EURO™

inspiration at work

... your Ultimate Workspace

Annual Report 2006

EURO™
inspiration at work

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

Board of Directors

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

Lew Fatt Sin
Group Managing Director

Law Sim Shee
Executive Director

Lew Hin
Executive Director

Teh Hock Toh
Executive Director

Foong Yein Teng
Executive Director

Dato' Choong Yuen Keong @ Tong Yuen Keong
Non-Independent and Non-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 Abdul 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

Suite 1603, 16th Floor, Wisma Lim Foo Yong
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)
HSBC Bank Malaysia Berhad (127776-V)

Stock Exchange Listing

Second Board of Bursa Malaysia Securities Berhad
Stock Name: EURO
Stock Code: 7208

Corporate Structure

EURO HOLDINGS BERHAD (646559-T)
("EURO")

100% **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")

Board of Directors

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

Lew Fatt Sin
Group Managing Director

Lew Hin
Executive Director

Law Sim Shee
Executive Director

Dato' Choong Yuen Keong @ Tong Yuen Keong
Non-Independent, Non-Executive Director

Teh Hock Toh
Executive Director

Foong Yein Teng
Executive Director

Pua Kah Ho
Independent Non-Executive Director

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

Ng Wai Pin
Independent Non-Executive Director

DATO' MOHD HANIFF BIN ABD AZIZ
Chairman, Non-Independent and Non-Executive Director

Dato' Mohd Haniff, a Malaysian aged 53, 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 53, 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 forth coming 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 54, 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 56, 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 42, 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 19 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 37. 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.

DATO' CHOONG YUEN KEONG @ TONG YUEN KEONG

Non-Independent, Non-Executive Director

Dato' Choong Yuen Keong, a Malaysian aged 47 was appointed Non-Independent, Non-Executive Director of EURO on 24 April 2007. He is a businessman by profession and owns several businesses involving in property development management and aluminium recycling. He has 25 years of extensive working experience in the construction and property development industry, which includes 11 years in construction site management and 18 years in management of property development. He was involved in a few housing and commercial development projects including Taman Maju Jaya, a pioneer landmark project in Cheras, Wisma Cheong Hin along Jalan Pudu, Pusat Perdagangan Tasik Perdana and most recently, Beverly Heights, located in Ulu Kelang, Gombak. He does not hold other directorship in other public listed company.

DATUK DR SYED MUHAMAD BIN SYED ABDUL KADIR

Independent Non-Executive Director

A Malaysian aged 60 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 included Pos Malaysia Berhad, Telekom Malaysia Berhad, Malayan Railways and the University of Malaya. Currently, he is a board member of Bumiputra-Commerce Holdings Berhad, CIMB Bank Berhad, CIMB Islamic Berhad, CIMB Bank (L) Ltd, Solution Engineering Holdings Berhad and BSL Corporation Berhad.

NG WAI PIN

Independent Non-Executive Director

Ng Wai Pin is a Malaysian aged 42, 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 Operating Officer of a company listed on Singapore Exchange Limited and sits on the board of Frontken Corporation Berhad and BSL Corporation Berhad.

PUA KAH HO

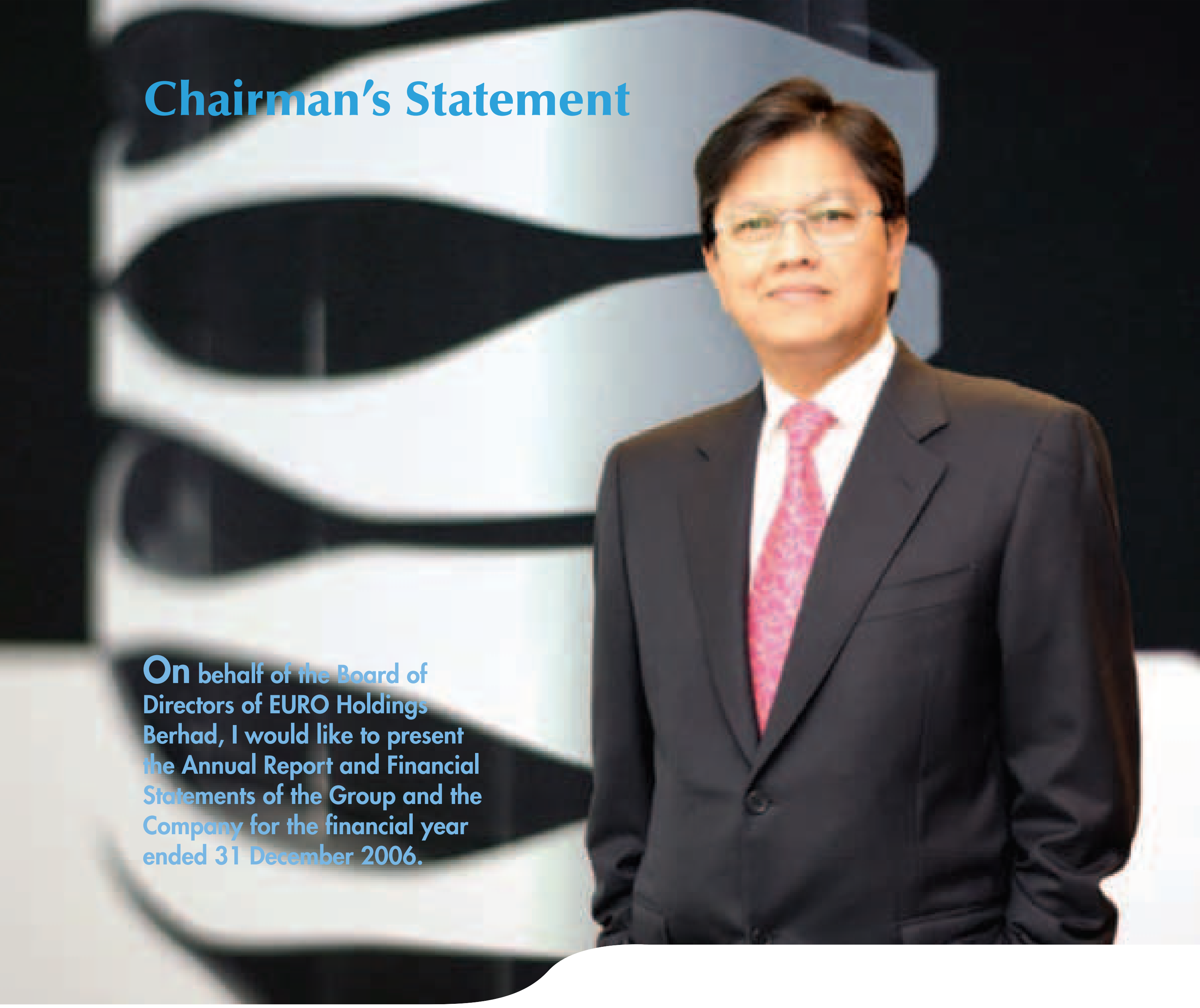
Independent Non-Executive Director

Pua Kah Ho, a Malaysian aged 58, 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



On behalf of the Board of Directors of EURO Holdings Berhad, I would like to present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2006.

MALAYSIAN ECONOMY AND FURNITURE INDUSTRY

The Malaysian Economy had proven to be more resilient than expected. It grew at 6% in 2006 as compared to 5.2% achieved in the previous year. The continued expansion of the Malaysian economy amidst high crude oil prices, rising inflationary pressures and monetary tightening in major advanced economies, was in tandem with strong global growth, particularly in the United States ("US") and Asia. However, inflation rate in Malaysia which was maintained at below 2% annually during the 2000-2004 periods had edged up to 3.6% in 2006. Inflationary pressures had in fact hit the peak at 4.8 in April 2006.

The Malaysian furniture industry recorded a growth rate of 9% in exports from RM 6.9 billion in 2005 to RM 7.5 billion in 2006. As an export driven industry, the stakeholders are receptive to changes in the marketplace, global environment and consumer demands. The furniture industry was affected by rising raw material prices and stiff global competition in 2006. To achieve better competitive edge, it is now marching towards original design manufacturing by upgrading the production of higher value added furniture, incorporating indigenous design and better finishing.

FINANCIAL AND OPERATION REVIEW

For the year under review, the Group recorded a marginal growth in revenue from RM88 million in 2005 to RM94.5 million in 2006. This represents a mere growth rate of 7.3%. The lacklustre performance of the domestic market was off-set by an increase in exports revenue. Sales from exports displayed a strong growth rate at 26.9% and contributed a significant 64.5% of the Group's revenue. In the domestic market, revenue had decreased by 16.3% since 2005.

Despite higher revenue, profit before tax decreased from RM 8.8 million in 2005 to RM 6.5 million in 2006. Accordingly, earnings per share was only 6.89 sen as compared to 8.98 sen in the previous financial year. Nevertheless, net tangible assets per share rose 5 sen to 76 sen per share at the end of the financial year end.

CORPORATE DEVELOPMENTS

The Group started construction of the third plant in Rawang in the beginning of 2006. The plant was completed at end of the year. With this third plant operating, it will provide an additional 110,000 sq feet of production and warehousing capacity to the Group, translating to an increase of approximately 50% production capacity. This will ensure the Group is well positioned to meet increased orders not only from existing markets, but also from new emerging ones.

AWARDS AND ACCREDIATION

We are pleased to report that our commitment towards product research and development has earned us an award in the 2006 Malaysian Furniture Industrial Fair ("MIFF"). EURO's newly launched range of office chair "Senses" clinched the Furniture Excellence Award for the Office Furnitue Category in the exhibition.

Chairman's Statement
(continued)

We won "thebrandlaureatte" Grammy Awards for Bestbrands Office Furniture 2006/2007 organised by Brand Laureate Sdn Bhd, a member of the Asia Pacific Brands Foundation. This award is again a testament to the Group's effective brand-building strategy and commitment towards innovation and quality.

EURO was also included in OSK's 100 Top Malaysian Small Cap Companies issued in their 2006 edition. EURO was included as one of the small cap companies recommended for investment.

DIVIDENDS

Subject to approval of shareholders at the forthcoming Third Annual General Meeting, the Board of Directors is pleased to recommend a final dividend of 2.8 sen per ordinary share each less 27% tax for the financial year ended 31 December 2006.

FUTURE PROSPECTS AND PLANS

The Malaysian economy is forecast to grow at 6% in 2007, spurred by public development expenditure. Private consumption pullback will likely remain modest amidst positive wealth effect from rising equity market. Although global economic risk has heightened, it is deemed moderate on account of the anticiapted 'soft landing' of the US economy. The Malaysian economy will ride on the domestic driven growth of the Asian economies. Rapid growth in these developing countries has been apparent, with China and India leading the pack. China and India will continue to drive growth in international trade and investment.

In tandem with the better performance growth expected from the Asian economies, the appreciating trend of the ringgit against the US dollar will pick up pace over the medium term. We expect the ringgit's appreciation to continue as there is room for further appreciation to catch up with other currencies. And thus lies the biggest challenge to the Group, as more than 60% of the Group's revenue is expected from exports sales. The other major challenge faced by the Group is persistent high raw materials cost.

The Group has developed some strategies to counter the challenges faced. It will further enhance cost efficiency and increase productivity to mitigate the above. The recent completion of the third plant will now serve to enhance competitive advantage with regards to raw materials consistency through larger warehousing space and to provide additional capacity to meet higher demands. Relocation and re-alignment of machinery and plant facilities are currently underway to streamline the overall production process. The Group will also invest heavily in machinery and modern plant facilities to increase automation, thus reducing dependence on labour, expedite production, improve quality and achieve quality consistency.

EURO's quality and product development will continue to be Research & Development ("R&D") driven. Our R&D team will gear towards developing and launching new and innovative products to meet customers' expectations and to stay ahead of competition. The other key function of the R&D team in 2007 is to source for new materials to improve product quality and economics.

Emphasis would be made to improve the level of service and quality to our customers for that competitive edge. Exports will remain the key growth driver to the Group. The Group will penetrate further into the Indian and South East Asia market, for example in Indonesia, Philippines and Vietnam. These are emerging-market economies, which are mostly market–driven reforms that include the opening up of markets i.e. the removal of competition barriers and abolishment of protectionist policies. This is in line with the Group's vision to be the largest office furniture manufacturer in the South East Asia region. There will also be more efforts channeled to the Middle East (Gulf) market where rapid and major developments have taken place in recent years.

The Group will further develop contract manufacturing overseas; OEM and ODM to broaden the revenue stream. It will also serve to provide the stability in future revenue contribution to the Group. Nevertheless, emphasis will still be on developing own house brand to carve a path into the more up-market higher segment. EURO's growth will still be driven by Original Brand Manufacturing sales. This is to create more brand awareness of EURO as a brand that is associated with innovation and quality by continuously pursuing a path of active promotions. We believe we will be more resillient through product differetiantion, branding and market diversification.

The Group will seize the opportunities to diversify its business via acquisition of new companies and new investments to grow the Group in the long term. The Group plans to vertically integrate and may even consider venturing into other segments of the furniture industry or another new industry.

We will strive our best to improve shareholders' value and barring any unforseen circumtances, will garner better performance in 2007.

ACKNOWLEDGEMENT

We are pleased to welcome Dato' Choong Yuen Keong @ Tong Yuen Keong as a Non-Independent, Non-Executive Director to the Board of Directors of Euro Holdings Berhad on 24 April 2007. Dato' Choong brings with him a wealth of experience in the property development and recycling sector, having been in the industry for over 25 years.

On behalf of the Board of Directors and Management of EURO Holdings Berhad, I would like to thank our diligent and conscientious employees, valued customers, business partners, shareholders, government authorities, bankers and other stakeholders for their support to the Group and the Company. We look forward to your continuing support and cooperation in the future.

DATO' MOHD HANIFF BIN ABDUL AZIZ
Chairman

Group Managing Director's Review Of Operations

The year 2006 was a challenging year for the Group. The Group was affected with rising material cost as oil and metal prices hit new highs in 2006. The tariff hikes on utilities i.e. water, electricity e.t.c and high inflation rate averaging at 3.6% in Malaysia had resulted in higher production cost to the Group's manufacturing activities. This has translated into lower profit before tax for the Company to RM 5.6 million despite a growth rate of 7.3% in the Group's revenue.

BUSINESS REVIEW

The Group experienced slowdown in the domestic market especially in the beginning of the year. Projects were delayed and downsized. There was private consumption pullback while awaiting the release of the Ninth Malaysian Plan. The limited domestic projects created stiff competition among industry players. Domestic sales however improved in the second half of the year with more projects carried out. Telekom Berhad, KLCC Petronas Twin Towers and Daya Bumi, Air Asia, HSBC Bank and Shell Malaysia were among some the domestic projects completed by the Group in 2006.

On the contrary, export sales continued its uptrend and rose to 64.5% of turnover, a commendable increase of 10% from 54.5% in 2005. India remains the Group's top contributor to the Group's revenue, benefiting from the significant development growth rate in India. The development rate in India is expected to remain strong for the next few years in view of the continued blossoming of new information technology, telecommunication and multinational companies especially in Hyderabad, Chennai, Bangalore and Mumbai. Sales to Singapore and Japan had also seen a satisfactory growth rate. Some of the overseas projects completed in 2006 included SAP Labs, Tata Consultancy Services and Satyam Computers Services in India and Conoco Philips in Indonesia.

Group Managing Director's Review Of Operations
(continued)

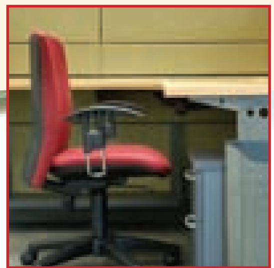
We also managed to secure an Original Design Manufacturing ("ODM") contract with Godrej & Boyce Mfg Ltd Co, India in June 2006 to design, manufacture and supply a range of modular workstation to Grodrej for the Indian market. Godrej is a conglomerate with diversified operations that is a house-hold name in India with annual turnover in excess of USD 1 billion. This is the Group's first ODM project in India and it signifies the acknowledgement of EURO's well designed quality office workstations there. The securement of this contract is also in line with the Group's strategies to develop the contract manufacturing market. As the contract was only signed in the middle of the year, it did not contribute significantly to the Group's revenue in the year 2006. It is however expected to soar in the next few years. This area of business is viewed as additional stable revenue contribution to the Group with minimal capital outlay.

MARKETING AND BRANDING

Our promotion efforts had always been very specific and focused. The Group actively participated in numerous international trade fairs in 2006 to promote the "EURO" brand name for expanding existing market and creating in-route into new markets. We took part in the Orgatech International Trade Fair at Koln, Germany, Malaysian International Trade Fair at Putra World Trade Centre in Kuala Lumpur, Martrade's Showcase in Moscow and Office Furniture Fair in Dubai.

Our products and brandname were also featured in numerous furniture trade magazines and functions. One such event is our participation and co-sponsorship of the Asia Pacific Designers Association ("APSDA") Congress, organized by the Interior Designers of Malaysia in November 2006. The APSDA Congress was the gathering for Interior Designers/ Architects from twelve countries over the Asia Pacific Region. Its main objectives being networking, exchange of information and knowledge among its members and to create a better understanding between the many varied and diverse cultures. This was a good oppurtunity for EURO to foster closer relationship and showcase our company and products to the various interior designers and architects in this region.






NEW PRODUCT LAUNCHES

Two ranges of chairs namely, Senses and Smart were launched during the 2006 Malaysian International Furniture Fair. We also introduced a new version of Workstation i.e. Space 4, equipped with new accessories that suit the office lifestyle of today. The Research and Development team will pursue to assimilate the latest styles, materials and trends which are both aesthetic and functional while integrating ergonomic features and durability.

PLANT EXPANSION

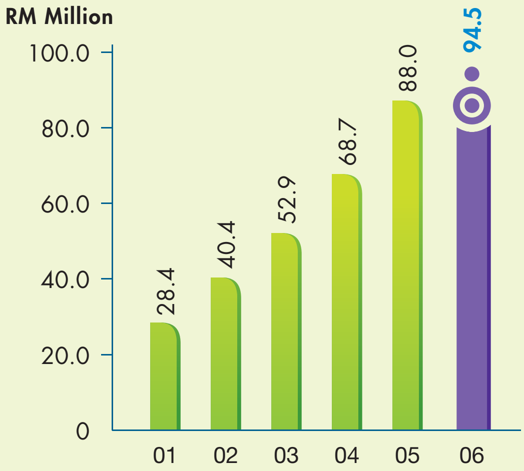
Several measures have been taken in line with the plant expansion to provide additional capacity. One of them is the construction of the third plant in Rawang which was completed in December 2006. It will be fully operational by second quarter of 2007. With the completion of the third plant, the Group had also embarked on developing our own in-house epoxy process, equipment and installation of new machineries and modern plant facilities to increase productivity and improve product quality. We are confident that the expansion will contribute positively to the Group's future performance via economies of scale in addition to capitalising on our technical know how in the furniture industry.

LOOKING AHEAD

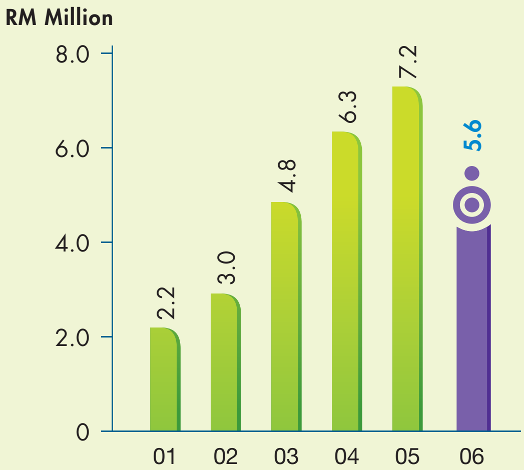
The market condition for the coming financial year is expected to remain highly competitive and challenging. The Group will have to expand amidst an environment of persistently high raw material prices, changes in global demand conditions and increasing competition from other industrial players. The Group will find innovative ways to strive for exellence through improvement in productivity, cost saving and delivering high quality products. We expect there to be sustainable domestic demands from the strong economic fundamentals, including private investment and steady consumer spending. Coupled with new international markets enrolled by the Group and with the application of appropriate business strategies, we hope that year 2007 will be a year of stable earnings.

LEW FATT SIN
Group Managing Director

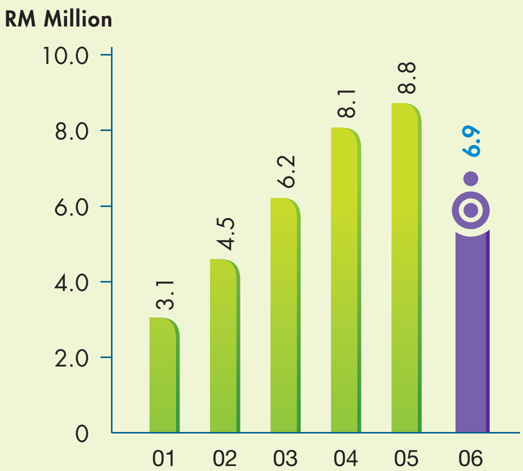
REVENUE



PROFIT AFTER TAXATION



PROFIT BEFORE TAXATION



The revenue, profit before taxation and profit after taxation 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 ("the Board") of Euro Holdings Berhad believes that good corporate governance is fundamental to the Group's continued success. Therefore, the Board is committed to ensuring the highest standards of Corporate Governance are practiced throughout EURO, as a fundamental part of discharging its responsibilities to protect and enhance the shareholders' value and financial performance of the organization.

This statement sets out the commitment of the Board of EURO towards the Malaysian Code of Corporate Governance ("Code") and describes how the Group has applied the principles laid down in the Code. Save where otherwise identified specifically, the Group has complied with the Best Practices of the Code throughout the financial year.

SECTION 1: THE BOARD OF DIRECTORS

THE BOARD SIZE AND BALANCE

Euro Holdings Berhad is led and managed by an experienced Board; comprising members with wide range of experience in relevant fields such as marketing, accounting, legal, financial and production. The wide spectrum of skills and experience in the composition of the Board provide the strength and anchor that is needed to successfully direct and supervise the Group's business activities in order to lead the organisation to meet its objectives.

COMPOSITION

The Board of Directors consists of a Group Chairman, a Group Managing Director, four (4) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Company complies with the criteria of Bursa Malaysia's Listing Requirements ("LR") of having at least one third or two of the board members as Independent Non-Executive Directors. The profiles of each of the Directors are presented on page 5 to page 7 of this Annual Report.

DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board retains full and effective control over the affairs of the Group and the Company. This includes responsibility for determining the Group's and the Company's development and overall strategies direction which are as follows:

a. Reviewing and providing guidance on the Group's and Company's corporate strategy and adopting a strategic plan for the Company through the development of risk policy, annual budgets and long range business plans, reviewing major capital expenditures, acquisition and disposal.

b. Monitoring corporate performance and the conduct of the Group's business and to ensure compliances to best practices and principles of corporate governance.

c. Identifying and implementing appropriate system to manage principal risks. The Board undertakes this responsibility through the Audit Committee.

d. Ensuring and reviewing the adequacy and soundness of the Group's financial system, internal control system and management information system are in compliance with the applicable standards and laws and regulations.

e. Ensuring a transparent Board nomination and remuneration process including management, ensuring the skills and experiences of the Directors are adequate for discharging their responsibilities whilst the caliber of the Non-Executive Directors bring an independent judgment in the decision making process.

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 four (4) times. The attendance of the Directors who held office during the financial year is set out below:

BOARD MEETINGS (continued)

Name of Directors	Attendance at meeting	Percentage of Attendance (%)
Dato' Mohd Haniff Bin Abdul Aziz	4/4	100
Lew Fatt Sin	4/4	100
Law Sim Shee	4/4	100
Teh Hock Toh	4/4	100
Lew Hin	4/4	100
Foong Yein Teng	4/4	100
Datuk Dr Syed Muhamad Bin Syed Abdul Kadir	4/4	100
Ng Wai Pin	4/4	100
Pua Kah Ho	4/4	100

SUPPLY OF INFORMATION

All directors are given complete and timely information before each Board Meeting to be convened together with an agenda and a set of Board papers. Board papers are circulated in sufficient time to enable directors to obtain further explanation, if necessary, in order to be properly briefed before each meeting.

At least four (4) Board Meetings are held annually, each meeting being scheduled to be held within two (2) months after each quarter to consider the quarterly financial results and to review operational performance. Additional meetings are convened as and when necessary.

All Directors have access to the advice of the Company Secretary, Independent Professional Advisors and Internal/ External Auditors in appropriate circumstances at the Company's expense.

APPOINTMENT OF DIRECTORS

The Nomination Committee is responsible for recommending to the Board suitable candidate(s) for appointment as new Directors. In making these recommendations, factors such as mix of skills, experience, expertise and contribution to the Company will be considered before the recommendation for appointment of the proposed director is put forward to the Board for consideration and approval.

RE – ELECTION

In accordance with the Articles of Association and in compliance with Bursa Malaysia Securities Berhad's Listing Requirements, all Directors are required to retire from office once at least in each three (3) years, and shall be eligible for re-election. The Articles of Association also requires that at least one third (1/3) of the Board of Directors shall retire at each Annual General meeting and may offer themselves for re-election.

AUDIT COMMITTEE

The Audit Committee was established on 3rd October 2004, comprising two (2) independent Non-Executive Directors and an Executive Director. The composition, responsibilities, detailed term of reference and the activities of the Audit Committee during the financial year are set out separately in the Audit Committee Report on pages 24 to 27 of this Annual Report.

NOMINATION COMMITTEE

The Nomination Committee was established in February 2005. The Committee shall be responsible of nominating the appropriate Board balance and size as well as ensuring that the Board possesses the required mix of responsibilities, skills and experience. The Nomination Committee shall conduct a review of the mix of skills, experience and other core competencies for the Board on an annual basis. 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

REMUNERATION COMMITTEE

In line with the Best Practices of the Code of Corporate Governance, the Board has set up a Remuneration Committee in February 2005 to assist the Board in determining the Director's remuneration. 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 reports 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.

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 on 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.

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 2006 are as follows:

DIRECTORS' REMUNERATION (continued)

Aggregate Remuneration categorized into appropriate components :

	Fees (RM'000)	Salaries and Allowances, inclusive of EPF contributions (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Executive Directors	-	1,280	182	101	1,563
Non-Executive Directors	138	14	-	-	152
Total	138	1,294	182	101	1,715

Remuneration Bands

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
RM1 - RM50,000	-	3	3
RM50,001 - RM100,000	-	1	1
RM101,000 - RM150,000	-	-	-
RM150,001 - RM200,000	1	-	1
RM200,001 - RM250,000	-	-	-
RM250,001 - RM300,000	1	-	1
RM300,001 - RM350,000	2	-	2
RM350,001 - RM400,000	-	-	-
RM400,001 - RM450,000	-	-	-
RM450,001 - RM500,000	1	-	1
Total	5	4	9

DIRECTORS' TRAINING AND EDUCATION

Every Director undergoes continuous training to equip himself to effectively discharge his duties as a director and for that purpose he ensures that he attends such training programs as prescribed by the Bursa Malaysia Securities Berhad ("Bursa Securties") from time to time. All Directors have attended and successfully completed the Mandatory Accrediation Programme ("MAP") conducted by Bursa Securities except for Dato' Choong Yuen Keong @ Tong Yuen Keong, who was only appointed to the Board on 24 April 2007. Accordingly, he will attend the course within the 4 month time frame as stipulated in the LR.

During the year, some Directors have pursued relevant courses and seminars to keep abreast with industry, regulatory and compliance issues trends and best practices. The whole Board also attended a Risk Management Workshop conducted by a training provider accredited by Bursa Securities for directors of public listed companies.

SECTION 2: COMMITTEES OF THE BOARD

The Board has delegated certain responsibilities to several Committees, which operate within the clearly defined terms of reference. The Chairman of the various Committees will report the outcome of the committee meetings to the Board and such reports are incorporated in the minutes of meeting. The various Committees are as follows:

Committee	Chairperson
Audit Committee	Datuk Dr Syed Muhammad bin Syed Abdul Kadir
Nomination Committee	Dato' Mohd Haniff bin Abdul Aziz
Remuneration Committee	Datuk Dr Syed Muhammad bin Syed Abdul Kadir

SECTION 3: SHAREHOLDERS

DIALOGUE WITH INVESTORS

Recognizing the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensure that the shareholders and other stakeholders are well informed of all important issues and major developments of the Company and the information is communicated to them through the following documents:

- Annual Report
- The various disclosures and announcements made to Bursa Malaysia including the Quarterly Reports and Annual Financial Statements.
- Shareholders may obtain the Company's latest announcements via the Bursa Malaysia website at www.bursamalaysia.com.my.

THE ANNUAL GENERAL MEETING ("AGM")

Notice of AGM which is contained in the Annual Report is sent out at least twenty-one (21) days prior to the date of the meeting. There will be commentary by the Chairman at the AGM regarding the Company's performance for each financial year and a brief review on current business conditions. At each AGM, a platform is available to shareholders to participate in the question and answer session. Extraordinary General Meetings ("EGM") are held when required.

SECTION 4: ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors are responsible to ensure that financial statements prepared are drawn up in accordance with the provision of the Companies Act 1965 and Applicable Accounting Standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistencies applied and supported by reasonable judgments and estimates.

The quarterly results were reviewed by the Audit Committee and approved by the Board of Directors before being released to the Bursa Malaysia. By presenting the quarterly results and financial statements, the Company is mindful of the necessity to present a balanced assessment of the Group's financial position. The details of the Group and the Company's financial statements for the financial year ended 31 December 2006 can be found on pages 34 to 70 of the Annual Report.

INTERNAL CONTROL

Information on the Group's internal control is presented in the Statement on Internal Control on pages 28.

RELATIONSHIP WITH THE 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 Audit Committee in relation to the auditors is described in the Audit Committee Report set out on pages 24 to 27 of this Annual Report.

DIRECTOR'S RESPONSIBILITY STATEMENT

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 cashflows for the financial year then ended.

In preparing the financial statements of the Group and the Company for the year ended 31 December 2006, the Board of Directors has:

- adopted suitable accounting polices 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 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.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Euro Group is committed to the communities in the environment it operates. Euro Group recognises that for long term sustainability, its strategic orientation will need to look beyond the financial parameters. Hence, the Group supports important causes such as donation to the needy and community services.

During the year under review, the Group has initiated several CSR related projects:

- Contribution of wheel-chairs, artificial limbs and food to various charitable organizations and associations.
- A sponsor to the APSDA (Asia Pacific Designers Association) Congress, organized by the Interior Designers of Malaysia. The APSDA Congress is the gathering for Interior Designers/Architects from all over the Asia Pacific Region to create networking, exchange information and knowledge between its members and to promote better understanding between the many varied and diverse cultures.
- A visit to the Shelter Homes Petaling Jaya, the home for abandoned and abused children with donation of RM23,000, which was raised through a charity auction held during a dinner in conjunction with EURO's Inaugural Design Conference 2005. EURO also donated story books, stationery and pledged to hold internship programmes for children who need to learn special skills for career advancement.
- Recruitment of fresh graduates and interns aimed at equipping young graduates with invaluable skills and experience for better employment opportunities in the future.

Despite the above, Euro has also emphasized CSR within the organization, by focusing on the following:

- Occupational health and safety at the workplace. Staff are equipped with the necessary equipment and accessories at the various work-sites and factory to promote safety; and
- Looking after the welfare of its employees, for example successful insurance and Socso claims for the unfortunate, provision of Annual Staff Dinner and Sports Day.

ADDITIONAL COMPLIANCE INFORMATION

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

Status of Utilisation of Proceeds

As at 24 April 2007, the gross proceeds derived from the Right and Public Issue in conjunction with the listing of the Company on the Second Board of Bursa Securities on 25 January 2005 had been fully utilised in the following manner:

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

* As set out in the Prospectus dated 28 December 2004

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 2006 amounted to RM1,000.

ADDITIONAL COMPLIANCE INFORMATION (continued)

Variation in Results

The Group did not issue any profit forecast and there was no material variance between the unaudited results previously made for the financial year ended 31 December 2006.

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 interest 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.

Recurrent Related Party Transactions

At the Second Annual General Meeting of the Company held on 27 June 2006, the Company had obtained the approval of shareholders for the renewal of the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business, with related parties.

The said mandate took effect on 27 June 2006 and will continue until the conclusion of the forthcoming Annual General Meeting of the Company.

At the forthcoming Annual General meeting to be held on 21 June 2007, the Company intends to seek its shareholders' approval to renew the existing mandate for recurrent related party transactions of a revenue or trading nature. The details of the shareholders' mandate to be sought are furnished in the Circular to Shareholders dated 30 May 2007 attached to this Annual Report.

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:

(i) must be a member of the Malaysian Institute of Accountants; or

(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:

a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

b) 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

(iii) 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.

1. Composition (continued)

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.

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;

(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.

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, 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 Meeting 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, representatives of the internal and 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.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Audit Committee met five (5) times during the financial year ended 31 December 2006. 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	5/5	100
Ng Wai Pin	5/5	100
Foong Yein Teng	5/5	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 2006 in discharge of their duties:-

(a) Reviewed the quarterly financial results announcements for each quarter of the Group to ensure the Company's 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) Discussion with the external auditors on the adoption of the new Financial Reporting Standards in Malaysia and its impact to the Group's and Company's financial statements;

(f) Appointment of an external professional consultancy firm to undertake the internal audit function;

(g) Reviewed the internal audit programmes and plan for the financial year under review; and

(h) Reviewed the related party transactions entered into by the Group and the Company for compliance with the Listing Requirements of Bursa Securities.

INTERNAL AUDIT FUNCTIONS

The Audit Committee, on behalf of the Board, assumes the responsibility to review and monitor the effectiveness as well as the adequacy of the Group's internal control system. The Group has outsourced the internal audit function to external consultants, which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal controls. 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

INTRODUCTION

The Bursa Malaysia Securities Berhad requires the Board of Directors of public listed companies to include in its annual report a "statement about the state of internal control of the listed issuer as a group". The Board of Directors recognizes its responsibilities over the Company's system of internal controls, covering all its financial and operating activities to safeguard shareholders' investment and the Company's assets.

The Audit Committee assists the Board to review the adequacy and integrity of the system of internal controls in the Company and to ensure that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2006.

a. Responsibility Of The Board

The Board is ultimately responsible for the Group's system of internal control, which includes the establishment of an appropriate control environment as well as reviewing its adequacy and integrity.

The Board continuously evaluates appropriate initiatives to strengthen the transparency and efficiency of its operations taking into account the requirements for sound and appropriate internal controls and management information systems within the Group. In view of inherent limitations in any system of internal control, the Group's internal control system is designed to manage, rather than eliminate, the risk of failure in achieving corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

b. Control Environment

The Group has an organisation structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Company. The Board is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to Senior Management on the of manner the Company controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Company, assessment of financial and operational risks and an effective monitoring mechanism.

c. Internal Audit

Internal audit team has conducted audit reviews, to address the related internal control weaknesses. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly. Internal audit also test the effectiveness of the internal control on the basis of an internal audit strategy and detailed annual internal audit plan presented to the Audit Committee for approval.

d. Information and Communication

While the Management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarification from Management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts at the expense of the Company.

e. Risk Management

Risk management is firmly embedded in the Group's management system and is every employee's responsibility as the Group firmly believes that risk management is critical for the Group's continued profitability and the enhancement of shareholders' value. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review by the management. This is to ensure that all high risks are adequately addressed at various levels within the Group.

CONCLUSION

The Board is of the view that the existing system of the internal control is adequate. There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Nevertheless, the Management will continue to take measures to strengthen the control environment.

This statement is made in accordance with the resolution of the Board of Directors dated 18 May 2007.

Reports & Financial Statements

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 2006.

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 for the year after taxation	5,584	2,134
Retained profit brought forward	9,757	53
Effect of adopting Financial Reporting Standard No. 3	3,693	-
Profit available for appropriation	19,034	2,187
Dividend	(2,041)	(2,041)
Retained profit carried forward	16,993	146

DIVIDENDS

A first and final dividend of 3.5 sen gross 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 had been paid during the year.

The directors recommended a first and final dividend of 2.8 sen gross per ordinary share of 50 sen each less 27% of income tax amounting to RM1,655,640 for the financial year ended 31st December 2006 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

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

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
Dato' Choong Yuen Keong @ Tong Yuen Keong (Appointed on: 24.4.2007)
Ng Wai Pin
Pua Kah Ho

In accordance with Article 73 of the Company's Articles of Association, Lew Hin, Teh Hock Toh and Foong Yein Teng shall retire from office in the annual general meeting and being eligible, offer themselves for re-election.

In accordance with Article 78 of the Company's Articles of Association, Dato' Choong Yuen Keong @ Tong Yuen Keong shall retire from office in the annual general meeting and being eligible, offers himself 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 1.1.2006	**Bought**	**Sold**	**As at 31.12.2006**
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	4,500,000	-	-	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' 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 year, 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 or related companies) 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.

No contingent liability 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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; 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 EVENT

The significant event during the financial year is 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

DATUK DR. SYED MUHAMAD BIN
SYED ABDUL KADIR
Director

KUALA LUMPUR

DATE: 24 April 2007

Balance Sheets

As at 31st December 2006

	Note	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	43,573	30,727	-	-
Investment in subsidiaries	6	-	-	23,698	23,698
Investment property	7	101	106	-	-
		43,674	30,833	23,698	23,698
CURRENT ASSETS					
Inventories	8	13,961	9,670	-	-
Trade receivables	9	27,111	23,040	-	-
Other receivables, deposits and prepayments	10	1,342	1,369	17	34
Amount due from subsidiary companies	11	-	-	18,161	12,884
Tax recoverable		1,244	570	43	-
Fixed deposits with licensed banks	12	212	1,206	-	1,000
Short term funds	13	2,585	6,083	2,585	6,083
Cash and bank balances		4,720	10,127	14	730
		51,175	52,065	20,820	20,731
TOTAL ASSETS		94,849	82,898	44,518	44,429
EQUITY AND LIABILITIES					
Share capital	14	40,500	40,500	40,500	40,500
Reserves	15	20,837	17,294	3,990	3,897
SHAREHOLDERS' EQUITY		61,337	57,794	44,490	44,397
NON-CURRENT LIABILITIES					
Term loans	16	5,549	3,615	-	-
Hire purchase payables	17	1,248	1,279	-	-
Deferred taxation	18	1,757	1,092	-	-
		8,554	5,986	-	-
CURRENT LIABILITIES					
Trade payables	19	15,883	13,248	-	-
Other payables and accruals	20	7,082	4,546	14	15
Dividend payable		4	-	4	-
Amount due to directors	21	21	81	10	-
Hire purchase payables	17	850	842	-	-
Provision for taxation		-	-	-	17
Bank borrowings	22	1,118	401	-	-
		24,958	19,118	28	32
TOTAL LIABILITIES		33,512	25,104	28	32
TOTAL EQUITY AND LIABILITIES		94,849	82,898	44,518	44,429

The above statements are to be read in conjunction with the notes to the financial statements on pages 39 to 70.

Income Statements

For the year ended 31st December 2006

	Note	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
REVENUE	23	94,458	88,019	3,180	400
Less: COST OF SALES		(70,789)	(63,319)	-	-
		23,669	24,700	3,180	400
OTHER OPERATING INCOME					
- interest income		153	185	146	179
- other operating income		337	361	-	-
		490	546	146	179
		24,159	25,246	3,326	579
Less: EXPENSES					
SELLING AND DISTRIBUTION EXPENSES		9,621	8,230	-	-
ADMINISTRATIVE EXPENSES		7,114	7,595	336	383
FINANCE COSTS	24	501	587	-	-
		17,236	16,412	336	383
PROFIT BEFORE TAXATION	25	6,923	8,834	2,990	196
TAXATION	26	(1,339)	(1,636)	(856)	(162)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		5,584	7,198	2,134	34
BASIC EARNINGS PER SHARE (SEN)	27	6.89	8.98	-	-
DIVIDEND PER SHARE (GROSS) (SEN)	28	3.50	-	3.50	-

The above statements are to be read in conjunction with the notes to the financial statements on pages 39 to 70.

Statements of Changes in Equity

For the year ended 31st December 2006

	Note	Non Distributable Share Capital RM'000	Non Distributable Share Premium RM'000	Distributable Other Reserve RM'000	Distributable Retained Earnings RM'000	Total Shareholders' Equity RM'000
Group						
Balance at 1st January 2005		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
Effect of adopting FRS 3	4r(i)	-	-	(3,693)	3,693	-
Balance at 1st January 2006 (restated)		40,500	3,844	-	13,450	57,794
Profit for the year		-	-	-	5,584	5,584
Dividend	28	-	-	-	(2,041)	(2,041)
Balance at 31st December 2006		40,500	3,844	-	16,993	61,337
Company						
Balance at 1st January 2005		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
Profit for the year		-	-	-	2,134	2,134
Dividend	28	-	-	-	(2,041)	(2,041)
Balance at 31st December 2006		40,500	3,844	-	146	44,490

The above statements are to be read in conjunction with the notes to the financial statements on pages 39 to 70.

Cash Flow Statements

For the year ended 31st December 2006

	Note	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		6,923	8,834	2,990	196
Adjustments for:					
Allowance for doubtful debts		-	33	-	-
Depreciation					
- property, plant and equipment		2,729	2,834	-	-
- investment property		5	-	-	-
Dividend income		-	-	(3,180)	(400)
Gain on disposal of property, plant and equipment		(173)	(62)	-	-
Interest expenses		200	306	-	-
Interest income		(153)	(185)	(146)	(179)
Property, plant and equipment written off		2	-	-	-
Unrealised loss/(gain) on foreign exchange		68	(31)	-	-
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES		9,601	11,729	(336)	(383)
Increase in inventories		(4,291)	(600)	-	-
Increase in receivables		(4,154)	(2,953)	(5,260)	(8,164)
Increase/(Decrease) in payables		5,657	(1,709)	9	(450)
CASH GENERATED FROM/(USED IN) OPERATIONS		6,813	6,467	(5,587)	(8,997)
Interest received		153	185	146	179
Interest paid		(200)	(306)	-	-
Tax paid		(1,348)	(1,661)	(26)	(33)
Tax refund		-	234	-	-
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		5,418	4,919	(5,467)	(8,851)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(14,862)	(9,145)	-	-
Dividend received		-	-	2,290	288
Proceeds from disposal of property, plant and equipment		350	249	-	-
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(14,512)	(8,896)	2,290	288

Cash Flow Statements

For the year ended 31st December 2006 (continued)

	Note	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(2,037)	-	(2,037)	-
Drawdown of term loan		2,500	4,000	-	-
Fixed deposit pledged		(6)	(6)	-	-
Listing expenses written off against share premium		-	(1,621)	-	(1,621)
Proceeds from issue of shares		-	15,187	-	15,187
Repayment of hire purchase payables		(915)	(1,434)	-	-
Repayment of term loans		(393)	(603)	-	-
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(851)	15,523	(2,037)	13,566
Net (decrease)/increase in cash and cash equivalents		(9,945)	11,546	(5,214)	5,003
Cash and cash equivalents at beginning of the year		17,210	5,664	7,813	2,810
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	29	7,265	17,210	2,599	7,813

The above statements are to be read in conjunction with the notes to the financial statements on pages 39 to 70.

1. GENERAL

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 Board of Directors on 24th April 2007.

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

(a) **Statement of compliance**

The financial statements of the Group and the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

Up to 31st December 2005, the Group's and the Company's financial statements were prepared in accordance with MASB standards with effective dates before 1st January 2006. The Group and the Company have adopted the Financial Reporting Standards ("FRS") issued by MASB that are effective for the financial period beginning on 1st January 2006.

(b) **Changes in Significant Accounting Policies**

(i) **Standards, amendments to published standards and interpretations that are effective**

All significant accounting policies set out below are consistent with those applied in the previous years except that, the Group's and the Company's financial statements have been prepared in accordance with the following new/revised FRSs:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(b) Changes in Significant Accounting Policies (continued)

(i) Standards, amendments to published standards and interpretations that are effective (continued)

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Group require retrospective application other than:

(i) FRS 3 - prospectively for business combinations for which the agreement date is on or after 1st January 2006;

The adoption of the above FRSs did not result in substantial changes and significant impact to the Group's accounting policies and financial statements except as disclosed in Note 4(r)(i) to the financial statements.

(ii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretations that are mandatory for the Group's and the Company's financial periods beginning on or after 1st October 2006 or later periods, but which the Group and the Company have not early adopted, are as follows:

(i) FRS 117 Leases (effective for accounting periods beginning on or after 1st October 2006). This standard requires classification of leasehold land as prepaid lease payments. The Group will apply this standard from financial period beginning on 1st January 2007.

(ii) FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1st October 2006). This standard will affect the identification of related parties and some other related party disclosures. The Group and the Company will apply this standard from financial period beginning 1st January 2007.

(iii) FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and certain contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Company will apply this standard when it becomes effective.

The impact on the financial statements should the Group choose to early adopt the above FRS 117 as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors are disclosed in Note 4(r)(ii) to the financial statements. However, there is no financial impact on the adoption of FRS 124.

The Group has not adopted FRS 139 and by virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

FRS 6: Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119_{2004}: Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1st January 2007). These standards are not applicable to the Group and hence no further disclosure is warranted.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(c) Basis of measurement

The financial statements of the Group and the Company have been prepared under the historical cost convention except for certain assets as explained in their respective accounting policy notes.

(d) Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the residual values of certain motor vehicles resulting in a reduction of the Group's depreciation charge by RM508,000 for the financial year ended 31st December 2006.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with the MASB Approved Accounting Standards for Entities other than Private Entities, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:-

(i) Note 26 - recognition of unabsorbed tax losses and capital allowances

(ii) Note 31 - contingent liabilities

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated using the purchase method of accounting. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

When the purchase method is adopted for the acquisition of subsidiaries, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) **Basis of Consolidation (continued)**

Subsidiaries (continued)

Subsidiaries are fully consolidated from the date that control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflected external transactions only. Unrealised losses are eliminated but are considered an impairment indicator of the asset transferred.

Accounting policy of subsidiaries has been changed where necessary to ensure consistency with policy adopted by the Group.

(b) **Goodwill**

Goodwill represents excess of the cost of acquisition of subsidiaries over their fair value at the date of acquisition of the Group's share of their identifiable net assets, liabilities and contingent liabilities at the date of acquisition.

(i) **Acquisition Pre 1st January 2006**

The Group had acquisitions of subsidiaries where the costs of acquisitions were less than fair value of the identifiable net assets acquired. Such differences (formerly known as "negative goodwill") were previously retained in the balance sheet and is now derecognised at the beginning of the period with a corresponding adjustment to the opening balance of retained earnings.

(ii) **Acquisition Post 1st January 2006**

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain and loss on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the excess of Group's interest in net fair value of subsidiaries' identifiable assets, liabilities and contingent liabilities over cost, the Group shall reassess the identification and measurement of the subsidiary's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combinations and recognise immediately in the income statement any excess remaining after that reassessment.

(c) **Investments**

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

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

(d) **Investment property**

Investment property comprises a freehold shoplot.

Investment property is property which is owned for capital appreciation or held for long term rental yield or both and is not occupied by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investment property (continued)

In the previous years, investment property was stated at cost and included related and incidental expenditure incurred. Investment property was not depreciated. The carrying amount of investment property was reduced to recognise impairment loss, if any.

In accordance with FRS 140, investment properties can be carried either at cost or fair value. The Group has adopted the cost model method in measuring investment property with effect from 1st January 2006.

Following the adoption of FRS 140, investment property is measured at cost of acquisition and other incidental expenditure of acquisition less accumulated depreciation and impairment loss. Depreciation is calculated to write off the cost of investment property on a straight line basis over its estimated useful life. The principal annual rate adopted is 2%.

The residual value and useful life of investment property is reviewed and adjusted as appropriate at each balance sheet date.

On disposal of an investment property, the difference between the net proceed and the carrying amount is recognised in the income statement.

(e) Property, Plant and Equipment

(i) Owned Assets

Property, plant and equipment (except for freehold land) are stated at cost less accumulated depreciation and impairment losses.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Incidental cost of land and buildings and the cost of the item inclusive of interest on borrowing to finance the land and building, have been capitalised as part of the cost of assets up to the date when the property is ready for use.

Subsequent expenditure that has already been recognised is added to the carrying amount of the asset or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance cost are recognised as expense and charged to the income statement during the financial year in which they are incurred.

The Group carried one of its subsidiary's freehold industrial land and building at revalued amount less accumulated depreciation and impairment losses. The Group has availed itself to the transitional provision of MASB first adopted IAS 16 Property, Plant and Equipment in 1998. In accordance with the transitional provision, these assets acquired since the last valuation in 1997 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, Plant and Equipment (continued)

(i) Owned Assets (continued)

Surplus arising from revaluation are credited to revaluation reserve. Any deficit arising from revaluation is offset against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve 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.

Freehold lands are stated at cost and no depreciation is provided for freehold lands.

Depreciation is calculated to write off the cost of property, plant and equipment on a straight line basis over the estimated useful lives of the assets concerned.

The annual rates used are as follows:-

Leasehold land	99 years
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%

The depreciable amount is determined after deducting the residual value. Depreciable methods, residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date.

Estimates in respect of certain items of motor vehicles were revised in 2006 (See Note 3[d]).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit from operations. On disposal of revalued assets, amount in revaluation reserve relating to those asset is transferred to retained earnings.

(ii) Property, Plant and Equipment Acquired Under Hire Purchase Arrangements

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, Plant and Equipment (continued)

(ii) Property, Plant and Equipment Acquired Under Hire Purchase Arrangements (continued)

Outstanding obligations 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 year.

(f) Impairment of Non-Financial Assets

Goodwill and intangible assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets that have definite useful lives and are subject to amortisation are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating units ("CGU") to which the asset belongs to. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the units (group of units) on a prorata basis.

The recoverable amount of an asset (or CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indicators that the loss has decreased or no longer exists.

An impairment loss for an asset other than goodwill is reversed if, and only there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, subject to this amount not exceeding the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in previous years. A reversal of impairment loss for an asset is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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 basis and includes all costs in bringing the inventory to its present location and condition. The cost of raw materials consists of purchase cost and incidental cost of purchase.

The cost of finished goods and work-in progress consists of raw materials, direct labour, other direct costs and related production overheads.

Net realisable value is the estimated selling expenses in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established. Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts. The allowance is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(i) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(j) Taxation and Deferred 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 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 substantially 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Borrowings and Borrowing Costs

Borrowings are initially recognised based on proceeds received, net of transaction costs incurred.

In subsequent periods, borrowings are stated at amortised cost using the effective yield method; difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

All borrowing costs are recognised as an expense in the income statement in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(l) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of returns, commissions and discounts and after eliminating sales within the Group. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity when it is determined that such income will accrue to the Group and the Company.

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

(m) Currency Conversion

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional and presentation currency. All financial information presented in RM has been rounded up to the nearest thousand, unless otherwise stated.

(ii) Transaction and balances

Transactions in a currency other than the functional currency ("foreign currencies") are translated into functional currency 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) **Cash and Cash Equivalents**

The Group and the Company adopt the indirect method in the preparation of cash flow statements.

Cash and cash equivalents consists of cash and bank balances, deposits with licensed financial institutions, bank overdrafts and other short term, highly liquid investments with original maturities of three months or less.

(o) **Financial Instruments**

(i) **Financial instruments recognised on the balance sheet**

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, dividends 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.

(ii) **Financial instruments not recognised on the balance sheet**

The Group and the Company is a party to financial instruments that comprise forward foreign currency exchange contracts and contingent liabilities. These instruments are not recognised in the financial statements on inception but their existence are disclosed in the financial statements.

The Company enters into forward foreign currency exchange contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligations. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

(p) **Employee Benefits**

(i) **Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group and the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee Benefits (continued)

(i) Short term employee benefits (continued)

Bonuses are recognised as an expense when there is a present, legal or constructive obligations to make such payments, as a result of past services provided by employees and when a reliable estimate can be made of the amount of the obligations.

(ii) Defined contribution plans

The Group and the Company make contributions to a statutory provident fund and recognise the contribution payable as an expense in the financial year in which the employees render their services. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(q) Dividend

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

(r) Effects on Financial Statements on Adoption of New or Revised FRS

(i) The effect on adoption of the following FRS in 2006 is set out below:-

FRS 3: Business Combination

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions (formerly known as "negative goodwill") is now recognised immediately in the income statement. Before 1st January 2006, negative goodwill was retained in the Balance Sheet. In compliance with the transitional provision of FRS 3, the negative goodwill as at 1st January 2006 was derecognised with a corresponding increase to retained earnings (see Note 15). Any negative goodwill arising on business combinations therefrom is taken immediately to the income statement.

(ii) The effects on adoption of new FRS that has not been early adopted by the Group:-

FRS 117: Leases

The up-front payments for leasehold land represents prepaid lease payments and are amortised on a straight line basis over the lease term. Currently, leasehold land is classified as property, plant and equipment and is stated at cost less accumulated depreciation.

Upon the adoption of the revised FRS 117, leasehold land will be reclassified as prepaid lease payments retrospectively.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) **Effects on Financial Statements on Adoption of New or Revised FRS (continued)**

(ii) The effects on adoption of new FRS that has not been early adopted by the Group:- (continued)

FRS 117: Leases (continued)

The effects on the financial statements as at 31st December 2006 are set out below:-

(i) **Consolidated Balance Sheet as at 31st December 2006**

	-- Increase/(Decrease) --
Description of change	
Group	
Property, plant and equipment	(2,381,977)
Prepaid lease payments	2,381,977

(ii) **Consolidated Income Statement for the year ended 31st December 2006**

	-- Increase/(Decrease) --
Description of change	
Group	
Depreciation	(25,613)
Lease rental	25,613

5. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:-

Group 2006 Cost:	At 1st January 2006 RM'000	Additions RM'000	Disposals RM'000	Reclassification RM'000	At 31st December 2006 RM'000
Freehold land					
- at cost	8,073	-	-	(63)	8,010
- at valuation	1,194	-	-	-	1,194
Leasehold land	2,536	-	-	-	2,536
Freehold buildings					
- at cost	9,299	8,595	-	63	17,957
- at valuation	510	-	-	-	510
Furniture and fittings	1,421	83	-	-	1,504
Office equipment	705	74	(1)	-	778
Forklifts	220	78	-	-	298
Plant, machinery and tools	11,179	4,057	(607)	-	14,629
Moulds	5,230	1,462	-	-	6,692
Electrical installation	56	-	-	-	56
Computers	1,347	117	(21)	-	1,443
Signboards	7	-	-	-	7
Renovation	117	-	-	-	117
Motor vehicles	4,330	1,288	(680)	-	4,938
Total	46,224	15,754	(1,309)	-	60,669

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated Depreciation:	At 1st January 2006 RM'000	Charge for the year RM'000	Disposals RM'000	Reclassification RM'000	At 31st December 2006 RM'000	Net Book Value at 31st December 2006 RM'000
Freehold land						
- at cost	-	-	-	-	-	8,010
- at valuation	-	-	-	-	-	1,194
Leasehold land	129	26	-	-	155	2,381
Freehold buildings						
- at cost	1,692	210	-	-	1,902	16,055
- at valuation	70	-	-	-	70	440
Furniture and fittings	940	95	-	-	1,035	469
Office equipment	461	53	(1)	-	513	265
Forklifts	136	12	-	-	148	150
Plant, machinery and tools	4,681	1,124	(497)	-	5,308	9,321
Moulds	4,062	765	-	-	4,827	1,865
Electrical installation	24	7	-	-	31	25
Computers	733	179	(20)	-	892	551
Signboards	7	-	-	-	7	-
Renovation	19	18	-	-	37	80
Motor vehicles	2,543	240	(612)	-	2,171	2,767
Total	15,497	2,729	(1,130)	-	17,096	43,573

The details of property, plant and equipment are as follows:-

Group 2005 Cost:	At 1st January 2005 RM'000	Additions RM'000	Disposals RM'000	At 31st December 2005 RM'000
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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated Depreciation:	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
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

(i) The net book value of property, plant and equipment charged to bank for credit facilities granted to the Group are as follows:-

	Group 2006 RM'000	2005 RM'000
Freehold land	9,204	9,267
Leasehold land	2,381	2,407
Freehold buildings	16,495	8,047
	28,080	19,721

(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 plant and equipment acquired under hire purchase instalment plans are as follows:-

	Group 2006 RM'000	2005 RM'000
Plant and machinery	896	1,030
Motor vehicles	2,570	1,626
Forklift	63	71
	3,529	2,727

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Group 2006 RM'000	Group 2005 RM'000
Motor vehicles	650	723
Plant and machinery	242	476
	892	1,199

(v) Borrowing cost of RM185,995 has been capitalised as part of building cost of a subsidiary company during the financial year.

(vi) During the year, plant and machinery with a net book value of RM1,800 was written off to the income statement.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Group 2006 RM'000	Group 2005 RM'000
Unquoted shares, at cost	23,698	23,698

The details of subsidiary companies are as follows:-

Name of Subsidiary	Country of Incorporation	Principal Activities	Group's Effective Interest 2006 %	Group's Effective Interest 2005 %
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

6. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of Subsidiary	Country of Incorporation	Principal Activities	Group's Effective Interest 2006 %	Group's Effective Interest 2005 %
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 PROPERTY

The details of investment property are as follows:-

Group 2006	At 1st January 2006 RM'000	Addition RM'000	At 31st December 2006 RM'000
Cost:			
Freehold shoplot	106	-	106

	At 1st January 2006 RM'000	Charge for the year RM'000	At 31st December 2006 RM'000	Net Book Value at 31st December 2006 RM'000
Accumulated Depreciation:				
Freehold shoplot	-	5	5	101

Group 2005	At 1st January 2005 RM'000	Addition RM'000	At 31st December 2005 RM'000
Cost:			
Freehold shoplot	106	-	106

7. INVESTMENT PROPERTY (continued)

	At 1st January 2005 RM'000	Charge for the year RM'000	At 31st December 2005 RM'000	Net Book Value at 31st December 2005 RM'000
Accumulated Depreciation:				
Freehold shoplot	-	-	-	106

(i) Depreciation amounting to RM2,480 related to prior years has been charged out to income statement in current year as it is not material to restate prior year balance.

(ii) 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.

8. INVENTORIES – AT COST

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Raw materials	8,698	6,058	-	-
Work in progress	3,383	3,116	-	-
Finished goods	1,880	496	-	-
	13,961	9,670	-	-

9. TRADE RECEIVABLES

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	27,455	23,384	-	-
Less:				
Allowance for doubtful debts	(344)	(344)	-	-
	27,111	23,040	-	-

9. TRADE RECEIVABLES (continued)

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

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
United States Dollar	5,202	3,417	-	-
Singapore Dollar	3,103	2,253	-	-
Ringgit Malaysia	18,806	17,370	-	-
	27,111	23,040	-	-

The credit period on trade receivables is normally 30 to 90 (2005: 30 to 90) days or contractual periods based on project contract sales.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments comprise the following:-

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other receivables	463	299	-	1
Deposits	710	886	-	-
Prepayments	169	184	17	33
	1,342	1,369	17	34

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

11. AMOUNT DUE FROM 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	
	2006 RM'000	2005 RM'000
Euro Chairs (M) Sdn Bhd	29	11
Euro Chairs Manufacturer (M) Sdn Bhd	6,305	4,005
Euro Space Industries (M) Sdn Bhd	11,827	8,868
	18,161	12,884

12. FIXED DEPOSITS WITH LICENSED BANKS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits (Note 29)	212	1,206	-	1,000

A fixed deposit amounting to RM212,273 (2005: RM206,045) had been pledged as security for banking facilities granted to a subsidiary company.

The fixed deposit as at 31st December 2006 has maturity period of 3 months and bears interest rate at 3.38% (2005: 3.00%) per annum.

13. SHORT TERM FUNDS

Group/Company

The short term funds represent placements in fixed income trusts with a licensed financial institution, incorporated in Malaysia of which RM1,467,000 (2005: RM1,017,000) is redeemable at call and RM1,118,000 (2005: RM5,066,000) is redeemable upon 7 days notice.

14. SHARE CAPITAL

	Group/Company	
	2006 RM'000	2005 RM'000
(a) Authorised:		
100,000,000 Ordinary Shares of RM0.50 each	50,000	50,000
(b) Issued and fully paid:		
81,000,000 Ordinary Shares of RM0.50 each		
At beginning of the year	40,500	30,375
Issued during the year via		
- public issue	-	10,125
At end of the year	40,500	40,500

15. RESERVES

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-Distributable:				
Share premium				
At beginning of the year	3,844	403	3,844	403
Issued during the year	-	5,062	-	5,062
Listing expenses written off	-	(1,621)	-	(1,621)
At end of the year	3,844	3,844	3,844	3,844
Reserve arising on consolidation				
At beginning of the year	3,693	3,693	-	-
Effect of adoption of FRS 3	(3,693)	-	-	-
At beginning of the year (restated)/ At end of the year	-	3,693	-	-
Distributable:				
Retained earnings				
At beginning of the year	9,757	2,559	53	19
Effect of adoption of FRS 3	3,693	-	-	-
At beginning of the year (restated)	13,450	2,559	53	19
Profit for the year	5,584	7,198	2,134	34
Dividend	(2,041)	-	(2,041)	-
At end of the year	16,993	9,757	146	53
	20,837	17,294	3,990	3,897

16. TERM LOANS - SECURED

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Payable within 2 years	1,098	836	-	-
Payable next 2 years but within 5 years	1,808	1,200	-	-
Payable after 5 years	3,217	1,980	-	-
	6,123	4,016	-	-
Portion repayable within next 12 months (Note 22)	(574)	(401)	-	-
	5,549	3,615	-	-

The term of repayment, interest rates and securities are disclosed in Note 22 to the financial statements.

17. HIRE PURCHASE PAYABLES

	GROUP 2006 RM'000	GROUP 2005 RM'000	COMPANY 2006 RM'000	COMPANY 2005 RM'000
Minimum hire purchase payments:				
Not later than 1 year	956	972	-	-
Later than 1 year and not later than 5 years	1,353	1,372	-	-
	2,309	2,344	-	-
Less: Future finance charges	(211)	(223)	-	-
Present value of hire purchase liabilities	2,098	2,121	-	-
Present value of hire purchase liabilities:				
Not later than 1 year	850	842	-	-
Later than 1 year and not later than 5 years	1,248	1,279	-	-
	2,098	2,121	-	-
Instalments due:				
Within next 12 months	850	842	-	-
After next 12 months	1,248	1,279	-	-
	2,098	2,121	-	-

The hire purchase payables bear interest rate at 2.60% to 5.35% (2005: 2.60% to 5.90%) per annum.

18. DEFERRED TAXATION

	Group 2006 RM'000	Group 2005 RM'000
At beginning of the year	1,092	688
Transfer from income statement (Note 26)		
- current year	668	473
- overprovision in prior year	(3)	(69)
At end of the year	1,757	1,092
Presented after appropriate offsetting as follows:-		
Deferred tax assets	(111)	-
Deferred tax liabilities	1,868	1,092
	1,757	1,092

18. DEFERRED TAXATION (continued)

Deferred Tax Assets

	Group Unused Tax Losses and Capital Allowances 2006 RM'000	2005 RM'000
At beginning of the year	-	(134)
Transfer (to)/from income statement	(111)	134
At end of the year	(111)	-

Deferred Tax Liabilities

	Group Excess of Capital Allowances Over Depreciation 2006 RM'000	2005 RM'000
At beginning of the year	1,092	822
Transfer from income statement		
- current year	779	339
- overprovision in prior year	(3)	(69)
At end of the year	1,868	1,092

19. TRADE PAYABLES

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

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
United States Dollar	261	681	-	-
Singapore Dollar	34	18	-	-
Euro	47	248	-	-
Ringgit Malaysia	15,541	12,301	-	-
	15,883	13,248	-	-

The normal trade credit terms granted to the Group range from 30 to 90 (2005: 30 to 90) days.

20. OTHER PAYABLES AND ACCRUALS

Other payables and accruals comprise the following:-

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other payables	4,538	4,061	-	-
Accruals	2,544	485	14	15
	7,082	4,546	14	15

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

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
United States Dollar	2,387	1,874	-	-
Euro	42	-	-	-
Ringgit Malaysia	4,653	2,672	14	15
	7,082	4,546	14	15

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

21. 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.

22. BANK BORROWINGS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Secured:				
Term loans (Note 16)	574	401	-	-
Bills payable	504	-	-	-
Bank overdrafts (Note 29)	40	-	-	-
	1,118	401	-	-

22. BANK BORROWINGS (continued)

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 facility agreements.

(iii) Pledge of 1st party fixed deposit of RM212,273 (2005: RM206,045) of the Group as disclosed in Note 12 to the financial statements.

(iv) Personal guarantee and Indemnity by certain directors.

(v) Corporate guarantees by the Company.

Terms of repayment of bank borrowings are as follows:-

i) Term loans : 1-10 years.

ii) Bills payable : 120 days -150 days

iii) Bank overdrafts : Repayable on demand

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

	GROUP		COMPANY	
	2006	2005	2006	2005
Term loans	3.80% - 7.75%	3.80% - 7.50%	-	-
Bills payable	3.68% - 4.48%	3.83% - 4.70%	-	-
Bank overdrafts	7.25% - 7.75%	7.25% - 7.75%	-	-

23. REVENUE

Group

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

Company

Revenue represents dividend income received and receivable.

24. FINANCE COSTS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Bank charges	253	212	-	-
Bank overdraft interest	21	7	-	-
Bankers acceptance interest	20	67	-	-
Commitment fees	38	43	-	-
Hire purchase interest	154	171	-	-
LC charges	10	26	-	-
Term loan interest	5	61	-	-
	501	587	-	-

25. PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before taxation is stated after charging:-				
Allowance for doubtful debts	-	33	-	-
Auditors' remuneration				
- current year	59	55	13	12
- overprovision in prior year	-	(6)	-	-
Depreciation				
- property, plant and equipment	2,729	2,834	-	-
- investment property	5	-	-	-
Directors of the Company				
- remuneration	1,449	1,375	13	13
- fees	138	138	138	138
- benefits in kind	101	89	-	-
- other emoluments	27	39	27	39
Loss on foreign exchange				
- realised	-	85	-	-
- unrealised	68	-	-	-
Property, plant and equipment written off	2	-	-	-
Rental of equipment	13	15	-	-
Rental of premises				
- others	462	177	-	-
- paid to a company in which directors have interest	23	-	-	-
Staff cost	12,469	11,817	-	-
And crediting:-				
Dividend income received from subsidiaries	-	-	(3,180)	(400)
Gain on disposal of property, plant and equipment	(173)	(62)	-	-
Gain on foreign exchange				
- realised	(152)	-	-	-
- unrealised	-	(31)	-	-
Interest income	(153)	(185)	(146)	(179)

26. TAXATION

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Tax expense for the year:				
- current year's income tax provision	764	1,200	886	162
- (over)/underprovision in prior year	(90)	32	(30)	-
Deferred taxation:				
Transfer to deferred tax (Note 18)				
- current year	668	473	-	-
- overprovision in prior year	(3)	(69)	-	-
	1,339	1,636	856	162

26. TAXATION (continued)

Income tax is calculated at the Malaysian Statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year.

The tax rate of the subsidiary companies is 20% on the first RM500,000 (2005: 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 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	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before taxation	6,923	8,834	2,990	196
Taxation at Malaysian Statutory tax rate at 28%	1,938	2,474	837	55
Effect of 20% tax rate for first RM500,000 (2005: RM500,000) taxable income	(103)	(160)	-	-
Expenses not deductible for tax purposes	319	481	83	107
Income not subject to tax	(72)	(8)	(34)	-
Double tax deduction	(23)	(53)	-	-
Utilisation of reinvestment allowance	(627)	(1,061)	-	-
(Over)/Underprovision in prior year				
- tax	(90)	32	(30)	-
- deferred tax	(3)	(69)	-	-
Tax expense for the year	1,339	1,636	856	162

The Group has available unabsorbed tax losses of approximately RM201,000 (2005: RM64,000), unabsorbed capital allowances of approximately RM190,000 (2005: RM Nil) and unabsorbed reinvestment allowances of approximately RM7,521,000 (2005: RM1,623,000) for utilisation against future taxable income. The unabsorbed tax losses and capital allowances carry forward will not be available to the Group if there is a substantial change in shareholders of more than 50%.

The subsidiary companies have tax exempt income of approximately RM18,232,000 (2005: RM15,684,000) from which tax exempt dividend may be declared.

The Group and the Company have tax credit of approximately RM8,546,000 (2005: RM8,032,000) and RM161,000 (2005: RM159,000) respectively 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.

27. EARNINGS PER SHARE

The basic earnings per share for the financial year ended 31st December 2006 is as follows:-

	Group	
	2006 RM'000	2005 RM'000
Consolidated profit after tax (RM'000)	5,584	7,198
Weighted average number of shares of RM0.50 each (share)	81,000,000	80,156,250
Basic earnings per share (sen)	6.89	8.98

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 2006.

28. DIVIDEND

Group and Company

	2006 RM'000	2005 RM'000
First and final dividend of 3.50 sen (2005: Nil) gross per share less 28% of income tax for the financial year ended 31st December 2005.	2,041	-

29. CASH AND CASH EQUIVALENTS AT END OF THE YEAR

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	4,720	10,127	14	730
Fixed deposits (Note 12)	212	1,206	-	1,000
Short term funds (Note 13)	2,585	6,083	2,585	6,083
Bank overdrafts (Note 22)	(40)	-	-	-
	7,477	17,416	2,599	7,813
Less: Fixed deposit pledged (Note 12)	(212)	(206)	-	-
	7,265	17,210	2,599	7,813

29. CASH AND CASH EQUIVALENTS AT END OF THE YEAR (continued)

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

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
United States Dollar	2,260	978	-	-
Euro	7	10	-	-
Ringgit Malaysia	2,453	9,139	14	730
	4,720	10,127	14	730

30. CAPITAL COMMITMENT

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Approved and contracted but not provided for	1,380	6,902	-	-

31. CONTINGENT LIABILITIES - UNSECURED

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Corporate guarantees given to financial institutions in respect of credit facilities granted to subsidiary companies	-	-	36,818	28,818

32. SEGMENTAL INFORMATION

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

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

During the year, Euro Space Industries (M) Sdn Bhd, a wholly owned subsidiary of the Company had incurred RM8,471,571 to construct a new building in a newly acquired freehold industrial land held under Title No. H.S. (D) 28262, P.T. 10334, Mukim of Rawang, District of Gombak, in the State of Selangor.

34. FINANCIAL INSTRUMENTS

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

The Group's and the Company's 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 currency, liquidity and credit risks.

(i) **Interest Rate Risk**

The Group's policy is to borrow principally on the fixed rate basis but to retain a proportion of floating rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

The interest rate risk that financial instrument values will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

(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 functional 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.

As at year end, the foreign currency forward contracts which have been entered by the Group for its trade receivables are as follows:-

	2006		2005	
	Amount in RM'000	**Contract Rate**	**Amount in RM'000**	**Contract Rate**
Trade Receivables				
United States Dollar	-	-	672	3.7585 - 3.7615
Singapore Dollar	-	-	443	2.2130

The net unhedged financial assets and financial liabilities of the Group are disclosed in Note 9, 19, 20 and 29 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.

34. FINANCIAL INSTRUMENTS (continued)

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

(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 sheet.

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

As at year end, the Group and the Company had no significant credit risk associated with its exposure to potential counterparty's failure to settle its obligations.

(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	6,123	5,781

(iii) Contingent Liabilities

It is not practical to estimate the fair value of contingent liabilities reliably due to uncertainties of timing, costs and eventual outcome.

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 was a partner.

Related parties transactions

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

		Group		Company	
Transactions	Related parties	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Rental of staff accommodation for staff	Euro Chairs Holdings Sdn Bhd	23	23	-	-
Rental of apartment	Law Sim Shee	7	7	-	-
Sub-contractor fees for upholstery works	Lew Chee Lung	464	498	-	-
Legal fees	Leong, Liew & Chen	-	39	-	-

Related parties balances

The related parties' balances as at the balance sheet date are disclosed in Note 11 and 21 to the financial statements.

36. COMPARATIVE FIGURES

The comparative figures are in respect of the year ended 31st December 2005.

The following comparative figures in the cash flow statements and notes to financial statements have been restated to conform with current year's presentation:-

(i) **Cash Flow Statement**

	Group		Company	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
CASH FLOW FROM OPERATING ACTIVITIES				
Interest income	(185)	(177)	(179)	(171)
Tax paid	(1,661)	(1,661)	(33)	(145)
Interest received	185	177	179	171
CASH FLOW FROM INVESTING ACTIVITIES				
Dividend received	-	-	288	400

(ii) **Notes to Financial Statements**

	Group		Company	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
PROFIT BEFORE TAXATION				
Auditors' remuneration				
- current year	55	55	12	13
Interest income	(185)	(177)	(179)	(171)
Directors of the Company				
- remuneration	1,375	1,397	13	-
- benefits in kind	89	-	-	-
- other emoluments	39	-	39	-

RELATED PARTIES DISCLOSURES

		Group		Company	
Transactions	**Related parties**	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
Rental of staff accommodation for staff	Euro Chairs Holdings Sdn Bhd	23	36	-	-

Statement By Directors

We, LEW FATT SIN and DATUK DR SYED MUHAMAD BIN SYED ABDUL KADIR, being two of the directors of EURO HOLDINGS BERHAD, do hereby state that in the opinion of the directors, the financial statements on pages 34 to 70 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 2006 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

DATUK DR SYED MUHAMAD
BIN SYED ABDUL KADIR

KUALA LUMPUR

DATE: 24 April 2007

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 34 to 70, 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 24 April 2007.

Before me,

PESURUHJAYA SUMPAH
No. W 299
M. NAMASIVAYAM
MALAYSIA
No. 50, Jalan Hang Lekiu,
50100 Kuala Lumpur

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 34 to 70. 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 2006 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 2006; 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

Lim Kian Keong
Bil 2043/09/08 (J)
Partner

KUALA LUMPUR

DATE: 24 April 2007

Analysis of Shareholdings

As at 24th April 2007

Authorised Share Capital	:	RM 100,000,000.00
Issued and Fully Paid-Up Share Capital	:	RM 81,000,000.00
Class of Shares	:	Ordinary shares of RM 0.50 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	0.16	100	0.00
100 - 1,000	787	62.66	136,902	0.17
1,001 - 10,000	258	20.54	1,415,102	1.75
10,001 - 100,000	153	12.18	5,878,280	7.26
100,001 - 4,049,999	49	3.90	39,948,684	49.32
4,050,000 and above	7	0.56	33,620,932	41.50
Total	1,256	100.00	81,000,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

		No. of Shares held	
No.	Name of Shareholders	Direct Interest	%
1	Dato' Mohd Haniff Bin Abd Aziz	12,150,000	15.00
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	Dato' Choong Yuen Keong @ Tong Yuen Keong	8,410,000	10.38

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

		No. of Shares held	
No.	Name of Shareholders	Direct Interest	%
1	Dato' Mohd Haniff Bin Abd Aziz	12,150,000	15.00
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
6	Dato' Choong Yuen Keong @ Tong Yuen Keong	8,410,000	10.38

Analysis of Shareholdings

As at 24th April 2007 (continued)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	%
1	Dato' Choong Yuen Keong @ Tong Yuen Keong	5,210,000	6.43
2	Dato' Mohd Haniff Bin Abd Aziz	5,140,785	6.35
3	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Mohd Haniff Bin Abd Aziz	5,000,000	6.17
4	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lew Fatt Sin	5,000,000	6.17
5	Law Sim Shee	4,711,296	5.82
6	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lew Fatt Sin	4,500,000	5.56
7	Lew Fatt Sin	4,058,851	5.01
8	Teh Hock Toh	3,889,853	4.81
9	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for Lew Fatt Sin	3,460,961	4.28
10	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Choong Yuen Keong @ Tong Yuen Keong	3,200,000	3.95
11	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Law Sim Shee	3,000,000	3.70
12	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Lian Hong	2,131,600	2.63
13	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for Law Sim Shee	2,070,867	2.56
14	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Mohd Haniff Bin Abd Aziz	2,009,215	2.48
15	NLY Development Sdn Bhd	1,620,000	2.00
16	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for Teh Hock Toh	1,400,148	1.73
17	Tew Boo Sing	1,346,500	1.66
18	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Kok Fatt	1,306,900	1.61
19	Khong Saw Keng	1,015,200	1.25
20	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Hock Toh	1,000,000	1.23
21	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lew Fatt Sin	1,000,000	1.23
22	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Sim Shee	1,000,000	1.23
23	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Hock Toh	1,000,000	1.23
24	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Chee Keong	875,300	1.08
25	Chong Sin Lai @ Song Sin Lai	818,000	1.01
26	Cimsec Nominees (Tempatan) Sdn Bhd CIMB-Principal Asset Management Berhad for Lembaga Tabung Haji	625,900	0.77
27	Chan Moon Thiam	614,000	0.76
28	Phang Yik Fui	485,000	0.60
29	Goh Siew Hoo	376,400	0.47
30	Lee Seng On	365,100	0.45
		68,231,876	84.23

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 2006 (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	2,381	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	10 years/ Freehold	6,477	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	9 years/ Freehold	5,846	1997*

List of Properties
(continued)

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 2006 (RM'000)	Year of acquisition/ revaluation*
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	Industrial land with factory building erected thereon	210,101	110,000	1 year/ Freehold	13,366	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 shoplot	N/A	1,650	7 years/ Freehold	101	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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of the Company will be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155 B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 21 June 2007 at 10.00 a.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 2006 together with the Reports of the Directors and Auditors thereon. (Resolution 1)

2. To declare a final dividend of 2.8 sen per Ordinary Share of RM0.50 less 27% Income Tax for the financial year ended 31 December 2006. (Resolution 2)

3. To re-elect the following Directors who retire pursuant to the following Articles of Association of the Company:-

   <u>Article 73</u>

   Lew Hin (Resolution 3)
   Teh Hock Toh (Resolution 4)
   Foong Yein Teng (Resolution 5)

   <u>Article 78</u>
   Dato' Choong Yuen Keong @ Tong Yuen Keong (Resolution 6)

4. To approve the payment of Directors' fees amounting to RM138,000 for the financial year ended 31 December 2006. (Resolution 7)

5. To re-appoint Messrs HALS & Associates as Auditors of the Company for the financial year ending 31 December 2007 and to authorise the Board of Directors to fix their remuneration. (Resolution 8)

Special Business

6. To consider and if thought fit, to pass the following resolutions as:-

   ORDINARY RESOLUTION 1
   Authority to allot shares (Resolution 9)

   "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."

   ORDINARY RESOLUTION 2

   Proposed Renewal of Shareholders' Mandate for EURO and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties ("Proposed Renewal of RRPT Mandate") (Resolution 10)

"That, pursuant to Paragraph 10.09 Part E of the Listing Requirements of Bursa Malaysia Seurities Berhad, Euro Holdings Berhad ("EURO" or "the Company") and/or its subsidiaries ("EURO Group") be and are hereby authorised to enter into any of the recurrent transactions of a revenue or trading nature as set out in Paragraph 2.2 of the Circular to Shareholders of EURO dated 30 May 2007 with the related parties mentioned therein which are necessary for the EURO Group's day-to-day operations, subject further to the following:-

i) the transactions are in the ordinary course of business on normal commercial terms and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

ii) disclosure of the aggregate value of the transactions of the Proposed Renewal of RRPT Mandate conducted during the financial year will be disclosed in the Annual Report for the said financial year,

AND THAT such approval shall continue to be in force until:-

i) 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 re-newed;

ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

iii) revoked or varied by the Company in a general meeting,

whichever is 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 to give effect to the Proposed Renewal of RRPT Mandate."

7. To consider and if thought fit, to pass the following resolution as:-

SPECIAL RESOLUTION
Proposed amendments to the Articles of Association (Resolution 11)

"THAT, pursuant to the proposed amendments to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders of Euro Holdings Berhad dated 30 May 2007, the Company be and is hereby authorised to give effect to the said amendments to the Articles of Association."

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

NOTICE OF ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Third Annual General Meeting to be held on 21 June 2007, a final dividend of 2.8 sen per Ordinary Share of RM0.50 less 27% Income Tax for the financial year ended 31 December 2006 will be paid on 17 July 2007 to Depositors whose name appear in the Record of Depositors on 3 July 2007.

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 2007 in respect of transfers;

b. Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 29 June 2007 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 : 30 May 2007

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 a 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 Ordinary Resolution 1, 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 Ordinary Resolution 2, 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 Shareholders dated 30 May 2007 which is circulated with the 2006 Annual Report.*

   c. *The proposed Special Resolution, if passed, will give effect to the proposed amendments to the Articles of Association ("the Articles") as stated in Appendix II of the Circular to Shareholders dated 30 May 2007 and render the Articles consistent to the amendments to Chapter 7 of the Listing Requirements of Bursa Malaysia Securities Berhad and to allow greater flexibility in applying the procedures on the administration of Company matters.*

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 Third Annual General Meeting of the Company are as follows:-

i. Lew Hin

ii. Teh Hock Toh

iii. Foong Yein Teng

iv. Dato' Choong Yuen Keong @ Tong Yuen Keong

The Directors are subject to retirement pursuant to Article 73 and Article 78 of the Articles of Association of the Company. The details of the Directors who are standing for re-election are set out on page 6 of the Annual Report and their securities holdings in the Company and its subsidiaries are set out on page 73 of the Annual Report.

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Four (4) Board of Directors' Meetings were held during the financial year ended 31 December 2006. Details of attendance of Directors at the Board Meetings are as follows:-

Name of Directors	Attendance	Percentage of attendance (%)
Dato' Mohd Haniff Bin Abd Aziz	4/4	100
Lew Fatt Sin	4/4	100
Law Sim Shee	4/4	100
Lew Hin	4/4	100
Teh Hock Toh	4/4	100
Foong Yein Teng	4/4	100
Datuk Dr Syed Muhamad Bin Syed Abdul Kadir	4/4	100
Ng Wai Pin	4/4	100
Pua Kah Ho	4/4	100

Note:
Dato' Choong Yuen Keong @ Tong Yuen Keong was only appointed a Director of the Company on 24 April 2007.

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

Date : 21 June 2007 (Thursday)

Time : 10.00 a.m.

Venue : Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur

EURO
inspiration at work

(646559-T)
(Incorporated in Malaysia)

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 Third Annual General Meeting of the Company to be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 21 June 2007 at 10.00 a.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 year ended 31 December 2006		
RESOLUTION 2	Declaration of final dividend of 2.8 sen per Ordinary Share of RM0.50 less 27% Income Tax for the financial year ended 31 December 2006		
RESOLUTION 3	Re-election of Lew Hin		
RESOLUTION 4	Re-election of Teh Hock Toh		
RESOLUTION 5	Re-election of Foong Yein Teng		
RESOLUTION 6	Re-election of Dato' Choong Yuen Keong @ Tong Yuen Keong		
RESOLUTION 7	Approval of the payment of Directors' fees		
RESOLUTION 8	Re-appointment of Auditors		
RESOLUTION 9	Approval for Directors to issue shares pursuant to Section 132D		
RESOLUTION 10	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature		
RESOLUTION 11	Proposed amendments to the Articles of Association		

Signed this ________ day of ________________ 2007

____
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 compiled 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 duly authorised.*

4. *The instrument appointing a proxy or proxies 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 fixed for convening 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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Rawang Industrial Estate
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