Section 19** of Part A of the Circular.

As at the LPD, EURO has a total issued share capital of RM95,508,076 comprising 1,327,967,100 EURO Shares.

As at the LPD, Dato' Sri Lim directly holds 1,783,500 EURO Shares, representing approximately 0.13% of the total issued share capital of EURO, while his PACs and their respective shareholdings in EURO are as follows:

- (i) S.P.A. Furniture, directly holds 508,559,200 EURO Shares, representing approximately 38.30% of the total issued share capital of EURO;
- (ii) PH Performance, directly holds 285,000 EURO Shares, representing approximately 0.02% of the total issued share capital of EURO; and
- (iii) Datin Sri Ong Lely, Datin Chooi Moi and Datuk Lim, who do not hold any EURO Shares directly.

Collectively, as at the LPD, Dato' Sri Lim and his PACs directly hold 510,627,700 EURO Shares, representing approximately 38.45% of the total issued share capital of EURO.

Pursuant to the Proposals, the potential changes in the shareholdings of Dato' Sri Lim individually and collectively together with his PACs in EURO, which may be subject to take-over implication, are set out below:

- (i) Upon completion of the Proposed Acquisition, the individual shareholding of Dato' Sri Lim will increase from 0.13% as at the LPD to 23.25% upon issuance of the Consideration Shares, resulting in the increase in the collective shareholdings of Dato' Sri Lim and his PACs from 38.45% as at the LPD to 52.70% upon issuance of the Consideration Shares. The increase in the collective shareholdings of Dato' Sri Lim and his PACs by more than 2% within a 6-month period will trigger a Mandatory Offer obligation by Dato' Sri Lim and his PACs pursuant to subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules.
- (ii) Upon completion of the Proposed Debt Settlement, which may be on standalone basis or with the other corporate exercises comprising the Proposals:

[The rest of this page has been intentionally left blank]

(a) **Scenario 1(A) – Assuming the Proposed Acquisition is not implemented (i.e. only Proposed Debt Settlement is implemented)**

if the Proposed Acquisition is not implemented, the individual shareholding of Dato' Sri Lim will increase from 0.13% as at the LPD to 29.88% upon the issuance of the Settlement Shares resulting in the increase in the collective shareholdings of Dato' Sri Lim and his PACs from 38.45% as at the LPD to 56.78%. The increase in the collective shareholdings of Dato' Sri Lim and his PACs by more than 2% within a 6-month period will trigger a Mandatory Offer obligation by Dato' Sri Lim and his PACs pursuant to subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules; and

(b) **Scenario 1(B) – Assuming the Proposed Acquisition is implemented (i.e. both Proposed Acquisition and Proposed Debt Settlement are implemented)**

if the Proposed Acquisition is implemented, the individual shareholding of Dato' Sri Lim will increase from 23.25% after the Proposed Acquisition to 42.12% upon issuance of the Settlement Shares to Dato' Sri Lim. The increase in Dato' Sri Lim's shareholding to more than 33% will trigger a Mandatory Offer obligation by Dato' Sri Lim pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules. Consequently, the collective shareholdings of Dato' Sri Lim and his PACs will increase from 52.70% after the Proposed Acquisition to 64.33% upon issuance of the Settlement Shares. As the collective shareholdings of Dato' Sri Lim and PACs have already exceeded 50%, it will not trigger a Mandatory Offer obligation.

(iii) Upon completion of the Proposed Rights Issue, (assuming only the Undertaking Shareholders subscribed to the Right Shares pursuant to the Undertakings), which is subject to the implementation of the Proposed Private Placement and may be undertaken with the other corporate exercises comprising the Proposals:

(a) **Scenario 2(A) – Assuming only the Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented**

if only the Proposed Private Placement and Proposed Rights Issue are implemented, the individual shareholding of Dato' Sri Lim and the shareholding of his PACs will increase from 0.11% and 30.65% after the Proposed Private Placement to 7.75% and 55.57% upon issuance of the Rights Shares, respectively resulting in the increase in the collective shareholdings of Dato' Sri Lim and his PACs from 30.76% after the Proposed Private Placement to 63.32% upon issuance of the Rights Shares. The increase in the collective shareholdings of Dato' Sri Lim and his PACs to more than 33% will trigger a Mandatory Offer obligation by Dato' Sri Lim and his PACs under pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules; and

(b) **Scenario 2(B) – Assuming only the Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented**

if only the Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue are implemented, the individual shareholding of Dato' Sri Lim will reduce from 19.51% after the Proposed Acquisition and Proposed Private Placement to 18.20% upon issuance of the Rights Shares, while the shareholding of his PACs will increase from 24.70% to 49.28%.

Accordingly, the collective shareholdings of Dato' Sri Lim and his PACs will increase from 44.21% after the Proposed Acquisition and Proposed Private Placement to 67.48% upon issuance of the Rights Shares. The increase in the collective shareholdings of Dato' Sri Lim and his PACs by more than 2% within a 6-month period will trigger a Mandatory Offer obligation by Dato' Sri Lim and his PACs pursuant to subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules;

(c) **Scenario 2(C) – Assuming only the Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented**

if only the Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue are implemented, the individual shareholding of Dato' Sri Lim will reduce from 25.41% after the Proposed Debt Settlement and Proposed Private Placement to 21.81% upon issuance of the Rights Shares, while the shareholding of his PACs will increase from 22.89% to 47.10%. Accordingly, the collective shareholdings of Dato' Sri Lim and his PACs will increase from 48.30% after the Proposed Debt Settlement and Proposed Private Placement to 68.91% upon issuance of the Rights Shares. The increase in the collective shareholdings of Dato' Sri Lim and his PACs by more than 2% within a 6-month period will trigger a Mandatory Offer obligation by Dato' Sri Lim and his PACs pursuant to subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules; and

(d) **Scenario 2(D) – Assuming the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented**

if the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue are implemented, the individual shareholding of Dato' Sri Lim will reduce from 36.79% after the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement to 29.44% upon issuance of the Rights Shares, while the shareholding of his PACs will increase from 19.40% to 42.51%. Accordingly, the collective shareholdings of Dato' Sri Lim and his PACs will increase from 56.19% after Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement to 71.95% upon issuance of the Rights Shares. As the collective shareholdings of Dato' Sri Lim and PACs have already exceeded 50%, it will not trigger a Mandatory Offer obligation.

As it is not the intention of Dato' Sri Lim and his PACs to undertake the Mandatory Offer as a result of the Proposals, they intend to seek the SC's approval for the Proposed Exemptions, as summarised below:

- (i) Proposed Exemption 1 refers to the exemption to be sought by Dato' Sri Lim and his PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Acquisition pursuant to subparagraph 4.08(1)(a) of the Rules;
- (ii) Proposed Exemption 2 refers to the exemption to be sought by Dato' Sri Lim and his PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Debt Settlement pursuant to subparagraph 4.08(1)(b) of the Rules; and
- (iii) Proposed Exemption 3 refers to the exemption to be sought by Dato' Sri Lim and his PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Rights Issue (after implementation of the Proposed Private Placement) pursuant to subparagraph 4.08(1)(b) of the Rules.

An application for the Proposed Exemptions will be submitted to the SC by TA Securities on behalf of Dato' Sri Lim and his PACs after the approval of the non-interested shareholders of the Company for the Proposals has been obtained, by way of poll, at the forthcoming EGM for the Proposals.

In compliance with the Listing Requirements and the Rules, the Board (save for the Interested Directors) had on 6 March 2025, appointed DWA Advisory as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company on the Proposed Acquisition and Proposed Debt Settlement pursuant to Paragraph 10.08 of the Listing Requirements and for the Proposed Exemptions pursuant to Paragraph 3.06 of the Rules. DWA Advisory has not been appointed to advise the non-interested Directors and non-interested shareholders of the Company in relation to the Proposed Rights Issue.

Pursuant to Paragraph 3.07 of the Rules, we had on 13 March 2025 declared our independence from any conflict of interest or potential conflict of interest to the SC in relation to our appointment as Independent Adviser for the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions.

The purpose of this IAL is to provide you with our independent evaluation on the fairness and reasonableness of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions on a holistic basis, together with our recommendation on whether you should vote in favour of the resolutions pertaining to the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions, subject to the scope and limitations specified herein. Nevertheless, you should rely on your own evaluation of the merits and demerits of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions before making decision on the course of action to be taken at EURO's forthcoming EGM in relation to the Proposals.

2. EVALUATION OF THE PROPOSED ACQUISITION, PROPOSED DEBT SETTLEMENT AND PROPOSED EXEMPTIONS

In arriving at our conclusion and recommendation, we have assessed and evaluated the fairness and reasonableness of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions in a holistic basis in accordance with paragraphs 8 to 10 of Schedule 2: Part III of the Rules including the rationale and effects of the Proposals. In forming our opinion to the non-interested Directors and non-interested shareholders of the Company, we have considered the following factors in our evaluation of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions:

Area of evaluation	Our comments
Section 6.1	(1) Rationale for the Proposed Acquisition
Rationale of the Proposals	<p>(i) Strategic long-term business positioning</p> <p>The Group is principally involved in the business of manufacturing, marketing, and trading furniture, as well as trading steel products. As part of its business realignment efforts, the Group relocated its manufacturing plant from Rawang, Selangor, to Melaka, leading to its occupation of the Subject Property for operations since June 2022.</p> <p>With a total land area of approximately 335,944.44 sq. ft. (inclusive of guard house and TNB substation) and remaining leasehold term of approximately 84 years, the Subject Property currently houses the Group's manufacturing facilities, showroom, and corporate office for its manufacturing and trading operations.</p> <p>Given the Subject Property's significance to the Group's business and operations, the Proposed Acquisition will grant the Group full control over the property, allowing it to utilise the space in line with evolving business needs while mitigating the risk of operational disruptions due to potential termination or non-renewal of tenancy agreement.</p>

	<p>This flexibility to use the space without restrictions aligns with the Group's strategic long-term business positioning, enabling it to respond effectively to changing market conditions and operational requirements while ensuring greater stability and sustainability in its operations.</p> <p>(ii) Potential cost savings and long-term value gain</p> <p>As at the LPD, the Subject Property is rented by Euro Space Industries pursuant to the Tenancy Agreement, which was renewed on 23 May 2024 for another two (2)-year term. Following the said renewal, the monthly rental payable by the EURO Group to SPASB was revised from RM225,875 to RM248,462, representing an increase of approximately 10.00%.</p> <p>We noted that if the said tenancy agreement is terminated earlier than its term pursuant to the Proposed Acquisition, SPASB shall be entitled to forfeit the Rental Deposit and Euro Space Industries shall further compensate SPASB with the Rental Compensation for the remaining term of the Tenancy Agreement prior to its expiration. The Company intends to complete the Proposed Acquisition prior to the expiration of the Tenancy Agreement, i.e. 1 June 2026, subject to the fulfilment of the condition precedents set forth in the SPA. However, SPASB had on 25 September 2025 agreed to waive its entitlement to the forfeiture of the Rental Deposit and Rental Compensation.</p> <p>The Purchase Consideration of RM56.00 million for the Proposed Acquisition will be satisfied via a combination of cash from internally-generated funds (RM1.68 million for the deposit), proceeds from the Proposed Rights Issue (RM36.32 million), and the issuance of Consideration Shares (valued at RM18.00 million).</p> <p>In the event the Proposed Rights Issue is not completed prior to the due date for the cash payment of the balance Purchase Consideration, the Group will procure bank borrowings to finance the cash payment for the balance Purchase Consideration. Upon completion of the Proposed Rights Issue, the proceeds raised will be utilised to repay the said bank borrowings.</p> <p>Although the Proposed Acquisition involves substantial upfront costs, it will be funded through the abovementioned modes of payment, including proceeds from the Proposed Rights Issue. As such, it is not expected to have a material impact on the Group's financial position or cash flow, assuming the successful implementation of the Proposed Rights Issue. By owning the Subject Property, the Group is expected to achieve long-term cost savings. For illustrative purposes, the current rental rate of approximately RM3.00 million per annum (RM248,462 per month) is subject to further upward revision upon renewal. If the Group were to continue renting the Subject Property for another 10 years, it would incur around RM30.00 million in rental expenses (assuming no rent increase). Further, the said rental rate is not inclusive of the applicable SST of 8.00%. In contrast, ownership would eliminate rental obligations, although it would entail ownership-related costs such as quit rent, assessment, fire insurance, and refurbishment or major repairs.</p>
--	---

	<p>Based on the estimated ownership-related costs of approximately RM572,000 per annum, or RM5.72 million over 10 years, the ownership of the Subject Property would result in significant cost savings to the Group as compared to rental expenses over the same period. Other operational costs, such as utilities, maintenance, and minor repairs, are already borne by the Group under the existing tenancy and will continue to be incurred.</p> <p>If the Group previously benefited from tax deductions on rental expenses, such deductions would instead be replaced by capital allowances claimable on the Subject Property in accordance with the provisions of the Income Tax Act 1967. While this shift from operating expenditure (OPEX) to capital expenditure (CAPEX) may affect the timing of tax deductions, as capital allowances are recognised progressively over several years rather than being fully deductible in the year incurred, the overall impact on the Group's tax liabilities is not expected to be material, as the change primarily affects the timing rather than the quantum of deductions. Furthermore, the Group will also benefit from tax deductibility on other ownership-related expenses such as maintenance, assessment, and quit rent. This shift to ownership is anticipated to improve the Group's cost structure and provide greater financial predictability and operational stability, while freeing up cash flows for operational needs and strategic initiatives, ultimately contributing to improved earnings over time.</p> <p>In addition, the Proposed Acquisition represents a strategic investment opportunity for the Group. Ownership of the Subject Property provides not only cost savings but also the potential for long-term value creation and capital appreciation. The Subject Property is situated within Taman Teknologi Cheng, an established and growing industrial estate in the northern region of Melaka. It benefits from good accessibility via major routes such as Lebuhraya AMJ, Lebuhraya SPA, Jalan Krubong, and proximity to the North-South Expressway, facilitating connections to key commercial and industrial nodes in Melaka and the Klang Valley. The site lies approximately 10 kilometres from Jonker Street and the Melaka International Trade Centre, and about 5.2 kilometres from Melaka International Airport, further enhancing its strategic position for industrial and logistics operations. Future infrastructure projects, such as the Kuala Lumpur -Singapore High Speed Rail (HSR) and the Melaka Gateway, are also expected to improve accessibility and enhance the development potential of the locality.</p> <p>The Subject Property is surrounded by a mixture of established industrial and manufacturing companies such as Meriahtek (M) Sdn Bhd, Yuppies Manufacturing Sdn Bhd, Kinzoku Technologies Sdn Bhd, Kotra Pharma (M) Sdn Bhd and Goldsta (M) Sdn Bhd as well as retail landmarks like NSK Trade City, SPA City Mall, Tesco Melaka Cheng and Eonsave Batu Berendam.</p> <p>The surrounding economic activity, combined with strong industrial presence, indicates ongoing demand for well-located industrial properties in this locality. Given these characteristics, the Subject Property's locality and established industrial environment are expected to support its market value and marketability over time.</p>
--	--

	<p>The remaining leasehold tenure of the industrial land where the Subject Property is erected on of approximately 84 years, near-rectangular shape, wide frontage, and secure compound may further enhance its appeal for long-term industrial use. We noticed that for the purpose of the valuation of the said land, the Valuer has made necessary adjustment (downward or upward) considering the remaining leasehold term of the comparable lands. The Vendor confirmed that there is no premium payable for extension of the leasehold term of the Subject Property's land.</p> <p>It is important to note that there is a cemetery located adjacent and approximately 100 metres from the Subject Property. We noted that the Valuer is of the view that the close proximity does not affect the market value of the Subject Property, as the stigma of cemeteries rarely effects industrial estates. This view is supported by comparable transactions and valuation benchmarks of nearby industrial properties which indicate no observable discount attributable to proximity to cemeteries. Notwithstanding this, shareholders of the Company should note that the perception or stigma among certain buyers or tenants may still persist, given that the Subject Property is located approximately 100 metres from a cemetery which may potentially affect the valuation and marketability of the Subject Property and/or the land. However, such impact is generally limited in industrial property markets, where functional and locational attributes remain the primary determinants of value.</p> <p>Overall, the Proposed Acquisition will provide the Group with full operational control and flexibility to optimise use of the Subject Property in line with evolving business needs, while reducing exposure to rental upward revision, tenancy renewal risks, and potential operational disruption. This aligns with the Group's long-term strategy to secure stable operations, enhance asset strength, and create sustainable value for shareholders.</p> <p>(iii) Eliminating potential conflict of interest and risks associated with related party transactions</p> <p>Currently, the Group is renting Subject Property from SPASB, which constitutes a related party transaction and may require ongoing regulatory disclosures and approvals. The Proposed Acquisition thereby reducing its reliance on a related party and ensuring greater corporate independence.</p> <p>Additionally, the Proposed Acquisition will mitigate risks associated with rental uncertainties, including potential rental increases or non-renewal of tenancy agreement. This will provide long-term cost stability and strengthen the Group's corporate governance practices by removing concerns related to transactions with related parties.</p> <p>The Management confirms that upon completion of the Proposed Acquisition, there will be no more related party transactions involving Dato' Sri Lim and/or his PACs in respect of the Subject Property.</p> <p>As disclosed in Section 10.2 of Part A of the Circular, notwithstanding the dilution impact to the shareholders of the Company pursuant to the issuance of Consideration Shares, the Proposed Acquisition will allow the Group to gain full control over the use of the Subject Property without the uncertainty associated with rental renewals and potential rent fluctuations.</p>
--	---

The removal of recurring rental obligations is expected to free up the Group's cash flows, which can be redirected toward its operational needs and strategic initiatives, ultimately contributing to improved profit margins over time.

Further, having ownership over the Subject Property will allow the Group to benefit from potential property value appreciation over time, which is expected to contribute to an increase in the Group's NA, assuming minimal increase in the total liabilities in the Group. This, in turn, would enhance the Group's NA per share, hence creating additional value for the shareholders of the Company.

Please refer to **Section 6.1.1** of the IAL for further details.

Premised on the above, we are of the view that the rationale for the Proposed Acquisition is reasonable.

(2) Rationale for the Proposed Debt Settlement

(i) Settlement of indebtedness without incurring additional debt obligation or interest expenses that may be incurred by the Group via other forms of financing such as bank borrowings

Although the Advances are non-interest bearing and do not have a fixed repayment term, it represents outstanding obligations in the books of the Group. We are of the view that the Proposed Debt Settlement via issuance of Settlement Shares at this juncture is necessary and appropriate as it represents an opportunity for the Group to settle the Advances without involving cash outflow from the Group or incurring new debt obligation that would attract interest expense.

In evaluating the rationale of the Proposed Debt Settlement, we have also considered other methods of settlement and whether the Proposed Debt Settlement via issuance of Settlement Shares is the most appropriate method to settle the Settlement Sum and in the best interest of the Company.

Settlement using cash

We noted that as at 30 June 2025, the Company's cash and bank balances stood at RM0.05 million. As at the LPD, the Group has no bank borrowings. The Management has indicated its intention to conserve the available cash to support the Company's working capital needs and/or to address short-term financial obligations as they arise. In light of this, we are of the view that using cash to settle the Settlement Sum is not a viable option as it would place undue strain on the Company's liquidity position.

Settlement through borrowings

Based on the above Group's past financial performances and latest financial position, the Company's ability in obtaining new bank borrowing(s) from financial institutions may be limited due to stringent lending requirements imposed by financial institutions.

	<p>Even if the Group is able to obtain new borrowing to settle the Settlement Sum of RM25.34 million, it would result in an estimated annual interest expenses of RM2.14 million based on a 8.45% interest rate (assuming same as cost of financing of existing loans), thus increasing the Group's gearing and cash flow burden. Further, additional borrowing may result in the need to comply with the borrowing requirements that may affect the flexibility of the Company to control its assets and cash flow.</p> <p><u>Settlement through proceeds raised from the Proposed Rights Issue</u></p> <p>We noted that the Company does not intend to allocate the proceeds to be raised from the Proposed Rights Issue for settlement of the Settlement Sum as the Company intends to allocate such proceeds mainly to finance the Proposed Acquisition, Group's working capital requirements and capital expenditures on existing facilities and/or investments in new business(es) as set out in Section 8.2 of Part A of the Circular.</p> <p>Further, the Rights Shares will be issued at higher discounts than the Settlement Shares. If the Proposed Debt Settlement was to be settled through the proceeds from the Proposed Rights Issue, under the Minimum Scenario, the Undertaking Shareholders will receive more shares based on their entitlement while the other Entitled Shareholders will dilute further if they do not subscribe for their entitlement.</p> <p><u>Settlement via issuance of Settlement Shares</u></p> <p>The Proposed Debt Settlement via issuance of Settlement Shares allows the Group to preserve its cash reserves for operational needs, thus represents an opportunity for the Group to settle the Settlement Sum without incurring new debt obligations and additional interest expenses.</p> <p>For information, the Company had in 2023 undertaken a debt settlement exercise which entailed the settlement of debts owing to Dato' Sri Lim, who was the Group Managing Director and the controlling shareholder of EURO back then, amounting to RM21,198,864 through the issuance of 181,497,100 new Shares at an issue price of RM0.1168 each ("Debt Settlement 2023"). The Debt Settlement 2023 was completed on 8 May 2023 pursuant to the issuance of new Shares to Dato' Sri Lim for settlement.</p> <p>Despite the issue price for the Debt Settlement 2023 being higher at RM0.1168 per Share compared to RM0.045 per Share for the current Proposed Debt Settlement, we noted that the current issue price represents a lower discount of 10.18% to the five (5)-day VWAP up to and including the LTD, whereas the earlier debt settlement exercise involved a higher discount of 14.99% to the five (5)-day VWAP. While the lower discount reflects a more reasonable pricing relative to the prevailing market price, the lower absolute issue price would require the issuance of a higher number of new shares. This will result in the increase Dato' Sri Lim's shareholding and a dilution to the non-interested shareholders of the Company.</p> <p>We are of the view that the pricing is still within market norms for similar exercises of this nature, as further evaluated in Section 6.4.1 of this IAL. However, the non-interested shareholders of the Company should consider on the dilutive impact and the increase in control by Dato' Sri Lim and his PACs.</p>
--	---

The recurrence of similar debt settlement exercises via the issuance of new Shares within a relatively short period could adversely impact the minority shareholders of the Company as their shareholdings further dilute correspondingly. This also would enable certain/major shareholder and their PACs (if any) to increase their level of control in the Company.

However, such debt-to-equity conversions are not uncommon for companies seeking to strengthen their financial position without incurring additional debt or straining cash flow. These exercises were carried out with transparency, subject to regulatory requirements and approval by non-interested shareholders, thereby helping to safeguard minority shareholders' interests. Further, the issue prices were also benchmarked against prevailing market levels with reasonable discounts in line with comparable fund-raising exercises.

We noted that the recurring reliance on share issuance as a means of settlement may create an expectation of continued dilution in the future. We are of the view that the Company should consider establishing an internal policy or framework to limit or manage the recurrence of such dilution events, thereby safeguarding the interests of the non-interested shareholders from further dilutive impact. Accordingly, shareholders should take note that the recurring reliance on share issuance represents a key risk associated with the Proposed Debt Settlement, particularly in the absence of appropriate controls or mitigation measures.

Moving forward, if the Company requires further funding for working capital or other purposes, it has indicated that it will prioritise fund-raising avenues that allow fair participation by all shareholders, such as rights issues or similar exercises. Notwithstanding that, in the event that urgent funding is required to address immediate operational or financial needs, the Company may still need to obtain advances from major shareholders. Consistent with past practice, any such arrangement will continue to be undertaken in accordance with the Company's internal policies and procedures and applicable regulatory and listing requirements, with due regard to the interests of all shareholders. In this regard, the Company is encouraged to formalise internal guidelines or parameters to manage the frequency and impact of any future equity issuance or shareholder advances, to ensure transparency and safeguard minority shareholders' interests.

(ii) Conservation of cash for operational needs

As highlighted above, the Company's cash and bank balances of RM0.05 million as at 30 June 2025 can be conserved for its day-to-day working capital for its existing businesses. Given the capital-intensive⁽¹⁾ nature of the Group's businesses, the Proposed Debt Settlement not only allows the Group to conserve its cash and bank balances but also allows it to preserve cash flows for immediate operational needs.

	<p><i>Note:</i></p> <p>(1) <i>Investopedia described the term “capital intensive” as industries that needing significant investment to produce goods or services. These industries leverage high fixed assets like property, plant, and equipment, resulting in increased depreciation costs. The Company’s businesses, which comprise furniture manufacturing and steel trading, are considered capital-intensive in nature as they require substantial and recurring investment in factory buildings, industrial land, machinery, and equipment to support production activities. As disclosed in the Group’s FYE 2025 annual report, property, plant and equipment represent a significant proportion of approximately 65.4% of the total assets. The Group continues to incur notable depreciation and reinvestment in its production facilities, particularly following the relocation of its manufacturing operations to Melaka.</i></p> <p><i>The nature of these operations requires continuous capital outlay for maintenance, upgrades, and regulatory compliance. This capital-intensive in nature characteristic is further reflected in the utilisation of the Advances, of which approximately 40% was directed towards the purchase of machineries (27.05%) and moulds (13.90%) as well as the intended use of proceeds from the Proposed Rights Issue, of which approximately 48.9% was directed towards the payment of balance Purchase Consideration (34.6%) and capital expenditures on existing facilities and/or investments in new businesses (14.3%).</i></p> <p>(iii) Strengthening equity base and financial position</p> <p>The settlement of the Advances via the issuance of Settlement Shares would enable the Company to strengthen its equity base as well as NA through the capitalisation of debt into equity and improve the overall financial position of the Company immediately after the settlement of Settlement Sum.</p> <p>Notwithstanding that the Proposed Debt Settlement will result in a decrease in the Group’s pro forma NA per EURO Share from RM0.08 (as at 30 June 2025) to RM0.06 (upon completion of the Proposed Debt Settlement) due to the dilution effects of the Settlement Shares, the Proposed Debt Settlement is expected to improve the financial position of the Group as:</p> <p>(i) the pro forma NA of EURO Group will increase from RM100.91 million (as at 30 June 2025) to RM144.25million (upon completion of the Proposed Debt Settlement); and</p> <p>(ii) the pro forma gearing will improve from 0.01 times (as at 30 June 2025) to less than 0.01 times (upon completion of the Proposed Debt Settlement).</p> <p>Non-interested shareholders of the Company should note that there will be significant dilutive effect on their shareholding arising from the Proposed Debt Settlement via issuance of the Settlement Shares. However, the Board is of the view that the Proposed Debt Settlement is the most appropriate and in the best interest of the Group at this juncture, as it allows the Group to focus on stabilising its businesses and financial performance as well as strengthening its equity base and overall financial position. The Board further believes that the potential benefits arising from an improved financial standing and reduced debt obligations may help to compensate for the dilutive impact and, in turn, enhance long-term value for shareholders.</p>
--	--

Premised on the above, we are of the view that the rationale for the Proposed Debt Settlement is reasonable.

(3) Rationale for the Proposed Private Placement

(i) Provides certainty and expedient fund raising avenue

We concurred with the Board's view that the Proposed Private Placement offers a more expeditious fundraising avenue as a private placement in general can be implemented more swiftly as compared to a rights issue which is more time-consuming and less cost-effective process, in view of additional time and costs may be incurred to prepare and issue an abridged prospectus to shareholders, to implement the rights issue, and to secure undertakings and/or underwritings. Furthermore, the flexibility to execute the private placement in multiple tranches provides the Company with the ability to time its fundraising in line with market conditions and capital requirements.

The Proposed Private Placement shall provide a degree of certainty for EURO to raise the required amount for the intended utilisation as opposed to a rights issue which will depend on the subscription rate by the entitled shareholders and/or their renouncee(s), unless underwriting arrangement is procured.

As disclosed in **Section 9** of Part A of the Circular, we noted that the Company had previously undertook private placement exercises in 2022 and 2023.

Private Placement 2022 which entailed placement of up to 80,000,000 new EURO Shares, representing not more than 20% of EURO Shares in issue (excluding any treasury shares). Private Placement 2022 was implemented in two tranches and completed on 23 August 2022, which successfully raised total gross aggregated proceeds of RM9.68 million.

Meanwhile, Private Placement 2023 which entailed placement of up to 264,570,000 new EURO Shares, representing 30% of EURO Shares in issue (excluding any treasury shares). The Private Placement 2023 was implemented in two tranches and completed in April 2024, which successfully raised total gross aggregated proceeds of RM16.23 million.

For the avoidance of doubt, none of Dato' Sri Lim and his PACs were the placee(s) for the Private Placement 2022 and Private Placement 2023.

Since Private Placement 2022 and Private Placement 2023 were only completed in the last 3 years, the Proposed Private Placement may be seen disadvantageous to the non-interested shareholders of the Company due to potential further dilution of their shareholdings. However, the Proposed Private Placement is capped at not more than 25% of the total number of issued Shares as at the LPD, which is intended to mitigate the extent of dilution. Furthermore, as the Placement Shares are not intended to be placed with any Interested Person and person connected with the Interested Person, the Proposed Private Placement will not result in increase in the shareholdings of Dato' Sri Lim and/or his PACs.

	<p>On the contrary, placing the Placement Shares with the Placee(s) or independent third-party investor(s) will in turn reduce the collective shareholdings of Dato' Sri Lim and his PACs which could be favorable to the non-interested shareholders of the Company.</p> <p>It will also help to enhance the Company's public shareholding spread and introduces new investors into the shareholder base. In addition, the non-interested shareholders of the Company will have the opportunity to increase their shareholdings in EURO through the Proposed Rights Issue.</p> <p>Accordingly, we are of the view that the Board's intention to undertake the Proposed Private Placement is reasonable, and not detrimental to the interests of the non-interested shareholders, taking into account the timeliness, flexibility, and greater funding certainty required to meet the Company's funding needs as set out in Section 8.1 of Part A of the Circular.</p> <p>(ii) Strengthens the cash flow for working capital requirements</p> <p>The Proposed Private Placement will raise total gross proceeds of up to approximately RM14.94 million to meet the existing businesses' day-to-day working capital requirements up to 24 months from the completion of the Proposed Private Placement, which comprise of payments to suppliers and creditors, staff salaries and related expenses, and other operating and administrative costs.</p> <p>This would help to strengthen the Group's cash flow position and ensure the availability of funds to sustain its ongoing operations throughout the intended period.</p> <p>(iii) Strengthens the capital base and financial position of the Company</p> <p>While the Proposed Private Placement will result in dilution of the existing shareholders' shareholdings due to the issuance of new Shares to third-party investors, we are of the view that the Proposed Private Placement will strengthen the Group's capital base and financial position without incurring debt obligations.</p> <p>Although the Group's gearing level is notably low, the Company is mindful of its cash flow position and does not wish to incur new borrowings that may place a heavier burden on its cash flows. The anticipated proceeds are expected to contribute positively to the Group's future earnings when the economic and financial benefits from the use of proceeds are realised.</p> <p>As such, we are of the view that the benefits of the Proposed Private Placement outweigh the adverse impact of the dilution.</p> <p>(iv) Maintains compliance with the public spread requirements</p> <p>We wish to highlight that the Proposed Private Placement is essential to ensure compliance with the minimum 25% public shareholding spread requirement pursuant to the Proposals and has therefore been made a condition for the implementation of the Proposed Rights Issue.</p>
--	--

	<p>The conditionality is intended to avoid a situation where the Proposed Private Placement is not approved by the non-interested shareholders of the Company at the forthcoming EGM and only the Undertaking Shareholders subscribe for their entitlements to the Rights Shares pursuant to their Undertakings, with no other Entitled Shareholders taking up their entitlements under the Proposed Rights Issue.</p> <p>In such an event, the Company's public shareholding spread would decrease from 35.67% (after the Proposed Acquisition and Proposed Debt Settlement) to 21.71%, thereby resulting in non-compliance with the public spread requirement.</p> <p>While we note that the Company has undertaken private placement exercises in recent years which resulted in dilution of approximately 20% and 30% respectively, the repetition of equity fund-raising within a short period may not represent the most optimal long-term funding strategy, as it could indicate reliance on share issuances and result in recurring dilution to existing shareholders. However, given the Company's current financial position and the need to enhance its working capital and liquidity to support ongoing business operations, the Proposed Private Placement is considered necessary at this stage. In the longer term, the Company may consider adopting a more optimal capital structure by broadening and balancing its funding base between equity and debt to better support business sustainability and safeguard non-interested shareholders from further dilution.</p> <p>Please refer to Section 6.1.3 of the IAL for further details.</p> <p>Premised on the above, we are of the view that the rationale for the Proposed Private Placement is reasonable.</p> <p>(4) Rationale for the Proposed Rights Issue</p> <p>(i) Enables the Company to raise the intended funds without incurring interest costs</p> <p>We noted that the Proposed Rights Issue will raise gross proceeds of up to approximately RM104.93 million, intended to be utilized for cash payment for the balance Purchase Consideration, working capital, capital expenditures on existing facilities and/or investments in new business(es) as well as for estimated expenses for undertaking the Proposals.</p> <p>In the absence of the Proposed Rights Issue, the Company would have to rely on bank borrowings to fund the balance Purchase Consideration, which would in turn result in additional interest expenses and repayment obligations. As such, the utilisation of proceeds from the Proposed Rights Issue for the aforementioned purposes enables the Group to avoid incurring additional interest expenses and allows it to maintain a low gearing level for future financing capacity.</p> <p>For illustrative purposes, if the Group were to rely entirely on bank borrowings as alternative to raise up to RM36.32 million for the cash payment for the balance Purchase Consideration and assuming the cost of debt of approximately 8.45% per annum (being the effective interest rate of the Group's outstanding bank borrowings), the Group would need to incur an additional annual interest expense of approximately RM3.07 million.</p>
--	--

	<p>Further, the Proposed Rights Issue enables the Company to preserve its cash reserves for working capital and short-term obligations, while avoiding additional interest costs associated with debt financing.</p> <p>(ii) Strengthens cash flow and contributes positively to the Company's future earnings and financial performance</p> <p>We noted from the above that the proceeds from the Proposed Rights Issue will be mainly utilised to complete the Proposed Acquisition as well as to fund the working capital and capital expenditures, including refurbishment works, solar panels installations, and potential investments in new business opportunities. These allocations are expected to enhance the Group's operational efficiency, reduce electricity costs, and provide flexibility to pursue viable growth opportunities.</p> <p>Accordingly, we concurred with the view of the Board that the proposed utilisation of proceeds from the Proposed Rights Issue will strengthen the Group's cash flow position while supporting its ongoing operations and strategic expansion. These efforts are expected to contribute positively to the Company's future earnings and financial performance, and are not detrimental to the interests of non-interested shareholders of EURO.</p> <p>(iii) Provides an opportunity for all Entitled Shareholders to participate in the equity offering of EURO on a pro-rata basis without diluting the Entitled Shareholders' equity interest</p> <p>The Proposed Rights Issue represents an opportunity for all Entitled Shareholders to further increase their equity participation in EURO at the same issue price and on a pro-rata basis as compared to other equity fund-raising activities that have a dilutive impact to the equity interest of minority shareholders (provided that all Entitled Shareholders subscribe in full for their respective entitlements pursuant the Proposed Rights Issue). Further, the Entitled Shareholders will have the opportunity to participate in the future growth and prospect of EURO, which is supported by the intended utilisation of proceeds raised from the Proposed Rights Issue that is expected to contribute positively to future earnings and financial performance of the Company.</p> <p>However, Entitled Shareholders who do not subscribe for their entitlements under the Proposed Rights Issue will have their shareholdings being diluted upon completion of the Proposed Rights Issue as a result of the issuance of the Rights Shares. Consequently, their proportionate entitlements to any dividends, rights, allotments and/or other distributions that the Company may declare, make or pay after the completion of the Proposed Rights Issue will correspondingly be diluted.</p> <p>(iv) Potential impact on the cost of capital and gearing level of the Group</p> <p>The Board is of the view that the Proposed Rights Issue is the most suitable means of fund raising as it enables the Group to raise the intended funds without incurring interest costs, which will in turn enable the Group to manage its cash flows more efficiently.</p>
--	---

After taking into consideration the possible resultant changes to the capital structure, we have compared the pro forma effect of the Group's weighted average cost of capital ("**WACC**") based on the following scenarios:

- (a) the Group's existing capital structure as at 30 September 2025 (latest unaudited consolidated financial statements of EURO Group) ("**Existing Scenario**");
- (b) with the implementation of the Proposed Rights Issue (considering both Minimum Scenario and Maximum Scenario) after the completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement which resulted in the issuance of Consideration Shares, Settlement Shares and Placement Shares, respectively ("**Equity Scenario**"); and
- (c) assuming that EURO Group utilises bank borrowings to raise up to RM163.21 million, equivalent to the total gross proceeds expected from the issuance of Consideration Shares, Settlement Shares and Placement Shares as well as from the subscription of the Rights Shares under the Maximum Scenario ("**Debt Scenario**").

For illustrative purposes, the WACC and gearing of the Group as at the LPD after taking into account the abovementioned pro forma changes are set out below:

Scenario	WACC (%)	Gearing (times)
Existing Scenario	6.00	-
Equity Scenario		
- Minimum Scenario	6.00	-
- Maximum Scenario	6.00	-
Debt Scenario	7.71	2.678

As illustrated in the Equity Scenario above, the Group's WACC remains unchanged at 6.00% while the Group's gearing remains at nil under both the Minimum Scenario and Maximum Scenario.

For comparison purposes, should the Group utilise borrowings to raise up to RM163.21 million (equivalent to the total gross proceeds expected from the issuance of Consideration Shares, Settlement Shares and Placement Shares as well as the subscription of Rights Shares under the Maximum Scenario) as illustrated in the Debt Scenario above, the Group's WACC increases from 6.00% to 7.71%. Additionally, the Group's gearing significantly increases from nil to 2.678 times under the Debt Scenario.

We are of the view that the Proposed Rights Issue is **justifiable** and appropriate to raise the necessary funds to the Group at this juncture due to the Debt Scenario significantly increases the gearing of the Group from nil to 2.678 times while the Group's WACC is higher at 7.71% under the Debt Scenario as compared to 6.00% under the Equity Scenario.

In view that the Debt Scenario would result in an increase in the Group's gearing and WACC, as well as give rise to debt servicing obligations, we concur with the Board that the Proposed Rights Issue represents the most suitable means of raising the intended funds, particularly while EURO is still in a phase of financial recovery.

Please refer to **Section 6.1.4** of the IAL for further details.

Premised on the above, we are of the view that the rationale for the Proposed Rights Issue is reasonable.

(5) Rationale for the Proposed Exemptions

The Proposed Exemptions will relieve Dato' Sri Lim, individually or collectively together with his PACs from the obligations to undertake Mandatory Offer under subsections 218(2) and 218(3) of the CMSA, read together with subsection 15(2) of the Code (where applicable) and subparagraphs 4.01(a) and 4.01(b) of the Rules as a result of the Proposed Acquisition, Proposed Debt Settlement and/or Proposed Rights Issue, as it is not the intention of Dato' Sri Lim and his PACs to undertake the Mandatory Offer.

We also noted that:

- (i) The Proposed Acquisition and the Proposed Exemption 1 are **inter-conditional** upon each other.

As such, the Proposed Acquisition will not be implemented in the event the non-interested shareholders of the Company do not approve any of the Proposed Acquisition and/or Proposed Exemption 1 and/or the SC does not approve the Proposed Exemption 1.

- (ii) The Proposed Debt Settlement and the Proposed Exemption 2 are **inter-conditional** upon each other.

As such, the Proposed Debt Settlement will not be implemented in the event the non-interested shareholders of the Company do not approve any of the Proposed Debt Settlement and/or Proposed Exemption 2 and/or the SC does not approve the Proposed Exemption 2.

- (iii) The Proposed Rights Issue and the Proposed Exemption 3 are **inter-conditional** upon each other.

As such, the Proposed Rights Issue will not be implemented in the event the non-interested shareholders of the Company do not approve any of the Proposed Rights Issue and/or Proposed Exemption 3 and/or the SC does not approve the Proposed Exemption 3.

We further noted that in view of the inter-conditionality of the Proposed Acquisition, Proposed Debt Settlement and Proposed Rights Issue, and their respective Proposed Exemptions, Dato' Sri Lim and his PACs will abstain from voting in respect of their shareholdings in the Company, whether direct or indirect, on the resolutions pertaining to the Proposed Acquisition, Proposed Debt Settlement, Proposed Rights Issue and the Proposed Exemptions at the forthcoming EGM.

	<p>In addition, Dato' Sri Lim and his PACs will also undertake to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in the Company (if any) on the resolutions pertaining to the said Proposals at the forthcoming EGM.</p> <p>Accordingly, the non-interested shareholders of the Company should note that the potential benefits arising from the Proposed Acquisition, Proposed Debt Settlement and Proposed Rights Issue as detailed in Sections 6.1.1, 6.1.2 and 6.1.4 of this IAL will not materialise if the non-interested shareholders of the Company and/or the SC does not approve the said Proposals and their respective Proposed Exemptions as they are inter-conditional upon each other.</p> <p>Please refer to Section 6.1.5 of the IAL for further details.</p> <p>Based on the above, we are of the view that there are merits for the Proposed Exemptions.</p> <p>Premised on the foregoing, we are of the view that the rationale and benefits of the Proposals are reasonable and not detrimental to the interests of the non-interested shareholders of the Company.</p>
<p>Section 6.2</p> <p>Basis and justification of the Purchase Consideration</p>	<p>As disclosed in Section 2.3 of Part A of the Circular, the Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration, among others:</p> <ul style="list-style-type: none"> (i) the market value of the Subject Property of RM57.00 million as appraised by the Valuer vide its valuation report dated 16 December 2024 and its updated valuation certificate dated 1 October 2025 using the Cost Approach⁽¹⁾ as the primary approach and Income Approach by way of Investment Method⁽²⁾ as the secondary approach to cross check against the primary approach adopted. The Purchase Consideration represents a discount of RM1.00 million or 1.75% to the appraised market value of the Subject Property; and (ii) the rationale for the Proposed Acquisition as set out in Section 2.12 of this Part A of the Circular. <p><i>Notes:</i></p> <ul style="list-style-type: none"> (1) <i>The Cost Approach involves the valuation of the land by comparison with evidence of values of comparable land and adding to its current replacement cost of the building(s) less depreciation, if necessary. The current replacement cost includes the construction cost, financial charges, advertising charges, professional fees, other incidental expenses and developer's profit. The Cost Approach is adopted as the primary approach as it is the most appropriate for reflecting the brick-and-mortar value of the Subject Property, which is purpose-built for a specific industry.</i> (2) <i>The Income Approach by way of Investment Method derives the market value from an estimate of the market rental, which means the estimated amount for which an interest in real property should be leased/tenanted on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Outgoings or operating expenses, such as repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is capitalized at an appropriate current market yield to arrive at its indicative market value.</i>

	<p>The Company has appointed Laurelcap as the Valuer to conduct an independent valuation of the Subject Property on 16 September 2024 and an update valuation on 1 October 2025, the updated valuation certificate of which is set out in Appendix III of the Circular.</p> <p>In evaluating the Purchase Consideration, we have reviewed the valuation report and the updated valuation certificate prepared by the Valuer for the Subject Property. We noted that the valuation report was prepared in accordance with the Asset Valuation Guidelines issued by the SC and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.</p> <p>We have reviewed the qualifications of the Valuer, scope of engagement, methodologies and assumptions adopted as well as the resultant valuations.</p> <p>In arriving at the opinion of market value for the Subject Property, we noted that the Valuer had adopted Cost Approach as the primary valuation method and supported by the Income Approach by way of Investment Method as a counter-check valuation method.</p> <p>Pursuant to the update valuation exercise conducted by the Valuer on 1 October 2025, we noted the following assessments made by the Valuer:</p> <ul style="list-style-type: none"> (i) there are no physical changes to the Subject Property and the physical condition of the land remains unchanged; (ii) there are no changes to the title document as confirmed by title searches conducted on the same date; (iii) Majlis Bandaraya Melaka Bersejarah has verbally revealed that the land remains zoned for industrial use; (iv) the Valuer has updated the property market data from the earlier valuation report; (v) there are no changes of comparables in arriving at the market value of the Subject Property; and (vi) the Valuer concluded that based on data available and present market conditions, the market value of the Subject Property remains unchanged. <p>We are of the view that the Purchase Consideration of RM56.00 million is justifiable. It is supported by the independent valuation and the update valuation of the Subject Property by the Valuer and represents a discount of RM1.00 million or approximately 1.75% to the appraised market value of the Subject Property using the primary approach, Cost Approach of RM57.00 million and further supported by the market value derived from the second approach, Income Approach by way of Investment Method of RM56.00 million.</p> <p>Please refer to Section 6.2 of the IAL for further details.</p>
<p>Section 6.3</p> <p>Evaluation of the Proposed Debt Settlement</p>	<p>(1) Evaluation of the nature of debt owing to the Lenders</p> <p>We noted from Section 3.1 of Part A of the Circular that the Advances amounting RM28,863,057 were extended to the Borrowers by the Lenders commencing from 1 July 2023 until 31 December 2024.</p>

We also noted that subsequent to the above Advances, there is outstanding amount due to the related parties (including Lenders) by the Group incurred between 1 January 2025 up to 30 September 2025 of RM4,504,818.

The Group had entered into this debt arrangement as the Group needed immediate working capital for the aforementioned purposes, whereby the payments for staff related expenses, trade payables as well as general administrative expenses are required for the continuity of the Group's business operations, whereas the machineries and moulds purchased are used for its steel products business in line with the Group's expansion plan in the said business.

Despite the Company's available cash and bank balances of RM2.88 million as at 31 December 2024 and RM0.05 million as at 30 June 2025, the Group had entered into this debt agreement as it is the Group's intention to conserve the available cash to support its working capital needs and/or to address short-term financial obligations as they arise, including repayment of term loans.

We noted from **Section 3.2** of the Part A of the Circular that Dato' Sir Lim, the main Lenders, was a Major Shareholder of the Company within the last 6 months prior to the date of the Settlement Agreement and is currently a shareholder of the Company with 0.13% direct interest as at the LPD. He is the spouse of Datin Sri Ong Lely, who is the Group Managing Director and an indirect Major Shareholder of the Company (by virtue of her 50.00% direct interest in S.P.A. Furniture*), and brother of Datuk Lim, who is the Group Deputy Managing Director of the Company. Dato' Sri Lim is also the controlling shareholder of IASB, SPASB and SPPSB with equity interest of approximately 99.00%, 100.00% and 95.31% respectively.

* *For the avoidance of doubt, neither S.P.A Furniture nor Datin Sri Ong Lely (in her capacity as a director and shareholder of S.P.A Furniture), is accustomed or under any obligation, whether formal or informal, to act in accordance with the directions, instructions, or wishes of Dato' Sri Lim in relation to EURO Shares. Accordingly, the interest held by S.P.A Furniture in the Company shall not be deemed as an indirect interest of Dato' Sri Lim.*

Based on our observations of the audited key financial performance and financial position of the Group for the past 5 financial years/financial period, we noted that the Group has demonstrated a consistent effort to strengthen its financial position over the past five years, particularly through the significant reduction in total borrowings and gearing ratio, from 0.34 times in 2020 to 0.01 times in 2025. This indicates a prudent approach to capital management and reduced reliance on external debt.

We also noted that while revenue has generally improved, especially during the 18-M FPE 30 June 2023, the Group has experienced fluctuations in profitability, with losses recorded in several years. Notwithstanding that, the Group has maintained a positive current ratio throughout, suggesting that it has managed its liquidity adequately.

However, given the occurrence of losses in multiple financial years and the Group's relatively weak financial position, this may affect its ability to obtain financing from banks on favourable terms.

In view of this, the decision to receive the Advances rather than incur new bank borrowings, appears aligned with the Group's objective of maintaining financial flexibility during the planned relocation of operations from Rawang to Melaka. The move is intended to consolidate operations under one roof, which is expected to improve operational efficiency and reduce costs over the long term.

Furthermore, we noted that the Advances were provided on terms acceptable to both parties and reflect continued support from Dato' Sri Lim, which signals his confidence in the Group's long-term prospects and helps ease short-term working capital pressures.

We noted that the Advances were timely and deemed necessary, as it helped the Group to address its business and operational needs. We were made to understand that the Advances and the Subsequent Outstanding Amount were extended by the Lenders as shareholders' advances without formal loan documentation. The absence of such documentation may give rise to certain legal or contractual risks, particularly in relation to enforceability or clarity of repayment terms. Nonetheless, given that the Advances were extended by related parties who have ongoing involvement and/or transactions with the Group, and that the Proposed Debt Settlement will effectively regularise and formalise these obligations through the issuance of Settlement Shares, such legal risks are considered to be limited and adequately mitigated.

Accordingly, we are of the view that the nature of the Advances or the amount due to the Lenders is **reasonable**, given the capital-intensive nature of the Group's businesses and its challenging financial position to support its immediate operational requirements and they are **not detrimental** to the interests of the non-interested shareholders of the Company.

Please refer to **Section 6.3.1** of the IAL for further details.

The Proposed Debt Settlement

As disclosed in **Section 3** of Part A of the Circular, we noted that the Borrowers (collectively, the Company, Euro Space Industries, Euro Chairs, Euro Space System and ELSB) entered into a Settlement Agreement with the Lenders (collectively, Dato' Sri Lim, IASB, SPASB and SPPSB) on 6 March 2025 to settle an agreed sum of RM25,344,446 via the issuance of Settlement Shares to Dato' Sri Lim at an issue price of RM0.045 per share, subject to the terms and conditions of the Settlement Agreement. Dato' Sri Lim who is the controlling shareholder of IASB, SPASB and SPPSB, has been appointed by IASB, SPASB and SPPSB as the sole nominee to receive and accept the Settlement Shares. For the avoidance of doubt, Dato' Sri Lim will solely own the Settlement Shares to be issued to him and will not be holding them on behalf of IASB, SPASB and SPPSB.

(2) Rationale for the Proposed Debt Settlement

Please refer to **Section 6.1.2** of this Executive Summary for further details.

We have also evaluated basis and justification for the issue price of Settlement Shares, salient terms of the Settlement Agreement, effects of the Proposed Debt Settlement and risks relating to the Proposed Debt Settlement in respective sections.

Taken as a whole, we are of the view that the Proposed Debt Settlement is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders of the Company.

<p>Section 6.4</p> <p>Issue price of Consideration Shares, Settlement Shares, Placement Shares and Rights Shares</p>	<p>(1) Evaluation of the issue price of Consideration Shares and Settlement Shares</p> <p>Based on our evaluation, we noted that the issue price of the Consideration Shares and Settlement Shares of RM0.045 per Share:</p> <ul style="list-style-type: none"> (i) represents a discount of 10.00% to the closing market price of EURO Shares at the LTD; (ii) represents discounts ranging between 10.18% to 19.21% based on the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAP of EURO Shares up to and including the LTD; (iii) represents a discount of 10.00% to the closing market price of EURO Shares as at the LPD; (iv) represents discounts ranging between 1.53% to 8.91% based on the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAP of EURO Shares up to and including the LPD; and (v) represents discounts ranging between 28.57% to 40.79% based on the audited consolidated NA per EURO Share as at 30 June 2025, unaudited consolidated NA per EURO Share as at 30 September 2025 and pro forma NA per EURO Share upon the completion of the Proposed Acquisition and Proposed Debt Settlement. <p>Notwithstanding the above discounts, we are of the view that the issue price of Consideration Shares and Settlement Shares is justifiable considering:</p> <ul style="list-style-type: none"> (i) the discount serves as an incentive to encourage the Vendor and Lenders to agree with the Proposed Acquisition and Proposed Debt Settlement, respectively, potentially expediting the resolution between parties and minimizing the overall financial burden on the Company. <p>The discount of 10.00% to the closing price of EURO Shares as at the LTD of RM0.0500 or 10.18% to the 5-day VWAP of EURO Shares up to and including the LTD of RM0.0501 is considered reasonable, as it represents the minimum discount the Company is able to offer to the Vendor and Lenders in determining the issue price of the Consideration Shares and Settlement Shares prior to fixing the price at the LTD.</p> <p>Further, EURO Shares have closed at RM0.0500 on approximately 42.28% of the trading days over the past 6 months prior to and including the LTD, which demonstrates that the issue price remains aligned with the prevailing trading levels and market perception of the Company's shares.</p> <p>Meanwhile, as at the LPD, the issue price of RM0.0450 represents a discount of 10.00% to the closing price of EURO Shares as at the LPD and 1.96% to the five (5)-day VWAP of EURO Shares up to and including the LPD. These represent relatively lower discounts to the five (5)-day VWAP up to and including the LPD as compared to the LTD and are hence considered reasonable;</p> <ul style="list-style-type: none"> (ii) the discount compensates the Vendor and Lenders for the risk associated with receiving shares in lieu of cash, particularly in light of potential share price volatility and market liquidity;
--	--

	<p>(iii) the discount reflects a reasonable pricing approach that is consistent with market practice for similar transactions involving share issuance as consideration; and</p> <p>(iv) the discount is expected to be outweighed by the potential savings in rental payments of the Subject Property, which may be subject to further upward revision over time, in view of the Proposed Acquisition.</p> <p>Meanwhile, in view of the Proposed Debt Settlement, the Advances which are currently interest-free and unsecured, are repayable on demand without a specific repayment period or term.</p> <p>In the absence of a fixed tenure or binding contractual restriction, there is a possibility that the Lenders may seek to revise the terms in the future.</p> <p>We are of the view that in the absence of a fixed repayment term, the Advances remain at the discretion of the Lenders. Considering the opportunity costs incurred in extending such financial support without return, it would be understandable if the Lenders seek to revise the terms of the Advances.</p> <p>Hence, we conclude that the issue price of the Consideration Shares and Settlement Shares is fair and reasonable and not detrimental to the non-interested shareholders of the Company.</p> <p>Please refer to Section 6.4.1 of the IAL for further details.</p> <p>(2) Evaluation of the issue price of Placement Shares</p> <p>Based on our evaluation, we noted that the indicative issue price of the Placement Shares of RM0.045 per Share:</p> <p>(i) represents discounts ranging from 1.53% to 10.00% to the closing market price of EURO Shares as at the LPD, and over the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAP of EURO Shares up to and including the LPD; and</p> <p>(ii) represents discounts ranging between 25.86% to 40.79% based on the audited consolidated NA per EURO Share as at 30 June 2025, unaudited consolidated NA per EURO Share as at 30 September 2025 and pro forma NA per EURO Share upon the completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement.</p> <p>Notwithstanding the discounts, we are of the view that the indicative issue price of the Placement Shares is justifiable in view that:</p> <p>(i) the discount serves as an incentive to encourage the Placees/third-party investors to participate in the Proposed Private Placement, thereby facilitating successful capital raising for funding requirements of the Group as set out in Section 8.1 of Part A of the Circular;</p> <p>(ii) the discount compensates the Placees/third-party investors for the opportunity cost and market risk associated with investing capital into the Company, particularly considering potential share price volatility and market liquidity;</p>
--	---

- (iii) the discount reflects a reasonable pricing approach that is consistent with market practice for private placement issues of similar nature and size. We have observed past comparable transactions as follows:

Listed Issuer	Date of Circular	Size of placement (percentage of issued shares) (%)	Discount to the issue price (fixed or to be fixed at not more than) (%)
SC Estate Builder Berhad	13 June 2025	30.00	20.00
Crest Builder Berhad	25 April 2025	30.00	20.00
Binasat Communications Berhad	7 April 2025	30.00	20.00
Southern Steel Berhad	19 December 2024	25.61	15.41

The above comparable transactions were selected from placement exercises of a comparable size undertaken by companies listed on Bursa Securities within the past 12 months up to the LPD; and

- (iv) the discount will be fixed at not more than 15.00% to the five (5)-day VWAP of EURO Shares immediately preceding the price-fixing date(s).

We noted that the closing price of EURO Shares has ranged between RM0.045 to RM0.055 over the last 3 months prior to the LPD. Allowing for a discount of up to 15% for the Proposed Private Placement will provide the Company with greater flexibility in determining the issue price of the Placement Shares in view of the prevailing share price levels.

Based on the foregoing, we conclude that the basis of fixing the issue price of the Placement Shares at a discount of not more than 15% is **reasonable** and **not detrimental** to the non-interested shareholders of the Company.

Please refer to **Section 6.4.2** of the IAL for further details.

(3) Evaluation of the issue price of Rights Shares

Based on our evaluation, we noted that the indicative issue price of the Rights Shares of RM0.040 per Share:

- (i) represents **discounts** ranging from 6.65% to 11.11% to the TERP based on the closing market price of EURO Shares as at the LPD, and over the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAP of EURO Shares up to and including the LPD;
- (ii) represents **discounts** ranging between 20.00% to 47.37% based on the audited consolidated NA per EURO Share as at 30 June 2025, unaudited consolidated NA per EURO Share as at 30 September 2025 and pro forma NA per EURO Share upon the completion of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (under the Maximum Scenario).

Notwithstanding the discounts, we are of the view that the issue price of the Rights Shares is **justifiable** in view that:

- (i) the **discount** serves as an incentive to encourage the Undertaking Shareholders and Entitled Shareholders to subscribe for their entitlements under the Proposed Rights Issue, thereby improving the likelihood of full subscription and successful capital raising for the Company;

	<p>(ii) the discount compensates shareholders for the opportunity cost and market risk associated with investing additional capital into the Company, particularly considering potential share price volatility and market liquidity;</p> <p>(iii) the discount takes into account potential trading restrictions or prevailing market sentiment that may affect shareholders' willingness or ability to subscribe for additional shares;</p> <p>(iv) the discount reflects a reasonable pricing approach that is consistent with market practice for rights issues of similar nature and size, while also maintaining fairness to existing shareholders; and</p> <p>(v) the discount may help mitigate the risk of under-subscription, thereby ensuring that the Company raises the intended level of funding to support its business operations, strategic initiatives, or working capital needs; and</p> <p>(vi) the discount will be fixed at not more than 20.00% to the TERP based on the five (5)D-day VWAP of EURO Shares immediately preceding the price-fixing date(s).</p> <p>We noted that the closing price of EURO Shares has ranged between RM0.045 to RM0.055 over the last 3 months prior to the LPD. Allowing for a discount of up to 20% for the Proposed Rights Issue will provide the Company with greater flexibility in determining the issue price of the Rights Shares in view of the prevailing share price levels.</p> <p>Based on the foregoing, we conclude that the basis of fixing the issue price of Rights Shares at the discount of not more than 20% to the TERP is reasonable and not detrimental to the non-interested shareholders of the Company.</p> <p>Please refer to Section 6.4.3 of the IAL for further details.</p> <p>If non-interested shareholders of the Company do not subscribe to their rights entitlements under the Proposed Rights Issue, there will be a significant dilution of the shareholding of the non-interested shareholders of the Company from 61.55% to 28.05% after the Proposed Rights Issue under the Minimum Scenario, or to 43.81% after the Proposed Rights Issue under the Maximum Scenario, and would cause a significant transfer of value in the form of Rights Shares at a discount of 6.87% to the TERP of EURO Shares of RM0.0430 based on the five (5)-day VWAP up to and including the LPD to the participating shareholders in the Proposed Rights Issue based on the indicative issue price of RM0.040.</p> <p>We noted that pursuant to the Rights Renunciation arrangement, Dato' Sri Lim has undertaken to renounce up to 25% and 50% of his entitlement under the Proposed Rights Issue to PH Performance and Datuk Lim, respectively. The effect of this arrangement is that part of the rights entitlement which would otherwise consolidate further under Dato' Sri Lim will instead be allocated to PH Performance and Datuk Lim.</p> <p>We recognised that this provides certainty that the Undertaking Shareholders, collectively, will subscribe to the Proposed Rights Issue in full, thereby safeguarding the minimum subscription level and ensuring that the Company is able to raise the intended funds. It also moderates the potential concentration of shareholdings in the hands of a single shareholder by redistributing part of the entitlement among the Undertaking Shareholders.</p>
--	---

	<p>As such, we are of the opinion that the Rights Renunciation arrangement is reasonable and not detrimental to the non-interested shareholders of the Company as it facilitates the full subscription of the Proposed Rights Issue while mitigating concerns of excessive concentration of shareholding in a single party.</p>
Section 6.5 Salient terms of the SPA	<p>We are of the view that the salient terms of the SPA are based on normal commercial terms and are reasonable and not detrimental to the non-interested shareholders of the Company.</p> <p>Please refer to Section 6.5 of the IAL for further details.</p>
Section 6.6 Salient terms of the Settlement Agreement	<p>We are of the view that the salient terms of the Settlement Agreement are based on normal commercial terms and are reasonable and not detrimental to the non-interested shareholders of the Company.</p> <p>Please refer to Section 6.6 of the IAL for further details.</p>
Section 6.7 Effects of the Proposals	<p>We took cognisance that of the effects of the Proposals in Section 13 of Part A of the Circular. We also noted that the effects of the shareholding structure of the substantial shareholders under different permutations are illustrated in Sections 6.2 and 6.3 of Part A of the Circular.</p> <p>Our evaluation on the pro forma effects of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue on the Company's share capital, the NA and gearing of the Group, the substantial shareholders' shareholdings in the Company and the earnings/losses and EPS/LPS of the Company are based on the Minimum Scenario, Maximum Scenario, and where applicable the Only Private Placement and Rights Issue Scenario.</p> <p>(1) Issued share capital</p> <p>We noted that the enlarged number of shares of EURO will increase from 1,327,967,100 Shares to up to 4,097,006,322 Shares (under the Minimum Scenario) or 5,246,337,422 Shares (under the Maximum Scenario) upon completion of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue. Accordingly, the issued share capital of EURO will increase from RM95.51 million to RM211.20 million (under the Minimum Scenario) or RM257.17 million (under the Maximum Scenario) upon completion of the Proposals.</p> <p>(2) NA and gearing</p> <p>We noted that pursuant to the Proposals, the pro forma NA per EURO Share will decrease from RM0.08 as at the LPD to RM0.05 after the Proposals under both Minimum Scenario and Maximum Scenario. This is mainly due to the issuance of the Right Shares at the indicative issue price of RM0.040, which is below the pro forma NA per EURO Share of RM0.060 per Share (upon completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement).</p> <p>Notwithstanding the drop in the pro forma NA per EURO Share due to the dilution effects of the Consideration Shares, Settlement Shares, Placement Shares, Rights Shares, the pro forma NA of EURO will increase from RM100.91 million to RM216.60 million (under the Minimum Scenario) or to RM262.60 million (under the Maximum Scenario).</p>

Based on the audited consolidated financial statements of EURO as at 30 June 2025, EURO has net borrowings of RM0.67 million compared to its shareholders' equity of RM100.91 million. The gearing ratio of EURO as at the LPD of 0.01 times is expected to further reduce in tandem with the increase of the NA pursuant to the issuance of Consideration Shares, Settlement Shares, Placement Shares and Rights Shares.

However, the pro forma effects of the Proposed Private Placement and Proposed Rights Issue on the NA and gearing of the Group may vary depending on the actual issue price.

(3) Pro forma substantial shareholders' shareholdings based on different permutations

Based on our evaluation, we can summarise the pro forma effects of the Proposals on the shareholders' shareholdings under possible scenarios as follows:

No.	Scenario	Shareholding/Pro forma shareholding in EURO (%)		
		Dato' Sri Lim	Dato' Sri Lim and his PACs	Other shareholders / public
1.	As at the LPD	0.13	38.45	61.55
2.	After only Proposed Acquisition is implemented	23.25	52.70	47.30
3.	1(A) - Assuming the Proposed Acquisition is not implemented (i.e. only Proposed Debt Settlement is implemented)	29.88	56.78	43.22
4.	1(B) – Assuming the Proposed Acquisition is implemented (i.e. both Proposed Acquisition and Proposed Debt Settlement are implemented)	42.12	64.33	35.67
5.	2(A) - Assuming only the Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented or Only Private Placement and Rights Issue Scenario	7.75	63.32	36.68
6.	2(B) – Assuming only Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented	18.20	67.48	32.52
7.	2(C) – Assuming only Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented	21.81	68.91	31.09

8.	2(B) – Assuming Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented or Minimum Scenario	29.44	71.95	28.05
9.	Maximum Scenario	22.99	56.19	43.81

In view of the above, we wish to highlight the followings:

- (i) the individual shareholding of Dato' Sri Lim is expected to increase from 0.13% as at the LPD to 42.12% after both the Proposed Acquisition and Proposed Debt Settlement are implemented. This is the only scenario where the individual shareholding of Dato Sri Lim will increase to more than 33%;
- (ii) the collective shareholdings of Dato' Sri Lim and his PACs are expected to increase from 38.45% as at the LPD to 52.70% after only Proposed Acquisition is implemented. We also noted that the collective shareholdings of Dato' Sri Lim and his PACs will increase to more than 50% in all possible scenarios; and
- (iii) the shareholding of other shareholders is expected to dilute the most from 61.55% as at the LPD to 28.05% after only Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented or under the Minimum Scenario.

It is pertinent for the non-interested shareholders of the Company to note that their existing percentage of shareholding would be significantly diluted pursuant to the issuance of the Consideration Shares and Settlement Shares to Dato' Sri Lim, issuance of the Placement Shares to the third-party placee(s) and further diluted upon subscription of the Rights Shares by the Undertaking Shareholders, should they choose not to subscribe for the Rights Shares.

As per the pro forma effects disclosed in **Section 7** of Pat A of the Circular, the Proposals are not expected to result in any breach in the public shareholding spread requirement by the Company under Paragraph 8.02(1) of the Listing Requirements, which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding any treasury shares) are in the hands of public shareholders.

To prevent such potential breach of public shareholding spread requirement, the Proposed Private Placement is made a condition for the implementation of the Proposed Rights Issue as it will increase the shareholding of public as the Placement Shares will be placed to third-party investor(s).

However, the pro forma effects of the Proposed Rights Issue on the substantial shareholders' shareholdings may vary depending on the actual issue price.

	<p>(4) Earnings/Losses and EPS/LPS</p> <p>Barring any unforeseen circumstances, the realisation of the benefits from the utilisation of proceeds of the Proposed Private Placement and Proposed Rights Issue as disclosed in Section 8 of Part A of the Circular is expected to contribute positively to the future earnings of the Group. However, there is no certainty on the realisation of the benefits arising from the utilisation of the proceeds.</p> <p>The Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue will not have any material effect on the consolidated earnings/losses of the Company for the FYE 30 June 2026.</p> <p>The LPS is expected to be diluted as a result of the issuance of the Consideration Shares, Settlement Shares, Placement Shares and Rights Shares.</p> <p>Please refer to Section 6.7 of the IAL for further details.</p> <p>Premised on the above, we are of the view that the overall effects of the Proposals are not detrimental to the interest of the non-interested shareholders of the Company.</p>
<p>Section 6.8</p> <p>Economic outlook, industry overview and prospects of the Group</p>	<p>We took cognisance of the industry overview and outlook of the Malaysian economy, the manufacturing and furniture industry, and steel industry in Malaysia as well as the prospects of EURO Group as disclosed in Section 12 of Part A of the Circular.</p> <p>In view of the above and the favourable outlook for the manufacturing and steel industries in Malaysia, we are of the view that the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue are reasonable and are expected to contribute positively to the Group's long-term prospects and financial performance.</p> <p>Please refer to Section 6.8 of the IAL for further details.</p>
<p>Section 6.9</p> <p>Risks associated with the Proposals</p>	<p>We take note of the risk relating to the Proposals as disclosed in Section 11 of Part A of the Circular.</p> <p>(1) Risks relating to the Proposed Acquisition and Proposed Debt Settlement</p> <p>(i) Risk of dilution to minority shareholders' interests and increased influence of the controlling shareholders in the Company</p> <p>We noted that the collective shareholdings of Dato' Sri Lim and his PACs (including S.P.A. Furniture being the controlling shareholder of EURO) are expected to increase significantly from 38.45% as at the LPD to 71.95% upon completion of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (assuming only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings).</p> <p>Correspondingly, the equity interest of the other shareholders will be diluted, thereby diminishing the minority shareholders' rights.</p>

	<p>Following this, Dato' Sri Lim and his PACs may be able to exert greater influence over the outcome of ordinary resolutions which require a simple majority of 50% plus 1 share including the appointment of directors and other corporate exercises which require a simple majority of 50% plus 1 share, and the outcome of special resolutions which require at least 75% votes, unless Dato' Sri Lim and his PACs and persons connected to them are required to abstain from voting either by law and by relevant guidelines or regulations.</p> <p>While we noted that Dato' Sri Lim and his PACs would be able to exert significant influence over the management and operations of the Company under the Minimum Scenario, EURO have in place a Board which comprises four (4) independent Directors who are responsible to provide check and balance to the Board. As such, the independent Directors would have a duty to protect the interest of the Company and its minority shareholders in relation to key business decisions.</p> <p>Meanwhile, the non-interested shareholders of the Company will have the opportunity to mitigate the risk of dilution by participation in the Proposed Rights Issue.</p> <p>(ii) Non-completion risks</p> <p>We noted that the Proposed Acquisition is subject to the terms and conditions of the SPA. There is no assurance that either party will be able to fully comply with these terms and conditions. Notwithstanding that, we noted that the Company intends to take all reasonable steps within its control such as conducting thorough due diligence and ensuring timely compliance with relevant regulatory and contractual requirements to ensure that the conditions of the SPA are met within the stipulated timeframe.</p> <p>Similarly, the completion of the Proposed Debt Settlement is subject to the fulfilment of the relevant conditions within the specified period. Failure to do so may result in the termination of the Settlement Agreement, in which case the debt will become due and payable to the Lenders upon request by the Lenders, pursuant to the existing arrangement previously agreed between the parties.</p> <p>We note that the Company will take reasonable steps that are within its control to ensure completion of the Proposed Debt Settlement, including but not limited to closely monitoring the progress and ensuring fulfilment of the conditions precedent as stipulated in the Settlement Agreement in timely manner.</p> <p>For clarity, in the event the Proposed Debt Settlement is not completed for any reason, we note that the Company will consider other avenue to settle the Settlement Sum to the lenders, such as undertaking further fundraising exercise(s) such as private placements or rights issues.</p> <p>We are of the view that the non-completion risk for the Proposed Debt Settlement is common aspect of similar proposals or arrangements. In the event that the conditions precedent are not fulfilled within the stipulated time period, the Settlement Agreement may be terminated and the Settlement Sum shall remain outstanding and payable by the Borrowers to the Lenders.</p>
--	---

	<p>If the Proposed Debt Settlement is not completed, the potential benefits expected to arise from the Proposed Debt Settlement will not materialise.</p> <p>In the event of non-completion of the Proposed Debt Settlement, as the Company undertakes to explore other fund-raising exercises, it should consider fund-raising avenues that would minimise potential dilution of the shareholdings of the non-interested shareholders of the Company, taking into account the financial position and capacity of the Company.</p>
	<p>(2) Risks relating to the Proposed Rights Issue</p> <p>(i) Potential dilution of existing shareholders' shareholdings</p> <p>We noted that the Entitled Shareholders who do not subscribe to their entitlements under the Proposed Rights Issue will experience dilution of their shareholdings upon completion of the exercise. As at the LPD, the total shareholding of shareholders of the Company (apart from Dato' Sri Lim and his PACs) is approximately 61.55%.</p> <p>The aggregate resultant shareholdings of Dato' Sri Lim and his PACs upon completion of Proposed Rights Issue under the Minimum Scenario, Maximum Scenario and Only Private Placement and Rights Issue Scenario are 71.95%, 56.19% and 63.32% respectively while the shareholdings of the other shareholders of the Company are 28.05%, 43.81% and 36.68% respectively.</p> <p>This dilution will also affect their proportionate entitlement to future dividends, rights, and other distributions. We noted that no dividend has been paid or declared by the Company for the current financial year as well as for the past four (4) financial years.</p> <p>To attract the Entitled Shareholders' participation and mitigate the risk of dilution, the Board will fix the issue price of the Rights Shares at a later date at potential discount to the TERP. This pricing approach is consistent with market practice and serves to make the Proposed Rights Issue more appealing to the Entitled Shareholders.</p> <p>(ii) Investment and capital market risks</p> <p>We noted that the market price of Rights Shares may be subject to price volatility due to various factors, including prevailing market conditions, the volatility of equity markets, the liquidity of EURO Shares, industry outlook, changes in regulatory requirements or market conditions as well as the financial performance of the Group. Accordingly, there is no assurance that the Rights Shares will trade above their issue price or the TERP upon or after their listing on the Main Market of Bursa Securities.</p> <p>Notwithstanding that, we noted that the Group endeavours to improve its financial performance and profitability, which may, over time, be positively reflected in the market price of EURO Shares.</p>

	<p>(iii) Delay or failure to implement the Proposed Rights Issue</p> <p>We noted that the implementation of the Proposed Rights Issue may be exposed to unforeseen events including force majeure occurrences or adverse changes in political, economic or regulatory conditions that are beyond the Company's control. Such events may result in delays or even non-implementation of the Proposed Rights Issue.</p> <p>Furthermore, once the SC has provided its consent for any of the Proposed Exemptions, it should be implemented within six (6) months from the date of consent, failure which an application of extension of time from the SC would be required.</p> <p>In the event of non-implementation, all monies received will be refunded without interest to subscribers. However, failure to refund within the prescribed period may result in interest being payable as required under the CMSA.</p> <p>To mitigate this risk, we noted that the Company has procured Undertakings from Undertaking Shareholders to subscribe for their respective entitlements, thereby supporting the Minimum Subscription Level. Further, the Company will continue to take reasonable steps to obtain the necessary approvals and ensure the completion of the Proposed Rights Issue.</p> <p>While we noted that measures would be taken by EURO to mitigate such risks associated with the Proposals, no assurance can be given that the risk factors will not occur and give rise to material adverse impact on the business and operation of the Group, its financial performance or prospects thereon.</p> <p>In evaluating the Proposals, non-interested shareholders of the Company should carefully consider the said risk factors and mitigating factors prior to voting on the resolutions pertaining to the Proposals at the forthcoming EGM. Non-interested Shareholders should also note that the risks mentioned in the Circular and this IAL are not meant to be exhaustive.</p>
<p>Section 6.10</p> <p>Implications of the Proposed Exemptions</p>	<p>If the non-interested shareholders of the Company <u>VOTE IN FAVOUR</u> of the Proposed Exemptions:</p> <p>(i) Dato' Sri Lim and his PACs would be able to submit an application for the Proposed Exemptions to the SC for its consideration.</p> <p>(ii) The approval of the Proposed Exemptions would imply that non-interested shareholders of the Company agree to waive their rights and exempt Dato' Sri Lim and his PACs from the obligation to undertake the Mandatory Offer under subsections 218(2) and 218(3) of the CMSA read together with subsection 15(2) of the Code (where applicable) and subparagraphs 4.01(a) and 4.01(b) of the Rules as a result of the Proposed Acquisition, Proposed Debt Settlement and Proposed Rights Issue (which shall be undertaken at a price no lower than the highest price paid by Dato' Sri Lim and his PACs for EURO Shares in the past 6 months preceding the commencement of the offer).</p> <p>As such, Dato' Sri Lim and his PACs will be able to increase their shareholdings in EURO without incurring an obligation to make a Mandatory Offer upon completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Rights Issue.</p>

(iii) Voting in favour of the Proposed Exemptions does not in any way impede the Entitled Shareholders' right to participate in the Proposed Rights Issue. However, should the Entitled Shareholders decide not to subscribe for their entitlements under the Proposed Rights Issue, the Entitled Shareholders' percentage of shareholdings in EURO will be diluted accordingly. Notwithstanding this, the shareholdings of the non-interested shareholders of the Company will be diluted upon completion of the Proposed Acquisition and Proposed Debt Settlement pursuant to the issuance of Consideration Shares and Settlement Shares to Dato' Sri Lim.

(iv) You should note the following effects on the shareholdings of Dato' Sri Lim and his PACs as well as the shareholdings of the non-interested shareholders of the Company upon completion of the Proposals:

(a) Minimum Scenario

Upon completion of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue, the collective shareholdings of Dato' Sri Lim and his PACs in EURO will increase from 38.45% (as at the LPD) to 71.95%. On the other hand, the shareholdings of the non-interested shareholders of the Company will decrease from 61.55% (as at the LPD) to 28.05%.

(b) Maximum Scenario

Upon completion of the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue, the collective shareholdings of Dato' Sri Lim and his PACs in EURO will increase from 38.45% (as at the LPD) to 56.19%. On the other hand, the shareholdings of the non-interested shareholders of the Company will decrease from 61.55% (as at the LPD) to 43.81%.

(c) Only Private Placement and Rights Issue Scenario

Upon completion of the Proposed Private Placement and Proposed Rights Issue only, the collective shareholdings of Dato' Sri Lim and his PACs in EURO will increase from 38.45% (as at the LPD) to 63.32%. On the other hand, the shareholdings of the non-interested shareholders of the Company will decrease from 61.55% (as at the LPD) to 36.68%.

In this regard, in view that the collective shareholdings of Dato' Sri Lim and his PACs will increase to more than 50.00% after the completion of all or part of the Proposals (whether in combination or on standalone basis) under all possible scenarios/permutations as illustrated in **Section 6.7.3** of this IAL, the non-interested shareholders of the Company should note that moving forward Dato' Sri Lim and his PACs could collectively further increase their voting shares or voting rights in EURO without incurring any further obligation to undertake a mandatory offer, provided that Dato' Sri Lim and his PACs do not trigger such mandatory offer on an individual or single entity basis.

	<p>Further, with the collective shareholdings of Dato' Sri Lim and his PACs in EURO upon completion of the Proposals of between 56.19% and 71.95% under the Minimum Scenario, Maximum Scenario and Only Private Placement and Rights Issue Scenario, Dato' Sri Lim and his PACs will have statutory control over EURO and unless they are required to abstain from voting on resolutions sought at shareholders' general meeting, they will be able to determine the outcome of any ordinary resolution (which requires approval from simple majority of 50.00% of the total voting shares) and are likely to influence the outcome of any special resolution (which requires approval from at least 75.00% of the total voting shares).</p> <p>If the non-interested shareholders of the Company <u>VOTE AGAINST</u> of the Proposed Exemptions:</p> <ul style="list-style-type: none"> (i) Dato' Sri Lim and his PACs would not be able to submit an application for the Proposed Exemptions to the SC. (ii) In view that the Proposed Acquisition, Proposed Debt Settlement and Proposed Rights Issue are inter-conditional upon their respective Proposed Exemptions, in the event that the Proposed Exemptions are not approved, the implications to EURO Group are as follows: <ul style="list-style-type: none"> (a) Without the Proposed Exemption 1, the Proposed Acquisition will not be implemented. As such, EURO Group will not be able to realise the benefits from the Proposed Acquisition as explained in Section 6.1.1 of this IAL. <p>However, the Company will still be able to undertake the Proposed Debt Settlement and the Proposed Rights Issue as they are not conditional upon the Proposed Acquisition, subject to their respective Proposed Exemptions being approved by the non-interested shareholders of the Company and the SC.</p> <p>In addition, the Proposed Rights Issue is further conditional upon the Proposed Private Placement being implemented.</p> <p>As detailed out in Section 8.2(i) of Part A of the Circular, in the event the Proposed Acquisition and/or Proposed Exemption 1 are not approved by the non-interested shareholders of the Company, the entire proceeds allocated for the cash payment for the balance Purchase Consideration will then be channelled to the working capital of the Group.</p> <p>If the Proposed Acquisition is not implemented due to Proposed Exemption 1 not being approved by the non-interested shareholders of the Company or the SC, the Group will continue to rely on rented premises for its operations. This would expose the Group to ongoing uncertainties relating to rental renewals, potential rent increases, and the risk of non-renewal of the tenancy. The Group would also forgo the opportunity to benefit from any future appreciation in the property's value and would not be able to strengthen its NA through ownership of the property.</p> <p>In addition, the Group would continue to incur rental expenses, which could limit the flexibility of its cash flows for business operations and strategic plans.</p> <ul style="list-style-type: none"> (b) Without the Proposed Exemption 2, the Proposed Debt Settlement will not be implemented. As such, EURO Group will not be able to realise the benefits from the Proposed Debt Settlement as explained in Section 6.1.2 of this IAL.
--	--

	<p>However, the Company will still be able to undertake the Proposed Acquisition and the Proposed Rights Issue as they are not conditional upon the Proposed Debt Settlement, subject to their respective Proposed Exemptions being approved by the non-interested shareholders of the Company and consented by the SC.</p> <p>Arising from the above, the Borrowers will have to re-engage the Lenders for the repayment of the Advances via other means to be mutually discussed and agreed upon. This might involve obtaining new bank borrowings with interest expenses to be incurred.</p> <p>(c) Without the Proposed Exemption 3, the Proposed Rights Issue will not be implemented. As such, EURO Group will not be able to realise the benefits from the Proposed Rights Issue as explained in Section 6.1.4 of this IAL.</p> <p>However, the Company will still be able to undertake the Proposed Acquisition and the Proposed Debt Settlement as they are not conditional upon the Proposed Rights Issue, subject to their respective Proposed Exemptions being approved by the non-interested shareholders of the Company and the SC.</p> <p>As disclosed in Section 2.4 of Part A of the Circular, in the event the Proposed Acquisition is implemented but the Proposed Rights Issue is not implemented, the Group will utilise its internally-generated funds and/or bank borrowings to fund the cash payment for the balance Purchase Consideration. In such event, the exact proportion of funding will be decided at a later date depending on the Group's gearing level and working capital requirement at that juncture.</p> <p>If the Proposed Rights Issue is not implemented due to Proposed Exemption 3 not being approved by the non-interested shareholders of the Company or the SC, the Company would forgo the opportunity to raise funds through the issuance of new Shares via a rights issue, which enables the Company to raise capital without incurring interest costs associated with bank borrowings and without diluting the proportionate shareholding of existing shareholders as compared to other equity fundraising exercises such as a private placement.</p>
--	---

3. CONCLUSION AND RECOMMENDATION

The non-interested Directors and non-interested shareholders of the Company should carefully consider the merits and demerits of the Proposals based on all relevant and pertinent factors, including those set out in this IAL as well as those highlighted by the Board in its letter to the shareholders of the Company in relation to the Proposals as set out in Part A of the Circular, before voting on the resolution pertaining to the Proposals at the forthcoming EGM of the Company.

In arriving at our opinion and recommendation, we have assessed and evaluated the Proposals in a holistic approach, taking into consideration the various factors set out in **Section 6** of the IAL and in accordance with Schedule 2: Part III of the Rules.

The Proposed Exemptions, if approved by the non-interested shareholders of EURO and granted by the SC, will allow EURO to undertake the Proposed Acquisition, Proposed Debt Settlement and Proposed Rights Issue (subject to the Proposed Private Placement being approved and implemented), assuming that the respective Proposal is also approved by the non-interested shareholders of EURO. In summary, the potential advantages and disadvantages of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions are as follows:

Potential Advantages	
(1)	<p>The Proposed Acquisition and Proposed Exemption 1 are inter-conditional. As such, the Proposed Acquisition will not be implemented in the event the non-interested shareholders of the Company do not approve any of the Proposed Acquisition and/or Proposed Exemption 1 and/or the SC does not approve the Proposed Exemption 1. As such, voting in favour of the Proposed Exemption 1 facilitates the implementation of the Proposed Acquisition, which will in turn enable EURO to reap the potential benefits arising from the Proposed Acquisition as follows:</p> <ul style="list-style-type: none"> (i) as it is part of the Group's strategic long-term business positioning, the Proposed Acquisition enables the Group to gain full control over the property, allowing it to utilise the space in line with evolving business needs while mitigating the risk of operational disruptions due to potential termination or non-renewal of tenancy agreement; (ii) provides potential cost savings by eliminating recurring rental expenses, while simultaneously strengthening the Group's asset base and financial position through the ownership of assets with potential value appreciation; and (iii) allows the Group to eliminate potential conflict of interest and risks associated with long-term transactions with related party(ies) and mitigate risks associated with rental uncertainties.
(2)	<p>The Proposed Rights Issue and Proposed Exemption 3 are inter-conditional. As such, the Proposed Rights Issue will not be implemented in the event the non-interested shareholders of the Company do not approve any of the Proposed Rights Issue and/or Proposed Exemption 3 and/or the SC does not approve the Proposed Exemption 3. As such, voting in favour of the Proposed Exemption 3 facilitates the implementation of the Proposed Rights Issue, which will in turn enable EURO to reap the potential benefits arising from the Proposed Rights Issue as follows:</p> <ul style="list-style-type: none"> (i) allows the Company to raise funds expeditiously without incurring interest costs associated with bank borrowings or issuance of debt instruments that will result in cash outflow arising from interest servicing costs. Moreover, the Company will also be able to preserve such cash, which otherwise would be used for interest costs, for the Company's working capital requirements and/or to address any short-term obligations in a timely manner; (ii) the proceeds to be raised from the issuance of Rights Shares will strengthen the cash flow of the Company and utilisation of the said proceeds which include for working capital requirement for the Group's businesses and capital expenditures on existing facilities and/or investments in new business(es) as disclosed in Section 8.2 of Part A of the Circular is expected to contribute positively to the Company's future earnings and financial performance; and (iii) provides an opportunity to all Entitled Shareholders to participate in an equity offering in EURO on a pro-rata basis without diluting the Entitled Shareholders' shareholding in EURO (provided that all Entitled Shareholders subscribe in full for their respective entitlement of the Rights Shares).

Potential Advantages

- | |
|---|
| <p>(3) The Entitled Shareholders would be able to subscribe for the Rights Shares at the issue price with discount of up to 20.00% to the TERP of EURO Shares. The indicative issue price of Rights Shares of RM0.040 represents a discount of 6.87% to the TERP based on the closing market price of EURO Shares on the LPD and discounts ranging from 6.65% to 10.51% to the TERP based on the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAP of EURO Shares up to and including the LPD.</p> <p>(4) Pursuant to the Proposed Rights Issue, the WACC of the Company will remain unchanged at 6.00%, compared to a higher WACC of 7.71% under the Debt Scenario. Furthermore, equity financing outweighs debt financing as the Group will have to incur interest expenses from the new bank borrowings and result in a higher cash outflow which would potentially reduce the Group's earnings. It is pertinent to note that the total bank borrowings of RM163.21 million (under Maximum Scenario) would result in an increase in gearing ratio from nil to 2.678 times under the Debt Scenario.</p> <p>(5) The Undertakings from the Undertaking Shareholders reaffirm Dato' Sri Lim's confidence and commitment to EURO Group and further aligns his interest to EURO Group while providing certainty to EURO in raising the minimum level of funds the Company intends to raise from the Proposed Rights Issue. The Proposed Exemption 3 enables Dato' Sri Lim and his PACs to provide strong support for the Proposed Rights Issue as a viable equity fundraising option for the Company which does not depend on the availability of underwriters nor be subject to the uncertainties of equity offering subscription levels.</p> |
|---|

Potential Disadvantages

- | |
|---|
| <p>(1) Upon completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Rights Issue, the Proposed Exemptions will allow the collective shareholdings of Dato' Sri Lim and his PACs in EURO to increase from 38.45% (as at the LPD) to 71.95% (under the Minimum Scenario) or 56.19% (under the Maximum Scenario) without being required to undertake the Mandatory Offer.</p> <p>Moving forward Dato' Sri Lim and his PACs could collectively further increase their voting shares or voting rights in EURO without incurring any further obligation to undertake a mandatory offer, provided that Dato' Sri Lim and his PACs do not trigger such mandatory offer on an individual or single entity basis.</p> <p>With the shareholdings of 56.19% and 71.95% in EURO on a collective basis (under Maximum Scenario and Minimum Scenario respectively), Dato' Sri Lim and his PACs will have statutory control over EURO and unless they are required to abstain from voting on resolutions sought at shareholders' general meeting, they will be able to determine the outcome of any ordinary resolution (which requires approval from simple majority of 50% of the total voting shares) and are likely to influence the outcome of any special resolution (which requires approval from at least 75% of the total voting shares).</p> <p>(2) Non-interested shareholders of the Company who do not subscribe for or only partially subscribe for the Proposed Rights Issue entitlements will be significantly diluted given the Undertakings provided by the Undertaking Shareholders. The collective shareholding of the non-interested shareholders of the Company may potentially be diluted from 61.55% (as at the LPD) to 28.05% after the Proposed Rights Issue under the Minimum Scenario and based on the indicative issue price, or from 61.55% (as at the LPD) to 43.81% after the Proposed Rights Issue under the Maximum Scenario based on the indicative issue price, subject to completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement.</p> |
|---|

After taking into consideration the advantages and disadvantages of the Proposals holistically, we are of the view that the potential advantages of the Proposals as a whole outweigh its potential disadvantages. Therefore, we are of the view that the Proposals as a whole are **FAIR and REASONABLE** and **NOT DETRIMENTAL** to the non-interested shareholders of the Company.

In our evaluation of the Proposed Acquisition individually and in arriving at our opinion, we have taken into consideration various factors as follows:

- (a) the rationale for the Proposed Acquisition by the Board is reasonable and not detrimental to the non-interested shareholders of the Company;
- (b) the basis and justification of the Purchase Consideration supported by the independent valuation and the update valuation of the Subject Property by the Valuer are justifiable;
- (c) the basis and justification for determining the issue price of Consideration Shares are fair and reasonable and not detrimental to the non-interested shareholders of the Company;
- (d) the salient terms of the SPA are reasonable and not detrimental to the non-interested shareholders of the Company;
- (e) the overall effects of the Proposals and Proposed Acquisition in particular, on the NA, gearing, substantial shareholders' shareholdings and earnings/losses and EPS/LPS of EURO are not detrimental to the interest of the non-interested shareholders of the Company; and
- (f) risks relating to the Proposed Acquisition and the mitigating factors.

Therefore, we are of the opinion that the Proposed Acquisition is **FAIR AND REASONABLE** insofar as to the non-interested shareholders of the Company are concerned and it is **NOT TO THE DETRIMENT** of non-interested shareholders of the Company.

In our evaluation of the Proposed Debt Settlement individually and in arriving at our opinion, we have taken into consideration various factors as follows:

- (a) the nature of the amount owing to the Lenders and rationale for the Proposed Debt Settlement by the Board, are reasonable and not detrimental to the non-interested shareholders of the Company;
- (b) the basis and justification for determining the issue price of Settlement Shares are fair and reasonable and not detrimental to the non-interested shareholders of the Company;
- (c) the salient terms of the Settlement Agreement are reasonable and not detrimental to the non-interested shareholders of the Company;
- (d) the overall effects of the Proposals and Proposed Debt Settlement in particular, on the NA, gearing, substantial shareholders' shareholdings and earnings/losses and EPS/LPS of EURO are not detrimental to the interest of the non-interested shareholders of the Company; and
- (e) risks relating to the Proposed Debt Settlement and the mitigating factors.

Therefore, we are of the opinion that the Proposed Debt Settlement is **FAIR AND REASONABLE** insofar as to the non-interested shareholders of the Company are concerned and it is **NOT TO THE DETRIMENT** of non-interested shareholders of the Company.

Accordingly, we:

- (i) advise the non-interested Directors to recommend the non-interested shareholders of the Company to **VOTE IN FAVOUR** of the ordinary resolutions in respect of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions to be tabled at the Company's forthcoming EGM in relation to the Proposals; and
- (ii) recommend that the non-interested shareholders of the Company **VOTE IN FAVOUR** of the ordinary resolutions in respect of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions to be tabled at the Company's forthcoming in relation to the Proposals.

NON-INTERESTED SHAREHOLDERS ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION AND RECOMMENDATION CONTAINED IN THIS IAL TOGETHER WITH THE LETTER TO SHAREHOLDERS IN PART A OF THE CIRCULAR AND THE ACCOMPANYING ATTACHMENTS, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH LETTERS BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSED EXEMPTIONS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

Registered Office:

E-2-1, Block E, Oasis Square
No. 2, Jalan PJU 1A/7A
Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan

16 December 2025

To: The non-interested Directors and non-interested shareholders of EURO

Dear Sir/Madam,

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS
IN RELATION TO THE PROPOSED ACQUISITION, PROPOSED DEBT SETTLEMENT AND PROPOSED EXEMPTIONS**

This IAL is prepared for inclusion as Part B of the Circular and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the 'Definitions' section and Part A of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" and "our" in this IAL are to DWA Advisory, being the Independent Adviser for the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions. Any discrepancies in the tables included in this IAL between the amounts listed, actual figures and the total thereof are due to rounding.

1. INTRODUCTION

On 6 March 2025, TA Securities, on behalf of the Board, announced that EURO proposed to undertake the following:

- (i) Proposed Acquisition;
- (ii) Proposed Debt Settlement;
- (iii) Proposed Private Placement;
- (iv) Proposed Rights Issue;
- (v) Proposed Exemption 1;
- (vi) Proposed Exemption 2; and
- (vii) Proposed Exemption 3.

The Board also announced that, on the even date, ELSB, a wholly-owned subsidiary of EURO had entered into the SPA with SPASB for the Proposed Acquisition and the Borrowers had entered into the Settlement Agreement with the Lenders for the Proposed Debt Settlement.

ELSB and the Vendor had, vide a supplemental letter dated 13 March 2025, mutually agreed to vary the term in the SPA in relation to the payment of the Deposit as detailed in **Section 2.4** of Part A of the Circular.

The Company had on 21 August 2025 revised the conditionality of the Proposals to include that the Proposed Rights Issue is conditional upon the Proposed Private Placement but not vice versa, as set out in **Section 16** of Part A of the Circular.

The Borrowers and the Lenders had, vide a supplemental letter dated 4 September 2025, mutually agreed to extend the period for fulfilment of the conditions precedent under the Settlement Agreement for an additional 6 months, i.e. up to and including 5 March 2026.

As disclosed in **Section 16** of Part A of the Circular, we noted that the Proposals are **not inter-conditional** upon one another, save as set out below:

- (i) the Proposed Acquisition and the Proposed Exemption 1 are **inter-conditional** upon each other;
- (ii) the Proposed Debt Settlement and the Proposed Exemption 2 are **inter-conditional** upon each other; and
- (iii) the Proposed Rights Issue and the Proposed Exemption 3 are **inter-conditional** upon each other; and
- (iv) the Proposed Rights Issue is conditional upon the Proposed Private Placement but not vice versa.

We further noted that the Company intends to implement the Proposals in the following order:

- (i) the Proposed Acquisition and Proposed Debt Settlement concurrently;
- (ii) the Proposed Private Placement after the completion of the Proposed Acquisition and Proposed Debt Settlement; and
- (iii) the Proposed Rights Issue after the completion of the Proposed Private Placement.

The Proposed Acquisition and Proposed Debt Settlement are deemed to be related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors, Interested Major Shareholders and persons connected to them as set out in **Section 19** of Part A of the Circular.

As at the LPD, EURO has a total issued share capital of RM95,508,076 comprising 1,327,967,100 Shares.

As at the LPD, Dato' Sri Lim directly holds 1,783,500 Shares, representing approximately 0.13% of the total issued share capital of EURO, while his PACs and their respective shareholdings in EURO are as follows:

- (i) S.P.A. Furniture, directly holds 508,559,200 Shares, representing approximately 38.30% of the total issued share capital of EURO;
- (ii) PH Performance, directly holds 285,000 Shares, representing approximately 0.02% of the total issued share capital of EURO; and
- (iii) Datin Sri Ong Lely, Datin Chooi Moi and Datuk Lim, who do not hold any Shares directly.

Collectively, as at the LPD, Dato' Sri Lim and his PACs directly hold 510,627,700 EURO Shares, representing approximately 38.45% of the total issued share capital of EURO.

Pursuant to the Proposals, the potential changes in the shareholdings of Dato' Sri Lim, individually and collectively together with his PACs in EURO, which may be subject to take-over implication, are set out below:

- (i) Upon completion of the Proposed Acquisition, the individual shareholding of Dato' Sri Lim will increase from 0.13% as at the LPD to 23.25% upon the issuance of the Consideration Shares, resulting in the increase in the collective shareholdings of Dato' Sri Lim and his PACs from 38.45% as at the LPD to 52.70%.

The increase in the collective shareholdings of Dato' Sri Lim and his PACs by more than 2% within a 6-month period will trigger a Mandatory Offer obligation by Dato' Sri Lim and his PACs pursuant to subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules.

- (ii) Upon completion of the Proposed Debt Settlement, which may be on standalone basis or with the other corporate exercises comprising the Proposals:

(a) **Scenario 1(A) – Assuming the Proposed Acquisition is not implemented (i.e. only Proposed Debt Settlement is implemented)**

if the Proposed Acquisition is not implemented, the individual shareholding of Dato' Sri Lim will increase from 0.13% as at the LPD to 29.88% upon the issuance of the Settlement Shares resulting in the increase in the collective shareholdings of Dato' Sri Lim and his PACs from 38.45% as at the LPD to 56.78%. The increase in the collective shareholdings of Dato' Sri Lim and his PACs by more than 2% within a 6-month period will trigger a Mandatory Offer obligation by Dato' Sri Lim and his PACs pursuant to subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules;

(b) **Scenario 1(B) – Assuming the Proposed Acquisition is implemented (i.e. both Proposed Acquisition and Proposed Debt Settlement are implemented)**

if the Proposed Acquisition is implemented, the individual shareholding of Dato' Sri Lim will increase from 23.25% after the Proposed Acquisition to 42.12% upon issuance of the Settlement Shares to Dato' Sri Lim. The increase in Dato' Sri Lim's shareholding to more than 33% will trigger a Mandatory Offer obligation by Dato' Sri Lim pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules. Consequently, the collective shareholdings of Dato' Sri Lim and his PACs will increase from 52.70% after the Proposed Acquisition to 64.33% upon issuance of the Settlement Shares. As the collective shareholdings of Dato' Sri Lim and PACs have already exceeded 50%, it will not trigger a Mandatory Offer obligation.

- (iii) Upon completion of the Proposed Rights Issue (assuming only the Undertaking Shareholders subscribed to the Right Shares pursuant to the Undertakings), which is subject to the implementation of the Proposed Private Placement and may be undertaken with the other corporate exercises comprising the Proposals:

(a) **Scenario 2(A) – Assuming only the Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented**

if only the Proposed Private Placement and Proposed Rights Issue are implemented, the individual shareholding of Dato' Sri Lim and the shareholding of his PACs will increase from 0.11% and 30.65% after the Proposed Private Placement to 7.75% and 55.57% upon issuance of the Rights Shares, respectively, resulting in the increase in the collective shareholdings of Dato' Sri Lim and his PACs from 30.76% after the Proposed Private Placement to 63.32% upon issuance of the Rights Shares. The increase in the collective shareholdings of Dato' Sri Lim and his PACs to more than 33% will trigger a Mandatory Offer obligation by Dato' Sri Lim and his PACs under pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules;

[The rest of this page has been intentionally left blank]

(b) **Scenario 2(B) – Assuming only the Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented**

if only the Proposed Acquisition, Proposed Private Placement and Proposed Rights Issue are implemented, the individual shareholding of Dato' Sri Lim will reduce from 19.51% after the Proposed Acquisition and Proposed Private Placement to 18.20% upon issuance of Rights Shares, while the shareholding of his PACs will increase from 24.70% to 49.28%. Accordingly, the collective shareholdings of Dato' Sri Lim and his PACs will increase from 44.21% after the Proposed Acquisition and Proposed Private Placement to 67.48% upon issuance of the Rights Shares. The increase in the collective shareholdings of Dato' Sri Lim and his PACs by more than 2% within a 6-month period will trigger a Mandatory Offer obligation by Dato' Sri Lim and his PACs pursuant to subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules;

(c) **Scenario 2(C) – Assuming only the Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented**

if only the Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue are implemented, the individual shareholding of Dato' Sri Lim will reduce from 25.41% after the Proposed Debt Settlement and Proposed Private Placement to 21.81% upon issuance of Rights Shares, while the shareholding of his PACs will increase from 22.89% to 47.10%. Accordingly, the collective shareholdings of Dato' Sri Lim and his PACs will increase from 48.30% after the Proposed Debt Settlement and Proposed Private Placement to 68.91% upon issuance of the Rights Shares. The increase in the collective shareholdings of Dato' Sri Lim and his PACs by more than 2% within a 6-month period will trigger a Mandatory Offer obligation by Dato' Sri Lim and his PACs pursuant to subsection 218(3) of the CMSA read together with subsection 15(2) of the Code and subparagraph 4.01(b) of the Rules; and

(d) **Scenario 2(D) – Assuming the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue (only Undertaking Shareholders subscribed to the Rights Shares pursuant to the Undertakings) are implemented**

if the Proposed Acquisition, Proposed Debt Settlement, Proposed Private Placement and Proposed Rights Issue are implemented, the individual shareholding of Dato' Sri Lim will reduce from 36.79% after the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement to 29.44% upon issuance of Rights Shares, while the shareholding of his PACs will increase from 19.40% to 42.51%. Accordingly, the collective shareholdings of Dato' Sri Lim and his PACs will increase from 56.19% after Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement to 71.95% upon issuance of the Rights Shares. As the collective shareholdings of Dato' Sri Lim and PACs have already exceeded 50%, it will not trigger a Mandatory Offer obligation.

As it is not the intention of Dato' Sri Lim and his PACs to undertake the Mandatory Offer as a result of the Proposals, they intend to seek the SC's approval for the Proposed Exemptions, as summarised below:

- (i) Proposed Exemption 1 refers to the exemption to be sought by Dato' Sri Lim and his PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Acquisition pursuant to subparagraph 4.08(1)(a) of the Rules;
- (ii) Proposed Exemption 2 refers to the exemption to be sought by Dato' Sri Lim and his PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Debt Settlement pursuant to subparagraph 4.08(1)(b) of the Rules; and

- (iii) Proposed Exemption 3 refers to the exemption to be sought by Dato' Sri Lim and his PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Rights Issue (after implementation of the Proposed Private Placement) pursuant to subparagraph 4.08(1)(b) of the Rules.

An application for the Proposed Exemptions will be submitted to the SC by TA Securities on behalf of Dato' Sri Lim and his PACs after the approval of the non-interested shareholders of the Company for the Proposals has been obtained, by way of poll, at the forthcoming EGM for the Proposals.

In compliance with the Listing Requirements and the Rules, the Board (save for the Interested Directors) had on 6 March 2025, appointed DWA Advisory as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company on the Proposed Acquisition and Proposed Debt Settlement pursuant to Paragraph 10.08 of the Listing Requirements and for the Proposed Exemptions pursuant to Paragraph 3.06 of the Rules. DWA Advisory has not been appointed to advise the non-interested Directors and non-interested shareholders of the Company in relation to the Proposed Rights Issue.

Pursuant to Paragraph 3.07 of the Rules, we had on 13 March 2025 declared our independence from any conflict of interest or potential conflict of interest to the SC in relation to our appointment as Independent Adviser for the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions.

The purpose of this IAL is to provide you with our independent evaluation on the fairness and reasonableness of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions on a holistic basis, together with our recommendation on whether you should vote in favour of the resolutions pertaining to the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions, subject to the scope and limitations specified herein. Nevertheless, you should rely on your own evaluation of the merits and demerits of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions before making decision on the course of action to be taken at EURO's forthcoming EGM in relation to the Proposals.

THIS IAL IS PREPARED SOLELY FOR YOU TO CONSIDER THE PROPOSED ACQUISITION, PROPOSED DEBT SETTLEMENT AND PROPOSED EXEMPTIONS AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE WHATSOEVER.

NON-INTERESTED SHAREHOLDERS OF THE COMPANY ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, INVESTMENT ADVISER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSALS

The full details of the Proposals are set out in **Sections 2 to 6** of Part A of the Circular and should be read in its entirety by the non-interested shareholders of the Company.

3. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE PROPOSALS

DWA Advisory was not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposals. DWA Advisory has also not undertaken any independent investigation into the business, affairs, operations, financial position or prospects of EURO. Our scope as Independent Adviser is limited to provide comments, opinions, information and recommendation in relation to the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions.

DWA Advisory is satisfied with the adequacy of information and documents provided by the Board and management of EURO ("**Management**") in order for us to form the basis of our opinion. DWA Advisory wishes to highlight that the Board has collectively and individually confirmed to us that all relevant material facts and information critical to our evaluation have been disclosed to us. The Board has also accepted responsibility for the accuracy of the information provided to us by the Board, Management and/or its advisers which is reproduced herein and confirmed that, after making all reasonable enquiries and to the best of its knowledge and belief, there are no other information and/or facts, the omission of which would make any information provided to us misleading, incomplete or inaccurate.

In performing our evaluation, DWA Advisory has relied on the following sources of information and documents:

- (i) the information contained in Part A of the Circular and the appendices attached thereto;
- (ii) the SPA;
- (iii) the valuation report of the Subject Property dated 16 December 2024 prepared by the Valuer, together with the accompanying valuation certificate and updated valuation certificate;
- (iv) the Settlement Agreement;
- (v) other relevant information, documents, confirmations and representations provided to us by the Board and Management;
- (vi) discussions and consultation with the Management; and
- (vii) other publicly available information which we have deemed to be relevant.

DWA Advisory has relied on the Board and representatives of EURO to take due care and to ensure that all information, documents and representations provided to us by them to facilitate our evaluation of the Proposals are reasonable, reliable, accurate, valid, complete and free from material omission in all material aspects. DWA Advisory has made reasonable enquiries, and as at the date of this IAL, to the best of our knowledge and belief, the information provided and made available to us is reasonable and free from any material omission, and we have no reason to believe that such information is unreliable, incomplete, misleading and/or inaccurate. To that end, DWA Advisory is satisfied with the disclosures and sufficiency of the information in this IAL.

DWA Advisory has evaluated the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions and in rendering our advice, DWA Advisory has also considered various pertinent factors, which we believe are of relevance and general importance to the assessment of the Proposals, would be of relevance and general concern to the non-interested Directors and the non-interested shareholders of the Company. This opinion is rendered solely for the benefit of the non-interested Directors and non-interested shareholders of the Company.

DWA Advisory's evaluation and recommendations expressed herein are confined to the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions. DWA Advisory's scope as the Independent Adviser does not extend to expressing any opinion on the commercial merits, legal and tax implications arising from the Proposals as this remains the sole responsibility of the Board.

DWA Advisory's views and recommendations contained in this IAL are to the non-interested Directors and non-interested shareholders of the Company at large and not to any non-interested Director or non-interested shareholder of the Company individually. As such, in carrying out our evaluation, DWA Advisory has not given any consideration to any specific future plans nor to consider the specific objectives, financial situation and particular needs of any individual shareholder or specific group of shareholders.

DWA Advisory recommends that any individual non-interested shareholder of the Company or any specific group of non-interested shareholders of the Company who is in doubt of the action to be taken or require specific advice in relation to the Proposals, in the context of their individual objectives, financial situation and particular needs, to consult with their stockbrokers, bankers, solicitors, accountants or other professional advisers. DWA Advisory shall not be responsible for any damage or loss of any kind sustained or suffered by any individual non-interested shareholder or any specific group of non-interested shareholders of the Company in reliance on the opinion stated herein for any purpose whatsoever other than for the purpose of considering the Proposals at the forthcoming EGM.

After the dispatch of the Circular and this IAL, and until the date of the EGM, as guided by subparagraph 11.07(1) of the Rules, DWA Advisory will immediately disclose to the SC in writing and notify the non-interested shareholders of the Company if we become aware that this IAL:

- (a) contains a material statement which is false or misleading;
- (b) contains a statement from which there is a material omission; or
- (c) does not contain a statement relating to a material development.

If the circumstances require, we shall send a supplementary IAL to the non-interested shareholders of the Company in accordance with subparagraph 11.07(2) of the Rules and the disclosures and announcements of such facts or statements shall be made before 9 a.m. on the next market day, pursuant to subparagraph 11.07(3) of the Rules.

4. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

DWA Advisory confirms that there are no circumstances which exist or are likely to give rise to a possible conflict of interest situation for DWA Advisory to carry out the role as the Independent Adviser in relation to the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions.

Save for our current role as the Independent Adviser for the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions, DWA Advisory has not had any professional relationship with EURO at any time during the past two (2) years prior the date of this IAL.

DWA Advisory is an advisory firm incorporated in Malaysia and licensed by the SC (License No. CMSL/A0315/2013) to carry out the regulated activity of advising on corporate finance pursuant to section 58 of the CMSA. DWA Advisory has undertaken the role as an Independent Adviser for corporate exercises in the past three (3) years prior to the Proposals, which include the following:

- (i) unconditional mandatory take-over offer by TIZA Global Sdn Bhd (formerly known as Citaglobal Sdn Bhd) through KAF IB to acquire all the remaining ordinary shares, warrants A, warrants B and irredeemable convertible preference shares in Citaglobal Berhad (formerly known as WZ Satu Berhad) not already owned by the TIZA Global Sdn Bhd, Tan Sri Dato' Sri (Dr.) Mohamad Norza Bin Zakaria and persons acting in concert, where our independent advice circular was issued on 9 December 2022;

- (ii) related party transaction by CIC Construction Sdn Bhd, a wholly-owned subsidiary of Central Global Berhad, involving the acquisition of the remaining 30.00% equity interest in RYRT International Sdn Bhd from RYRT Holdings Sdn Bhd, where our independent advice circular was issued on 4 September 2023;
- (iii) exemption for Dato Ir. Tee Chai Seng and person acting in concert with him, from the obligation to undertake a mandatory take-over offer for the remaining ordinary shares in TCS Group Holdings Berhad and warrants B not already owned by them pursuant to subparagraph 4.08(1)(b) of the Rules, where our independent advice circular was issued on 12 March 2024;
- (iv) unconditional mandatory take-over offer by KUB Malaysia Berhad through Maybank Investment Bank Berhad to acquire all the remaining ordinary shares in Central Cables Berhad not already owned by KUB Malaysia Berhad, where our independent advice circular was issued on 1 April 2024;
- (v) unconditional mandatory take-over offer by Exsim Hospitality Holdings Sdn Bhd through AmlInvestment Bank Berhad to acquire all the remaining ordinary shares in Pan Malaysia Holdings Berhad not already owned by Exsim Hospitality Holdings Sdn Bhd, as well as Lim Aik Hoe, Lim Aik Kiat and Lim Aik Fu, where our independent advice circular was issued on 8 April 2024;
- (vi) unconditional mandatory take-over offer by Khidmat Kejora Sdn Bhd and Neo Pixel Sdn Bhd through M & A Securities Sdn Bhd to acquire all the remaining ordinary shares in Turiya Berhad not already owned by them, as well as Tan Sri Datuk Dr Mohan A/L M.K. Swami and Dato Sri Shamir Kumar Nandy, where our independent advice circular was issued on 27 May 2024;
- (vii) unconditional mandatory take-over offer by Wong Kok Wah and Chan Yoke Chun through KAF Investment Bank Berhad to acquire all the remaining ordinary shares in HLT Global Berhad not already held by Wong Kok Wah, Chan Yoke Chun and the persons acting in concert with them, where our independent advice circular was issued on 14 February 2025;
- (viii) selective capital reduction and repayment exercise of NPC Resources Berhad pursuant to Section 116 of the Companies Act 2016, where our independent advice circular was issued on 3 April 2025;
- (ix) exemption for Datuk Wong Sak Kuan, Lotus Essential Sdn Bhd and the persons acting in concert with them, from the obligation to undertake a mandatory take-over offer for the remaining Lotus Circular Berhad shares not already owned by them, upon issuance of Lotus Circular Berhad shares in relation to the acquisition by the company of the entire equity interest in Earthwise Resources Sdn Bhd and Expert Resource Management Sdn Bhd, where our independent advice circular was issued on 5 December 2025; and
- (x) related party transaction by RHB Trustee Berhad on behalf of UOA Real Estate Investment Trust involving the acquisition of three (3) commercial properties from Everise Project Sdn Bhd, where our independent advice circular was issued on 8 December 2025.

Premised on the foregoing, DWA Advisory is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company in relation to the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions.

[The rest of this page has been intentionally left blank]

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

The interests of the Directors, major shareholders, chief executive and/or persons connected with them are set out in **Section 19** of Part A of the Circular. Save for those disclosed in **Section 19** of Part A of the Circular, none of the Directors, major shareholders, chief executive and/or persons connected with them have any interest in the Proposals.

6. EVALUATION OF THE PROPOSED ACQUISITION, PROPOSED DEBT SETTLEMENT AND PROPOSED EXEMPTIONS

DWA Advisory has assessed and evaluated the fairness and reasonableness of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions in a holistic basis in accordance with paragraphs 8 to 10 of Schedule 2: Part III of the Rules including the rationale and effects of the Proposals. In forming our opinion to the non-interested Directors and non-interested shareholders, we have considered the following factors in our evaluation of the Proposed Acquisition, Proposed Debt Settlement and Proposed Exemptions:

		Sections in this
No.	Item	IAL
(a)	Rationale of the Proposals	6.1
(b)	Basis and justification of the Purchase Consideration	6.2
(c)	Evaluation of the Proposed Debt Settlement	6.3
(d)	Issue price of Consideration Shares, Settlement Shares, Placement Shares and Rights Shares	6.4
(e)	Salient terms of the SPA	6.5
(f)	Salient terms of the Settlement Agreement	6.6
(g)	Effects of the Proposals	6.7
(h)	Economic outlook, industry overview and prospects of the Group	6.8
(i)	Risk factors associated with the Proposals	6.9
(j)	Implications of the Proposed Exemptions	6.10

6.1 Rationale of the Proposals

6.1.1 Rationale for the Proposed Acquisition

As disclosed in **Section 2.12** of Part A of the Circular, the rationale for the Proposed Acquisition are as follows:

- (i) since relocation of the Group's manufacturing plant from Rawang, Selangor to Melaka in June 2022, the Group has been renting and operating on the Subject Property, which now houses the Group's manufacturing facilities, showroom, and corporate office for its manufacturing and trading operations;
- (ii) acquiring the Subject Property aligns with the Group's long-term business growth and sustainability. The Proposed Acquisition will allow the Group to gain full control over the use of the Subject Property without the uncertainty associated with rental renewals and potential rent fluctuations; and
- (iii) having ownership over the Subject Property will allow the Group to benefit from potential property value appreciation over time, creating additional value for the shareholders.

We noted from **Section 2.4** of Part A of the Circular that the Purchase Consideration for the Proposed Acquisition intended to be satisfied via a combination of cash of RM38.00 million and issuance of the Consideration Shares to preserve the Group's cash resources for working capital requirements and other operational needs, while minimising the additional borrowings and the associated finance costs.

Our commentaries on the rationale for the Proposed Acquisition

(i) Strategic long-term business positioning

The Group is principally involved in the business of manufacturing, marketing, and trading furniture, as well as trading steel products. As part of its business realignment efforts, the Group relocated its manufacturing plant from Rawang, Selangor, to Melaka, leading to its occupation of the Subject Property for operations since June 2022.

The Subject Property is a leasehold industrial land located at Lot No. 19400-1, Jalan TTC 12, Taman Teknologi Cheng, 75250 Cheng, Melaka held under Title No. PN 65466 (formerly known as HSD 82284 and PN 54142 respectively), and Lot No. 20111 (formerly known as PT 9666 and Lot 19400 respectively), Mukim of Cheng, District of Melaka Tengah, State of Melaka, together with four (4) blocks of industrial buildings erected thereon comprising:

Block	Details of buildings	Gross floor area (sq. ft.)	Building age (year)	Existing use
Block A	Single-storey warehouse	58,800	10	Manufacturing and office
Block B	Single-storey warehouse	31,050	10	Warehouse
Block C	Single-storey warehouse	23,870	10	Epoxy plant
Block D	Single-storey warehouse with a basement and a mezzanine floor	131,820	30 ⁽¹⁾	Warehouse and office

Note:

(1) The age of Block D of 30 years is based on the issuance of its Certificate of Fitness for Occupation in 1995.

With a total land area of approximately 335,944.44 sq. ft. (inclusive of guard house and TNB substation) and remaining leasehold term of approximately 84 years, the Subject Property currently houses the Group's manufacturing facilities, showroom, and corporate office for its manufacturing and trading operations.

Given the Subject Property's significance to the Group's business and operations, the Proposed Acquisition will grant the Group full control over the property, allowing it to utilise the space in line with evolving business needs while mitigating the risk of operational disruptions due to potential termination or non-renewal of tenancy agreement. This flexibility to use the space without restrictions aligns with the Group's strategic long-term business positioning, enabling it to respond effectively to changing market conditions and operational requirements while ensuring greater stability and sustainability in its operations.

(ii) Potential cost savings and long-term value gain

As at the LPD, the Subject Property is rented by Euro Space Industries pursuant to the Tenancy Agreement, which was renewed on 23 May 2024 for another two (2)-year term. Following the said renewal, the monthly rental payable by the EURO Group to SPASB was revised from RM225,875 to RM248,462, representing an increase of approximately 10.00%.

We noted that if the said tenancy agreement is terminated earlier than its term pursuant to the Proposed Acquisition, SPASB shall be entitled to forfeit the Rental Deposit and Euro Space Industries shall further compensate SPASB with the Rental Compensation for the remaining term of the Tenancy Agreement prior to its expiration. The Company intends to complete the Proposed Acquisition prior to the expiration of the Tenancy Agreement, i.e. 1 June 2026, subject to the fulfilment of the condition precedents set forth in the SPA. However, SPASB had on 25 September 2025 agreed to waive its entitlement to the forfeiture of the Rental Deposit and Rental Compensation.

The Purchase Consideration of RM56.00 million for the Proposed Acquisition will be satisfied via a combination of cash from internally-generated funds (RM1.68 million for the deposit), proceeds from the Proposed Rights Issue (RM36.32 million), and issuance of Consideration Shares (valued at RM18.00 million). In the event the Proposed Rights Issue is not completed prior to the due date for the cash payment of the balance Purchase Consideration, the Group will procure bank borrowings to finance the cash payment for the balance Purchase Consideration. Upon completion of the Proposed Rights Issue, the proceeds raised will be utilised to repay the said bank borrowings.

Although the Proposed Acquisition involves substantial upfront costs, it will be funded through the abovementioned modes of payment, including proceeds from the Proposed Rights Issue. As such, it is not expected to have a material impact on the Group's financial position or cash flow, assuming the successful implementation of the Proposed Rights Issue. By owning the Subject Property, the Group is expected to achieve long-term cost savings. For illustrative purposes, the current rental rate of approximately RM3.00 million per annum (RM248,462 per month) is subject to further upward revision upon renewal. If the Group were to continue renting the Subject Property for another 10 years, it would incur around RM30.00 million in rental expenses (assuming no rent increase). Further, the said rental rate is not inclusive of the applicable SST of 8.00%. In contrast, ownership would eliminate rental obligations, although it would entail ownership-related costs such as quit rent, assessment, fire insurance, and refurbishment or major repairs as estimated below:

Ownership-related costs	(RM)
Quit rent ⁽¹⁾	45,495
Assessment ⁽²⁾	115,455
Fire insurance ⁽³⁾	110,959
Refurbishment and/or major repairs ⁽⁴⁾	300,000
Total	571,909

Notes:

- (1) Based on the annual quit rent of the Subject Property billed in 2024.
- (2) Based on the yearly assessment of the Subject Property (before any discount or rebate provided for the year).
- (3) Based on fire insurance premium for the Subject Property paid for period between November 2023 and November 2024.
- (4) Based on the Management's estimated budget.

Based on the above estimated ownership-related costs of approximately RM572,000 per annum, or RM5.72 million over 10 years, the ownership of the Subject Property would result in significant cost savings to the Group as compared to rental expenses over the same period. Other operational costs, such as utilities, maintenance, and minor repairs, are already borne by the Group under the existing tenancy and will continue to be incurred. If the Group previously benefited from tax deductions on rental expenses, such deductions would instead be replaced by capital allowances claimable on the Subject Property in accordance with the provisions of the Income Tax Act 1967.

While this shift from operating expenditure (OPEX) to capital expenditure (CAPEX) may affect the timing of tax deductions, as capital allowances are recognised progressively over several years rather than being fully deductible in the year incurred, the overall impact on the Group's tax liabilities is not expected to be material, as the change primarily affects the timing rather than the quantum of deductions.

Furthermore, the Group will also benefit from tax deductibility on other ownership-related expenses such as maintenance, assessment, and quit rent. This shift to ownership is anticipated to improve the Group's cost structure and provide greater financial predictability and operational stability, while freeing up cash flows for operational needs and strategic initiatives, ultimately contributing to improved earnings over time.

In addition, the Proposed Acquisition represents a strategic investment opportunity for the Group. Ownership of the Subject Property provides not only cost savings but also the potential for long-term value creation and capital appreciation. The Subject Property is situated within Taman Teknologi Cheng, an established and growing industrial estate in the northern region of Melaka. It benefits from good accessibility via major routes such as Lebuhraya AMJ, Lebuhraya SPA, Jalan Krubong, and proximity to the North-South Expressway, facilitating connections to key commercial and industrial nodes in Melaka and the Klang Valley. The site lies approximately 10 kilometres from Jonker Street and the Melaka International Trade Centre, and about 5.2 kilometres from Melaka International Airport, further enhancing its strategic position for industrial and logistics operations. Future infrastructure projects, such as the Kuala Lumpur -Singapore High Speed Rail (HSR) and the Melaka Gateway, are also expected to improve accessibility and enhance the development potential of the locality.

The Subject Property is surrounded by a mixture of established industrial and manufacturing companies such as Meriahtek (M) Sdn Bhd, Yuppies Manufacturing Sdn Bhd, Kinzoku Technologies Sdn Bhd, Kotra Pharma (M) Sdn Bhd and Goldsta (M) Sdn Bhd as well as retail landmarks like NSK Trade City, SPA City Mall, Tesco Melaka Cheng and Econsave Batu Berendam. The surrounding economic activity, combined with strong industrial presence, indicates ongoing demand for well-located industrial properties in this locality.

Given these characteristics, the Subject Property's locality and established industrial environment are expected to support its market value and marketability over time. The remaining leasehold tenure of the industrial land where the Subject Property is erected on of approximately 84 years, near-rectangular shape, wide frontage, and secure compound may further enhance its appeal for long-term industrial use. We noticed that for the purpose of the valuation of the said land, the Valuer has made necessary adjustment (downward or upward) considering the remaining leasehold term of the comparable lands. The Vendor has confirmed that a premium will only be payable in the event the leasehold term is reinstated to the full 99 years, in which case the amount of such premium will be determined by the relevant State Authority and payable to the State Government.

It is important to note that there is a cemetery located adjacent and approximately 100 metres from the Subject Property. We noted that the Valuer is of the view that the close proximity does not affect the market value of the Subject Property, as the stigma of cemeteries rarely affects industrial estates. This view is supported by comparable transactions and valuation benchmarks of nearby industrial properties which indicate no observable discount attributable to proximity to cemeteries. Notwithstanding this, shareholders of the Company should note that the perception or stigma among certain buyers or tenants may still persist, given that the Subject Property is located approximately 100 metres from a cemetery which may potentially affect the valuation and marketability of the Subject Property and/or the land. However, such impact is generally limited in industrial property markets, where functional and locational attributes remain the primary determinants of value.

Overall, the Proposed Acquisition will provide the Group with full operational control and flexibility to optimise use of the Subject Property in line with evolving business needs, while reducing exposure to rental upward revision, tenancy renewal risks, and potential operational disruption. This aligns with the Group's long-term strategy to secure stable operations, enhance asset strength, and create sustainable value for shareholders.

(iii) Eliminating potential conflict of interest and risks associated with related party transactions

Currently, the Group is renting Subject Property from SPASB, which constitutes a related party transaction and may require ongoing regulatory disclosures and approvals. The Proposed Acquisition thereby reducing its reliance on a related party and ensuring greater corporate independence.

Additionally, the Proposed Acquisition will mitigate risks associated with rental uncertainties, including potential rental increases or non-renewal of tenancy agreement. This will provide long-term cost stability and strengthen the Group's corporate governance practices by removing concerns related to transactions with related parties.

The Management confirms that upon completion of the Proposed Acquisition, there will be no more related party transactions involving Dato' Sri Lim and/or his PACs in respect of the Subject Property.

As disclosed in **Section 10.2** of Part A of the Circular, notwithstanding the dilution impact to the shareholders of the Company pursuant to the issuance of Consideration Shares, the Proposed Acquisition will allow the Group to gain full control over the use of the Subject Property without the uncertainty associated with rental renewals and potential rent fluctuations. The removal of recurring rental obligations is expected to free up the Group's cash flows, which can be redirected toward its operational needs and strategic initiatives, ultimately contributing to improved profit margins over time. Further, having ownership over the Subject Property will allow the Group to benefit from potential property value appreciation over time, which is expected to contribute to an increase in the Group's NA, assuming minimal increase in the total liabilities in the Group. This, in turn, would enhance the Group's NA per share, hence creating additional value for the shareholders of the Company.

Premised on the above, we are of the view that the rationale for the Proposed Acquisition is reasonable.

6.1.2 Rationale for the Proposed Debt Settlement

As disclosed in **Section 3.7** of the Part A of the Circular, the Board therefore views that the Proposed Debt Settlement via the issuance of Settlement Shares to Dato' Sri Lim is the most appropriate method as it would enable the Company to:

- (i) settle the indebtedness without incurring additional debt obligation or interest expenses that may be incurred by EURO via other forms of financing such as bank borrowings;
- (ii) reduce the Company's debt whilst conserving its cash and bank balances, which can instead be used for other purposes including the working capital for its business; and
- (iii) strengthen the Company's equity base as well as NA through the capitalisation of debt into equity and improve the overall financial position of the Company immediately after the settlement of Settlement Sum.

Our commentaries on the rationale for the Proposed Debt Settlement

(i) Settlement of indebtedness without incurring additional debt obligation or interest expenses that may be incurred by the Group via other forms of financing such as bank borrowings

Although the Advances are non-interest bearing and do not have a fixed repayment term, it represents outstanding obligations in the books of the Group. We are of the view that the Proposed Debt Settlement via issuance of Settlement Shares at this juncture is necessary and appropriate as it represents an opportunity for the Group to settle the Advances without involving cash outflow from the Group or incurring new debt obligation that would attract interest expense.

In evaluating the rationale of the Proposed Debt Settlement, we have also considered other methods of settlement and whether the Proposed Debt Settlement via issuance of Settlement Shares is the most appropriate method to settle the Settlement Sum and in the best interest of the Company.

Settlement using cash

We noted that as at 30 June 2025, the Company's cash and bank balances stood at RM0.05 million. As at the LPD, the Group has no bank borrowings. The Management has indicated its intention to conserve the available cash to support the Company's working capital needs and/or to address short-term financial obligations as they arise. In light of this, we are of the view that using cash to settle the Settlement Sum is not a viable option as it would place undue strain on the Company's liquidity position.

Settlement through borrowings

Based on the above Group's past financial performances and latest financial position, the Company's ability in obtaining new bank borrowing(s) from financial institutions may be limited due to stringent lending requirements imposed by financial institutions.

Even if the Group is able to obtain new borrowing to settle the Settlement Sum of RM25.34 million, it would result in an estimated annual interest expenses of RM2.14 million based on a 8.45% interest rate (assuming same as cost of financing of existing loans), thus increasing the Group's gearing and cash flow burden. Further, additional borrowing may result in the need to comply with the borrowing requirements that may affect the flexibility of the Company to control its assets and cash flow.

Settlement through proceeds raised from the Proposed Rights Issue

We noted that the Company does not intend to allocate the proceeds to be raised from the Proposed Rights Issue for settlement of the Settlement Sum as the Company intends to allocate such proceeds mainly to finance the Proposed Acquisition, Group's working capital requirements and capital expenditures on existing facilities and/or investments in new business(es) as set out in **Section 8.2** of Part A of the Circular.

Further, the Rights Shares will be issued at higher discounts than the Settlement Shares. If the Proposed Debt Settlement was to be settled through the proceeds from the Proposed Rights Issue, under the Minimum Scenario, the Undertaking Shareholders will receive more shares based on their entitlement while the other Entitled Shareholders will dilute further if they do not subscribe for their entitlement.

Settlement via issuance of Settlement Shares

The Proposed Debt Settlement via issuance of Settlement Shares allows the Group to preserve its cash reserves for operational needs, thus represents an opportunity for the Group to settle the Settlement Sum without incurring new debt obligations and additional interest expenses.

For information, the Company had in 2023 undertaken a debt settlement exercise which entailed the settlement of debts owing to Dato' Sri Lim, who was the Group Managing Director and the controlling shareholder of EURO back then, amounting to RM21,198,864 through the issuance of 181,497,100 new Shares at an issue price of RM0.1168 each ("**Debt Settlement 2023**"). The Debt Settlement 2023 was completed on 8 May 2023 pursuant to the issuance of new Shares to Dato' Sri Lim for settlement.

Despite the issue price for the Debt Settlement 2023 being higher at RM0.1168 per Share compared to RM0.045 per Share for the current Proposed Debt Settlement, we noted that the current issue price represents a lower discount of **10.18%** to the five (5)-day VWAP up to and including the LTD, whereas the earlier debt settlement exercise involved a higher discount of **14.99%** to the five (5)-day VWAP. While the lower discount reflects a more reasonable pricing relative to the prevailing market price, the lower absolute issue price would require the issuance of a higher number of new shares. This will result in the increase Dato' Sri Lim's shareholding and a dilution to the non-interested shareholders of the Company.

We are of the view that the pricing is still within market norms for similar exercises of this nature, as further evaluated in **Section 6.4.1** of this IAL. However, the non-interested shareholders of the Company should consider on the dilutive impact and the increase in control by Dato' Sri Lim and his PACs.

The recurrence of similar debt settlement exercises via the issuance of new Shares within a relatively short period could adversely impact the minority shareholders of the Company as their shareholdings further dilute correspondingly. This also would enable certain/major shareholder and their PACs (if any) to increase their level of control in the Company. However, such debt-to-equity conversions are not uncommon for companies seeking to strengthen their financial position without incurring additional debt or straining cash flow. These exercises were carried out with transparency, subject to regulatory requirements and approval by non-interested shareholders, thereby helping to safeguard minority shareholders' interests. Further, the issue prices were also benchmarked against prevailing market levels with reasonable discounts in line with comparable fund-raising exercises.

We noted that the recurring reliance on share issuance as a means of settlement may create an expectation of continued dilution in the future. We are of the view that the Company should consider establishing an internal policy or framework to limit or manage the recurrence of such dilution events, thereby safeguarding the interests of the non-interested shareholders from further dilutive impact. Accordingly, shareholders should take note that the recurring reliance on share issuance represents a key risk associated with the Proposed Debt Settlement, particularly in the absence of appropriate controls or mitigation measures.

Moving forward, if the Company requires further funding for working capital or other purposes, it has indicated that it will prioritise fund-raising avenues that allow fair participation by all shareholders, such as rights issues or similar exercises. Notwithstanding that, in the event that urgent funding is required to address immediate operational or financial needs, the Company may still need to obtain advances from major shareholders. Consistent with past practice, any such arrangement will continue to be undertaken in accordance with the Company's internal policies and procedures and applicable regulatory and listing requirements, with due regard to the interests of all shareholders. In this regard, the Company is encouraged to formalise internal guidelines or parameters to manage the frequency and impact of any future equity issuance or shareholder advances, to ensure transparency and safeguard minority shareholders' interests.

[The rest of this page has been intentionally left blank]

(ii) Conservation of cash for operational needs

As highlighted above, the Company's cash and bank balances of RM0.05 million as at 30 June 2025 can be conserved for its day-to-day working capital for its existing businesses. Given the capital-intensive nature⁽¹⁾ of the Group's businesses, the Proposed Debt Settlement not only allows the Group to conserve its cash and bank balances but also allows it to preserve cash flows for immediate operational needs.

Note:

- (1) *Investopedia described the term "capital intensive" as industries that needing significant investment to produce goods or services. These industries leverage high fixed assets like property, plant, and equipment, resulting in increased depreciation costs. The Company's businesses, which comprise furniture manufacturing and steel trading, are considered capital-intensive in nature as they require substantial and recurring investment in factory buildings, industrial land, machinery, and equipment to support production activities. As disclosed in the Group's FYE 2025 annual report, property, plant and equipment represent a significant proportion of approximately 65.4% of the total assets. The Group continues to incur notable depreciation and reinvestment in its production facilities, particularly following the relocation of its manufacturing operations to Melaka. The nature of these operations requires continuous capital outlay for maintenance, upgrades, and regulatory compliance.*

This capital-intensive in nature characteristic is further reflected in the utilisation of the Advances, of which approximately 40% was directed towards the purchase of machineries (27.05%) and moulds (13.90%) as well as the intended use of proceeds from the Proposed Rights Issue, of which approximately 48.9% was directed towards the payment of balance Purchase Consideration (34.6%) and capital expenditures on existing facilities and/or investments in new businesses (14.3%).

(iii) Strengthening equity base and financial position

The settlement of the Advances via the issuance of Settlement Shares would enable the Company to strengthen its equity base as well as NA through the capitalisation of debt into equity and improve the overall financial position of the Company immediately after the settlement of Settlement Sum. As set out in **Section 6.7.2** of this IAL, the pro forma effects of the Proposed Debt Settlement on the NA and gearing of the Group are summarised as follows:

	(Audited) As at 30 June 2025 (RM'000)	After the Proposed Acquisition (RM'000)	After the Proposed Debt Settlement ⁽¹⁾ (RM'000)
Shareholders' equity / NA	100,908	118,908	144,253
No. of Shares in issue ('000)	1,327,967	1,727,967	2,291,177
NA per share (RM)	0.08	0.07	0.06
Net borrowings (RM'000)	671	671 ⁽³⁾	671
Gearing ⁽²⁾ (times)	0.01	0.01	Neg

Notes:

Neg Negligible. Being less than 0.01.

- (1) *Assuming the Proposed Acquisition is completed prior to the implementation of the Proposed Debt Settlement.*

- (2) *Computed based on net borrowings divided by the NA.*

- (3) *After taking into consideration the repayment of bank borrowings for the period from 1 July 2024 until 30 June 2025 amounting to RM3.26 million.*

Based on the above, notwithstanding that the Proposed Debt Settlement will result in a decrease in the Group's pro forma NA per EURO Share from RM0.08 (as at 30 June 2025) to RM0.06 (upon completion of the Proposed Debt Settlement) due to the dilution effects of the Settlement Shares, the Proposed Debt Settlement is expected to improve the financial position of the Group as:

- (i) the pro forma NA of EURO Group will increase from RM100.91 million (as at 30 June 2025) to RM144.25 million (upon completion of the Proposed Debt Settlement); and
- (ii) the pro forma gearing will improve from 0.01 times (as at 30 June 2025) to less than 0.01 times (upon completion of the Proposed Debt Settlement).

It is noted from **Section 10.3** of Part A of the Circular that the Group intends to reduce its financial obligations to a more manageable level (by reducing the outstanding trade and other payables, and bank borrowings) without incurring any significant cash outflow from its existing cash and bank balances. We noted that the Group has no outstanding borrowings as at the LPD. While there is no specific optimal gearing ratio maintained by the Group, we believe that given the Group's current financial circumstances, it would not be prudent for the Group to utilise bank borrowings, whether in full or in part (in combination with the issuance of new Shares), to settle the Advances, as this could place additional strain on the Company's cash flows and would expose the Group to additional financial risk associated with debt obligations or interest burden.

Non-interested shareholders of the Company should note that there will be significant dilutive effect on their shareholding arising from the Proposed Debt Settlement via issuance of the Settlement Shares. However, the Board is of the view that the Proposed Debt Settlement is the most appropriate and in the best interest of the Group at this juncture, as it allows the Group to focus on stabilising its businesses and financial performance as well as strengthening its equity base and overall financial position. The Board further believes that the potential benefits arising from an improved financial standing and reduced debt obligations may help to compensate for the dilutive impact and, in turn, enhance long-term value for shareholders.

Premised on the above, we are of the view that the rationale for the Proposed Debt Settlement is reasonable.

6.1.3 Rationale for the Proposed Private Placement

As disclosed in **Section 4.1** of Part A of the Circular, we noted that the Proposed Private Placement entails the issuance of up to 331,991,700 Placement Shares, representing up to 25.00% of the total number of issued Shares (excluding treasury shares, if any) as at the LPD. The actual number of Placement Shares to be issued will be determined and announced at a later date after receipt of approval from the Company's shareholders at the forthcoming EGM.

We noted from **Section 4.2** of Part A of the Circular that the Company intends to place the Placement Shares to the Placee(s) to be identified at a later date and does not intend to place the Placement Shares to the Interested Persons, person(s) connected to them and/or nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Subject to market conditions and the timing of identification of the Placee(s), the Proposed Private Placement may be implemented in 1 or more tranches within 6 months from the date of approval of Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities or any extended period as may be approved by Bursa Securities. The implementation of the placement arrangement in multiple tranches would provide flexibility to the Company to procure interested investors to subscribe for the Placement Shares from time to time.

We also noted that the Proposed Private Placement is intended to be implemented after the completion of the Proposed Acquisition and Proposed Debt Settlement. In the event the Proposed Acquisition and/or the Proposed Debt Settlement is not approved by the Company's non-interested shareholders at the forthcoming EGM, the Company will still implement the Proposed Private Placement if it is approved by the non-interested shareholders at the forthcoming EGM.

The Placement Shares will be issued based on a discount of not more than 15.00% to the 5-day VWAP of EURO Shares immediately preceding the price-fixing date(s). For further evaluation on the basis and justification for the issue price of the Placement Shares, please refer to **Section 6.4.2** of this IAL.

As disclosed in **Section 4.7** of Part A of the Circular on the rationale and benefits of the Proposed Private Placement, we noted that after considering various fundraising methods, the Board is of the view that the Proposed Private Placement is the most appropriate avenue to raise additional funds intended to be utilised in such manner as set out in **Section 8.1** of Part A of the Circular, based on the following factors:

- (i) the Proposed Private Placement provides the Company an expeditious way of raising funds from the capital market and can be implemented in multiple tranches to align with the Group's funding requirements;
- (ii) the Proposed Private Placement will not require the Company to arrange for any underwriting or to procure any undertaking from the Company's shareholders to guarantee a minimum amount of funds to be raised as would usually be required for a rights issue of shares;
- (iii) the Proposed Private Placement serves as additional funding for the Group's working capital requirements without incurring additional interest cost and debt repayment obligation as compared to bank borrowings or issuance of debt instruments;
- (iv) although the Proposed Private Placement will result in a dilution to the existing shareholders' shareholding as a result of the issuance of new Placement Shares to the third-party investors, upon completion of the Proposed Private Placement, the enlarged capital base is expected to strengthen the Group's financial position and future earnings when the economic and financial benefits from the use of proceeds are realised; and
- (v) the Proposed Private Placement enables the Company to maintain compliance with Paragraph 8.02(1) of the Listing Requirements which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding any treasury shares) are in the hands of public shareholders, after the Proposed Rights Issue. For illustration purposes only, assuming that (a) the Proposed Private Placement is not approved by the non-interested shareholders of the Company at the forthcoming EGM; and (b) only the Undertaking Shareholders subscribe for their entitlements to the Rights Shares pursuant to the Undertakings as set out in **Section 5.3** of Part A of the Circular and no other Entitled Shareholders subscribe for their entitlement under the Proposed Rights Issue, the public shareholding spread of the Company will decrease from 35.67% (after the Proposed Acquisition and Proposed Debt Settlement) to 21.71%.

Our commentaries on the rationale for the Proposed Private Placement

(i) Provides certainty and expedient fund raising avenue

We concurred with the Board's view that the Proposed Private Placement offers a more expeditious fundraising avenue as a private placement in general can be implemented more swiftly as compared to a rights issue which is more time-consuming and less cost-effective process, in view of additional time and costs may be incurred to prepare and issue an abridged prospectus to shareholders, to implement the rights issue, and to secure undertakings and/or underwritings. Furthermore, the flexibility to execute the private placement in multiple tranches provides the Company with the ability to time its fundraising in line with market conditions and capital requirements.

The Proposed Private Placement shall provide a degree of certainty for EURO to raise the required amount for the intended utilisation as opposed to a rights issue which will depend on the subscription rate by the entitled shareholders and/or their renouncee(s), unless underwriting arrangement is procured.

As disclosed in **Section 9** of Part A of the Circular, we noted that the Company had previously undertook private placement exercises in 2022 and 2023.

Private Placement 2022 which entailed placement of up to 80,000,000 new EURO Shares, representing not more than 20% of EURO Shares in issue (excluding any treasury shares). Private Placement 2022 was implemented in two tranches and completed in 23 August 2022, which successfully raised total gross aggregated proceeds of RM9.68 million.

Meanwhile, Private Placement 2023 which entailed placement of up to 264,570,000 new EURO Shares, representing 30% of EURO Shares in issue (excluding any treasury shares). The Private Placement 2023 was implemented in two tranches and completed in April 2024, which successfully raised total gross aggregated proceeds of RM16.23 million.

For the avoidance of doubt, none of Dato' Sri Lim and his PACs were the placee(s) for the Private Placement 2022 and Private Placement 2023.

Since Private Placement 2022 and Private Placement 2023 were only completed in the last three (3) years, the Proposed Private Placement may be seen disadvantageous to the non-interested shareholders of the Company due to potential further dilution of their shareholdings. However, the Proposed Private Placement is capped at not more than 25% of the total number of issued Shares as at the LPD, which is intended to mitigate the extent of dilution. Furthermore, as the Placement Shares are not intended to be placed with any Interested Person and person connected with the Interested Person, the Proposed Private Placement will not result in increase in the shareholdings of Dato' Sri Lim and/or his PACs.

On the contrary, placing the Placement Shares with the Placee(s) or independent third-party investor(s) will in turn reduce the collective shareholdings of Dato' Sri Lim and his PACs which could be favorable to the non-interested shareholders of the Company. It will also help to enhance the Company's public shareholding spread and introduces new investors into the shareholder base. In addition, the non-interested shareholders of the Company will have the opportunity to increase their shareholdings in EURO through the Proposed Rights Issue.

Accordingly, we are of the view that the Board's intention to undertake the Proposed Private Placement is reasonable, and not detrimental to the interests of the non-interested shareholders, taking into account the timeliness, flexibility, and greater funding certainty required to meet the Company's funding needs as set out in **Section 8.1** of Part A of the Circular.

(ii) Strengthens the cash flow for working capital requirements

Based on the indicative issue price of the Placement Shares of RM0.045, the Company is expected to raise total gross proceeds of up to approximately RM14.94 million from the Proposed Private Placement to meet the existing businesses' day-to-day working capital requirements up to 24 months from the completion of the Proposed Private Placement in the following manner:

Description	Note	RM'000
Payments to suppliers and creditors	(a)	5,500
Staff salaries and related costs	(b)	3,940
Other operating and administrative expenses	(c)	5,500
Total		14,940

Notes:

- (a) *Comprising payments to suppliers for, among others, purchase of raw materials, parts and consumables as well as services in relation to the Group's operations. For the FYE 30 June 2025, the Group's payment to suppliers and creditors amounted to approximately RM99.54 million.*
- (b) *Comprising staff salaries, wages, allowances and overtime as well as statutory payments and/or contributions. For the FYE 30 June 2025, the Group's staff salaries and related costs amounted to approximately RM2.35 million.*
- (c) *Comprising, among others, payments for rentals, utilities, upkeep of office and facilities as well as professional fees in relation to audit, tax, secretarial and legal matters as follows:*

Description	RM'000
Rental expense ⁽¹⁾	4,000
Utilities expense	200
Upkeep of office and facilities	200
Professional fees	1,000
Others	100
Total	5,500

Note:

- (1) *Comprising rental expense for a single-storey detached commercial building with a mezzanine floor located at Mukim Cheng, Melaka which is used as the warehouse cum showroom for the Group's steel products ("**Steel Warehouse cum Showroom**"). The Steel Warehouse cum Showroom is rented by ELSB pursuant to a tenancy agreement entered between ELSB and IASB dated 3 June 2022 which has been renewed on 23 May 2024 with a monthly rental of RM237,837.93 from 2 June 2024 to 1 June 2026 (with an option to renew for a further 2 years, with an increase of not more than 10% of the prevailing monthly rental upon renewal). For the avoidance of doubt, the Steel Warehouse cum Showroom is not part of the Subject Property.*

For the FYE 30 June 2025, the Group's other operating and administrative expenses amounted to RM13.55 million.

We noted that the Proposed Private Placement is intended to raise the additional funds for working capital requirements of the Group over the next 24 months, including payments to suppliers and creditors, staff salaries and related expenses as well as other operating and administrative costs. It allows the Group to secure the required funding without incurring additional interest and repayment obligation as compared to raising funds via bank borrowings or issuance of debt instruments.

This would help to strengthen the Group's cash flow position and ensure the availability of funds to sustain its ongoing operations throughout the intended period.

(iii) Strengthens the capital base and financial position of the Company

While the Proposed Private Placement will result in dilution of the existing shareholders' shareholdings due to the issuance of new Shares to third-party investors, we are of the view that the Proposed Private Placement will strengthen the Group's capital base and financial position without incurring debt obligations.

Although the Group's gearing level is notably low, the Company is mindful of its cash flow position and does not wish to incur new borrowings that may place a heavier burden on its cash flows. The anticipated proceeds are expected to contribute positively to the Group's future earnings when the economic and financial benefits from the use of proceeds are realised.

As such, we are of the view that the benefits of the Proposed Private Placement outweigh the adverse impact of the dilution.

(iv) Maintains compliance with the public spread requirements

We wish to highlight that the Proposed Private Placement is essential to ensure compliance with the minimum 25% public shareholding spread requirement pursuant to the Proposals and has therefore been made a condition for the implementation of the Proposed Rights Issue.

The conditionality is intended to avoid a situation where the Proposed Private Placement is not approved by the non-interested shareholders of the Company at the forthcoming EGM and only the Undertaking Shareholders subscribe for their entitlements to the Rights Shares pursuant to their Undertakings, with no other Entitled Shareholders taking up their entitlements under the Proposed Rights Issue. In such an event, the Company's public shareholding spread would decrease from 35.67% (after the Proposed Acquisition and Proposed Debt Settlement) to 21.71%, thereby resulting in non-compliance with the public spread requirement.

While we noted that the Company has undertaken private placement exercises in recent years which resulted in dilution of approximately 20% and 30% respectively, the repetition of equity fund-raising within a short period may not represent the most optimal long-term funding strategy, as it could indicate reliance on share issuances and result in recurring dilution to existing shareholders. However, given the Company's current financial position and the need to enhance its working capital and liquidity to support ongoing business operations, the Proposed Private Placement is considered necessary at this stage.

In the longer term, the Company should consider adopting a more optimal capital structure by broadening and balancing its funding base between equity and debt to better support business sustainability and safeguard non-interested shareholders of the Company from further dilution, subject to financial conditions of the Company.

Premised on the above, we are of the view that the rationale for the Proposed Private Placement is reasonable.

6.1.4 Rationale for the Proposed Rights Issue

As disclosed in **Section 5.8** of Part A of the Circular, in view of the Company's cash and bank balances of RM0.05 million as at 30 June 2025, of which the Management intends to preserve for the Company's working capital requirements and/or to address any short-term obligations in a timely manner, we noted that the Board is of the view that the Proposed Rights Issue is an appropriate avenue for the fund raising after considering the following:

- (i) the Proposed Rights Issue allows the Company to raise funds expeditiously without incurring interest costs associated with bank borrowings or issuance of debt instruments that will result in cash outflow arising from interest servicing costs. Moreover, the Company will also be able to preserve such cash, which otherwise would be used for interest costs, for the Company's working capital requirements and/or to address any short-term obligations in a timely manner;
- (ii) the proceeds to be raised from the issuance of Rights Shares will strengthen the cash flow of the Company and utilisation of the said proceeds which include for working capital requirements of the Group's businesses and capital expenditures on existing facilities and/or investments in new business(es) as disclosed in **Section 8.2** of Part A of the Circular is expected to contribute positively to the Company's future earnings and financial performance; and
- (iii) the Proposed Rights Issue will involve the issuance of Rights Shares without diluting the Entitled Shareholders' shareholdings, if all Entitled Shareholders fully subscribe for their respective entitlements under the Proposed Rights Issue and ultimately, participate in the prospects and future growth of the Company.

We noted from **Section 5** of Part A of the Circular that the Proposed Rights Issue, which is to be undertaken on a renounceable basis, entails the issuance of up to 2,623,168,711 Rights Shares, at an issue price to be determined and announced later by the Board, on the basis of **1 Rights Share for every 1 existing Share** held by Entitled Shareholders.

The Company intends to raise minimum gross proceeds of RM58.95 million (which entails the subscription of 1,473,837,611 Rights Shares at the indicative issue price of RM0.040 each) from the Proposed Rights Issue (Minimum Subscription Level) after taking into consideration, amongst others, the funding requirements of the Group as set out in **Section 8** of Part A of the Circular.

Pursuant to that, the Board has procured the Undertakings from the Undertaking Shareholders to subscribe for the Rights Shares in the following manner:

- (i) In the case of any or all of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement being completed prior to the implementation of the Proposed Rights Issue:
 - (a) Pursuant to the Rights Renunciation, Dato' Sri Lim will subscribe for **at least 241,248,354 Rights Shares** by subscribing to his entitlement and apply for excess Rights Shares, if required, under the Proposed Rights Issue, and will renounce up to 25% and 50% of his entitlement under the Proposed Rights Issue to PH Performance⁽¹⁾ and Datuk Lim respectively, after taking into consideration the availability of funds for purpose of subscribing to the Rights Shares by Dato' Sri Lim.

The Rights Renunciation arrangement allows Dato' Sri Lim and his PACs to maintain their collective shareholding percentage of 56.19% in the Company in the event of full subscription of the Proposed Rights Issue, i.e. if the Rights Renunciation is not implemented and Dato' Sri Lim does not fully subscribe to his entitlement under the Proposed Rights Issue, the unsubscribed portion will be made available for subscription by the other Entitled Shareholders and/or their renouncee(s) via excess application and the collective shareholding of Dato' Sri Lim and his PACs in the Company will be diluted), whereas the resultant individual shareholding percentage of Dato' Sri Lim in the Company will decrease from 36.79% to 22.99%.

The exact quantum of the Rights Renunciation will be dependent on the resultant number of Shares held by Dato' Sri Lim upon completion of the Proposed Acquisition and/or Proposed Debt Settlement, whereby the Consideration Shares and/or the Settlement Shares will be issued to Dato' Sri Lim, as the case may be.

In the event Dato' Sri Lim's entitlement under the Proposed Rights Issue is lower than his intended subscription of at least 241,248,354 pursuant to the Undertaking provided by him, Dato' Sri Lim will only renounce 100,000 Rights Shares entitlement under the Proposed Rights Issue to Datuk Lim to enable Datuk Lim to subscribe to the Rights Shares pursuant to the Undertaking provided by Datuk Lim as Datuk Lim currently does not have any shareholding in EURO as at the LPD. In this regard, save for the foregoing scenario, Dato' Sri Lim will first ensure he has sufficient entitlement under the Proposed Rights Issue to fulfil his Undertaking, while his remaining entitlement under the Proposed Rights Issue will be renounced in the proportion of 2/3 and 1/3 of the remaining entitlement to Datuk Lim and PH Performance respectively.

[The rest of this page has been intentionally left blank]

The tables below illustrate the quantum of the Rights Renunciation based on the possible scenarios of implementation of the Proposed Rights Issue:

Assuming only the Proposed Private Placement is completed prior to the implementation of the Proposed Rights Issue

	Shareholdings in EURO after the Proposed Private Placement			Entitlement under the Proposed Rights Issue		Entitlement under the Proposed Rights Issue after the Rights Renunciation
	Shareholdings in EURO as at the LPD	%	No. of Shares	%	Rights Renunciation	
Dato' Sri Lim	1,783,500	0.13	1,783,500	0.11	1,783,500	1,683,500
PH Performance	285,000	0.02	285,000	0.02	285,000	285,000
Datuk Lim	-	-	-	-	-	100,000
Total	2,068,500	0.15	2,068,500	0.13	2,068,500	2,068,500

Assuming only the Proposed Acquisition and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue

	Shareholdings in EURO after the Proposed Acquisition and Proposed Private Placement				Entitlement under the Proposed Rights Issue		Entitlement under the Proposed Rights Issue after the Rights Renunciation
	Shareholdings in EURO as at the LPD	%	No. of Shares	%	Entitlement under the Proposed Rights Issue	Rights Renunciation	
Dato' Sri Lim	1,783,500	0.13	401,783,500	19.50	401,783,500	(160,535,146)	241,248,354
PH Performance	285,000	0.02	285,000	0.01	285,000	53,511,715	53,796,715
Datuk Lim	-	-	-	-	-	107,023,431	107,023,431
Total	2,068,500	0.15	402,068,500	19.52	402,068,500		402,068,500

[The rest of this page has been intentionally left blank]

Assuming only the Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue

	Shareholdings in EURO as at the Proposed Debt Settlement and Proposed Private Placement			Shareholdings in EURO after the Proposed Debt Settlement and Proposed Private Placement			Entitlement under the Proposed Rights Issue after the Rights Renunciation	
	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	Rights Renunciation	Entitlement under the Proposed Rights Issue after the Rights Renunciation
Dato' Sri Lim	1,783,500	0.13	564,993,411	25.41	564,993,411	(323,745,057)	241,248,354	
PH Performance	285,000	0.02	285,000	0.01	285,000	107,915,019	108,200,019	
Datuk Lim	-	-	-	-	-	215,830,038	215,830,038	
Total	2,068,500	0.15	565,278,411	25.43	565,278,411		565,278,411	

Assuming the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue

	Shareholdings in EURO as at the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement			Shareholdings in EURO after the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement			Entitlement under the Proposed Rights Issue after the Rights Renunciation	
	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	Rights Renunciation	Entitlement under the Proposed Rights Issue after the Rights Renunciation
Dato' Sri Lim	1,783,500	0.13	964,993,411	36.79	964,993,411	(723,745,057)	241,248,354	
PH Performance	285,000	0.02	285,000	0.01	285,000	241,248,352	241,533,352	
Datuk Lim	-	-	-	-	-	482,496,705	482,496,705	
Total	2,068,500	0.15	965,278,411	36.80	965,278,411		965,278,411	

[The rest of this page has been intentionally left blank]

- (b) PH Performance will subscribe for **at least 241,533,352 Rights Shares** by subscribing to its entitlement under the Proposed Rights Issue and up to 25% of Dato' Sri Lim's entitlement under the Proposed Rights Issue to be renounced to PH Performance pursuant to the Rights Renunciation and apply for excess Rights Shares, if required, under the Proposed Rights Issue;
 - (c) S.P.A. Furniture will subscribe for **at least 508,559,200 Rights Shares** by subscribing to its entitlement under the Proposed Rights Issue; and
 - (d) Datuk Lim will subscribe for **at least 482,496,705 Rights Shares** by subscribing up to 50% of Dato' Sri Lim's entitlement under the Proposed Rights Issue to be renounced to her pursuant to the Rights Renunciation and apply for excess Rights Shares, if required, under the Proposed Rights Issue; or
- (ii) In the case where none of the Proposed Acquisition, Proposed Debt Settlement, Proposed Exemption 1 and Proposed Exemption 2 are approved by the Company's non-interested shareholders, at the forthcoming EGM and not implemented such that only the Proposed Private Placement and the Proposed Rights Issue can be implemented, the Proposed Rights Issue will be undertaken on a full subscription basis which will be satisfied via the Undertaking Shareholders subscribing to their own respective entitlement and/or excess Rights Shares under the Proposed Rights Issue based on the Undertakings up to an aggregate of 1,473,837,611 Rights Shares, subject to the Proposed Exemption 3 being approved by the non-interested shareholders of the Company and consented by the SC and the Proposed Private Placement being approved by the non-interested shareholders of the Company.

Note:

- (1) *PH Performance is incorporated in Malaysia on 9 March 2007 as a private limited company under the Companies Act, 1965 under CH Performance (M) Sdn. Bhd. It then assumed its present name since 2 June 2009. It is principally involved in export and trading in automotive parts. As at the LPD, the directors and shareholders of PH Performance (which holds 0.02% equity interest in the Company) and their respective shareholding are as follows:*

Name	Designation	% of shareholding held in PH Performance
Datin Sri Ong Lely	Director	50.00%
Datuk Lim	Director	50.00%
Total		100.00%

We further noted from **Section 5** of Part A of the Circular that TA Securities has verified that the respective Undertaking Shareholders have sufficient financial resources to fulfil the Undertakings.

As the Minimum Subscription Level will be fully satisfied via the Undertakings, the Company will not procure any underwriting arrangement for the remaining Rights Shares not subscribed for by other Entitled Shareholders.

We also noted that the Undertakings are not expected to result in any breach in the public shareholding spread requirement by the Company under Paragraph 8.02(1) of the Listing Requirements, which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding any treasury shares) are in the hands of public shareholders, upon completion of the Proposed Rights Issue. As detailed in **Section 7** of Part A of the Circular, the public shareholding spread of the Company as at the LPD is approximately 61.55% and is expected to decrease to:

- (i) 28.05%, upon completion of the Proposed Rights Issue under the Minimum Scenario in the event the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue;

- (ii) 36.68%, upon completion of the Proposed Rights Issue under the Only Private Placement and Rights Issue Scenario in the event the Proposed Acquisition, Proposed Debt Settlement and/or Proposed Exemptions are not approved by the Company's shareholders at the forthcoming EGM and not implemented; or
- (iii) 43.81%, upon completion of the Proposed Rights Issue under the Maximum Scenario in the event the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement are completed prior to the implementation of the Proposed Rights Issue.

In the event Minimum Subscription Level has been achieved via subscription by other Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) of respective entitlements and any excess Rights Shares, the Undertaking Shareholders will still be obliged to subscribe in full for their Rights Shares entitlements pursuant to the Undertakings which will result in the increase in the individual shareholding percentage of the other Undertaking Shareholders (save for Dato' Sri Lim whose individual shareholding percentage in the Company will decrease) and collective shareholding percentage of Dato' Sri Lim and his PACs in the Company.

The Proposed Rights Issue is intended to be implemented after the completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement. In the event the Proposed Acquisition and Proposed Debt Settlement are not approved by the Company's non-interested shareholders, at the forthcoming EGM, the Company will still implement Proposed Rights Issue subject to:

- (a) the Proposed Exemption 3 being approved by the non-interested shareholders of the Company and consented by the SC; and
- (b) the Proposed Private Placement being approved by the non-interested shareholders of the Company.

Please refer to **Section 5** of Part A of the Circular for more details of the Proposed Rights Issue.

Our commentaries on the rationale for the Proposed Rights Issue

(i) Enables the Company to raise the intended funds without incurring interest costs

As disclosed in **Section 8.2** of Part A of the Circular, we noted that the Proposed Rights Issue will raise gross proceeds of up to approximately RM104.93 million (based on the indicative issue price of the Rights Shares of RM0.040), intended for the following utilisation:

Intended utilisation	Note	Minimum Scenario RM'000	Only Private Placement and Rights Issue Scenario RM'000	Maximum Scenario RM'000	Expected time frame for utilisation of proceeds
(1) Cash payment for the balance Purchase Consideration	(a)	36,320	-	36,320	Within 12 months
(2) Working capital	(b)	11,084	47,404	52,057	Within 36 months
(3) Capital expenditures on existing facilities and/or investments in new business(es)	(c)	10,000	10,000	15,000	Within 24 months
(4) Estimated expenses for the Proposals	(d)	1,550	1,550	1,550	Within 3 months
Total		58,954	58,954	104,927	

Notes:

- (a) Cash payment for the balance Purchase Consideration

We noted that the intended utilisation for this purpose is further detailed depending on the following event:

If the Proposed Acquisition and Proposed Rights Issue are implemented

The Company will allocate RM36.32 million of the gross proceeds from the Proposed Rights Issue for the cash payment of the balance Purchase Consideration for the Proposed Acquisition as detailed in **Section 2.4** of Part A of the Circular. If the Group procures bank borrowings to finance the cash payment of the balance Purchase Consideration, the earmarked proceeds of RM36.32 million will be used to repay the said bank borrowings.

If only the Proposed Acquisition is implemented but the Proposed Rights Issue is not implemented

The Group will use internally-generated funds and bank borrowings to fund the Proposed Acquisition and the estimated expenses for the Proposals.

If only the Proposed Rights Issue is implemented but the Proposed Acquisition is not implemented

If the Proposed Acquisition and/or Proposed Exemption 1 are not approved by the non-interested shareholders of the Company, the entire proceeds allocated for the cash payment for the balance Purchase Consideration will then be channelled to the working capital of the Group as detailed below:

Description	RM'000	Expected time frame for utilisation of proceeds
Payments to suppliers and creditors ⁽¹⁾	13,100	Within 36 months
Staff salaries and related costs ⁽²⁾	10,120	Within 36 months
Other operating and administrative expenses ⁽³⁾	13,100	Within 36 months
Total	36,320	

Notes:

- (1) *Comprising payments to suppliers for, among others, purchase of raw materials, parts and consumables as well as services in relation to the Group's operations as detailed below:*

Description	RM'000
Purchase of raw materials	6,950
Purchase of parts and consumables	6,000
Outsourced installation service	150
Total	13,100

- (b) *Comprising staff salaries, wages, allowances and statutory payments and/or contributions as detailed below:*

Description	RM'000
Salaries, wages and allowances	9,035
Statutory payments and/or contributions	1,085
Total	10,120

- (c) *Comprising among others, payments for rentals, utilities, upkeep of office and facilities as well as professional fees in relation to audit, tax, secretarial and legal matters as detailed below:*

Description	RM'000
Rental expenses*	7,000
Utilities expense	1,550
Upkeep of office and facilities	1,550
Professional fees	3,000
Total	13,100

- * *Comprising rental expenses for the Steel Warehouse cum Showroom and Mid Valley Office and Showroom as well as new branches and showrooms as detailed below:*

Description	RM'000
Steel Warehouse cum Showroom	5,400
Mid Valley Office and Showroom	360
New branches and showrooms	1,240
Total	7,000

*Please refer to **Section 8.1** of Part A of the Circular for the details of the rental of the Steel Warehouse cum Showroom.*

*The office and showroom which is located at Mid Valley City, Kuala Lumpur ("**Mid Valley Office and Showroom**") is currently used as the office for its finance department, meeting room as well as showroom for its furniture products. It is rented by Euro Space Industries pursuant to a tenancy agreement entered between Euro Space Industries and KLHOME Holdings Sdn Bhd dated 1 April 2025 with a monthly rental of RM10,000.00 commencing from 1 April 2025 to 31 March 2027.*

*The Group is in the midst of exploring to set up new branches and showrooms for its furniture products at strategic locations across Malaysia as well as the Southeast Asia in line with its plan to expand its business as detailed in **Section 12.4** of Part A of the Circular. As at the LPD, the Group has yet to identify any exact location for the said new branches and showrooms.*

For the avoidance of doubt, the above proceeds of RM36.32 million to be channelled to the working capital of the Group in the event the Proposed Acquisition and/or Proposed Exemption 1 are not approved by the non-interested shareholders of the Company, shall form part of the proceeds of RM47.40 million allocated for the working capital of the Group under the Only Private Placement and Rights Issue Scenario as detailed in Note (b) below.

(b) Working capital

The Company intends to allocate the gross proceeds from the Proposed Rights Issue of up to RM11.08 million, RM47.40 million and RM52.06 million under the Minimum Scenario, Only Private Placement and Rights Issue Scenario or Maximum Scenario respectively to meet the Group's working capital requirements for its existing businesses up to 36 months from the completion of the Proposed Rights Issue in the following manner:

Description	Note	Minimum Scenario (RM'000)	Only Private Placement and Rights Issue Scenario (RM'000)	Maximum Scenario (RM'000)
Payments to suppliers and creditors	(aa)	4,400	17,500	19,300
Staff salaries and related costs	(bb)	2,284	12,404	13,457
Other operating and administrative expenses	(cc)	4,400	17,500	19,300
Total		11,084	47,404	52,057

Notes:

- (aa) *Comprising payments to suppliers for, among others, purchase of raw materials, parts and consumables as well as services in relation to the Group's operations as follows:*

	Minimum Scenario	Only Private Placement and Rights Issue Scenario	Maximum Scenario
Description	RM'000	RM'000	RM'000
Purchase of raw materials	2,350	9,300	10,100
Purchase of parts and consumables	2,000	8,000	9,000
Outsourced installation service	50	200	200
Total	4,400	17,500	19,300

(bb) Comprising staff salaries, wages, allowances statutory payments and/or contributions as follows:

	Minimum Scenario	Only Private Placement and Rights Issue Scenario	Maximum Scenario
Description	RM'000	RM'000	RM'000
Salaries, wages and allowances*	2,040	11,075	12,015
Statutory payments and/or contributions	244	1,329	1,442
Total	2,284	12,404	13,457

* Comprising staff salaries, wages, allowances and bonus as detailed below:

	Minimum Scenario	Only Private Placement and Rights Issue Scenario	Maximum Scenario
Description	RM'000	RM'000	RM'000
Salaries	1,800	9,000	9,000
Wages	100	550	550
Travelling allowance	140	300	300
Bonus or gratuity	-	1,225	2,165
Total	2,040	11,075	12,015

Notwithstanding the proceed from the Proposed Private Placement allocated for the Group's staff salaries and related cost of RM3.94 million to be utilised in 24 months as disclosed in **Section 8.1** of Part A of the Circular, the Company intends to allocate RM2.04 million (under the Minimum Scenario), RM11.08 million (under the Only Private Placement and Rights Issue Scenario) and RM12.02 million (under the Maximum Scenario) of the proceed to be raised from the Proposed Rights Issue for the Group's staff salaries and related cost, after taking into consideration the budgeted amount of staff salaries and related costs for the next 36 months which accounted for the expected increase in the Group's headcount in light with the plan to expand their business as detailed in **Section 12.4** of Part A of the Circular as well as bonus or gratuity to reward its staffs, subject to the Group's profitability.

(cc) Comprising, among others, payments for rentals, utilities, upkeep of office and facilities as well as professional fees in relation to audit, tax, secretarial and legal matters as follows:

	Minimum Scenario	Only Private Placement and Rights Issue Scenario	Maximum Scenario
Description	RM'000	RM'000	RM'000
Rental expenses ⁽¹⁾	3,000	10,000	10,000
Utilities expense	150	1,700	1,700
Upkeep of office and facilities	150	1,700	1,700
Professional fees ⁽²⁾	1,000	4,000	4,400
Others	100	100	1,500
Total	4,400	17,500	19,300

(1) Comprising rental expenses for the Steel Warehouse cum Showroom, Mid Valley Office and Showroom as well as new branches and showrooms as detailed below:

Description	Minimum Scenario	Only Private Placement and Rights Issue Scenario	Maximum Scenario
	RM'000	RM'000	RM'000
Steel Warehouse cum Showroom	3,000	5,400	5,400
Mid Valley Office and Showroom	-	360	360
New branches and showrooms	-	4,240	4,240
Total	3,000	10,000	10,000

Please refer to **Section 8.1** of Part A of the Circular for the details of the rental of the Steel Warehouse cum Showroom.

Please refer to Note (i) of **Section 8.2** of Part A of the Circular for the details of the rental of the Mid Valley Office and Showroom and the new branches and showrooms.

- (2) *Comprising professional fees in relation to audit, tax, secretarial and legal matters as detailed below:*

Description	Minimum Scenario	Only Private Placement and Rights Issue Scenario	Maximum Scenario
	RM'000	RM'000	RM'000
Audit fee	300	800	800
Tax advisory fee	100	200	200
Secretarial fee	100	100	100
Legal fee	500	2,000	2,000
Other consultation fees	-	900	1,300
Total	1,000	4,000	4,400

*Apart from the typical expenses to be incurred regularly, the professional fees as disclosed above also comprise, among others, legal and consultation fees in relation to the material litigations involving the Group as disclosed in **Section 3** of Appendix IV of the Circular.*

Any surplus or shortfall for any category under the working capital will be adjusted against one or more other categories under the working capital requirements. In the event of surplus, the excess will first be utilised for staff salaries and related costs, followed by payments to suppliers and creditors, and other operating and administrative expenses.

- (c) Capital expenditures on existing facilities and/or investments in new business(es)

The Company intends to use up to RM15.00 million of the gross proceeds from the Proposed Rights Issue to finance the Group's capital expenditures on the existing facilities and/or investments in new business(es) opportunities to be identified. We noted that the proceeds are expected to be allocated equally for the following purposes, subject to the funding requirements of the Group at the point of utilisation:

[The rest of this page has been intentionally left blank]

Description	Note	Estimated percentage of allocation of the proceeds	Minimum Scenario or Only Private Placement and Rights Issue Scenario	Maximum Scenario
		%	RM'000	RM'000
(1) Capital expenditures on existing facilities	(aa)			
• Refurbishment and renovation works		25%	2,500	3,750
• Installation of solar panels		25%	2,500	3,750
		50%	5,000	7,500
(2) Investments in new business(es)	(bb)	50%	5,000	7,500
TOTAL		100%	10,000	15,000

Notes:

(aa) Capital expenditures on existing facilities

As at the LPD, the Group is principally engaged in the manufacturing and trading of office furniture as well as trading of steel products and related businesses. The Group plans to carry out refurbishment and renovation works at the Subject Property in Melaka and the factory in Rawang, Selangor to improve the functionality and appearance of the facilities, as well as installation of solar panels on the roofs of the Group's buildings at the Subject Property in Melaka for generation of solar energy.

The Group intends to utilise up to RM7.50 million of the proceeds from the Proposed Rights Issue to fund its plans for the aforementioned refurbishment and renovation works as well as installation of the solar panels which are expected to improve the operational and energy efficiencies of the Group's facilities and reduce costs of electricity consumption which in turn will contribute positively to the Group's operations and financial performance. The actual amounts to be incurred will depend on the amounts billed by third party contractors and/or service providers to carry out the refurbishment and renovation works as well as the installation of the solar panels. In the event the actual expenses are higher than the allocated amount, the deficit will be funded out of the portion allocated for the Group's working capital.

(bb) Investments in new business(es)

The Group will also utilise the proceeds from the Proposed Rights Issue to acquire and invest in other viable businesses with favourable outlook that can generate positive returns to the Group and increase the shareholders' value. The Group intends to assess potential opportunities in sectors such as industrial property development and transportation and logistics services, which could enhance the Group's future earnings and/or complement its existing business. However, as at the LPD, the Company has not identified any suitable and viable investments, whether in the form of acquisitions, investments and/or joint ventures, or whether these investments will be an industry complementary or a different industry to the Group. Without limiting the specific industry or type of business which the Group has yet to identify, this will provide the Group with flexibility in pursuing opportune investments as and when they arise which will be in the best interest of the Company and its shareholders.

The Company will make an immediate announcement and disclose the amount that will be utilised from the proceeds of the Proposed Rights Issue, and issue the required circular(s) upon such acquisitions, investments and/or joint ventures have been identified and/or agreements have been entered by the Group in compliance with the Listing Requirements.

If the nature of the transaction requires proposed diversification of business activity which requires the approval of the shareholders of the Company to be sought pursuant to the Listing Requirements, the Board will seek the necessary approval(s) from the shareholders of the Company at a general meeting.

Depending on the Group's funding requirements and whether any opportunities of potential investments arise at that point of utilisation, the Board shall have the absolute discretion to vary the percentage of allocation to meet the Group's funding requirements.

(d) Estimated expenses for the Proposals

The estimated expenses for the Proposals which comprise of professional fees, fees payable to relevant authorities and other incidental costs, of approximately RM1.55 million are detailed below:

Description	RM'000
Professional fees ^(aa)	1,316
Fees payable to relevant authorities ^(bb)	141
Other incidental expenses in relation to the Proposals ^(cc)	93
	<u><u>1,550</u></u>

Notes:

(aa) *Comprising professional fees payable, including the applicable sales and services tax, to the Principal Adviser, Solicitors, Valuer, Independent Adviser, Company Secretary and Share Registrar as well as any other relevant professionals required for the Proposals.*

(bb) *Comprising fees payable to Bursa Securities, SC and Companies Commission of Malaysia for the Proposals, where applicable.*

(cc) *Comprising expenses to convene the forthcoming EGM, printing, advertising and other ancillary expenses in relation to the Proposals.*

In the event the actual expenses are higher than the allocated amount, the deficit will be funded out of the portion allocated for the Group's working capital. Conversely, if the actual expenses are lower than the allocated amount, the excess will be utilised for the working capital for the Group as detailed in item (b) above.

However, if the Proposed Rights Issue is not implemented, the Group will utilise its internally-generated funds to fund the estimated expenses for the Proposals.

We further noted from **Section 8.2** of Part A of the Circular, pending utilisation of the proceeds from the Proposed Private Placement and Proposed Rights Issue for the abovementioned purposes, the unused proceeds will be placed in interest-bearing deposits with licensed financial institutions and/or short-term money market instruments as the Board deems fit. The interests derived from the deposits placed with financial institutions and/or any gains arising from the short-term money market instruments will be used as additional general working capital for the Group, such as, among others, payments to suppliers and creditors, staff salaries and related costs and other operating and administrative expenses, the allocation of which has not been determined at this juncture and will be based the Group's requirements at the relevant time.

In the event of an immaterial change to the utilisation of proceeds as detailed above, an announcement will be made in relation to change to the utilisation of proceeds.

In the event of a material change to the utilisation of proceeds as detailed above, the approval from the Company's shareholders is required pursuant to Paragraph 8.22 of the Listing Requirements.

In the absence of the Proposed Rights Issue, the Company would have to rely on bank borrowings to fund the balance Purchase Consideration, which would in turn result in additional interest expenses and repayment obligations. As such, the utilisation of proceeds from the Proposed Rights Issue for the aforementioned purposes enables the Group to avoid incurring additional interest expenses and allows it to maintain a low gearing level for future financing capacity.

For illustrative purposes, if the Group were to rely entirely on bank borrowings as alternative to raise up to RM36.32 million for the cash payment for the balance Purchase Consideration and assuming the cost of debt of approximately 8.45% per annum (being the effective interest rate of the Group's outstanding bank borrowings), the Group would need to incur an additional annual interest expense of approximately RM3.07 million.

Further, the Proposed Rights Issue enables the Company to preserve its cash reserves for working capital and short-term obligations, while avoiding additional interest costs associated with debt financing.

(ii) Strengthens cash flow and contributes positively to the Company's future earnings and financial performance

We noted from the above that the proceeds from the Proposed Rights Issue will be mainly utilised to complete the Proposed Acquisition as well as to fund the working capital and capital expenditures, including refurbishment works, solar panels installations, and potential investments in new business opportunities. These allocations are expected to enhance the Group's operational efficiency, reduce electricity costs, and provide flexibility to pursue viable growth opportunities.

Accordingly, we concurred with the view of the Board that the proposed utilisation of proceeds from the Proposed Rights Issue will strengthen the Group's cash flow position while supporting its ongoing operations and strategic expansion. These efforts are expected to contribute positively to the Company's future earnings and financial performance, and are not detrimental to the interests of non-interested shareholders of EURO.

(iii) Provides an opportunity for all Entitled Shareholders to participate in the equity offering of EURO on a pro-rata basis without diluting the Entitled Shareholders' equity interest

Upon completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement, we noted that:

- (i) the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement will result in the dilution of the shareholdings of non-interested shareholders of the Company from 61.55% (as at LPD) to 43.81%; and
- (ii) Dato' Sri Lim and his PACs will be able to increase their shareholdings in EURO to 56.19% prior to the implementation of the Proposed Rights Issue and will subscribe to the Rights Shares pursuant to the Undertakings.

Pursuant to the Proposed Rights Issue, we also noted that the Board intends to fix the issue price of the Rights Shares such that the issue price is at a discount of not more than 20.00% to the TERP of the Shares based on the 5-day VWAP up to and including the last trading day before the price-fixing date. On the assumption that the final issue price of the Rights Shares is set below the issue price of the Consideration Shares and Settlement Shares as well as the indicative issue price of Placement Shares of RM0.045, it is noted that Dato' Sri Lim and his PACs will be able to further increase their shareholdings in EURO from the Proposed Rights Issue at a lower price as compared to the issue price of the Consideration Shares, Settlement Shares and Placement Shares.

Notwithstanding the above, the Proposed Rights Issue represents an opportunity for all Entitled Shareholders to further increase their equity participation in EURO at the same issue price and on a pro-rata basis as compared to other equity fund-raising activities that have a dilutive impact to the equity interest of minority shareholders (provided that all Entitled Shareholders subscribe in full for their respective entitlements pursuant the Proposed Rights Issue). Further, the Entitled Shareholders will have the opportunity to participate in the future growth and prospect of EURO, which is supported by the intended utilisation of proceeds raised from the Proposed Rights Issue as detailed out earlier that is expected to contribute positively to future earnings and financial performance of the Company.

However, Entitled Shareholders who do not subscribe for their entitlements under the Proposed Rights Issue will have their shareholdings being diluted upon completion of the Proposed Rights Issue as a result of the issuance of the Rights Shares. Consequently, their proportionate entitlements to any dividends, rights, allotments and/or other distributions that the Company may declare, make or pay after the completion of the Proposed Rights Issue will correspondingly be diluted.

(iv) Potential impact on the cost of capital and gearing level of the Group

The Board is of the view that the Proposed Rights Issue is the most suitable means of fund raising as it enables the Group to raise the intended funds without incurring interest costs, which will in turn enable the Group to manage its cash flows more efficiently.

After taking into consideration the possible resultant changes to the capital structure, we have compared the pro forma effect of the Group's WACC based on the following scenarios:

- (a) the Group's existing capital structure as at 30 September 2025 (latest unaudited consolidated financial statements of EURO Group) ("**Existing Scenario**");
- (b) with the implementation of the Proposed Rights Issue after the completion of the Proposed Acquisition, Proposed Debt Settlement and Proposed Private Placement which resulted in the issuance of Consideration Shares, Settlement Shares and Placement Shares, respectively ("**Equity Scenario**"); and
- (c) assuming that EURO Group utilises bank borrowings to raise up to RM163.21 million, equivalent to the total gross proceeds expected from the issuance of Consideration Shares, Settlement Shares and Placement Shares as well as from the subscription of the Rights Shares under the Maximum Scenario as disclosed in **Section 8** of Part A of the Circular ("**Debt Scenario**").

WACC is the minimum required rate of return that all capital providers (shareholders and lenders) should demand for from a cash flow stream generated by the business, given the riskiness of the cash flows. WACC is computed by summing up the cost of each capital component (equity or debt) multiplied by its proportional weight. The WACC of the Group is derived as follows:

$$\text{WACC} = \frac{E}{D + E} (K_e) + \frac{D}{D + E} (K_d) (1 - t)$$

Where:

E : Market value of EURO's equity is as follows:

Existing Scenario

Based on the 5-day VWAP of EURO Shares up to and including the LPD of RM0.0459 and the issued share capital of EURO as at the LPD of 1,327,967,100 EURO Shares.

Equity Scenario

Based on the TERP of RM0.0430 computed based on the 5-day VWAP of EURO Shares up to and including the LPD of RM0.0459 and the enlarged share capital of EURO of 4,097,006,322 Shares and 5,246,337,422 Shares based on the Minimum Scenario and Maximum Scenario respectively.

Debt Scenario

Based on the 5-day VWAP of EURO Shares up to and including the LPD of RM0.0459 and the issued share capital of EURO as at the LPD of 1,327,967,100 EURO Shares.

D : Market value of EURO's debt is as follows:

Existing Scenario / Equity Scenario

Based on the latest unaudited consolidated financial statements of EURO as at 30 September 2025, the Group has no borrowings.

Debt Scenario

Based on the latest unaudited consolidated financial statements of EURO as at 30 September 2025, the Group has no borrowings and assuming to incur new borrowings as follows:

No.	Borrowings for	(RM' million)
1.	Partial settlement of Purchase Consideration	18.00
2.	Repayment of the Settlement Sum	25.34
3.	Utilisation under the Proposed Private Placement	14.94
4.	Utilisation under the Proposed Rights Issue (under the Maximum Scenario)	104.93
Total		163.21

K_e : The K_e represents the required rate of return by an equity investor on the cash flow stream generated by EURO, given the risk associated with the cash flow.

The K_e was derived based on capital asset pricing model, using the following formula:

$$K_e = R_f + \beta (R_m - R_f)$$

The K_e was adopted after taking into consideration the following variables:

(a) Risk free rate of return (" R_f ")

Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysia Government Securities. As extracted from the Bank Negara Malaysia website, the said yield is 3.48% as at the LPD.

(b) Beta (" β ")

Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than one (1) signifies that the asset is riskier than the market and vice versa.

In deriving the estimated beta for EURO, we have relied on the five (5)-year raw historical beta of the comparable companies listed on Bursa Securities up to the LPD. As at the LPD, the five (5)-year raw historical beta for EURO was 1.518.

There are no companies which are exactly similar or directly comparable to EURO in terms of, amongst others, the composition of business activities, geographical location of operations, historical performance, risk profile, customer profile and future prospect. However, we are of the view that the identified companies are reasonable to be adopted for the purpose of deriving the estimated beta of EURO.

As the historical beta was extracted from Bloomberg based on the capital structure of the comparable companies, we have unlevered the raw beta of the comparable companies and derived a simple average beta for the comparable companies of EURO which we then re-levered it based on the capital structure of EURO.

As EURO is principally involved in the manufacturing and marketing of furniture, furniture fabric materials, trading of office furniture, partitions, chairs and panels, in arriving of the estimated beta of EURO, we have selected public listed comparable companies involved in manufacturing and trading of furniture and peripherals as comparable companies which we view as broadly comparable to EURO.

We have selected comparable companies based on the following criteria:

- * involvement in the manufacturing and trading of furniture and peripherals;
- * more than 80% of the comparable companies' latest financial year's consolidated revenue is derived from manufacturing and trading of furniture and peripherals and provision of services related to the office furniture industry; and
- * companies that are listed on Bursa Securities with a market capitalisation of below RM100.00 million, based on EURO's market capitalisation of RM66.40 million as at the LPD.

The comparable companies identified are as follows:

No.	Company	Market Capitalisation as at LPD (RM' million)	Percentage of revenue contribution from manufacturing or trading of furniture (%)	Un-levered beta
(i)	Spring Art Holdings Berhad ⁽¹⁾	56.12	100.00	0.517
(ii)	Wegmans Holdings Bhd ⁽²⁾	52.25	84.70	0.399
(iii)	Mobilia Holdings Berhad ⁽³⁾	66.50	100.00	0.558
Average un-levered beta				0.491

(Source: Bloomberg)

Notes:

- (1) *Spring Art Holdings Berhad operates as a holding company. The company, through its subsidiaries, design, manufacture and distribute ready-to-assemble furniture products including office furniture, such as office workstations, filing cabinets and pedestals; bedroom furniture, such as beds, dressing stools and study desks, and living room furniture, such as computer desks, television consoles, shoe cabinets, bookshelves, and drawer chests. It also provides customised complementary furniture products, such as dining tables and kitchen cabinets.*
- (2) *Wegmans Holdings Bhd operates as a holding company. The company, through its subsidiaries, designs, manufactures, and distributes home furniture products, including lounge chairs, dining tables, beds, casegoods, stools, and other related products.*
- (3) *Mobilia Holdings Berhad operates as a holding company. The company, through its subsidiaries, manufactures wood-based furniture such as wooden upholstered furniture with fabric and polyurethane cushions.*

The un-levered beta is then re-levered based on the capital structure of EURO according to the following scenarios:

Scenario	Debt-to-equity Ratio (times)	Re-levered beta of EURO (times)
Existing Scenario	-	0.491
Equity Scenario		
- Minimum Scenario	-	0.491
- Maximum Scenario	-	0.491
Debt Scenario	2.678	1.491

(c) Expected market rate of return (" R_m ")

Expected market rate of return represents the expected rate of return of investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.

In our opinion, the expected market rate of return for the FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia as it is a forward-looking estimate of market return. As extracted from Bloomberg, the expected market rate of return for the FTSE Bursa Malaysia Top 100 Index as at LPD is 8.619%.

The rate of return required by the equity investors of EURO, K_e as at the LPD under respective scenarios after taking into consideration the R_f , B and R_m discussed above are as follows:

Scenario	Cost of equity, K_e (%)
Existing Scenario	6.00
Equity Scenario	
- Minimum Scenario	6.00
- Maximum Scenario	6.00
Debt Scenario	11.14

k_d : 8.45% being the pre-tax weighted average cost of debt of the Group, based on the most recent effective interest rates for the Group as at 30 June 2025.

t : The corporate tax rate, being the latest statutory tax rate of 24.00%.

For illustrative purposes, the WACC and gearing of the Group as at the LPD after taking into account the abovementioned pro forma changes are set out below:

Scenario	WACC (%)	Gearing (times)
Existing Scenario	6.00	-
Equity Scenario		
- Minimum Scenario	6.00	-
- Maximum Scenario	6.00	-
Debt Scenario	7.71	2.678

As illustrated in the Equity Scenario above, the Group's WACC remains unchanged at 6.00% while its gearing remains at nil under both the Minimum Scenario and Maximum Scenario.

For comparison purposes, should the Group utilise borrowings to raise up to RM163.21 million (equivalent to the total gross proceeds expected from the issuance of Consideration Shares, Settlement Share and Placement Shares as well as the subscription of Rights Shares under the Maximum Scenario) as illustrated in the Debt Scenario above, the Group's WACC increases from 6.00% to 7.71%. Additionally, the Group's gearing significantly increases from nil to 2.678 times under the Debt Scenario.

We are of the view that the Proposed Rights Issue is **justifiable** and appropriate to raise the necessary funds to the Group at this juncture due as the Debt Scenario significantly increases the gearing of the Group from nil to 2.678 times while the Group's WACC is higher at 7.71% under the Debt Scenario as compared to 6.00% under the Equity Scenario.

In view that the Debt Scenario would result in an increase in the Group's gearing and WACC, as well as give rise to debt servicing obligations, we concur with the Board that the Proposed Rights Issue represents the most suitable means of raising the intended funds, particularly while EURO is still in a phase of financial recovery.

Premised on the above, we are of the view that the rationale for the Proposed Rights Issue is reasonable.

6.1.5 Rationale for the Proposed Exemptions

As disclosed in **Section 6.4** of Part A of the Circular, the Proposed Exemptions will relieve Dato' Sri Lim, individually or collectively together with his PACs from the obligations to undertake Mandatory Offer under subsection 218(2) and 218(3) of the CMSA read together with subsection 15(2) of the Code (where applicable) and subparagraphs 4.01(a) and 4.01(b) of the Rules as a result of the Proposed Acquisition, Proposed Debt Settlement and/or Proposed Rights Issue, as it is not the intention of Dato' Sri Lim and his PACs to undertake the Mandatory Offer.

[The rest of this page has been intentionally left blank]