



growth and INSPIRATION

annual report **2005**
EURO HOLDINGS BERHAD
(646559-T)



VISION

Be a business partner to our customers so that we can help create workspaces that inspire people to produce their best.

MISSION

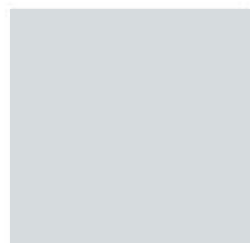
Provide work space consultancy as a value added service in addition to producing the highest quality range of products and services.

VALUES

Quality – Understanding that in our business, no service or care for our customer is of value if our product is not of top quality.

Service – Believing that the close of every sale should open up to the next and this comes with providing great service with our product.

Partnership – We are not mere sales people peddling products. We strive to understand our customer's business thoroughly in order to provide them with solutions and not just products.



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corporate information

Designing to Inspire

Dato' Mohd Haniff bin Abd Aziz

Chairman, Non-Independent and Non-Executive Director

Lew Fatt Sin Group

Group Managing Director

Law Sim Shee

Executive Director

Lew Hin

Executive Director

Teh Hock Toh

Executive Director

Foong Yein Teng

Executive Director

Datuk Dr Syed Muhamad bin Syed Abdul Kadir

Independent Non-Executive Director

Ng Wai Pin

Independent Non-Executive Director

Pua Kah Ho

Independent Non-Executive Director

AUDIT COMMITTEE

Datuk Dr Syed Muhamad bin Syed Abdul Kadir

Chairman, Independent Non-Executive Director

Ng Wai Pin

Member, Independent Non-Executive Director

Foong Yein Teng

Member, Executive Director

REMUNERATION COMMITTEE

Datuk Dr Syed Muhamad bin Syed Kadir

Chairman, Independent Non-Executive Director

Ng Wai Pin

Member, Independent Non-Executive Director

Lew Fatt Sin

Member, Executive Director

NOMINATION COMMITTEE

Dato' Mohd Haniff bin Abd Aziz

Chairman, Non-Independent and Non-Executive Director

Pua Kah Ho

Member, Independent Non-Executive Director

Law Sim Shee

Member, Executive Director

COMPANY SECRETARIES

Tai Keat Chai - MIA 1688

Lim Hooi Chin - MAICSA 7025949

REGISTERED OFFICE

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86 Jalan Raja Chulan, 50200 Kuala Lumpur

T: (603) 2732 1377

F: (603) 2732 0338

HEAD OFFICE

Wisma Euro

Lot 21, Rawang Industrial Estate
48000 Rawang, Selangor Darul Ehsan

T: (603) 6092 6666

F: (603) 6092 5000

Email: corporate@eurochairs.com

Website: www.eurochairs.com

AUDITORS

HALS & Associates (A.F. 0755)

Chartered Accountants

Suite 1602, 16th Floor Wisma Lim Foo Yong
86 Jalan Raja Chulan

50200 Kuala Lumpur

T: (603) 2732 0322

F: (603) 2142 3116

SHARE REGISTRAR

Epsilon Registration Services Sdn Bhd (629261-T)

312, 3rd Floor, Block C, Kelana Square

17 Jalan SS 7/26

47301 Petaling Jaya

T: (603) 7806 2116

F: (603) 7806 1261

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd (295409-T)

Hong Leong Bank Berhad (97141-X)

EON Bank Berhad (92351-V)

STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia Securities Berhad

Stock Name: EURO


Stock Code: 7208

corporate structure



EURO TM

EURO Holdings Bhd (646559-T)
("EURO")




Euro Chairs Manufacturer (M) Sdn Bhd (164921-X)
("ECM")
100%




Euro Space Industries (M) Sdn Bhd (105420-W)
("ESI")
100%



Euro Chairs System Sdn Bhd (121935-M)
("ECS")
100%



Euro Space System Sdn Bhd (378220-D)
("ESS")
100%



Euro Chairs (M) Sdn Bhd (204498-V)
("ECSB")
100%

board of directors

1. Dato' Mohd Haniff bin Abd Aziz
Chairman, Non-Independent and Non-Executive Director

2. Lew Fatt Sin
Group Managing Director

3. Law Sim Shee
Executive Director

4. Lew Hin
Executive Director

5. Teh Hock Toh
Executive Director

6. Foong Yein Teng
Executive Director

7. Datuk Dr Syed Muhamad bin Syed Abdul Kadir
Independent Non-Executive Director

8. Ng Wai Pin
Independent Non-Executive Director

9. Pua Kah Ho
Independent Non-Executive Director

director's profile

Dato' Mohd Haniff bin Abd Aziz

Chairman, Non-Independent and Non-Executive Director

Dato' Mohd Haniff, a Malaysian aged 52, was appointed Chairman of EURO on 1 October 2004. He is on the Nomination Committee, appointed on 28 February 2005. A graduate of the University of Malaya with a Bachelor of Economics (Honours) Degree, he served the Ministry of International Trade and Industry ("MITI") for nineteen years until his early retirement in 1994. During his tenure at MITI, he was Assistant Director of the Ministry from 1975 to 1978 before serving in the Permanent Mission of Malaysia to the United Nations in Geneva until 1981. He was then assigned as Malaysian Trade Commissioner to the Philippines for the next six years, and then to Thailand until 1991. He was also Director of the Malaysian External Trade Development Corporation from 1991 to 1994. He is currently a board member of Jerasia Capital Berhad and Samsung SDI (M) Berhad.

Lew Fatt Sin

Group Managing Director

Lew Fatt Sin, a Malaysian aged 52, was appointed Group Managing Director of EURO on 1 October 2004. He is on the Remuneration Committee, appointed on 28 February 2005. He is an entrepreneur in his own right, and has garnered over 30 years of experience in furniture manufacturing, design and development. Having started as a skilled craftsman in 1970, he joined a furniture factory that produced sofas and settees as a supervisor in 1974. He embarked on a management buy-out of the company two years later when it went into the red. With long-term expansion goals, Fatt Sin revamped production to cater to the domestic office chair and cushion segment. Encouraging results were forthcoming and in 1984, Fatt Sin (M) Sdn Bhd was incorporated. With Fatt Sin as EURO Group's main driving force, the Group is now a leading manufacturer of ergonomic seating, system furniture and related office furniture products. He is actively involved in the Corporate Affairs of the Group, Research & Development and the overall Operation of the Group. He is the husband of Law Sim Shee and the brother of Lew Hin. He does not hold any directorships in other public listed companies.

Law Sim Shee

Executive Director

A Malaysian aged 53, Law Sim Shee was appointed Executive Director of EURO on 1 October 2004, and is on the Nomination Committee, appointed on 28 February 2005. She was a general clerk for a factory that produced sofas and settees in 1973. Upon a management buy-out of the factory in 1976, she became involved in the production and in the running of the company's administrative affairs. In her current capacity, she oversees Production, Materials Purchasing Department as well as Human and Administrative Affairs of the Group. She is the wife of Lew Fatt Sin and the sister-in-law of Lew Hin. She does not hold any directorships in other public listed companies.

director's profile (continued)

Lew Hin

Executive Director

Lew Hin is a Malaysian, aged 55, and was appointed Executive Director of EURO on 1 October 2004. Having started his career with a residential wooden furniture manufacturing company and later as a renovation contractor, Lew Hin has gained a thorough understanding of the furniture industry. He joined EURO Group in 1984 as Sales Manager and was responsible for developing the Group's initial dealer network. He left the Group for four years to expand his knowledge of the industry before returning in 1995. He currently oversees the Group's overall production activities. Lew Hin holds no other directorships in other public listed companies, and is brother to Lew Fatt Sin and brother-in-law to Law Sim Shee.

Teh Hock Toh

Executive Director

A Malaysian aged 41, Teh Hock Toh was appointed Executive Director of EURO on 1 October 2004. He joined EURO Group in 1988 as a sales executive and was later promoted to Sales Manager in 1990. He climbed the ranks quickly and assumed the position of General Manager in 1994. With 18 years of experience in marketing office furniture and equipment, his forte lies in identifying new market opportunities and product development. He is primarily responsible for the overall marketing strategies of EURO Group and heads the Business Development Department as well as the Project Department. He does not hold any directorships in other public listed companies.

Foong Yein Teng

Executive Director

Foong Yein Teng is a Malaysian, aged 36. She was appointed Executive Director of EURO on 1 October 2004, and sits on the Audit Committee, appointed on 3 October 2004. A Chartered Accountant with the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants, Yein Teng's career took off at PriceWaterhouseCoopers in 1990 where she gained professional exposure in auditing, corporate finance and business advisory services. In 1995, she joined Land & General Berhad as Assistant Manager in the Group's Accounts Division, and came on board EURO Group in 1997 where she is responsible for the Group's Finance and Accounts. She holds no directorships in other public listed companies.

director's profile (continued)

Datuk Dr Syed Muhamad bin Syed Abdul Kadir

Independent Non-Executive Director

A Malaysian aged 59 and appointed Independent Non-Executive Director of EURO on 1 October 2004, Datuk Dr Syed Muhamad bin Syed Abdul Kadir also sits on the Audit Committee, appointed on 3 October 2004 and the Remuneration Committee, appointed on 28 February 2005. He received his Bachelor of Arts from the University of Malaya, his Master in Business Administration from the University of Massachusetts (USA) and a Doctorate in Business Management from the Virginia Polytechnic Institute and State University (USA). During his long tenure in public service, he was Secretary General of Malaysia's Ministry of Human Resource from 2000 to 2003. Prior to that, he served as Deputy Secretary General (Operations) and Secretary of Tax Analysis Division of the Ministry of Finance, Deputy Secretary (Foreign and Domestic Borrowing, Debt Management) of the Finance Division, and Secretary of Higher Education Division of the Ministry of Education. While serving in the Ministry of Human Resource, he was also a board member of the National Institute of Public Administration Council, the National Productivity Centre and the Employees Provident Fund. Datuk Dr Syed Muhamad held various directorships and served as a committee member in several public agencies and companies that include Pos Malaysia Berhad, Telekom Malaysia Berhad, Malayan Railway and the University of Malaya. Currently, he is a board member of Export-Import Bank of Malaysia Berhad, Bumiputra-Commerce Bank Berhad, Commerce Tijari Bank Berhad, Solution Engineering Holdings Berhad and Lembaga Hasil Dalam Negeri Malaysia.

Ng Wai Pin

Independent Non-Executive Director

Ng Wai Pin is a Malaysian aged 41, and was appointed Independent Non-Executive Director of EURO on 1 October 2004. He also sits on the Audit Committee, appointed on 3 October 2004, and the Remuneration Committee, appointed on 28 February 2005. He graduated from the University of Auckland in 1988 with a LLB Degree and was attached to a leading legal firm as a barrister and solicitor in New Zealand for a few years. He returned to Kuala Lumpur and joined Shook Lin & Bok before being admitted as an Advocate and Solicitor of the High Court of Malaya in 1993. He is currently Chief Operation Officer of a company listed on Singapore Exchange Limited and is a board member of Frontken Corporation Berhad.

Pua Kah Ho

Independent Non-Executive Director

Pua Kah Ho, a Malaysian aged 57, was appointed Independent Non-Executive Director of EURO on 1 October 2004. He sits on the Nomination Committee, appointed on 28 February 2005. After graduating high school, he commenced a long and rewarding career with Overseas Union Bank (M) Bhd in 1969. He was Credit Officer and Head of Operations in 1980, and in 1990, he assumed the position of Branch and Business Development Manager at OUB until his retirement in 2002. He does not hold any directorships in other public listed companies.

NOTES:

1. Save as disclosed above, none of the Directors have:
 - a. any family relationship with any directors and/or substantial shareholders of the Company; and
 - b. any conflict of interest with the Company
2. None of the Directors have any conviction for offences (other than traffic offences) within the past 10 years.



chairman's statement

DEAR VALUED SHAREHOLDERS,

It gives me great pleasure to present to you the 2nd Annual Report and Audited Financial Statements of Euro Holdings Berhad ("EURO") for the financial year ended 31 December 2005.

chairman's statement (continued)

MALAYSIAN ECONOMY AND FURNITURE INDUSTRY

Overall, year 2005 saw a satisfactory performance for the Malaysian economy. Despite some uncertainties over oil prices, the Malaysian economy managed to maintain its stability with the gross domestic product ("GDP") growing by 5.3% in the third quarter of 2005 compared with just 4.4% in the second quarter. At the same time, external and domestic demand had both registered a significant increase with domestic demand increasing by about 4% while external demand grew by 8.4% during the year. The strong growth occurring in the services and manufacturing sectors were some of the important factors behind this economic stability. Inevitably, the effects of this positive development greatly influenced the upswing of the furniture industry as well.

The furniture industry of Malaysia has become one of the country's most vibrant sources of growth. Currently, Malaysia is among the 10th largest furniture exporter in the world, with exports made to over 160 countries. In 2005, exports rose by 7.7 per cent to RM 6.9 billion. Today, Malaysia accounts for approximately a mere 3 per cent share of the world's furniture market, signifying that it is in a position for continuous process of innovation and has ample room for growth.

CORPORATE DEVELOPMENTS

The listing of EURO on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") marked



the birth of a new chapter for EURO and the promise of greater milestones, growth and changes ahead. Euro aims to stay at the forefront of creativity and innovations in its furniture design activities and is fully committed to excellence in all aspects.

EURO was listed on Bursa Securities on 25 January 2005. The listing exercise raised a total of RM22.3 million for the Group and approximately RM12.7 million or 57% of the funds raised was used for business expansion.

The Group also continued with its corporate branding activities, and these efforts contributed significantly to the image of EURO. One such event that took place in 2005 was the sponsorship and organizing of the 1st EURO Design Conference in Malaysia on 1 October 2005. This was a momentous event because it was the Company's first attempt at bringing together some of the great minds of design from the graphic, interior design and architectural professions of the Asean community.



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1. The EURO Holdings Chairman Dato' Mohd Haniff bin Abd Aziz sounding the gong for the grand event, the Public Listing Ceremony for EURO's debut on the Second Board of Bursa Securities on 25 Jan 2005.

2. The media and analysts being briefed on the Company's IPO details during a press conference after the Listing Ceremony.

chairman's statement (continued)

Ken Shuttleworth, a former partner of Norman Foster and renowned architect responsible for Hong Kong's Chep Lap Kok International Airport and the Commerzbank of Frankfurt, Germany was the honorary speaker for this event. We gained a lot of publicity and prominence when we organized this conference, which served as a platform for the exchange of ideas and creative thoughts amongst many great design figures in both Malaysia and the Asian region.

R&D AND NEW PRODUCT DEVELOPMENTS

Forging ahead to carve a distinctive edge against the competition, one of the Group's top priorities is to carry out excellent and consistent R&D. The EURO R&D department has thus far been the inspiring life force behind developing new and innovative products and designs. Carrying out relevant market studies and research, improving our existing manufacturing processes and sourcing for better and cost-effective materials – all these aspects have been greatly aided by the R&D operations and findings.

Thanks to the diligence and quality work of the R&D department, the Group is able to successfully launch an average of 2-3 new product series every year. In year 2005, we launched 3 new products: the Square Pole, Multipurpose storage and Conference table series. Every year, we spend an average of about 1 to 1.5 per cent of our revenue on R&D expenses. Last year's R&D expenditure amounted to approximately RM0.9 million. This clearly demonstrates our belief in being innovative and original

in our products. As a company, EURO is always aiming for breakthroughs in quality, innovative design aesthetics and comfort and seeks to set new standards in professional furniture manufacturing with a distinctive difference.

MARKETING & ENTERING NEW THRESHOLDS OF BUSINESSES.

Consistent networking opens up doors to new opportunities. The Group firmly believes in this principle and has outlined aggressive plans to grow its business and raise brand awareness both in domestic and international markets. In line with this, EURO participated and visited many worldwide exhibitions and important office furniture trade fairs during the year to gain new insights and awareness on the latest furniture trends in the global market. A steady exchange of ideas and international exposure help the management to keep abreast of global industry trends and developments, including those in Europe, USA, China, Dubai, Thailand

and Japan. These are markets with tremendous growth potential. We have already begun to build business inroads within some of these markets and are excited about future prospects in the pipeline for these countries.

The Group has also increased its efforts in developing the EURO brandname as one synonymous with innovation and excellent quality, both here locally as well as abroad. Marketing initiatives included participation in the 2005 Malaysian International Furniture Fair ("MIFF") to raise awareness of EURO products as well as advertising in media such as trade journals and industry-related magazines.

Most importantly, 2005 was a year which saw the Group adding on new business portfolios such as OEM manufacturing of office furniture components. At the end of 2005, Euro entered into an agreement with Japan's Itoki Corporation to manufacture a chair mechanism for the latter's newly



The 1st EURO Design Conference in Malaysia held on 1 October 2005. Delegates are signing up at the registration counter for the conference at the KL Convention Centre.

chairman's statement (continued)

launched office chair. Itoki is one of the Japan's largest manufacturers of office furniture with an annual revenue in excess of USD 1 billion. With this new leverage, the Group will seek to secure more manufacturing contracts from other office furniture manufacturers in the region.

FINANCIAL AND PERFORMANCE REVIEW

I am pleased to report another good financial performance for the Company with a revenue growth of 28% for the financial year ended 31 December 2005. Revenue surged to RM88 million compared to the proforma group revenue of RM68.7 million in the previous corresponding period. (The Group only came into existence on 1 October 2004 with the completion of the acquisition of 100 per cent equity in the respective subsidiary companies). Stronger contribution from the export division was the main driver for this performance. This top-line growth translated to the increase in 8.6 per cent in profit before tax from RM8.1 million in 2004 (proforma basis) to RM8.8 million in 2005. The after-tax profit was RM7.2 million, an increase of 14.3 per cent from the previous year's proforma profit after tax of RM6.3 million. Eventually, our net profit turned out to be higher than the forecasted profit in the prospectus (RM6.8 million) by a margin of 5.4%. Earnings per share for the year under review was at 9.0 sen while net assets per share was posted at 7.1 sen.

Our total turnover amounted to RM88 million of which 54.5% came from exports and 45.5% from local sales. This was also the first year that export sales had surpassed domestic sales and it definitely attests to Euro's expanding business presence in markets worldwide. For the year under review, our export sales grew by another 40%. A large part of this encouraging performance was a result of Euro's expansion and penetration into the Indian and the European market.

DIVIDENDS

The Board is pleased to recommend a proposed dividend of 3.5 sen per ordinary share of RM0.50 each less 28% of income tax for the financial year ended 31 December 2005.



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1. World-renowned British architect, Ken Shuttleworth delivering his address at the EURO Design Conference. He was the honorary speaker of the event.
2. The audience of designers, architects and design-related professionals from Malaysia and ASEAN countries listening attentively at the EURO Design Conference.

chairman's statement (continued)

OUTLOOK AND FUTURE PROSPECTS

Currently, the business climate and friendly government trade policies in Malaysia favour international expansion. In line with the Group's vision to continually expand its business abroad, EURO will focus strongly on maintaining its leadership in the furniture-making industry and delivering what it does best - innovative office chairs and furniture systems.

The year 2006 will be a great challenge for the Group in view of the expected hike of interest rates; uncertainty over the international price of crude oil and other commodities which may inevitably result in higher raw material prices; and continued competition from emerging markets such as China and Vietnam. Nevertheless, the Group has the advantage of experience and established business networks. We plan to leverage on our core business and will consistently review measures to improve our operational efficiency. Developing and introducing new, 'breakthrough idea' products based on preliminary market survey on trends and demands will ensure higher returns, especially with appropriate and competitive pricing strategy.

On the manufacturing front, we have begun constructing our new factory in Rawang, Selangor after acquiring a suitable piece of industrial land in August 2005. This will be EURO's third factory and it has been estimated to cost about RM7.5 million to construct. We are most excited about its potential capacity for higher production volume. It is anticipated to generate approximately 50 per cent increase in production capacity. This will enable the Company to meet growing market demands for our products in future.

EURO also plans to leverage on its R&D findings to meet growing and more sophisticated demands for ergonomic designs in office products. As the market shifts and our consumers' tastes become increasingly discerning, we aim to consistently stay one step ahead, meeting the ever-evolving needs of modern lifestyles and workplace

AN ACKNOWLEDGEMENT OF THANKS AND APPRECIATION

I would like to extend my sincere gratitude and appreciation to all our employees who had worked hard to shape EURO's success into reality today. The Board also expresses its deepest thanks to our esteemed shareholders, customers, business partners, suppliers, bankers and the government authorities for their valuable commitment and support towards EURO's undertakings. I am also most grateful to my fellow members of the Board for their wisdom, professional insight and staunch support in contributing towards the best for the Group.

A new product demonstration being carried out during the EURO Design Conference at the KL Convention Centre.





group managing director's review of operations

OVERVIEW ON GROUP PERFORMANCE

Many positive events have happened in 2005 and it has proven to be another successful year for the Group. EURO's revenue continued its up-trend and rose by 28 per cent from just RM68.7 million in 2004 to RM88 million in 2005. This was a direct result of a strong growth rate in exports at 40.1 per cent. The Group's export sales had been steadily rising to 54.5 per cent share of total turnover, in comparison with 49.6 per cent in 2004.

This tremendous increase in export sales is a reflection of our strong commitment to global market expansion. So far, we have successfully expanded our geographical distributorship to traditional export markets such as India, the Middle East and Southeast Asia. In the near future, we are planning to explore other markets for new business prospects as well.

REVIEW OF OPERATIONS

Domestic Market

Overall, EURO has maintained its leading position in the Malaysia furniture industry very well. With our excellent product standards and commitment to innovation and quality, there has been inevitable growth in the local market despite certain downsizing and delay in projects towards the second half of the year. On the whole, domestic sales posted a 15.6 per cent increase in 2005 compared to 2004's recorded sales.

group managing director's review of operations (continued)

Export Market

Export sales was the clear winner for the Group last year, and given the limited size of the Malaysia market and our ongoing efforts in building a strong distribution network in markets abroad, this growth trend will easily continue for many years to come. The Group has also continuously appointed reliable agents and distributors over the year to ensure that we meet growing demands in designated foreign markets. By the end of 2005, we have a total of 52 overseas agents in 43 countries – a clear indicator of a strong demand for our products in foreign markets.

India continued to stand out as the most significant overseas market for the Group. This was a direct result of its booming IT hub and the relocation of many MNCs' backroom operations to India. India is the world's biggest business process outsourcing ("BPO") market that involves the outsourcing of an organisation's non-core processes to a third party service provider. The booming BPO industry in India has created huge opportunities for EURO there. Besides India, the European market had also emerged as one of the key contributors to export sales. With the strengthening of the euro currency, our products have also gained a competitive edge in pricing against European products.

On 17 November 2005, our wholly owned subsidiary, Euro Chairs Manufacturer (M) Sdn Bhd secured an OEM contract from Itoki Corporation, Japan. Itoki is a leading global supplier of office furniture and is a technology-driven company, recognized internationally for innovative designs in office furniture and systems. This was a hallmark achievement for the Group as it signifies EURO's first major venture into the OEM manufacturing



A creative performance at the EURO's booth, to project product image during the Malaysian International Furniture Fair (MIFF) held at Putra World Trade Centre.

of office furniture and components. It also signaled the confidence placed in our production quality from a highly-discerning market such as Japan. Having secured a reputable client such as Itoki, the Group will leverage on this new business to secure more manufacturing contracts from other global office furniture manufacturers. The trend now is for manufacturers to outsource their production to cost-efficient countries. Therefore, this business segment is expected to contribute positively to the Group in future years.

Launch of New Products

Right from the start, EURO has focused on combining practical, ergonomic features with stylish designs. Each product was designed with the customer's needs in mind. EURO has established a product mix for the year ended 2005 with office system furniture accounting for 54 per cent of the Company's total sales revenue. Office chairs made up another 43 per cent while other products contributed the remaining 3 per cent.

During the year, we launched 3 new products: square poles, multi-purpose

storages and conference tables, products which had been carefully researched and crafted out in view of market needs. We are pleased with the warm response they received from our customers. In order to secure continuous consumer interest, the Group is committed to consistent quality and the developing of 2 to 3 types of new product ranges annually and we would like to see this trend continue.

Plant Expansion for Maximum Output

In order to cater to an increasing sales volume, the Group implemented a plant expansion project. We acquired a parcel of industrial land for the construction of a new plant in Rawang. The construction of the new plant commenced at the end of 2005 and is scheduled for completion by the end of 2006. EURO will then move on to the next stage of ensuring the plant is fully operational by 2007. The new plant will have a built-up area of approximately 90,000 square feet upon completion. This will house the metal fabrication division, logistics division and will provide additional storage for stocks.

group managing director's review of operations (continued)

FUTURE OUTLOOK AND PLANS

The future performance for the Group for both middle and long term is on a positive note. The 9th Malaysian Plan for 2006 promises favourable effects for the manufacturing industry as a whole and the outlook remains promising. We aim to bolster the effects of rising interest rates and commodity prices by enhancing cost efficiency and increasing productivity levels. The Group will adopt a balanced growth strategy, focusing on gaining larger market share in selected markets, especially overseas.

The Group's priority is to always improve service and quality to ensure our continuous competitive advantage. Exports will remain the growth driver for our business, so in the pipeline are more plans to expand and penetrate markets in selected countries such as India, USA, Europe and Japan. We also aim to focus more on developing business in contract manufacturing, tapping the areas of OEM and ODM manufacturing to broaden our revenue stream.

EURO remains highly committed in its goal to become the leading Original Brand Manufacturer (OBM) of innovative and high-quality office furniture and solutions. The Group will increase efforts to launch strategic and focused marketing initiatives to push growth in the OBM business segment. Having built and developed the EURO and EURO CHAIRS brand names to a reputable level, the Company is able to leverage on two main factors: its established position as a furniture manufacturer and its R&D ideas to begin extensive expansion to the overseas market. While emphasis will still be on developing EURO'S own house brand, we will also be pursuing brand acquisition or joint venture with branded manufacturers.

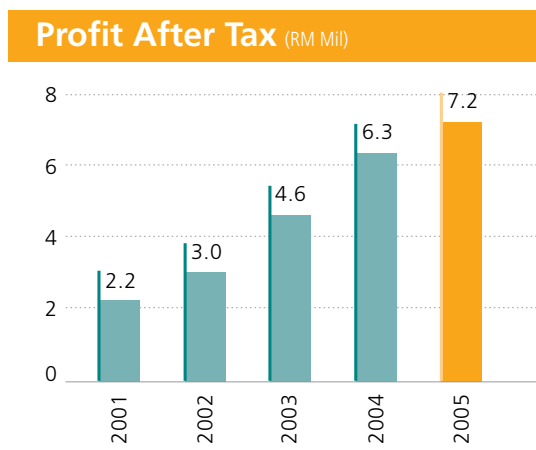
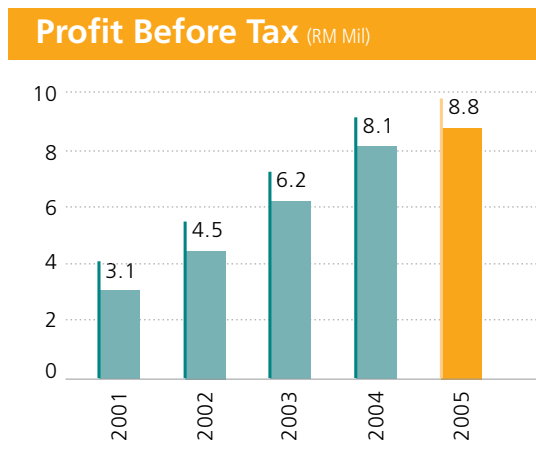
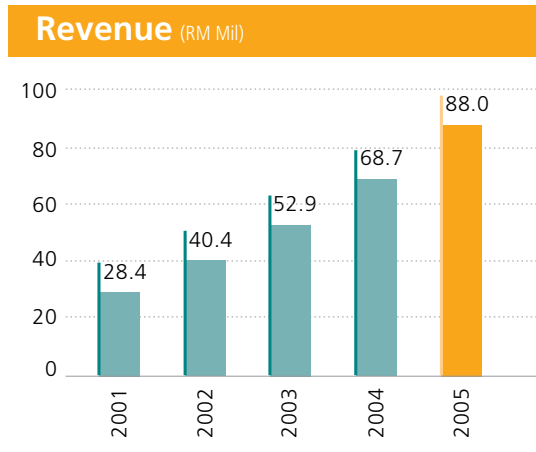
The journey ahead is full of exciting prospects. The Board is optimistic that the Group's performance holds a most promising outlook for the current financial year ending 31 December 2006 and that we shall continue our upward trend in performance as the Group grows.

Combining aesthetics, creativity and functions. Featuring some of Euro's local projects at HSBC Bank and Telekom Malaysia.



group financial highlights

The revenue, profit before tax and profit after tax for the previous financial years till 31 December 2004 are based on the proforma audited consolidated income statement of Euro Group, prepared on the assumption that the current structure of the Euro Group has been in existence throughout the period. The proforma consolidated revenue, profit before taxation and profit after taxation are presented for illustrative purposes only.



statement on corporate governance

The Board of Directors ("Board") of the Company fully supports the Malaysian Code of Corporate Governance ("Code") and is committed to ensure that the standards of corporate governance are practiced throughout EURO and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities so as to protect and enhance business prosperity and corporate accountability with the aim to protect the shareholders, whilst at the same time ensuring the interest of other stakeholders are safeguarded.

The following describes how the Group has applied the principles laid down in the Code and save where otherwise identified specifically, the Group has complied with the best practices of the Code for the financial year ended 31 December 2005.

BOARD OF DIRECTORS

The Board has the overall responsibility to instill corporate culture that emphasise on good corporate governance throughout the Group. The Board establishes strategic directions, directing policies, action plans and stewardship of the Group's resources towards realising long term shareholders' value, whilst taking into account of other stakeholders.

Board Meetings

Board Meetings are scheduled for every quarter with additional meetings to be convened as and when required. During the financial year under review, the Board met a total of six (6) times. The attendance of the Directors who held office during the financial year is set out below:

Name of Directors	Attendance at meeting	Percentage of Attendance (%)
Dato' Mohd Haniff Bin Abdul Aziz	6/6	100
Lew Fatt Sin	6/6	100
Law Sim Shee	6/6	100
Teh Hock Toh	6/6	100
Lew Hin	6/6	100
Foong Yein Teng	6/6	100
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	6/6	100
Ng Wai Pin	6/6	100
Pua Kah Ho	6/6	100

All the directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated by the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

Board Composition

The Board currently has nine (9) members, comprising:

- The Group Chairman
- The Group Managing Director
- Four (4) Executive Directors
- Three (3) Independent Non-Executive Directors

The Board composition complies with the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the requirements of the Code for a minimum of one-third (1/3) of the Board to be independent directors. No individual Director or a group of Directors dominates the Board's decision making and the numbers of the Directors reflects fairly the investment of the shareholders in the Company.

statement on corporate governance (continued)

The Board's composition represents members from diverse disciplines, tapping on their respective qualifications and experiences in business, commercial, finance and legal aspects. Together, the Directors bring a wide range of experience, skill and knowledge necessary relevant to directing the Group. A brief profile of each director is presented on pages 5 to 7 of the Annual Report.

The Group practices a division of responsibilities between the Non-independent and Non-Executive Chairman and the Group Managing Director. Their roles are separated and clearly defined to ensure a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and the working of the Board whilst the Group Managing Director has the overall responsibility for the Group's business operations, effective direction, implementation of Board policies, management of the Group's businesses and decisions.

All the independent Non-Executive Directors are independent of management and free from any relationship that can materially interfere with the exercise of independent judgement on the Board's deliberations and decision-making process. Their presence is especially vital in ensuring that the strategies proposed by the management are fully discussed and evaluated, taking into account the long term interests of the Group as well as the shareholders and all the other stakeholders.

Supply of Information

All Directors are provided with an agenda and a set of Board papers prior to Board meetings to enable them to obtain further information or explanation, when necessary to consider and deliberate knowledgeably on issues and to facilitate informed decision making.

The Board papers circulated include quarterly and annual financial statements, minutes of previous meetings, minutes of meetings of all committees of the Board, internal or external reports on the Group's financial, operational and corporate developments. In addition and in accordance with the Articles, the Board also ratifies matters previously approved through directors' circular resolution. During the board meetings, the management provides further details on each matter or supplementary information, where necessary.

All directors have full access to information concerning the Company and the Group, whether as full Board members or in their individual capacity, in furtherance of their duties.

In exercising their duties, the Board has access to the advice and services of the Company Secretary and is also entitled to obtain professional opinions or advice from external consultants such as merchant bankers, professional valuers, auditors, etc when the need arises.

Board Committees

The Board has delegated certain responsibilities to Board Committees which operate within defined terms of reference. The Board Committees include the following:

Audit Committee

The Audit Committee was established on 3 October 2004, comprising two (2) independent Non-Executive Directors and an Executive Director. The composition, responsibilities, detailed terms of reference and the activities of the audit committee during the financial year are set out separately in the Audit Committee Report on pages 23 to 26 of this Annual Report.

Nomination Committee

The Nomination Committee was established in February 2005. The members of the Nomination Committee who served during the financial year are:

- **Dato' Mohd Haniff Bin Abdul Aziz**
Chairman, Non-Independent and Non-Executive Director
- **Pua Kah Ho**
Member, Independent Non-Executive Director
- **Law Sim Shee**
Member, Executive Director

statement on corporate governance (continued)

Remuneration Committee

The Remuneration Committee was established in February 2005. The Committee meets at least once a year. The members of the Remuneration Committee who served during the financial year are:

- **Datuk Dr Syed Muhamad bin Syed Abdul Kadir**
Chairman, Independent Non-Executive Director
- **Ng Wai Pin**
Member, Independent Non-Executive Director
- **Lew Fatt Sin**
Member, Group Managing Director

The respective Committee report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

Appointment and Re-election to the Board

The Nomination Committee of the Company is responsible in assisting the Board of Directors for making recommendations for any new appointments, Directors to fill the seats on Board Committees and assessing the effectiveness of the Board and Board Committee to the Board. In making these recommendations, the Nomination Committee will consider the required mixed of skills and experience which the Directors should bring to the Board. Any new nomination received is put to the Board for assessment and endorsement.

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to retirement and seek re-election by the shareholders at the first Annual General Meeting ("AGM") following their appointment. The Articles further provides that at least one third (1/3) of the Directors including the Managing Director be subject to re-election by rotation at least once in every three (3) years at each AGM. This provides an opportunity for shareholders to renew their mandate. To assist shareholders in their decision making, sufficient information such as personal profile, meeting attendance and shareholdings in the Group, of each Director standing for election are furnished in a separate statement accompanying the Notice of Annual General Meeting.

Directors Training

The Board acknowledges continuous learning and training as an integral part of directors' development. All the Directors have attended the Mandatory Accreditation Programme ("MAP"). In addition, the Directors are informed of various directors' development programmes and are encouraged to attend relevant training programmes to keep abreast with new regulations and developments, as well as to further enhance their skills and knowledge in compliance with paragraph 15.09 of Bursa Securities Listing Requirements.

DIRECTORS' REMUNERATION

The Company's remuneration policy for Director is formulated to attract and retain individuals of the necessary caliber relevant to the achievement of the Company's strategic achievements. The remuneration is structured to link experience, expertise and level of responsibility undertakings by the Directors.

The Remuneration Committee is entrusted with the responsibilities to make recommendations to the Board the remuneration package for the Executive Directors. It is the ultimate responsibility of the entire Board to approve the remuneration of these Directors. Non-Executive Directors' remuneration will be decided by the Board as a whole with the Director concerned abstaining from deliberation and voting on decisions in respect of his individual remuneration.

statement on corporate governance (continued)

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the financial year ended 31 December 2005 are as follows:

Aggregate Remuneration categorised into appropriate components:

	Fees (RM'000)	Salaries and Allowances (RM'000)	Bonus (RM'000)	Benefits- in-kind (RM'000)	Total (RM'000)
Executive Directors	-	1,098	208	91	1,397
Non-Executive Directors	138	-	-	-	138
Total	138	1,098	208	91	1,535

Remuneration Bands

Range of Remuneration	Executive Directors	Non- Executive Directors	Total
RM1 - RM50,000	-	3	3
RM50,001 - RM100,000	-	1	1
RM100,001 - RM150,000	1	-	1
RM150,001 - RM200,000	-	-	-
RM200,001 - RM250,000	-	-	-
RM250,001 - RM300,000	1	-	1
RM300,001 - RM350,000	2	-	2
RM350,001 - RM400,000	-	-	-
RM400,001 - RM450,000	1	-	1
Total	5	4	9

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Annual General Meeting represents the principal forum of dialogue with the shareholders. The Board encourages its shareholders to raise questions regarding the resolutions being proposed at the AGM, financial results and also other matters pertaining to the business activities of the Group. The Directors and senior management of the Company will be available at the AGM to respond to questions posed by the shareholders.

To keep the shareholders and investors informed on the Group's latest business and corporate development, information is disseminated via the annual reports, circular to shareholders, press releases, quarterly financial results and the various announcements made from time to time via Bursa Securities. In addition, the management also responds to requests for discussions with institutional investors and analysts to give them a better understanding of the businesses of the Group.

statement on corporate governance (continued)

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's position and prospects through the annual reports and quarterly announcements to the shareholders, investors and regulatory authorities. The Audit Committee assists the Board by reviewing the information to be disclosed, to ensure completeness, accuracy and adequacy. The financial statements have been prepared in conformity with the applicable accounting standards and in accordance with the provisions of the Companies Act 1965.

A Statement of the Director's responsibilities in preparing the financial statements is set out on page 29 of the Annual Report.

Internal Control

The Statement on Internal Control set out on pages 27 to 28 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with Auditors

The Board via the Audit Committee, maintains an appropriate and transparent relationship with the Group's external auditors. The Audit Committee meets with the external auditors at least once a year to review audit plans and to facilitate exchange of views on issues requiring attention. The role of the Audit Committee in relation to the auditors is described in the Audit Committee Report set out on pages 23 to 26 of this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made in accordance with Part A of Appendix 9C of the Listing Requirements of Bursa Securities.

Status of Utilisation of Proceeds

As at 25 April 2005, the details of utilisation of the gross proceeds derived from the Rights and Public Issue in conjunction with the listing of the Company on the Second Board of Bursa Securities are as follows:

Description	Proposed Utilisation* RM'000	Amount Utilised RM'000	Balance Unutilised RM'000
Construction of new plant	5,000	3,115	1,885
Purchase of machinery, moulds and tools	3,000	3,000	-
Repayment of borrowings	8,000	8,000	-
Working Capital	4,667	4,667	-
Listing expenses	1,600	1,600	-
	22,267	20,382	1,885

* As set out in the Prospectus dated 28 December 2004

statement on corporate governance (continued)

Share Buybacks

The Company did not carry out any share buy-backs during the financial year.

Options, Warrants or Convertible Securities

There were no exercise of Options or Convertible Securities nor conversion of warrants during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

Imposition of Sanctions/Penalties

There were no material sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

Non-Audit Fees

The amount of non-audit fees paid and payable to external auditors by the Group for the financial year ended 31 December 2005 amounted to RM1,000.

Variation in Results

There is no material variance between the financial results and the profit forecast or unaudited results previously made for the financial year ended 31 December 2005.

Profit Guarantee

There was no profit guarantee given by the Company during the financial year.

Material Contracts

There were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries involving Director's and major shareholder's interests which were still subsisting at the end of the financial year or entered into since the end of the previous financial year.

Revaluation of Landed Properties

The Company and its subsidiaries did not adopt any revaluation policy on landed properties during the financial year.

Profit Forecast Variance

A profit forecast was provided for the year ended 31 December 2005 in our prospectus dated 28 December 2004 in connection with the Company's listing on the Second Board of Bursa Securities. The Group's profit after taxation for the financial year ended 31 December 2005 of RM7.2 million was 5.4% higher than the forecast profit of RM6.8 million as set out in the prospectus.

audit committee report

MEMBERS

The Audit Committee (“the Committee”) was established on 3 October 2004. The present members and their respective designations are as follows:

- **Datuk Dr Syed Muhamad bin Abdul Kadir**
Chairman, Independent Non-Executive Director
- **Ng Wai Pin**
Member, Independent Non-Executive Director
- **Foong Yein Teng**
Member, Executive Director

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

1. Composition

The Audit Committee shall be appointed by the Directors from amongst their numbers (pursuant to a resolution of the Board of Directors) and shall be composed of not fewer than three (3) members of whom the majority shall be independent directors.

At least one member of the Audit Committee:

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967
- fulfills such other requirements as prescribed by the Bursa Malaysia Securities Berhad (“Bursa Securities”)

The members of the Audit Committee shall elect a chairman from among their members who is an Independent Director.

In the event the elected Chairman is not able to attend a meeting of the Audit Committee, a member of the Audit Committee shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Director.

A member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Board of Directors so that a replacement may be appointed before he leaves.

If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member, which results in the number of members be reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

The term of office and performance of the Audit Committee and each of the members shall be reviewed by the Board at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

audit committee report (continued)

2. Duties and functions of Audit Committee

The duties and functions of the Audit Committee are as follows:-

- (i) To review the nomination of external auditors, the audit fee and any questions of resignation or dismissal;
- (ii) To review the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
- (iii) To review the effectiveness of the internal audit function (if any);
- (iv) To review the effectiveness of the internal control and management information systems;
- (v) To review the quarterly results and year end financial statements of the Company with both the external auditors, if applicable, and management, prior to the approval by the Board of Directors, focusing particularly on:-
 - (a) Any changes in accounting policies and practices;
 - (b) Significant adjustments arising from the audit;
 - (c) The going concern assumption;
 - (d) Compliance with accounting standards and other legal requirements;
- (vi) To review the external auditors' audit report;
- (vii) To review any management letter sent by the external auditors to the Company and the management's response to such letter;
- (viii) To discuss problems and reservations arising from the external audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (ix) To review the assistance given by the Company's officers to the external auditors;
- (x) To provide any regulatory authorities with such information concerning the Group in such form and within such time limits as the authorities may require;
- (xi) To ensure strict compliance by the Group with the Listing Requirements and all relevant legislations, guidelines and regulations issued by regulatory authorities;
- (xii) To review proposals and implement action plans to effect proposals to meet and maintain required standards and guidelines;
- (xiii) To review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- (xiv) To review all related-party transactions and potential conflict of interests situations; and
- (xv) To consider other areas as defined by the Board.

audit committee report (continued)

3. Rights of the Audit Committee

The Committee is authorised by the Board to investigate any activity within its terms of reference. It shall:-

- (i) Have explicit authority to investigate any matters within its terms of reference;
- (ii) Have the resources which it needs to perform its duties;
- (iii) Have full access to any information pertaining to the Company which it requires in the course of performing its duties;
- (iv) Have unrestricted access to the Chief Executive Officer and any other senior management staff of the Group;
- (v) Have direct communication channels with the external auditors and internal auditors (if any);
- (vi) Be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company; and
- (vii) Be able to convene meetings with the external auditors excluding the attendance of the executive members of the committee, whenever deemed necessary.

Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Malaysia Securities Berhad.

4. Meetings

The Audit Committee shall meet at least four (4) times a year and such additional meetings, as the Chairman shall decide in order to fulfill its duties. Upon the request of the Committee members, external auditors or internal auditors (if any), the Chairman of the Committee shall convene a meeting of the Committee to consider any matters that the auditors believe should be brought to the attention of the Directors or shareholders.

The Company Secretary or other appropriate senior official shall act as Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the committee members prior to each meeting and taking attendance for the Audit Committee meeting.

The Secretary shall also be responsible for keeping the minutes of Audit Committee and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a minimum of two (2) audit committee members, and the majority of the members present must be Independent Directors.

The Finance Director, the Head of Internal Audit (where such a function exists) and a representative of the external auditors shall normally attend meetings. Other board members may attend the Audit Committee Meeting upon the invitation of the Audit Committee.

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend any particular audit committee meeting specific to the relevant meeting.

audit committee report (continued)

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Audit Committee met six (6) times during the financial year ended 31 December 2005. The details of attendance of the Audit Committee members are as follows:-

Name of Audit Committee Member	Total meetings attended	Percentage of attendance (%)
Datuk Dr Syed Muhamad bin Abdul Kadir	6/6	100
Ng Wai Pin	6/6	100
Foong Yein Teng	6/6	100

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 31 December 2005 in discharge of their duties:-

- (a) Reviewed the quarterly financial results announcements for each quarter of the Group to ensure compliance with the Listing Requirements of Bursa Securities, applicable approved accounting standards and other legal and regulatory requirements, prior to recommending them for the Board of Director's consideration and approval;
- (b) Discussed significant audit findings in respect of the financial statements of the Group with the external auditors;
- (c) Reviewed the annual audited financial statements before recommending them for the Board of Director's approval;
- (d) Reviewed the external auditors' fees, scope of work and audit plans for the financial year prior to the commencement of audit;
- (e) Reviewed the related party transactions entered into by the Company and the Group for compliance with the Listing Requirements of Bursa Securities;
- (f) Updates by the external auditors on the development and the adoption of the new Financial Reporting Standards in Malaysia and its impact to the Group's and Company's future financial statements; and
- (g) Discussed the appointment of the external professional consultancy firm to undertake the internal audit function;

INTERNAL AUDIT FUNCTIONS

The Audit Committee is aware that an independent adequately resourced internal audit function is essential to ensuring the implementation of a sound internal control system. Accordingly, the Company will appoint an external professional consultancy firm to assume the internal audit function of the Group. The principal role of the internal audit is to undertake systematic reviews of the systems of internal control within the Group so as to provide reasonable assurance that such systems are adequate and functioning as intended. It's responsibilities include the provision of independent and objective reports on the state of internal control of the various operating units within the Group to the Audit Committee so that remedial actions can be taken in relation to any weaknesses noted in the systems and controls of the respective operating units.

statement on internal control

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements, the Board is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal control of the Group.

BOARD RESPONSIBILITY

The Board acknowledges that it is responsible for the Group's system of internal control and for ensuring its adequacy and integrity. The system is designed to manage the risk at an acceptable level rather than eliminate the risk of failure to achieve corporate objectives. It should be noted that the system can only provide reasonable, and not absolute assurance against material misstatement, fraud or loss. In pursuing this objective, the management's role is to ensure the implementation and compliance of those internal controls in its day-to-day operations.

RISK MANAGEMENT FRAMEWORK

The Board regards risk management as an integral part of business operations and shall endeavour to exercise due care to identify, optimize and manage such risks. The Group is in the process of developing a formal risk management framework to identify and assess the principal risks threatening the achievement of our business objectives.

The Board will incorporate a process to conduct risk assessment and an ongoing review focusing on areas most critical to the Company's success. This will entail establishing risk profile and opportunity identifications and developing control activities and action plans that address the aforementioned in the near future.

These initiatives would ensure that Group has in place a formalised on-going process for identifying, evaluating, managing and monitoring the significant risks that may affect the achievement of our business objectives.

INTERNAL CONTROL FUNCTION

Senior Management staffs are currently appointed to assist the Audit Committee in discharging its duties and responsibilities. The Board and Audit Committee feel that although the current practice is not the best practice advocated, it nevertheless provide sufficient assurance in obtaining regular review and appraisal of the effectiveness of the system of internal control within the current non-complex and non-diversified business activities of the Group. The Board will further enhance the Group's Internal Audit Function by engaging the services of an external professional consultancy firm.

statement on internal control (continued)

KEY ELEMENTS OF THE SYSTEM OF INTERNAL CONTROL

The Board has considered the system of internal control in operation during the year and some of the key elements of the Group's system of internal control are as follows:

- There is in place an organisation structure whereby policies, directions as well as values of the Company are effectively communicated at all levels of operations. The organization structure consists of the Board of Directors and their functional levels comprising of a team of key management personnel as outlined in the organization chart, ensures clear definition of responsibilities, authority, line of reporting and communication within the organization;
- There is annual budgeting and target setting process, where management of each business unit or division will propose and submit their own budgets. In ensuring that budgets are adequately addressed and strategically orientated, proposed budgets are subject to a review process by the Executive Directors before they are submitted to the Board of Directors for their approval and adoption;
- Scheduled management and operational meetings are held with all the business and divisional heads to review the Group's business and operating performance in ensuring that set measurable objectives are accomplished, progress of key development areas are effectively monitored, opportunities for improvement are identified and the need for changes in policies and objectives are adequately addressed;
- Active participation by members of the Board in the day-to day running of the business and regular meetings / dialogs with senior management team on operational matters ensures operational issues strategic to the overall business development are adequately brainstormed and are effectively communicated for timely decisions and actions;
- Key operation policies, control procedures and process controls are documented in the ISO Quality Management System ("QMS"). Adhering to the standards of QMS will provide the means for continuous improvement in operations under controlled conditions. One of the subsidiaries in the Group are certified with ISO9001:2000 which is subject to periodic audit and review by the certification auditor;
- Employment of qualified and capable work force to support the continuous expansion of the Company. The Company maintains a policy for recruitment and development of competent employees, whereby, personnel required are evaluated for its competency relevant to the perform task or work. Competency gaps and training needs of existing employees are determined through the annual staff performance appraisal. Required training, both formal and informal, is provided aimed at constantly upgrading skills to meet new challenges; and
- The Audit Committee reviews the quarterly financial results, financial statements, annual report and internal control issues identified by the External Auditors of the Group.

CONCLUSION

The Board is of the view that the Group's system of internal control is adequate under current operating conditions and there are no significant control failures or weaknesses noted in the financial year under review that would result in material loss that require disclosure in the Group's Annual Report.

Notwithstanding this, the Board recognizes the importance of maintaining appropriate controls at all times and will continue to take measures to review and strengthen the control environment within the Group.

statement on directors' responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and the provisions of the Act. The Board of Directors is responsible to take reasonable steps to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company, and of their results and cash flows for the financial year then ended.

In preparing the financial statements of the Group and the Company for the financial year ended 31 December 2005, the Board of Directors has:

- adopted suitable accounting policies and applied them consistently;
- where applicable, made judgements and estimates that are reasonable and prudent; and
- ensured that applicable approved accounting standards have been followed.

The Directors have ensured that the Group and the Company keep proper accounting and other records that will disclose with reasonable accuracy at any time the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Act and the applicable approved accounting standards.



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directors' report

The directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31st December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in these activities during the financial year.

RESULTS OF OPERATIONS

	Group RM'000	Company RM'000
Profit after taxation for the financial year	7,198	34

DIVIDENDS

No dividend was paid during the year.

The directors recommended a first and final dividend of 3.5 sen per ordinary share of 50 sen each less 28% of income tax amounting to RM2,041,200 for the financial year ended 31st December 2005 which is subject to shareholders' approval at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid up share capital of the Company was increased from RM30,375,000 to RM40,500,000 by the issuance of 20,250,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per share, pursuant to the public issue in conjunction with the listing of the Company on the Second Board of Bursa Malaysia Securities Berhad.

The above-mentioned shares ranked pari passu in all respects with the then existing issued ordinary shares of the Company.

There were no issue of debentures by the Company during the financial year.

directors' report

(continued)

DIRECTORS

The directors who have held office since the date of the last report are:-

Dato' Mohd Haniff Bin Abd Aziz
 Lew Fatt Sin
 Law Sim Shee (f)
 Lew Hin
 Teh Hock Toh
 Foong Yein Teng (f)
 Datuk Dr Syed Muhamad Bin Syed Abdul Kadir
 Ng Wai Pin
 Pua Kah Ho

In accordance with Article 73 of the Company's Articles of Association, Dato' Mohd Haniff Bin Abd Aziz, Lew Fatt Sin and Law Sim Shee shall retire from office in the annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations were as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	As at 1.1.2005	Bought	Sold	As at 31.12.2005
Direct Interest:				
Dato' Mohd Haniff Bin Abd Aziz	12,150,000	-	-	12,150,000
Lew Fatt Sin	18,019,812	-	-	18,019,812
Law Sim Shee	10,782,163	-	-	10,782,163
Lew Hin	357,840	-	-	357,840
Teh Hock Toh	7,290,001	-	-	7,290,001
Indirect Interest:				
Dato' Mohd Haniff Bin Abd Aziz	12,150,000	-	7,650,000	4,500,000

By virtue of their interests in the shares of the Company, Dato' Mohd Haniff Bin Abd Aziz, Lew Fatt Sin and Law Sim Shee are deemed to have interests in the shares of all the subsidiary companies to the extent that the Company has interests.

No other directors in office at the end of the financial year held any interest in shares in the Company and its related corporations.

directors' report

(continued)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial period, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 35 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken, in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts have been written off and adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts which were unlikely to realise their book values in the ordinary course of business of the Group and the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability in respect of the Group and the Company which has arisen since the end of the financial year.

directors' report

(continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and the Company to meet their obligations as and when they fall due.

In the opinion of the directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; except as disclosed in Note 33 to the financial statements and,
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, Messrs HALS & Associates have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

LEW FATT SIN

Director

LAW SIM SHEE

Director

KUALA LUMPUR

DATE: 21st April 2006

balance sheets

as at 31st December 2005

	Note	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
ASSETS					
FIXED ASSETS	5	30,727	23,404	-	-
INVESTMENT IN SUBSIDIARIES	6	-	-	23,698	23,698
INVESTMENT IN PROPERTY	7	106	106	-	-
CURRENT ASSETS					
Inventories	8	9,670	9,070	-	-
Trade receivables	9	23,040	19,409	-	-
Other receivables, deposits and prepayments	10	1,369	2,049	34	554
Amount due from subsidiary companies	11	-	-	12,884	4,200
Tax recoverable		570	375	-	-
Short term funds	12	6,083	-	6,083	-
Fixed deposits with licensed banks	13	1,206	2,400	1,000	2,200
Cash and bank balances		10,127	3,631	730	610
		52,065	36,934	20,731	7,564
CURRENT LIABILITIES					
Trade payables	14	13,248	12,467	-	-
Other payables and accruals	15	4,546	4,269	15	14
Amount due to a subsidiary company	11	-	-	-	417
Hire purchase payables	16	842	1,060	-	-
Amount due to directors	17	81	49	-	34
Provision for taxation		-	-	17	-
Bank borrowings	18	401	3,487	-	-
		19,118	21,332	32	465
NET CURRENT ASSETS		32,947	15,602	20,699	7,099
		63,780	39,112	44,397	30,797
Financed by:-					
CAPITAL AND RESERVES					
SHARE CAPITAL	19	40,500	30,375	40,500	30,375
RESERVES	20	17,294	6,655	3,897	422
SHAREHOLDERS' FUNDS		57,794	37,030	44,397	30,797
LONG TERM AND DEFERRED LIABILITIES					
Term loans	21	3,615	98	-	-
Hire purchase payables	16	1,279	1,296	-	-
Deferred taxation	22	1,092	688	-	-
		63,780	39,112	44,397	30,797

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 41 to 65.

income statements

for the year ended 31st December 2005

	Note	GROUP		COMPANY	
		1.1.2005 to 31.12.2005 RM'000	24.3.2004 to 31.12.2004 RM'000	1.1.2005 to 31.12.2005 RM'000	24.3.2004 to 31.12.2004 RM'000
REVENUE	23	88,019	26,290	400	99
Less: COST OF SALES		(63,319)	(18,407)	-	-
		24,700	7,883	400	99
OTHER OPERATING INCOME		546	86	179	1
		25,246	7,969	579	100
Less: EXPENSES					
SELLING AND DISTRIBUTION EXPENSES		(8,230)	(2,459)	-	-
ADMINISTRATIVE EXPENSES		(7,595)	(1,616)	(383)	(53)
		(15,825)	(4,075)	(383)	(53)
PROFIT FROM OPERATIONS		9,421	3,894	196	47
Less: FINANCE COSTS	24	(587)	(179)	-	-
PROFIT BEFORE TAXATION	25	8,834	3,715	196	47
TAXATION	26	(1,636)	(1,156)	(162)	(28)
PROFIT AFTER TAXATION		7,198	2,559	34	19
EARNINGS PER SHARE (SEN)	27	8.98	13.70	-	-

The above income statements are to be read in conjunction with the notes to the financial statements on pages 41 to 65.

statements of changes in equity

for the year ended 31st December 2005

	Share Capital RM'000	Share Premium RM'000	Reserve Arising On Consolidation RM'000	Retained Profit RM'000	Total RM'000
Group					
At date of incorporation	-*	-	-	-	-*
Issue of shares					
- Acquisition of subsidiaries	23,295	403	-	-	23,698
- Right issue	7,080	-	-	-	7,080
Reserve arising on consolidation	-	-	3,693	-	3,693
Profit for the period	-	-	-	2,559	2,559
Balance at 31st December 2004	30,375	403	3,693	2,559	37,030
Issue of shares					
- Public issue	10,125	5,062	-	-	15,187
Listing expenses written off	-	(1,621)	-	-	(1,621)
Profit for the year	-	-	-	7,198	7,198
Balance at 31st December 2005	40,500	3,844	3,693	9,757	57,794
Company					
At date of incorporation	-*	-	-	-	-*
Issue of shares					
- Acquisition of subsidiaries	23,295	403	-	-	23,698
- Right issue	7,080	-	-	-	7,080
Profit for the period	-	-	-	19	19
Balance at 31st December 2004	30,375	403	-	19	30,797
Issue of shares					
- Public issue	10,125	5,062	-	-	15,187
Listing expenses written off	-	(1,621)	-	-	(1,621)
Profit for the year	-	-	-	34	34
Balance at 31st December 2005	40,500	3,844	-	53	44,397

* Represents RM2

The above income statements are to be read in conjunction with the notes to the financial statements on pages 41 to 65.

cash flow statements

for the year ended 31st December 2005

	GROUP		COMPANY		
	Note	1.1.2005 to 31.12.2005 RM'000	24.3.2004 to 31.12.2004 RM'000	1.1.2005 to 31.12.2005 RM'000	24.3.2004 to 31.12.2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		8,834	3,715	196	47
Adjustments for:					
Allowance for doubtful debts		33	-*	-	-
Depreciation		2,834	662	-	-
Gain on disposal of fixed assets		(62)	(78)	-	-
Interest expenses		306	116	-	-
Interest income		(177)	(3)	(171)	(1)
Dividend income		-	-	(400)	(99)
Unrealised (gain)/loss on foreign exchange		(31)	1	-	-
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES					
		11,737	4,413	(375)	(53)
Increase in inventories		(600)	(135)	-	-
Increase in receivables		(2,953)	(7,015)	(8,164)	(4,754)
(Decrease)/Increase in payables		(1,709)	2,038	(450)	465
CASH GENERATED FROM/(USED IN) OPERATIONS					
		6,475	(699)	(8,989)	(4,342)
Tax refund		234	-	-	-
Tax paid		(1,661)	(674)	(145)	(28)
Interest received		177	3	171	1
Interest paid		(306)	(116)	-	-
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES					
		4,919	(1,486)	(8,963)	(4,369)
CASH FLOWS FROM INVESTING ACTIVITIES					
Surplus of cash on acquisition of subsidiaries	A	-	725	-	-
Purchase of fixed assets		(9,145)	(180)	-	-
Proceeds from disposal of fixed assets		249	82	-	-
Dividend income		-	-	400	99
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES					
		(8,896)	627	400	99

cash flow statements

for the year ended 31st December 2005 (continued)

	GROUP		COMPANY	
	1.1.2005	24.3.2004	1.1.2005	24.3.2004
	to	to	to	to
Note	31.12.2005	31.12.2004	31.12.2005	31.12.2004
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of term loan	4,000	-	-	-
Fixed deposits pledged	(6)	-	-	-
Proceeds from issue of shares	15,187	7,080	15,187	7,080
Listing expenses written off against share premium	(1,621)	-	(1,621)	-
Repayment of hire purchase payables	(1,434)	(332)	-	-
Repayment of term loan	(603)	(225)	-	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	15,523	6,523	13,566	7,080
Effect of exchange rate changes	-	-**	-	-
Net increase in cash and cash equivalents	11,546	5,664	5,003	2,810
Cash and cash equivalents at beginning of the year/period	5,664	-	2,810	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	17,210	5,664	7,813	2,810
	28			

* represents RM134

** represents RM389

The above income statements are to be read in conjunction with the notes to the financial statements on pages 41 to 65.

cash flow statements

for the year ended 31st December 2005 (continued)

A. SUMMARY OF EFFECT OF ACQUISITION OF SUBSIDIARIES DURING THE FINANCIAL YEAR/PERIOD

	GROUP	
	Total 1.1.2005 to 31.12.2005 RM'000	Total 24.3.2004 to 31.12.2004 RM'000
Fixed assets	-	23,631
Inventories	-	8,935
Receivables	-	15,409
Fixed deposits, cash, bank balances and overdrafts*	-	925
Payables	-	(13,173)
Borrowings	-	(6,547)
Long term liabilities	-	(1,197)
Deferred taxation	-	(592)
Reserves on consolidation	-	(3,693)
TOTAL PURCHASE CONSIDERATION	-	23,698
Less:		
Purchase consideration satisfied by the issuance of 46,590,781 ordinary shares of the Company at approximately RM0.51 per share	-	(23,698)
PURCHASE CONSIDERATION SATISFIED BY CASH	-	-**
Less: Cash and cash equivalents acquired	-	(725)
Surplus of cash on acquisition of subsidiaries	-	(725)

* Fixed deposit of RM200,000 which has been pledged to a bank for credit facilities granted is excluded from cash and cash equivalents.

** Represents RM2

notes to the financial statement

31st December 2005

1. GENERAL

The financial statements of the Group and the Company are expressed in Malaysian Ringgit (RM).

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 1603, 16th Floor, Wisma Lim Foo Yong, 86, Jalan Raja Chulan, 50200 Kuala Lumpur and the principal place of business is at Wisma Euro, Lot 21, Rawang Industrial Estate, 48000 Rawang, Selangor Darul Ehsan.

The financial statements of the Group and the Company were authorised for issue by the directors on 21st April 2006.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in these activities during the financial year.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

4. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The preparation of the financial statements in conformity with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Basis of Consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investment.

notes to the financial statement

31st December 2005 (continued)

4. ACCOUNTING POLICIES (continued)

(b) Basis of Consolidation (continued)

Subsidiaries (continued)

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included and retained in the consolidated balance sheet as either goodwill or reserve arising on consolidation, as appropriate.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflected external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(c) Investments

Investment in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, where applicable.

Investment in property is stated at cost plus other direct costs less impairment if any. Property held for investment purposes is not depreciated.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Fixed Assets and Depreciation

(i) Owned Assets

Fixed assets (except for a freehold land and building) are stated at cost less accumulated depreciation and impairment losses.

Freehold land is stated at cost/valuation. No amortisation is provided for freehold land.

One of the freehold buildings is stated at valuation less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the estimated useful lives of the assets concerned.

The annual rates used are as follows:-

Leasehold land	1%
Freehold buildings	2%
Furniture and fittings	10%-15%
Office equipment	10%-35%
Forklifts	10%
Plant, machinery and tools	10%
Moulds	20%
Electrical installation	10%-15%
Computers	20%
Signboards	10%
Renovation	15%
Motor vehicles	20%

notes to the financial statement

31st December 2005 (continued)

4. ACCOUNTING POLICIES (continued)

(d) Fixed Assets and Depreciation (continued)

(i) Owned Assets (continued)

The Group carried one of its subsidiary's freehold industrial land and building at revalued amount less accumulated depreciation and impairment losses and placed reliance on the transitional provision of Financial Reporting Standards No. 116: Property, Plant and Equipment. In accordance with the transitional provision, these assets acquired since the last valuation are maintained at their original valuation less accumulated depreciation and impairment losses. The aggregate carrying amount on revalued assets are disclosed in Note 5 to the financial statements.

Surplus arising from revaluation are credited to revaluation reserve. All deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount will be charged to income statement. On disposal of revalued assets, amounts in revaluation reserve relating to these assets are transferred to retained earnings.

Incidental costs are capitalised as part of the cost of assets up to the date when the properties are ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit from operations.

(ii) Fixed Assets Acquired Under Hire Purchase Arrangements

The cost of the assets acquired under hire purchase arrangements which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised.

The fixed assets are recorded at the lower of the minimum hire purchase instalment payments or the fair value of the assets at the beginning of the respective hire purchase terms less accumulated depreciation. Assets acquired under such arrangements are depreciated over the useful lives of equivalent owned assets. The depreciation policy on these assets are similar to that of the Group's fixed assets depreciation policy.

Outstanding obligation due under the hire purchase arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges of hire purchase agreements are allocated to income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of the financial period.

(e) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries and associates), to determine whether there is any indication of impairment. If such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be charged to equity. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to equity.

notes to the financial statement

31st December 2005 (continued)

4. ACCOUNTING POLICIES (continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value after adequate provision had been made for deteriorated, damaged, obsolete and slow moving items.

Cost is determined on a first-in, first-out (FIFO) basis and includes all costs in bringing the inventory to its present location and condition. The cost of raw material consists of purchase cost and incidental cost of purchase.

The cost of finished goods and work-in progress consist of raw materials, direct labour and appropriate proportion of production overheads.

Net realisable value is the price of which the inventory can be realised in the normal course of business after allowing for the cost of realisation and where appropriate, the cost of conversion from their existing state to a finished condition.

(g) Receivables

Receivables are carried at invoiced amount less any estimates made for doubtful debts based on a review of outstanding amounts at the year end. Known bad debts are written off and specific allowance is made for any debt which is considered to be doubtful for collection.

(h) Payables

Payables are stated at cost which is the consideration to be paid in the future for products and services rendered.

(i) Taxation

Provision for taxation is made based on the amount of tax estimated to be payable on profits adjusted for tax purposes and is measured using the tax rates that have been enacted at the balance sheet date. Deferred tax is provided by the balance sheet liability method based on all taxable temporary differences by comparing carrying amounts of assets and liabilities and their corresponding tax bases.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(j) Borrowings and Borrowing Costs

Borrowings are reported at their face value.

All borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

notes to the financial statement

31st December 2005 (continued)

4. ACCOUNTING POLICIES (continued)

(k) Revenue Recognition

Revenue from sales of goods are recognised upon delivery of products and customers' acceptance.

Dividend income is recognised when the right to receive payment is established.

(l) Foreign Currencies

Transactions in foreign currencies are converted into Malaysian Ringgit at the exchange rates prevailing at the transaction dates or, where settlement has not taken place at the Balance Sheet date, at the approximate exchange rate prevailing at that date. All exchange gains or losses, including those arising from translation, are taken up in the Income Statement.

The principal closing rates used in translation of foreign currency are as follows:-

Foreign Currency	2005 RM	2004 RM
1 US Dollar	3.751	3.775
1 Singapore Dollar	2.248	2.299
Euro	4.438	5.120

(m) Cash and Cash Equivalents

Cash consists of cash and bank balances, deposits with licensed financial institutions and bank overdrafts.

Cash equivalents consist of investments maturing within three months from the date of acquisition and which are readily convertible to known amount of cash which are subject to an insignificant risk of change in value.

(n) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group and the Company have become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to set off the recognised amount and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The measurement, basis, extent and nature of the financial instruments, are disclosed in the respective notes to the financial statements.

(o) Employee Benefits

As required by Malaysia's regulations, the Group and the Company make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as and when incurred.

notes to the financial statement

31st December 2005 (continued)

5. FIXED ASSETS

The details of fixed assets are as follows:-

Group 2005	At 1st January 2005 RM'000	Additions RM'000	Disposals RM'000	At 31st December 2005 RM'000
Cost:				
Freehold land				
- at cost	3,163	4,910	-	8,073
- at valuation	1,194	-	-	1,194
Leasehold land	2,536	-	-	2,536
Freehold buildings				
- at cost	9,299	-	-	9,299
- at valuation	510	-	-	510
Furniture and fittings	1,336	85	-	1,421
Office equipment	632	73	-	705
Forklifts	220	-	-	220
Plant, machinery and tools	7,580	3,680	(81)	11,179
Moulds	5,072	158	-	5,230
Electrical installation	39	17	-	56
Computers	920	427	-	1,347
Signboards	7	-	-	7
Renovation	35	82	-	117
Motor vehicles	3,802	912	(384)	4,330
Total	36,345	10,344	(465)	46,224

	At 1st January 2005 RM'000	Charge for the year RM'000	Disposals RM'000	At 31st December 2005 RM'000	Net Book Value at 31st December 2005 RM'000
Accumulated Depreciation:					
Freehold land					
- at cost	-	-	-	-	8,073
- at valuation	-	-	-	-	1,194
Leasehold land	103	26	-	129	2,407
Freehold buildings					
- at cost	1,506	186	-	1,692	7,607
- at valuation	60	10	-	70	440
Furniture and fittings	849	91	-	940	481
Office equipment	403	58	-	461	244
Forklifts	126	10	-	136	84
Plant, machinery and tools	3,844	868	(31)	4,681	6,498
Moulds	3,364	698	-	4,062	1,168
Electrical installation	19	5	-	24	32
Computers	591	142	-	733	614
Signboards	6	1	-	7	-
Renovation	9	10	-	19	98
Motor vehicles	2,061	729	(247)	2,543	1,787
Total	12,941	2,834	(278)	15,497	30,727

notes to the financial statement

31st December 2005 (continued)

5. FIXED ASSETS (continued)

The details of fixed assets are as follows:-

Group 2004	At date of incorporation RM'000	Acquisition of subsidiaries RM'000	Additions RM'000	Disposals RM'000	At end of the period RM'000
Cost:					
Freehold land					
- at cost	-	3,163	-	-	3,163
- at valuation	-	1,194	-	-	1,194
Leasehold land	-	2,536	-	-	2,536
Freehold buildings					
- at cost	-	9,299	-	-	9,299
- at valuation	-	510	-	-	510
Furniture and fittings	-	1,336	-	-	1,336
Office equipment	-	637	-	(5)	632
Forklifts	-	140	80	-	220
Plant, machinery and tools	-	7,366	214	-	7,580
Moulds	-	5,021	51	-	5,072
Electrical installation	-	39	-	-	39
Computers	-	889	31	-	920
Signboards	-	7	-	-	7
Renovation	-	35	-	-	35
Motor vehicles	-	4,011	63	(272)	3,802
Total	-	36,183	439	(277)	36,345

	At date of incorporation RM'000	Acquisition of subsidiaries RM'000	Charge for the period RM'000	Disposals RM'000	At end of the period RM'000	Net Book Value at end of the period RM'000
Accumulated Depreciation:						
Freehold land						
- at cost	-	-	-	-	-	3,163
- at valuation	-	-	-	-	-	1,194
Leasehold land	-	96	7	-	103	2,433
Freehold buildings						
- at cost	-	1,457	49	-	1,506	7,793
- at valuation	-	60	-	-	60	450
Furniture and fittings	-	828	21	-	849	487
Office equipment	-	388	16	(1)	403	229
Forklifts	-	122	4	-	126	94
Plant, machinery and tools	-	3,667	177	-	3,844	3,736
Moulds	-	3,163	201	-	3,364	1,708
Electrical installation	-	18	1	-	19	20
Computers	-	566	25	-	591	329
Signboards	-	5	1	-	6	1
Renovation	-	8	1	-	9	26
Motor vehicles	-	2,174	159	(272)	2,061	1,741
Total	-	12,552	662	(273)	12,941	23,404

notes to the financial statement

31st December 2005 (continued)

5. FIXED ASSETS (continued)

- (i) The net book value of fixed assets charged to bank for credit facilities granted to the Group are as follows:-

	GROUP	
	2005 RM'000	2004 RM'000
Freehold land	9,267	4,357
Leasehold land	2,407	2,433
Freehold buildings	8,047	8,243
	19,721	15,033

- (ii) One of the subsidiaries' freehold industrial land and factory building stated at valuation was revalued in year 1997 based on the opinion expressed by a professional valuer on the basis of 'Open Market Value'.

- (iii) The net book value of fixed assets acquired under hire purchase instalment plans are as follows:-

	GROUP	
	2005 RM'000	2004 RM'000
Plant and machinery	1,030	2,163
Motor vehicles	1,626	1,679
Forklift	71	-
	2,727	3,842

- (iv) The cost of assets financed by hire purchase instalment plans during the financial year are:-

	GROUP	
	2005 RM'000	2004 RM'000
Motor vehicles	723	59
Plant and machinery	476	120
Forklift	-	80
	1,199	259

notes to the financial statement

31st December 2005 (continued)

6. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost	23,698	23,698

The details of subsidiary companies are as follows:-

	Country of Incorporation	Principal Activities	Group's Effective Interest	
			2005 %	2004 %
Euro Chairs Manufacturer (M) Sdn Bhd (Company No: 164921 X)	Malaysia	Manufacturing and marketing of furniture	100	100
Euro Space Industries (M) Sdn Bhd (Company No: 105420 W)	Malaysia	Manufacturing and trading of office furniture, partitions, chairs and panels	100	100
Euro Chairs System Sdn Bhd (Company No: 121935 M)	Malaysia	Trading of furniture, furniture fabric materials and other furniture components	100	100
Euro Space System Sdn Bhd (Company No: 378220 D)	Malaysia	Trading of office furniture	100	100
Euro Chairs (M) Sdn Bhd (Company No: 204498 V)	Malaysia	Holds the industrial designs and trademarks of the Group	100	100

All the subsidiary companies are audited by HALS & Associates.

7. INVESTMENT IN PROPERTY

Group

The investment in property consists of purchase cost of freehold shop lot and other incidental expenditure of purchase stated at cost.

The carrying amount of the investment property approximates its fair value which is based on the directors' opinion. The opinion is formed from the market value of the properties sold in the surrounding neighbourhood.

notes to the financial statement

31st December 2005 (continued)

8. INVENTORIES – AT COST

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Raw materials	6,058	5,845	-	-
Work in progress	3,116	2,390	-	-
Finished goods	496	835	-	-
	9,670	9,070	-	-

9. TRADE RECEIVABLES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	23,384	19,720	-	-
Less:				
Allowance for doubtful debts	(344)	(311)	-	-
	23,040	19,409	-	-

The currency exposure profile of trade receivables are as follows:-

Functional currency of:-

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
United States Dollar	3,417	1,483	-	-
Singapore Dollar	2,253	1,662	-	-
Ringgit Malaysia	17,370	16,264	-	-
	23,040	19,409	-	-

The credit period on trade receivables is normally 30 to 90 (2004: 30 to 90) days or contractual periods based on project contract sales.

notes to the financial statement

31st December 2005 (continued)

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments comprise the following:-

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other receivables	299	154	1	-
Deposits	886	1,160	-	-
Prepayments	184	735	33	554
	1,369	2,049	34	554

Other receivables' credit terms are assessed and approved on a case by case basis.

11. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

The amount due from subsidiary companies represents non trade advances which is unsecured, interest free with no fixed term of repayment.

The amount due from subsidiary companies comprises:-

	COMPANY	
	2005 RM'000	2004 RM'000
Euro Chairs (M) Sdn Bhd	11	-
Euro Chairs Manufacturer (M) Sdn Bhd	4,005	2,700
Euro Space Industries (M) Sdn Bhd	8,868	1,500
	12,884	4,200

The amount due to a subsidiary company comprises:

	COMPANY	
	2005 RM'000	2004 RM'000
Euro Chairs System Sdn Bhd	-	417

12. SHORT TERM FUNDS

The short term funds represent placements in fixed income trusts with a licensed financial institution, incorporated in Malaysia of which RM1,017,000 is redeemable at call and RM5,066,000 is redeemable upon 7 days notice.

notes to the financial statement

31st December 2005 (continued)

13. FIXED DEPOSITS WITH LICENSED BANKS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits (Note 28)	1,206	2,400	1,000	2,200

A fixed deposit amounting to RM206,045 (2004: RM200,000) had been pledged as security for banking facilities granted to a subsidiary company.

The fixed deposits as at 31st December 2005 have maturity periods ranging from 1 to 3 months and bear interest rate at 3.00% (2004: 2.70% to 3.00%) per annum.

14. TRADE PAYABLES

The currency exposure profile of trade payables are as follows:-

Functional currency of:-

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
United States Dollar	681	205	-	-
Singapore Dollar	18	51	-	-
Euro	248	175	-	-
Ringgit Malaysia	12,301	12,036	-	-
	13,248	12,467	-	-

The normal trade credit terms granted to the Group range from 30 to 90 (2004: 30 to 90) days.

15. OTHER PAYABLES AND ACCRUALS

Other payables and accruals comprise the following:-

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other payables	4,061	3,827	-	6
Accruals	485	442	15	8
	4,546	4,269	15	14

notes to the financial statement

31st December 2005 (continued)

15. OTHER PAYABLES AND ACCRUALS (continued)

The currency exposure profile of other payables and accruals are as follows:-

Functional currency of:-

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
United States Dollar	1,874	608	-	-
Singapore Dollar	-	2	-	-
Ringgit Malaysia	2,672	3,659	15	14
	4,546	4,269	15	14

The other payables' credit terms are granted to the Group and the Company on a case by case basis.

16. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Minimum hire purchase payments:				
Not later than 1 year	972	1,192	-	-
Later than 1 year and not later than 5 years	1,372	1,422	-	-
After 5 years	-	4	-	-
	2,344	2,618	-	-
Less: Future finance charges	(223)	(262)	-	-
Present value of hire purchase liabilities	2,121	2,356	-	-
Present value of hire purchase liabilities:				
Not later than 1 year	842	1,060	-	-
Later than 1 year and not later than 5 years	1,279	1,292	-	-
After 5 years	-	4	-	-
	2,121	2,356	-	-
Instalments due:				
Within next 12 months	842	1,060	-	-
After next 12 months	1,279	1,296	-	-
	2,121	2,356	-	-

The hire purchase payables bear interest rate at 2.60% to 5.90% (2004: 3.20% to 10.68%) per annum.

17. AMOUNT DUE TO DIRECTORS

Group/Company

The amount due to directors represents non-trade advance and is unsecured, interest free with no fixed term of repayment.

notes to the financial statement

31st December 2005 (continued)

18. BANK BORROWINGS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Secured:				
Term loans (Note 21)	401	521	-	-
Bills payable	-	2,799	-	-
Bank overdrafts (Note 28)	-	167	-	-
	401	3,487	-	-

The bank borrowings are secured against the following:-

- (i) Assignment over certain land and properties belonging to the Group as disclosed in Note 5 to the financial statements and certain directors' related company.
- (ii) All monies restricted debenture over certain land and properties owned by the Group and certain directors' related company.
- (iii) Debentures by way of a fixed and floating charge over certain present and future assets of the Group.
- (iv) All monies facility agreements.
- (v) All monies charge over certain assets of the Group and properties belonging to certain directors.
- (vi) Pledge of 1st party fixed deposit of RM206,045 (2004: RM200,000) of the Group as disclosed in Note 13 to the financial statements.
- (vii) Personal guarantee and Indemnity by certain directors.
- (viii) Corporate guarantee by the Company.

Terms of repayment of bank borrowings are as follows:-

- (i) Term loans : 10-15 years
- (ii) Bills payable : 120-150 days
- (iii) Bank overdrafts : repayable on demand

The interest rates per annum on the Group's borrowings are as follows:-

	GROUP		COMPANY	
	2005	2004	2005	2004
Term loans	3.80%-7.50%	7.50%-11.0%	-	-
Bills payable	3.83%-4.70%	4.44%-4.75%	-	-
Bank overdrafts	7.50%-7.75%	7.50%-7.75%	-	-

notes to the financial statement

31st December 2005 (continued)

19. SHARE CAPITAL

	GROUP/COMPANY	
	2005 RM'000	2004 RM'000
(a) Authorised:		
100,000,000 Ordinary Shares of RM0.50 each		
At beginning of the year/At date of incorporation	50,000	100
Created during the year/period	-	49,900
At end of the year/period	50,000	50,000
(b) Issued and fully paid:		
81,000,000 Ordinary Shares of RM0.50 each		
At beginning of the year/At date of incorporation	30,375	-*
Issued during the year/period via		
- public issue	10,125	-
- acquisition of subsidiaries	-	23,295
- right issue	-	7,080
At end of the year/period	40,500	30,375

* represents RM2

20. RESERVES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Non-Distributable:				
Share premium				
At beginning of the year/period	403	-	403	-
Issued during the year/period	5,062	403	5,062	403
Listing expenses written off	(1,621)	-	(1,621)	-
At end of the year/period	3,844	403	3,844	403
Reserve on consolidation				
At beginning of the year/period	3,693	-	-	-
Acquisition of subsidiaries	-	3,693	-	-
At end of the year/period	3,693	3,693	-	-
Distributable:				
Retained profit				
At beginning of the year/period	2,559	-	19	-
Profit for the year/period	7,198	2,559	34	19
At end of the year/period	9,757	2,559	53	19
	17,294	6,655	3,897	422

notes to the financial statement

31st December 2005 (continued)

21. TERM LOANS - SECURED

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Payable within 2 years	836	599	-	-
Payable next 2 years but within 5 years	1,200	20	-	-
Payable after 5 years	1,980	-	-	-
	4,016	619	-	-
Portion repayable within next 12 months (Note 18)	(401)	(521)	-	-
	3,615	98	-	-

The term of repayment, interest rates and securities are disclosed in Note 18 to the financial statements.

22. DEFERRED TAXATION

	GROUP	
	2005 RM'000	2004 RM'000
At beginning of the year/period	688	-
Acquisition of subsidiary companies	-	592
Transfer from income statement (Note 26)		
- current year/period	473	96
- overprovision in prior year/period	(69)	-
At end of the year/period	1,092	688
Presented after appropriate offsetting as follows:-		
Deferred tax assets	-	134
Deferred tax liabilities	(1,092)	(822)
	(1,092)	(688)

Deferred Tax Assets

	GROUP UNUSED TAX LOSSES	
	2005 RM'000	2004 RM'000
At beginning of the year/period	(134)	-
Acquisition of subsidiary companies	-	(134)
Transfer to income statement	134	-
At end of the year/period	-	(134)

notes to the financial statement

31st December 2005 (continued)

22. DEFERRED TAXATION (continued)

Deferred Tax Liabilities

	GROUP EXCESS OF CAPITAL ALLOWANCES OVER DEPRECIATION	
	2005 RM'000	2004 RM'000
At beginning of the year/period	822	-
Acquisition of subsidiary companies	-	726
Transfer from income statement		
- current year	339	96
- overprovision in prior year	(69)	-
At end of the year/period	1,092	822

23. REVENUE

Group

Revenue represents the invoiced value of goods sold less returns, discounts and agents' commissions.

Company

Revenue represents dividend income received and receivable.

24. FINANCE COSTS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bank charges	212	38	-	-
Bank overdraft interest	7	5	-	-
Bankers acceptance interest	67	42	-	-
Commitment fees	43	20	-	-
Hire purchase interest	171	54	-	-
LC charges	26	5	-	-
Term loan interest	61	15	-	-
	587	179	-	-

notes to the financial statement

31st December 2005 (continued)

25. PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before taxation is stated after charging:-				
Allowance for doubtful debts	33	-*	-	-
Auditor's remuneration				
- current year	55	46	13	8
- overprovision in prior year	(6)	-	-	-
Depreciation	2,834	662	-	-
Rental of equipment	15	-	-	-
Directors' emoluments				
- directors of the Company	1,397	373	-	-
Directors' fees				
- directors of the Company	138	34	138	34
Incorporation fee	-	8	-	8
Loss on foreign exchange				
- realised	85	2	-	-
- unrealised	-	1	-	-
Rental of premises	177	12	-	-
Staff cost	11,817	2,802	-	-
And crediting:-				
Dividend income	-	-	(400)	(99)
Gain on disposal of fixed assets	(62)	(78)	-	-
Gain on foreign exchange				
- realised	-	(6)	-	-
- unrealised	(31)	-	-	-
Interest income	(177)	(3)	(171)	(1)

* represents RM134

26. TAXATION

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tax expense for the year/period:				
- Current year's/period's income tax provision	1,200	1,060	162	28
- Underprovision for prior period	32	-	-	-
Deferred taxation:				
Transfer to deferred tax (Note 22)				
- current year/period	473	96	-	-
- under/(over) provision in prior year	(69)	-	-	-
	1,636	1,156	162	28

notes to the financial statement

31st December 2005 (continued)

26. TAXATION (continued)

Income tax is calculated at the Malaysian Statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year/period.

The tax rate of the subsidiary companies is 20% on the first RM500,000 (2004: RM500,000) of chargeable income for small-medium industries with paid up capital of less than RM2.5 million.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:-

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before taxation	8,834	3,715	196	47
Taxation at Malaysian Statutory tax rate at 28%	2,474	1,040	55	13
Effect of 20% tax rate for first RM500,000 (2004: RM500,000) taxable income	(160)	-	-	-
Expenses not deductible for tax purposes	481	125	107	15
Income not subject to tax	(8)	-	-	-
Double tax deduction	(53)	(18)	-	-
Utilisation of reinvestment allowance	(1,061)	(211)	-	-
Utilisation of investment tax allowances	-	(63)	-	-
Under/(Over) provision in prior period				
- tax	32	-	-	-
- deferred tax	(69)	-	-	-
Reversal of deferred tax liabilities from pre-acquisition period	-	283	-	-
Tax expense for the year/period	1,636	1,156	162	28

The Group has available unabsorbed tax losses of approximately RM64,000 (2004: RM453,000) and unabsorbed reinvestment allowances of approximately RM1,623,000 (2004: RM3,025,000) for utilisation against future taxable income.

The subsidiary companies have tax exempt income of approximately RM15,684,000 (2004: RM11,895,000) from which tax exempt dividend may be declared.

The subsidiary companies have tax credit of approximately RM8,032,000 (2004: RM7,100,000) under Section 108 of the Income Tax Act 1967 to frank their distributable reserves as dividends.

The above are subject to the approval of the tax authorities.

notes to the financial statement

31st December 2005 (continued)

27. EARNINGS PER SHARE

The basic earnings per share for the financial year ended 31st December 2005 is as follows:-

	GROUP	
	2005 RM'000	2004 RM'000
Consolidated profit after tax (RM'000)	7,198	2,559
Weighted average number of shares of RM0.50 each (share)	80,156,250	18,676,757
Basic earnings per share (sen)	8.98	13.70

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the financial year ended 31st December 2005.

28. CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Short term funds (Note 12)	6,083	-	6,083	-
Cash and bank balances	10,127	3,631	730	610
Fixed deposits (Note 13)	1,206	2,400	1,000	2,200
Bank overdrafts (Note 18)	-	(167)	-	-
	17,416	5,864	7,813	2,810
Less: Fixed deposits pledged	(206)	(200)	-	-
	17,210	5,664	7,813	2,810

The currency exposure profile of cash and bank balances are as follows:-

Functional currency of:-

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
United States Dollar	978	108	-	-
Euro	10	22	-	-
Ringgit Malaysia	9,139	3,501	730	610
	10,127	3,631	730	610

notes to the financial statement

31st December 2005 (continued)

29. EMPLOYEES

The average number of employees at the end of the financial year/period is:-

	GROUP		COMPANY	
	2005 No.	2004 No.	2005 No.	2004 No.
No. of employees	496	406	-	-

30. CAPITAL COMMITMENT

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Approved and contracted but not provided for	6,902	1,849	-	-

31. CONTINGENT LIABILITIES - UNSECURED

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Corporate guarantee given to financial institutions in respect of credit facilities granted to subsidiary companies	-	-	28,818	5,000

32. SEGMENTAL INFORMATION

No segmental reporting is presented as the Group operates principally in the manufacturing and trading of office furniture industry in Malaysia.

notes to the financial statement

31st December 2005 (continued)

33. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE REPORTING YEAR

- (i) On 17th January 2005, the Company implemented a public issue of 20,250,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 each in conjunction with the listing of the Company on the Second Board of Bursa Malaysia Securities Berhad.
- (ii) On 25th January 2005, Euro Holdings Berhad was admitted to the Official List of Bursa Malaysia Securities Berhad with the listing of and quotation for its entire enlarged issued and paid up share capital on the Second Board of Bursa Malaysia Securities Berhad.
- (iii) On 18th May 2005, Euro Space Industries (M) Sdn Bhd, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Chia Kiu and Chin Wai Kuan @ Chan Wee Koon to acquire a parcel of freehold industrial land measuring approximately 19,519 square metres held under title No. H.S. (D) 28262 P.T. 10334, Mukim of Rawang, District of Gombak in State of Selangor, for a cash consideration of RM4,601,211.90.

The acquisition was completed on 19th August 2005.

34. FINANCIAL INSTRUMENTS

(A) Financial Risk Management Objectives and Policies

The Group's and the Company' financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's business whilst managing their interest, foreign exchange, liquidity and credit risks.

(i) Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relate primarily to its fixed deposits and borrowings. The Group monitors the interest rates closely to ensure that the borrowings are maintained at favourable rates.

The interest rate risk that financial instruments value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on classes of financial assets and financial liabilities are disclosed in Note 13, 16 and 18 respectively.

(ii) Foreign Exchange Risk

The Group is exposed to foreign currency risk as a result of its normal trading activities, where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The currencies giving rise to this risk are primarily US Dollars, Euro Dollars and Singapore Dollars.

The Group maintains foreign exchange accounts to hedge against foreign currency fluctuation and to limit their exposure to foreign currency payables and/or cash flows generated from anticipated transactions denominated in foreign currencies.

The Group also enters into forward foreign currency exchange contracts to limit their exposure on foreign currency receivables and on cash flows generated from anticipated transactions denominated in foreign currencies.

notes to the financial statement

31st December 2005 (continued)

34. FINANCIAL INSTRUMENTS (continued)

(A) Financial Risk Management Objectives and Policies (continued)

(ii) Foreign Exchange Risk (continued)

As at 31st December 2005, the foreign currency forward contracts which have been entered by the Group for its trade receivables are as follows:-

	Amount in RM'000	Contract Rate
Trade Receivables		
United States Dollar	672	3.7585-3.7615
Singapore Dollar	443	2.2130

These contracts mature within 1 to 3 months from the balance sheet date.

The unrecognised loss associated with anticipated future transactions are RM5,400 and the expected timing of recognition of income is on the maturity of the contracts. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

The net unhedged financial assets and financial liabilities of the Group are disclosed in Note 9, 14, 15 and 28 respectively.

(iii) Liquidity and Cash Flow Risk

As part of the Group's and the Company's overall prudent liquidity management, the Group and the Company maintain sufficient level of cash to meet its working capital requirements.

The Group's and the Company's cash flow positions are monitored on an ongoing basis through the budgetary controls as well as management reporting procedures.

(iv) Credit Risk

Credit risk or the risk of counterparties' defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis via the Group management reporting procedures.

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheets.

The Group had no significant concentration of credit risk with any single counterparty.

The Company had significant concentration of credit risk with amount due from its subsidiary companies as disclosed in Note 11 to the financial statement. Credit risk is minimised by exercising credit evaluation measurement and conducting credit review if the credit risk is material.

At 31st December 2005, the Group and the Company had no significant credit risk associated with its exposure to potential counterparty's failure to settle outstanding foreign currencies.

notes to the financial statement

31st December 2005 (continued)

34. FINANCIAL INSTRUMENTS (continued)

(B) Fair Value

The carrying amounts of the financial assets and financial liabilities as reflected in the balance sheet approximated their respective net fair values, due to their short term nature except as disclosed below:-

(i) Hire Purchase Payables

The carrying amounts of hire purchase payables approximate their fair values.

(ii) Borrowings

The fair value of the fixed rate term loan has been determined by discounting the expected future cash flows using the current interest rates for similar instruments at the balance sheet date.

Financial Liabilities	Carrying amount RM'000	Fair value RM'000
Long term loan	4,016	3,821

35. RELATED PARTIES DISCLOSURES

Group

The related parties of the Group and its subsidiaries and their relationship are as follows:-

Related parties	Relationship
Euro Chairs Holdings Sdn Bhd (Company No: 188915 K)	A company in which Lew Fatt Sin, Law Sim Shee and Lew Hin, three of the Executive Directors of Euro Holdings Berhad have interests
Law Sim Shee	Executive Director of Euro Holdings Berhad
Lew Chee Lung	Lew Chee Lung is the son of Lew Hin, an Executive Director of Euro Holdings Berhad
Leong, Liew & Chen	A legal firm in which, Ng Wai Pin, an independent Non Executive Director of Euro Holdings Berhad is a partner.

notes to the financial statement

31st December 2005 (continued)

35. RELATED PARTIES DISCLOSURES (continued)

Related parties transactions

The related parties transactions arising from normal business transactions during the financial year/period between the related parties are as follows:-

Transactions	Related parties	1.1.2005	24.3.2004
		to	to
		31.12.2005	31.12.2004
		RM'000	RM'000
Rental of apartment	Law Sim Shee	7	2
Sub-contractor fees for upholstery works	Lew Chee Lung	498	110
Rental of staff accommodation for staff accommodation	Euro Chairs Holdings Sdn Bhd	36	-
Legal fees	Leong, Liew & Chen	39	-

The directors are of the opinion that the above transactions were entered in the normal course of business and were established under negotiated terms. The terms and conditions and prices were not materially different with that transacted with unrelated parties.

Related parties balances

The related parties balances as at the balance sheet date are disclosed in Note 11 and 17 to the financial statements.

36. COMPARATIVE FIGURES

Group/Company

The financial statements for the previous period have been prepared for a period of 10 months from 24th March 2004 to 31st December 2004 and the results of the Group only included 3 months results of its newly acquired subsidiaries from 1st October 2004 to 31st December 2004.

As a result, the comparative amounts for income statement, changes in equity, cash flows and the related notes are not directly comparable.

37. DIVIDENDS

The directors recommended a first and final dividend of 3.5 sen per ordinary share of 50 sen each less 28% of income tax amounting to RM2,041,200 for the financial year ended 31st December 2005 which is subject to shareholders' approval at the forthcoming Annual General Meeting.

statement by directors

We, **LEW FATT SIN** and **LAW SIM SHEE**, being two of the directors of **EURO HOLDINGS BERHAD**, do hereby state that in the opinion of the directors, the financial statements on pages 35 to 65 are drawn up in accordance with applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and the Company as at 31st December 2005 and of the results of their operations and of the cash flows of the Group and the Company for the year ended on that date.

On behalf of the Board

LEW FATT SIN

LAW SIM SHEE

KUALA LUMPUR
DATE: 21st April 2006

statutory declaration

I, **FOONG YEIN TENG**, being the director primarily responsible for the accounting records and financial management of **EURO HOLDINGS BERHAD**, do solemnly and sincerely declare that the financial statements on pages 35 to 65 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in Wilayah Persekutuan on 21st April 2006

Before me,

FOONG YEIN TENG

COMMISSIONER FOR OATHS

auditors' report

to the members of Euro Holdings Berhad

We have audited the financial statements set out on pages 35 to 65. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Auditing Standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with applicable approved Accounting Standards and the provisions of the Companies Act, 1965, as amended so as to give a true and fair view of:
 - (i) the state of affairs of the Group and the Company as at 31st December 2005 and of the results of their operations and of the cash flows of the Group and the Company for the financial year ended 31st December 2005; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries which have been consolidated in the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.

The auditors' report of the subsidiary companies were not subject to any material qualification and did not include any comments made under Section 174 (3) of the Act.

HALS & ASSOCIATES

A.F. 0755

CHARTERED ACCOUNTANTS

Subramaniam Sankar

Bil 925/02/08 (J/PH)

Partner

KUALA LUMPUR

DATE: 21st April 2006

list of properties

Registered/ Beneficial Owner	Location	Description/ Existing use	Land area (sq. ft.)	Built-up area (sq. ft.)	Approximate age of building/ Tenure	Net book value as at 31 Dec 2005 (RM'000)	Year of acquisition/ revaluation*
ECM	Bearing postal address: Lot 11, Jalan Perusahaan Satu Kawasan Perindustrian Batu 20 Jalan Rawang 48000 Rawang Selangor Darul Ehsan	Vacant industrial land [^]	122,407	N/A	Leasehold for 99 years from the date of individual land title to be issued	2,407	1997
ECM	H.S.(D) 28271, P.T. No. 10343 Mukim Rawang Daerah Gombak Selangor Darul Ehsan Bearing postal address: Lot 21, Jalan RP3 Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan	Industrial land with factory and office building erected thereon	87,126	94,500	9 years/ Freehold	6,589	1996 2004#
ESI	H.S.(D) 28285, P.T. No. 10357 Mukim Rawang Daerah Gombak Selangor Darul Ehsan Bearing postal address: Lot 15, Jalan RP 3 Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan	Industrial land with factory and office building erected thereon	82,654	63,938	8 years/ Freehold	5,828	1997*
ESI	H.S.(D) 28262, P.T. No 10334 Mukim Rawang Daerah Gombak Selangor Darul Ehsan Bearing postal address: Lot 25, Jalan RP 2 Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan	Vacant industrial land	210,101	N/A	Freehold	4,896	2005
ESS	H.S.(D) No. 94663, P.T. No. 28589D Mukim of Sungai Buluh Daerah Petaling Jaya Selangor Darul Ehsan Bearing postal address: No. 42-D, Tingkat 3, Jalan BRP 6/11 Bukit Rahman Putra 47000 Sungai Buluh Selangor Darul Ehsan	Vacant office floor	N/A	1,650	6 years/ Freehold	106	2004

* Revalued

[^] The master title of the land has not been sub-divided yet.

The building was constructed in 1996 whereas the land was only acquired in 2004.

analysis of shareholdings

as at 25th april 2006

Authorised Share Capital	:	RM100,000,000.00 comprising 200,000,000 ordinary shares of RM0.50 each
Issued and Fully Paid-Up Share Capital	:	RM81,000,000.00
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
1 - 99	2	0.30	100	0.00
100 - 1,000	317	47.31	78,702	0.10
1,001 - 10,000	194	28.96	1,059,202	1.31
10,001 - 100,000	101	15.07	3,757,580	4.64
100,001 - 4,049,999	51	7.61	30,294,416	37.40
4,050,000 and above	5	0.75	45,810,000	56.55
Total	670	100.00	81,000,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	No. of Shares held			
		Direct Interest	%	Deemed Interest	%
1	Dato' Mohd Haniff Bin Abd Aziz	12,150,000	15.00	4,500,000*	5.56
2	Lew Fatt Sin	18,019,812	22.25	-	-
3	Law Sim Shee	10,782,163	13.31	-	-
4	Teh Hock Toh	7,290,001	9.00	-	-
5	Nusa Abadi Sdn Bhd	4,500,000	5.56	-	-

* Deemed interest by virtue of his shareholding in Nusa Abadi Sdn Bhd

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Shareholders	No. of Shares held			
		Direct Interest	%	Deemed Interest	%
1	Dato' Mohd Haniff Bin Abd Aziz	12,150,000	15.00	4,500,000*	5.56
2	Lew Fatt Sin	18,019,812	22.25	-	-
3	Law Sim Shee	10,782,163	13.31	-	-
4	Lew Hin	357,840	0.44	-	-
5	Teh Hock Toh	7,290,001	9.00	-	-

* Deemed interest by virtue of his shareholding in Nusa Abadi Sdn Bhd

analysis of shareholdings

as at 25th april 2006 (continued)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Holder Name	No. of Shares Held	%
1	Lew Fatt Sin	14,558,851	17.97
2	Mohd Haniff Bin Abd Aziz	10,140,785	12.52
3	Law Sim Shee	8,711,296	10.75
4	Teh Hock Toh	5,889,853	7.27
5	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Nusa Abadi Sdn Bhd (RWG)	4,500,000	5.56
6	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for Lew Fatt Sin	3,460,961	4.27
7	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for Law Sim Shee	2,070,867	2.56
8	Mohd Haniff Bin Abd Aziz	2,009,215	2.48
9	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Lian Hong (101AB0417)	1,960,000	2.42
10	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for Teh Hock Toh	1,400,148	1.73
11	Tew Boo Sing	1,346,500	1.66
12	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Kok Fatt (101AB0999)	1,306,900	1.61
13	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Smallcap Fund	1,111,100	1.37
14	Khong Saw Keng	1,015,200	1.25
15	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang-DBS Select Small Caps Fund (4579)	1,000,000	1.23
16	Chen Kim Loong	1,000,000	1.23
17	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For Lifetime Dana Barakah (230122)	891,600	1.10
18	Chong Sin Lai @ Song Sin Lai	866,600	1.07
19	Cimsec Nominees (Tempatan) Sdn Bhd CIMB-Principal Asset Management Berhad For Lembaga Tabung Haji	824,900	1.02
20	Cimsec Nominees (Tempatan) Sdn Bhd CIMB-Principal Asset Management Berhad For Telekom Malaysia Berhad	787,000	0.97
21	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang-DBS Dana Izdiyar (4207)	630,000	0.78
22	Chan Moon Thiam	614,000	0.76
23	Amanah Raya Nominees (Tempatan) Sdn. Bhd. Lifetime Dana Murabak	571,700	0.71
24	Leong Hoong Chin	503,700	0.62
25	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Law Kok Fatt (SFC)	500,000	0.62
26	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Ng Chee Keong (SFC)	500,000	0.62
27	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Law Kok Lam (SFC)	500,000	0.62
28	Phang Yik Fui	485,000	0.60
29	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Norlaila Lee Binti Abdullah (14570MM0703)	475,000	0.59
30	Lee Seng On	411,700	0.51
		70,042,876	86.47

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the Company will be held at Ballroom 3, 10th Floor, Crown Princess Hotel, City-Square Centre, Jalan Tun Razak, 50400 Kuala Lumpur on Tuesday, 27 June 2006 at 2.30 p.m. for the transaction of the following businesses:-

AGENDA

ORDINARY BUSINESS

- | | | |
|----|--|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon. | (Resolution 1) |
| 2. | To declare a final dividend of 3.5 sen per Ordinary Share of RM0.50 less 28% Income Tax for the financial year ended 31 December 2005. | (Resolution 2) |
| 3. | To re-elect the following Directors who retire pursuant to Article 73 of the Company's Articles of Association:-

Dato' Mohd Haniff Bin Abd Aziz

Lew Fatt Sin

Law Sim Shee | (Resolution 3)

(Resolution 4)

(Resolution 5) |
| 4. | To approve the payment of Directors' fees for the financial year ended 31 December 2005. | (Resolution 6) |
| 5. | To re-appoint Messrs HALS & Associates as Auditors of the Company for the financial year ending 31 December 2006 and to authorise the Board of Directors to fix their remuneration. | (Resolution 7) |

SPECIAL BUSINESS

- | | | |
|----|--|-----------------------|
| 6. | To consider and if thought fit, to pass the following Ordinary Resolutions:-

Authority to allot shares | (Resolution 8) |
| | "That, subject always to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the approvals of Bursa Malaysia Securities Berhad and the relevant regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate numbers of shares to be issued does not exceed 10% of the total issued share capital of the Company for the time being." | |

notice of annual general meeting (continued)

Proposed Renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature.

(Resolution 9)

"That subject to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with the related parties as set out in Section 2.3 of the Circular to the Shareholders of EURO dated 2 June 2006, subject to the following:

- i) the RRPTs are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public;
- ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs conducted pursuant to the Proposed Renewal of Shareholders' Mandate during the financial year; and
- iii) the Proposed Renewal of Shareholders' Mandate is subject to annual renewal and will continue to be in full force until:
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution."

7. To transact any other business of which due notice shall have been given.

notice of annual general meeting (continued)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Members at the Second Annual General Meeting to be held on 27 June 2006, a final dividend of 3.5 sen per Ordinary Share of RM0.50 less 28% Income Tax for the financial year ended 31 December 2005 will be payable on 17 July 2006 to depositors whose name appear in the Record of Depositors of the Company on 3 July 2006.

A depositor shall qualify for entitlement to the dividends only in respect of:

- a. Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 3 July 2006 in respect of transfers;
- b. Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 29 June 2006 in respect of securities exempted from mandatory deposit; and
- c. Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Tai Keat Chai

Lim Hooi Chin

Company Secretaries

Kuala Lumpur

Date: 2 June 2006

NOTES:

1. A member of the Company shall be entitled to appoint one or more proxies to attend and vote at the same meeting, provided that the provisions of Section 149(1) (c) of the Act are complied with. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. The Form of Proxy, in the case of an individual, shall be signed by the appointer or his attorney, and in the case of a corporation, shall be executed under its Common Seal or under the hand of its attorney of the corporation duly authorised.
4. To be valid, the proxy form duly completed and signed must be deposited at the Registered Office of the Company at Suite 1603, 16th Floor, Wisma Lim Foo Yong, No. 86, Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. **Explanatory Notes on Special Business:-**
 - a. The proposed Resolution 8 if passed is primarily to give flexibility to the Board of Directors to issue and allot shares in the Company up to and not exceeding in total 10% of the issued and paid up share capital of the Company for such purposes as the Directors consider would be in the best interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.
 - b. The proposed Resolution 9 if passed will empower the Company and its subsidiaries to conduct recurrent related party transactions of a revenue or trading nature with parties related to the Company. The details of the Proposal are set out in the Circular to the Shareholders dated 2 June 2006 which is circulated together with the 2005 Annual Report.

statement accompanying notice of annual general meeting

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The Directors of the Company who are standing for re-election at the Second Annual General Meeting of the Company are as follows:-

- i. Dato' Mohd Haniff Bin Abd Aziz
- ii. Lew Fatt Sin
- iii. Law Sim Shee

The Directors are subject to retirement pursuant to Article 73 of the Articles of Association of the Company. The details of the directors who are standing for re-election and their particulars are set out in the Profile of the Board of Directors which appear on page 5 of this Annual Report.

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Six (6) Board of Directors' Meeting were held during the financial year ended 31 December 2005. Details of attendance of Directors at the Board Meetings are as follows:-

Name of Directors	Attendance at meetings	Percentage of attendance (%)
Dato' Mohd Haniff Bin Abd Aziz	6/6	100
Lew Fatt Sin	6/6	100
Law Sim Shee	6/6	100
Lew Hin	6/6	100
Teh Hock Toh	6/6	100
Foong Yein Teng	6/6	100
Datuk Dr Syed Muhamad Bin Syed Abdul Kadir	6/6	100
Ng Wai Pin	6/6	100
Pua Kah Ho	6/6	100

3. DATE, TIME AND VENUE OF THE SECOND ANNUAL GENERAL MEETING

- Date : Tuesday, 27 June 2006
- Time : 2.30 p.m.
- Venue : Ballroom 3, 10th Floor, Crown Princess Hotel
City-Square Centre, Jalan Tun Razak
50400 Kuala Lumpur

form of proxy



No. of ordinary shares held	
-----------------------------	--

I/We, _____ I.C. or Company No. _____
(Full name in block letters)

CDS Account No. _____ of _____
(Full address)

being a member / members of **EURO HOLDINGS BERHAD** hereby appoint _____
(Full name in block letters)

I.C. No. _____ of _____
(New and old I.C. No.) (Full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company to be held at Ballroom 3, 10th Floor, Crown Princess Hotel, City-Square Centre, Jalan Tun Razak, 50400 Kuala Lumpur on Tuesday, 27 June 2006 at 2.30 p.m. or at any adjournment thereof.

The proxy is to vote on the Resolutions set out in the Notice of the Meeting as indicated with an "X" in the appropriate spaces. If no specific direction as to the voting is given, the Proxy will vote or abstain from voting at his/her discretion.

		FOR	AGAINST
RESOLUTION 1	Adoption of Reports and Audited Financial Statements for the financial year ended 31 December 2005		
RESOLUTION 2	Declaration of final dividend of 3.5 sen per Ordinary Share of RM0.50 less 28% Income Tax for the financial year ended 31 December 2005		
RESOLUTION 3	Re-election of Dato' Mohd Haniff Bin Abd Aziz		
RESOLUTION 4	Re-election of Lew Fatt Sin		
RESOLUTION 5	Re-election of Law Sim Shee		
RESOLUTION 6	Approval of the payment of Directors' fees		
RESOLUTION 7	Re-appointment of Auditors		
RESOLUTION 8	Approval for Directors to issue shares pursuant to Section 132D		
RESOLUTION 9	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature		

Signed this day of 2006

.....
 Signature of Shareholder(s)

NOTES:

1. A member of the Company shall be entitled to appoint one or more proxies to attend and vote at the same meeting, provided that the provisions of Section 149(1) (c) of the Act are complied with. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. The Form of Proxy, in the case of an individual, shall be signed by the appointer or his attorney, and in the case of a corporation, shall be executed under its Common Seal or under the hand of its attorney of the corporation duly authorised.
4. To be valid, the proxy form duly completed and signed must be deposited at the Registered Office of the Company at Suite 1603, 16th Floor, Wisma Lim Foo Yong, No. 86, Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

Fold this flap for sealing

AFFIX
STAMP

THE COMPANY SECRETARY
EURO HOLDINGS BERHAD (646559-T)

Suite 1603, 16th Floor
Wisma Lim Foo Yong
No. 86 Jalan Raja Chulan
50200 Kuala Lumpur

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1st fold here



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