ANNUAL
REPORT 2007

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)
G-01, Ground Floor, Plaza Permata,
Jalan Kampar, Off Jalan Tun Razak,
50400 Kuala Lumpur
T: (603) 4047 3999
F: (603) 4042 6352

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

EURO
inspiration at work

EURO
EURO HOLDINGS BERHAD
(646559-T)

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

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

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

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

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

01 Dato' Mohd Haniff bin Abd Aziz

Chairman, Non-independent and Non-Executive Director

Dato' Mohd Haniff, a Malaysian age 54, was appointed Chairman of EURO on 1 October 2004. He is on the Nomination Committee, appointed on 28 February 2005. He is a graduate of the University of Malaya with a Bachelor of Economics (Honours) Degree and has 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 five years, and then to Thailand until 1991. He has also served as the Director of the Malaysian External Trade Development Corporation from 1991 to 1994. Currently, he is a board member of Jerasia Capital Berhad and Samsung SDI (M) Berhad.

02 Lew Fatt Sin

Group Managing Director

Lew Fatt Sin, a Malaysian aged 54, was appointed Group Managing Director of EURO on 1 Octobr 2004. He is on the Remuneration Committee, appointed on 28 February 2005. An entrepreneur in his own right, he has garnered over 30 years of experience in furniture manufacturing, design and development. In 1970, he started his career as a skilled craftsman before joining a furniture factory that produced sofas and settees as a supervisor in 1974. Two years later, he embarked on a management buy-out of the company when the company went into the red. With long-term expansion goals, Lew 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 Lew 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. Lew is married to Law Sim Shee and is the brother of Lew Hin. He does not hold any directorship in other public listed companies.

03 Law Sim Shee

Executive Director

A Malaysian aged 55, 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 EURO Group. She is the wife of Lew Fatt Sin and the sister-in-law of Lew Hin. She does not hold any directorship in other public listed companies.

04 Lew Hin

Executive Director

Lew Hin is a Malaysian, aged 57, and was appointed Executive Director of EURO on 1 October 2004. He started his career with a residential wooden furniture manufacturing company and later became a renovation contractor. Hence, he 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 directorships in other public listed companies and is brother to Lew Fatt Sin and brother-in-law to Law Sim Shee.

05 Teh Hock Toh

Executive Director

Teh Hock Toh, aged 43, is a Malaysian who was appointed the 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 corporate ranks efficiently and in 1994, reached the position of General Manger. 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. Teh Hock Toh does not hold any directorship in other public listed companies.

06 Foong Yein Teng

Executive Director

Foong Yein Teng is a 38-year old Malaysian. 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 Accounts Division, and came on board of EURO Group in 1997 where she is responsible for the Group's Finance and Accounts. She holds no directorships in other public listed companies.

07 Dato' Choong Yuen Keong @ Tong Yuen Keong

Non-Independent, Non-Executive Director

Dato' Choong Yuen Keong, a Malaysian aged 48 was appointed Non-Independent, Non-Executive director of EURO on 24 April 2007. He is a businessman by profession and owns several businesses involving property development management and aluminium recycling. Dato' Choong possesses 26 years of extensive working experience in the construction and property development industry, which includes 11 years in construction site management and 19 years in management of property development. He was involved in a few housing and commercial

07 Dato' Choong Yuen Keong @ Tong Yuen Keong (continued)

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.

08 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 (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 which include 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.

09 Ng Wai Pin

Independent Non-Executive Director

Ng Wai Pin is a 43-year old Malaysian who 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 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 admitted as an Advocate and Solicitor in 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.

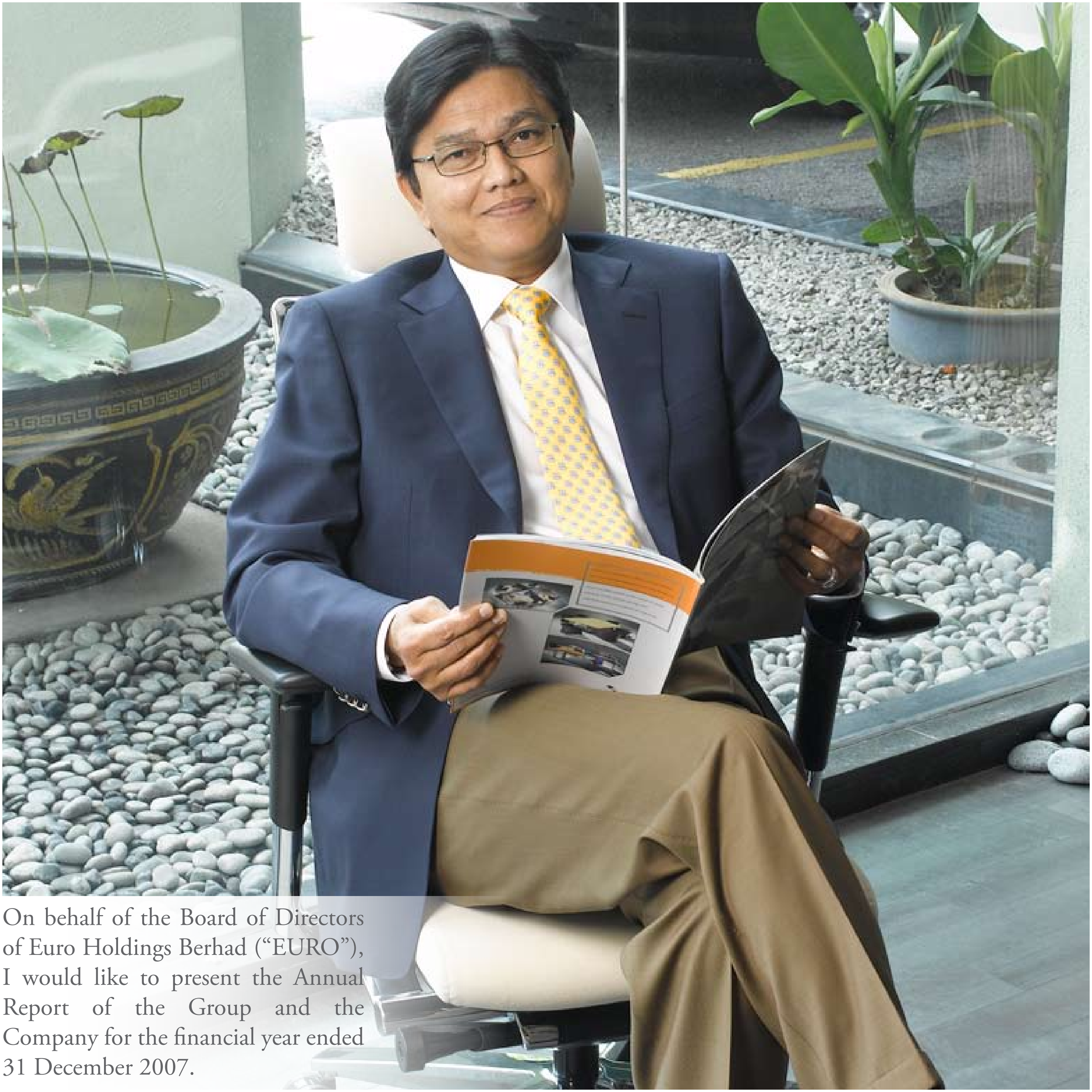
10 Pua Kah Ho

Independent Non-Executive Director

Pua Kah Ho, a Malaysian aged 59, was appointed Independent Non-Executive Director or EURO on 1 October 2004. He sits on the Nomination Committee, appointed on 28 February 2005. After graduating high school in 1969, he commenced a long and rewarding career with Overseas Union Bank (M) Bhd. 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 directorship 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.*



On behalf of the Board of Directors of Euro Holdings Berhad ("EURO"), I would like to present the Annual Report of the Group and the Company for the financial year ended 31 December 2007.

OVERALL ECONOMIC AND INDUSTRY OVERVIEW IN 2007

2007 was certainly a year of continued revitalization of the Malaysian Economy as it regained its confidence in the light of the Ninth Malaysia Plan introduced in the preceding year. Though the inflation rate was at a rising trend, the GDP growth remained strong, rising from 5.5 % in the first quarter of the year to 7.3 % recorded in the fourth quarter of 2007.

On the global front, external factors continued to raise concerns among investors, owing to the uncertainty of the US economy especially due to the sub-prime finance, coupled with the weakening of US Dollar as compared to other currencies.

Traditionally, Malaysia's growth has been export dependent. However, 2007 was a year where domestic demand was identified as a pillar of growth and had steadily contributed to the country's economy. Though the external environment remained volatile coupled with a slowdown in global growth, Malaysia's export sector had been resilient and was only mildly affected.

The Malaysian furniture industry continued to perform well despite stiffer competition from the Asian region, especially from Vietnam. It recorded a growth rate of 3.4 % in exports from RM7.5 billion in 2006 to RM7.7 billion in 2007. Malaysian furniture is now being exported to more than 160 countries worldwide. With aspirations to carve a path into the more up-market segment, industry players are encouraged to focus on product differentiation, branding and market expansion and diversification. Design innovation and industry modernizations are emphasized to promote Malaysian furniture as a globally recognized source of high quality furniture.

Given the strong domestic and sustainable overseas demand, we are grateful to have weathered uncertainties in the global economy and continued on a steady growth path in 2007.

FINANCIAL OVERVIEW

EURO achieved a record financial result in 2007, focusing on its core business of manufacturing and trading in office furniture. EURO registered a profit after tax of RM9.1 million against RM5.6 million in 2006. Its revenue increased from RM94.5 million in 2006 to RM120.2 million in 2007. Profit before tax was RM10.8 million, a leap of more than 50% from RM6.9 million in the previous year. With the better result, earnings per share improved significantly to 11.2 sen per share as compared to 6.9 sen in 2006. The net tangible asset per share was 84.9 sen as at 31 December 2007 as compared to 75.7 sen in 2006.

The improved revenue and the profit were contributed by sales expansion in both the export and local markets. The bulk of our activities were project based, constituting in excess of 87% of the revenue in 2007. The ratio for export sales against local sales was at 63:37.

NOTABLE PROJECTS SECURED AND COMPLETED IN 2007

2007 was a blooming year for EURO and EURO has proven its capability to compete in the international arena. Some of the notable projects completed in the year were the supply of office furniture to Tata Consultancy Services and Sap Labs India Pte Ltd. in India; Conoco Philips in Indonesia, Bank of Indonesia, Cygal II Telekom Malaysia Berhad, Bank Pembangunan Malaysia and also CIMB Group, Malaysia.

KEY EVENTS IN 2007

From the 6th to 10th March 2007, the EURO Group participated in the 2007 Malaysian International Furniture Fair ("MIFF") at Putra World Trade Centre, Kuala Lumpur that attracted over 400 exhibitors from 17 countries. During this exhibition, EURO launched a new range of office chairs i.e. Active, a multi-purpose chair, "Caddy Flip" and a new full range of workstation, "Explore".

On 21st to 23rd June 2007, the EURO Group participated in Interiors Malaysia 2007, a trendsetting interior lifestyle showcase as a result of the joint efforts of Malaysia Society of Interior Designers ("MSID") and Institute Pereka Dalaman Malaysia ("IPDM") at the Matrade Building, Jalan Duta. This was a great exhibition to showcase Malaysian manufactured interior products to designers, architects and project managers from both local and the Asia Pacific region.

On 18th September 2007, a subsidiary company, Euro Space Industries (M) Sdn. Bhd, signed a Distribution Agreement with Rosemount Office Systems, LLC for a period of five years amounting to approximately RM43 million, as part of our plans to venture into the North American market. Rosemount, with a total network of 700 distributors will market the "EURO" range of system furniture and components in North America. This collaboration is a smart partnership that will further enhance cross-pollination of skills and co-marketing alliances to best promote the EURO brand.

Not forgetting our corporate social responsibility ("CSR"), on 15th December 2007, the EURO Group volunteered to take 92 children from three orphanage homes for a day at a movie in a local cinema. More than sixty EURO employees joined the children to watch the movie and the aftermath lunch and party. The Group also bought party goodies as well as stationery for the children besides making a donation of RM5,000 to each of the homes.

Inter staff relations are also our emphasis in the working environment. To this end, the Company held various functions, including the Staff Annual Dinner, Christmas Party, etc to enable the staff to mingle and foster closer relationships.

DIVIDENDS

Subject to approval and shareholders at the forthcoming Fourth Annual General Meeting, the Board of Directors is pleased to recommend a final tax exempt dividend of 2.8 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2007.

OUTLOOK AND PROSPECTS

The regional financial markets have started to slow down in the fourth quarter of 2007 as a result of the sub-prime concerns and economy slowdown in the United States. The growth in the global economy is expected to be slower with the growing uncertainty in the financial markets and the inflationary environment driven by the volatility of crude oil and other commodity prices.

Whilst the high crude oil prices and uncertainty in the global financial markets outlook may pose a damper to the Malaysian growth outlook, the resilience of the economy depends heavily on the ability to withstand them. The Government believes that the strong fundamentals in the Malaysia economy will have a mitigating role in reducing the impact. The 2008 Malaysian

economic environment will be influenced by positive factors such as low and stable interest rates, a strong Balance of Payment and improved investors' confidence. Private sector expenditure is expected to be the main catalyst in 2008 and private investment is poised to recover with the Government's efforts to create more opportunities and to attract foreign direct investments into various economic regions, such as the Iskandar Malaysia, the Northern Corridor Economic Region ("NCER") and the Eastern Economic Region.

Rising material costs in line with higher global commodity prices do have a direct impact to the Group. Aluminum, steel and plastic are some of the key materials used in our production. Besides, the continued appreciation of Ringgit Malaysia against USD will also impact the Group's margin in view that in excess of 60% of our revenue is derived from export sales.

In view of the challenging environment ahead, the Group will take appropriate measures to mitigate the risk factors concerned. The Group will increase warehousing for stocking of raw materials especially during the rising trend of material costs, improving production efficiency and also effecting production at an optimum level.

The Group is also committed to product research and development. These are our efforts at exploring and introducing new products with new features, incorporating new materials in existing products to reduce costs and also to provide more varieties to customers so that the Group shall remain competitive in the market. In 2008, the Group will embark on the production of storage accessories - a new product line for EURO to expand the revenue stream of the Group. This new product line also aims to address the changing and increasing trend of utilization of storages in the modern office place.

In terms of production, we will continue to review and recommend process improvements to optimize operation efficiency, with stringent controls on material usage, wastages and rejects. At the same time, we shall closely scrutinize our selling price so that the business remains viable and competitive in the prevailing market conditions.

Rest assured that we will render our efforts wholeheartedly to improve shareholders' value as we endeavor to bring the Group to a new level of achievement in 2008.

APPRECIATION

On behalf of the Board of Directors and Management of EURO Holdings Berhad, I would like to thank our dedicated and meticulous staff, valued customers, business associates, shareholders, government authorities, bankers and other stakeholders for their unwavering support to the Group and the Company. We would certainly treasure your continuing support and assistance in many years to come in achieving even greater success for EURO.

Dato' Mohd Haniff bin Abd Aziz
Chairman

Group Managing Director's Review of Operations

EURO Holdings Berhad ("EURO") experienced a year of revitalization from a lowering profit before tax in 2006 to a leap of more than 50% to RM10.8 million in 2007. Despite facing the threats of a global economy slowdown, the Malaysian economy has been quite resilient. In fact, GDP growth accelerated to 6.3% as compared to 5.9% in 2006. So far, Malaysia has only felt a minor impact from the slowing US economy, mainly through slower export growth.

GROUP PERFORMANCE REVIEW

The Group recorded a growth in revenue from RM94.5 million in 2006 to RM120.2 million in 2007, a remarkable growth rate indeed. Despite the economic uncertainties in the global market, the Group's sales performance in both domestic and overseas markets had improved significantly.

Domestic sales chalked up a growth figure of 33.6% from RM33.6 million achieved in 2006. This was attributed to improved local market conditions, with higher number of ongoing projects. The Group secured and completed more projects throughout the year. We are glad to have gained the trust of prominent leaders in their respective industries. This can be attested by our list of clientele which includes Telekom Malaysia Berhad, Bank Pembangunan Malaysia Berhad, CIMB Group, Siemens Malaysia Sdn Bhd and Shell Malaysia Trading Sdn Bhd, etc.

The Group's exports continued to grow at a strong rate of 23.6%, contributing 62.6% to the Group's revenue. India continued to be the most significant overseas market to EURO due to many IT hubs and MNCs relocations and expansions in that nation. The growth rate in India remained positive and is expected to continue despite the uncertainties in the global economy. Our Original Development Manufacturing ("ODM") contract with Godrej & Boyce Mfg Ltd Co, India signed on 21st June 2006 had seen some positive results. It contributed in excess of the expected target to the Group's revenue in 2007 and is expected to outperform the contractual value per annum for the remaining period of the contract. Owing to this encouraging success, the Group continued to pursue ODM or OEM opportunities overseas and on 18th September 2007, the Group signed a distribution agreement with Rosemount Office Systems, LLC, a manufacturing company in the United States.

Similarly, the Group had performed remarkably well in the Middle East market. It contributed more than 10% of the Group's export revenue from a mere 4% in 2006. In order to secure growth in this highly potential market, the Group is working closely with local partners in these countries to further penetrate and explore the market.

PRODUCT LAUNCHES

There were 3 major products launched by the Group in 2007. Firstly the new range of office chairs – Active. Secondly, a multipurpose task chair – Caddy Flip and thirdly, a new range of workstation – Explore. It is a complete range of workstation comprising work surfaces, storages, partitions, accessories etc. The system provides a high level of flexibility on add-on height dimensions and incorporates additional strength to the structure with the use of special tooling.

PLANT & MACHINERY

Phase I of the third plant in Rawang was completed in December 2006 and was fully operational by April 2007. The plant had provided for an additional 110,000 sq ft of production/warehousing capacity to cater for the Group's operation.

To cater for the increased market demand, further plant expansion programmes are in the pipe-line. Construction of phase II of the third plant is set to commence in the third quarter of 2008 to house the new product line - storage accessories. Upon completion, it will provide an additional warehousing capacity and a new showroom for the Group. This will add a further estimated total space area of 120,000 sq. feet. Completion is expected to be in the third quarter of 2009 and fully operational by the fourth quarter of the same year.

For long-term benefits, the Group will continue to invest heavily in machinery and modern plant facilities to increase automation. This is an effective measure to reduce dependence on manual labour, expedite production, improve product quality and achieve overall quality consistency.

FUTURE OUTLOOK AND PLANS

The global economy, especially the softening of the US economy may directly or indirectly impact the rest of the world economies. The Ringgit is expected to appreciate further against the US Dollar in tandem with other foreign currencies. The continued appreciation of Ringgit will remain the biggest challenge to the Group as more than half of the Group's revenue is from export sales. The continued appreciation of Ringgit will dampen the Group's margin. Besides, rising raw material costs in view of the escalating crude and commodity prices especially for steel, aluminium and plastic, is certainly another challenge faced by the Group.

In countering the rising raw material prices and declining export price as a result of the appreciation of Ringgit against US Dollar, the Group will enhance cost efficiency and increase productivity via process improvements and automation. When necessary, the Group will practice higher stocking of raw materials to preserve raw material consistency at lower price. The Group will monitor the product selling price closely and review the selling price when necessary.

We seek to further penetrate the South East Asian markets especially Indonesia, Philippines, Vietnam and Cambodia. Greater efforts will also be put in to develop the highly potential markets in the Middle East as many major infrastructure and construction works had been completed and thus, interior furnishings are required.

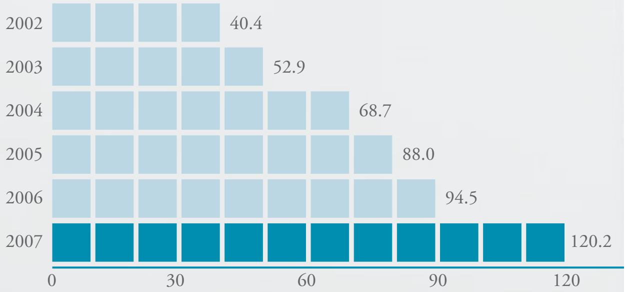
The Group shall continue to seek contract our manufacturing activities, whether OEM or ODM, to broaden revenue stream while emphasis will still be on developing our own in-house brand. Whilst EURO's growth will still be driven by Original Brand Manufacturing sales, the Group will continue to look out for further contract-manufacturing opportunities for large international brands overseas for consistent revenue stream and to boost overall revenue.

As a long-term vision, the Group shall continuously create brand awareness of EURO as a brand synonymous with innovation and quality. An active advertising and promotion plan shall be meticulously planned out. Finally, for continued growth, the Group will pursue opportunities to diversify the Group's business via new investments.

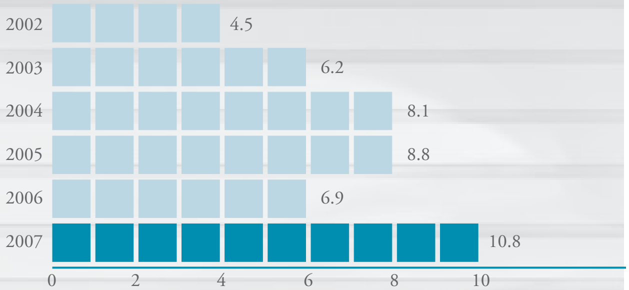
Lew Fatt Sin
Group Managing Director

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.

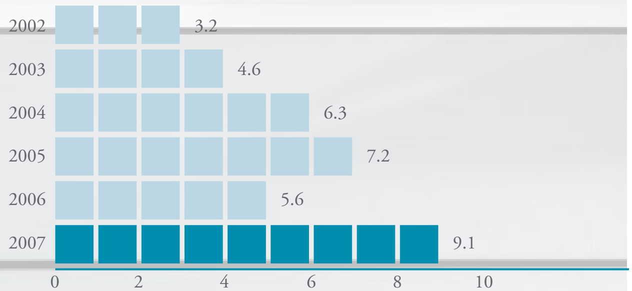
Revenue (RM Million)



Profit Before Tax (RM Million)



Profit After Tax (RM Million)



The Board of Directors of Euro Holdings Berhad ("the Board") 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 Holdings Berhad ("EURO" or the "Company"), 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 towards the Malaysian Code of Corporate Governance ("the Code") and describes how EURO has applied the principles laid down in the Code. Save where otherwise identified specifically, EURO has complied with the Best Practices of the Code throughout the financial year.

SECTION 1: THE BOARD OF DIRECTORS

THE BOARD SIZE AND BALANCE

The Board is collectively responsible for promoting the success of the EURO Group ("the Group") by directing and supervising its affairs. The key responsibilities include the primary responsibilities prescribed under the Best Practices Provision AA I in Part 2 of the Code. These cover a review of the strategic direction for the Group and overseeing the business operations of the Group, evaluating whether these are being properly managed.

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 and Non Executive Director. The Company complies with the criteria of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), of having at least one third or two of the board members as Independent Non-Executive Directors. The profile of each Director is presented on page 4 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 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 Group and 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.

DUTIES AND RESPONSIBILITIES OF THE BOARD (continued)

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 five (5) times. The attendance of the Directors who held office during the financial year is set out below:

Name of Directors	Attendance at meeting	Percentage of Attendance (%)
Dato' Mohd Haniff Bin Abdul Aziz	5/5	100
Lew Fatt Sin	5/5	100
Law Sim Shee	5/5	100
Teh Hock Toh	5/5	100
Lew Hin	5/5	100
Foong Yein Teng	5/5	100
Dato' Choong Yuen Keong @ Tong Yuen Keong*	3/3	100
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	5/5	100
Ng Wai Pin	5/5	100
Pua Kah Ho	5/5	100

**NOTE: Base on board meetings held subsequent to his appointment for the financial year ended 31 December 2007.*

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 Securities' LR, 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 page 26 to page 29 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, 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

REMUNERATION COMMITTEE (continued)

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, 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 2007 are as follows:

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	-	1,394	343	239	1,994
Non-Executive Directors	176	17	-	19	195
Total	176	1,411	343	258	2,189

DIRECTORS' REMUNERATION (continued)

Remuneration Bands

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
RM1-RM50,000	-	4	4
RM50,001-RM100,000	-	1	1
RM150,001-RM200,000	1	-	1
RM300,001-RM350,000	1	-	1
RM350,001-RM400,000	2	-	2
RM650,001-RM700,000	1	-	1
Total	5	5	10

NOTE:

1. For security and confidentiality reasons, the details of Directors' remuneration are not shown with reference to individual Directors. The Board is of the view that the transparency and accountability aspects of the corporate governance on Directors' remuneration are appropriately served by the band disclosure made.

DIRECTORS' TRAINING AND EDUCATION

All Directors appointed to the Board, apart from attending the Mandatory Accreditation Programme and the Continuous Education Programme accredited by Bursa Securities, attend other relevant training programmes to further enhance their business acumen and professionalism in discharging their duties to the Group.

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 Boardroom Workshop on the topic "Corporate Social Responsibility" and "Review on Amendments of the Revised Malaysian Code on Corporate Governance", conducted by an external 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 Securities including the Quarterly Reports and Annual Financial Statements
- Shareholders may obtain the Company's latest announcements via the Bursa Securities' website at www.bursamalaysia.com.my.
- The Company's investors relation site via the Company's website at www.eurochairs.com.my
- Press releases

During the financial year, the Directors and senior management also responded to requests for discussions with institutional investors and analysts to provide them with the development and information on the Group's strategies and performance.

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 and applied them consistently, supported by reasonable judgments and estimates.

The quarterly results were reviewed by the Audit Committee and approved by the Board before being released to Bursa Securities. 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's and the Company's financial statements for the financial year ended 31 December 2007 can be found on pages 37 to 83 of the Annual Report.

INTERNAL CONTROL

Information on the Group's internal control is presented in the Statement on Internal Control on page 30 to page 31 of the Annual Report.

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 as set out on page 26 to page 29 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 cash flows for the financial year then ended.

In preparing the financial statements of the Group and the Company for the year ended 31 December 2007, the Board of Directors has:

- adopted suitable accounting polices and applied them consistently;
- where applicable, made judgments 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")

Mindful of the need to be a corporately responsible organization, the Group undertook various steps to play its part in contributing to the welfare of the society and communities in the environment it operates. The Group recognizes 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, community services, promoting a healthy and safety culture within our organization, etc. The Group endeavors to broaden its scope of CSR initiatives over time and will plan accordingly.

The year 2007 saw the Group undertaking several CSR activities. Our efforts included:

- Contribution of funds, wheel-chairs and other necessities to various charitable organizations and associations.
- Organized a day at the movie for 92 children from 3 orphanage homes in order for them to experience the normal lifestyle of other children at TGV Mid Valley on 15th December 2007. More than sixty employees of the Group also joined the children to watch the movie and the aftermath lunch and party. The Group also presented party goodies, files and stationery for the children. In addition to this, a donation of RM5,000 was given to each of the orphanage homes.
- Sponsorship of undergraduates for oversea student workshop to gain exposure and skills.
- Recruitment of fresh graduates and interns, aimed at equipping young graduates with invaluable skills and experience for better employment opportunities in the future.

Other than the above, EURO has also emphasized CSR within the organization, by focusing on the following:

- Occupational health and safety at the workplace. Employees are equipped with the necessary equipment and accessories at the various work-sites and factory to promote safety. The Group also ensured that employees receive adequate safety and health training.
- Looking after the welfare of its employees, example successful insurance and Socso claims for the unfortunate, provision of Annual Staff Dinner, etc.
- Providing training to employees for performance enhancement via internal and external training programs. The Company also conducted visits to international trade fairs/ exhibitions and manufacturing plants locally and overseas, to broaden the knowledge-base of the employees.

ADDITIONAL COMPLIANCE INFORMATION

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

Utilization of Proceeds

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2007.

Share Buybacks

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

Options, Warrants or Convertible Securities

There was neither 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 2007 amounted to 1,000.

Variation in Results

There is no material variance between the financial results and the profit forecast or unaudited results previously made for the financial year ended 31 December 2007.

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 Third Annual General Meeting of the Company held on 21 June 2007, 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 21 June 2007 and will continue until the conclusion of the forthcoming Annual General Meeting of the Company. The details of the RRPTs conducted during the financial year ended 31 December 2007 pursuant to the shareholders' mandate are disclosed in Note 37 to the Financial Statements.

At the forthcoming Annual General meeting to be held on 26 June 2008, the Company intends to seek its shareholders' approval to renew the existing mandate for recurrent related party transaction of a revenue or trading nature. The details of the shareholders' mandate to be sought are furnished in the Circular to Shareholders dated 29 May 2008 attached to this Annual Report.

Audit Committee Report For the Financial year ended 31st December 2007

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

NOTES :
The Company will comply with the amended Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") on the Revised Malaysian Code on Corporate Governance that requires all audit committee members to be non-executive directors by 31 January 2009.

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 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.

TERMS OF REFERENCE (continued)

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

The term of office and performance of the Audit Committee and each of the members shall be reviewed by the Board of Directors 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;

TERMS OF REFERENCE (continued)

(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;

(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 Securities.

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 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 2007. 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 2007 in the discharge of its functions and 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 new developments on Accounting Standards issued by the Malaysian Accounting Standards Boards and its adoption and impact to the Group's and Company's financial statements;

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

(g) Reviewed the Reports prepared by the internal auditors on the state of internal control of the Group; 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 of Director, 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 an external consultant firm, 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 of Internal Control

INTRODUCTION

The Board of Euro Holdings Berhad ("the Board") acknowledges the importance of maintaining a sound system of internal control and effective risk management as part of its ongoing efforts to practice good corporate governance. The Board is committed to practising good standards of corporate governance and observing best practices, and will continue to improve on current practices.

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 2007.

a. Responsibility of The Board

The Board is ultimately responsible for the system of internal control operating throughout the Group and for reviewing its effectiveness, adequacy and integrity, including financial and operational controls, compliance with relevant laws and regulations, and risk management in order to safeguard shareholders' investments and the Group's assets.

The Board recognises that the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and that it can only provide reasonable and not absolute assurance against misstatement or loss. 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.

b. Control Environment

The Board of Directors and Senior Management consistently endeavor to maintain an adequate system of internal controls designed to manage risks rather than eliminate them. The Group has an organization structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Group. As such, it is recognised that the system of internal controls can only provide reasonable assurance and not absolute assurance against the occurrence of any material misstatement or loss.

The Board is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to Senior Management on the 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.

The Board confirms that the system of internal controls, with the key elements highlighted above, was in place during the financial year. This system is subject to regular review by the Board.

INTRODUCTION (continued)

c. Internal Audit

The outsourced Internal Auditors had reviewed the Group's system of internal controls to address the related internal control weaknesses. The Internal Audit team independently reviews the risk identification procedures and control processes implemented by the management. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee. 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

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

CONCLUSION

On the whole, the Board of Directors is satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives is in place to provide reasonable assurance to that effect. It is the Group's positive attitude towards striving for the better that drives its desire to ensure that the system of internal control will be enhanced on a regular basis as the Group progresses to the next level. The Board of Directors and the Management will seek regular assurance on the effectiveness and soundness of the internal control system through appraisals by the internal as well as external auditors.

Reports & Financial Statements

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 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

RESULT OF OPERATIONS

	Group RM'000	Company RM'000
Profit after taxation for the year	9,086	2,215
Retained profit brought forward	16,993	146
Profit available for appropriation	26,079	2,361
Dividend	(1,656)	(1,656)
Retained profit carried forward	**24,423**	**705**

DIVIDENDS

A first and final dividend of 2.8 sen gross per ordinary share of 50 sen each less 27% of income tax amounting to RM1,655,637 for the financial year ended 31st December 2006 had been paid during the year.

The directors recommended a first and final tax exempt dividend of 2.8 sen per ordinary share of 50 sen each amounting to RM2,268,000 for the financial year ended 31st December 2007 which is subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements to the current financial year do not reflect this proposed dividend. Such dividend, when approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31st December 2008.

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
Ng Wai Pin
Pua Kah Ho

In accordance with Article 73 of the Company's Articles of Association, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir, Ng Wai Pin and Pua Kah Ho shall retire from office in the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 each			
	As at 1.1.2007	Bought	Sold	As at 31.12.2007
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
Dato' Choong Yuen Keong @ Tong Yuen Keong	-	8,410,000	-	8,410,000

	Number of Ordinary Shares of RM0.50 each			
	As at 1.1.2007	Bought	Sold	As at 31.12.2007
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, Law Sim Shee, Teh Hock Toh and Dato' Choong Yuen Keong @ Tong Yuen Keong 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 37 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 allowance for doubtful debts, and have satisfied themselves that all known bad debts have been written off and adequate allowance 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 allowance 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 35 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: 25 April 2008

Balance Sheets As at 31st December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	43,139	41,192	552	-
Prepaid lease payments	6	2,452	2,381	-	
Investment in subsidiaries	7	-	-	23,698	23,698
Investment property	8	-	101	-	-
		45,591	**43,674**	**24,250**	**23,698**
CURRENT ASSETS					
Inventories	9	12,959	13,961	-	-
Trade receivables	10	31,586	27,111	-	-
Other receivables, deposits and prepayments	11	2,245	1,342	42	17
Amount due from subsidiary companies	12	-	-	13,654	18,161
Asset held for sale	13	99	-	-	-
Tax recoverable		885	1,244	150	43
Fixed deposit with a licensed bank	14	219	212	-	-
Short term funds	15	7,246	2,585	7,246	2,585
Cash and bank balances		1,455	4,720	77	14
		56,694	**51,175**	**21,169**	**20,820**
TOTAL ASSETS		**102,285**	**94,849**	**45,419**	**44,518**

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
EQUITY AND LIABILITIES					
Share capital	16	40,500	40,500	40,500	40,500
Reserves	17	28,267	20,837	4,549	3,990
SHAREHOLDERS' EQUITY		**68,767**	**61,337**	**45,049**	**44,490**
NON-CURRENT LIABILITIES					
Term loans	18	5,049	5,549	-	-
Hire purchase payables	19	1,660	1,248	241	-
Deferred taxation	20	2,117	1,757	-	-
		8,826	**8,554**	**241**	**-**
CURRENT LIABILITIES					
Trade payables	21	16,876	15,883	-	-
Other payables and accruals	22	6,184	7,082	33	14
Dividend payable		10	4	10	4
Amount due to directors	23	29	21	20	10
Hire purchase payables	19	1,060	850	66	-
Bank borrowings	24	533	1,118	-	-
		24,692	**24,958**	**129**	**28**
TOTAL LIABILITIES		**33,518**	**33,512**	**370**	**28**
TOTAL EQUITY AND LIABILITIES		**102,285**	**94,849**	**45,419**	**44,518**

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 43 to 83.

Income Statements For the year ended 31st December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
REVENUE	25	120,189	94,458	3,370	3,180
Less : COST OF SALES		(89,118)	(70,789)	-	-
GROSS PROFIT		31,071	23,669	3,370	3,180
OTHER OPERATING INCOME					
interest income		145	153	138	146
other income		207	337	-	-
		352	490	138	146
		31,423	24,159	3,508	3,326
Less : EXPENSES					
Selling and Distribution Expenses		10,497	9,621	-	-
Administrative Expenses		9,298	7,108	522	336
Finance Costs	26	818	507	10	-
		20,613	17,236	532	336
PROFIT BEFORE TAXATION	27	10,810	6,923	2,976	2,990
TAXATION	28	(1,724)	(1,339)	(761)	(856)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**9,086**	**5,584**	**2,215**	**2,134**
BASIC EARNINGS PER SHARE (SEN)	29	**11.22**	**6.89**	**-**	**-**
DIVIDEND PER SHARE (GROSS) (SEN)	30	**2.80**	**3.50**	**2.80**	**3.50**

The above income statements are to be read in conjunction with the notes to the financial statements on pages 43 to 83.

Statement of Changes in Equity For the year ended 31st December 2007

	Note	Non Distributable Share Capital RM'000	Share Premium RM'000	Other Reserve RM'000	Distributable Retained Earnings RM'000	Total Shareholders' Equity RM'000
Group						
Balance at 1st January 2006		40,500	3,844	3,693	9,757	57,794
Effect of adopting FRS 3		-	-	(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	30	-	-	-	(2,041)	(2,041)
Balance at 31st December 2006		40,500	3,844	-	16,993	61,337
Profit for the year		-	-	-	9,086	9,086
Dividend	30	-	-	-	(1,656)	(1,656)
Balance at 31st December 2007		40,500	3,844	-	24,423	68,767
Company						
Balance at 1st January 2006		40,500	3,844	-	53	44,397
Profit for the year		-	-	-	2,134	2,134
Dividend	30	-	-	-	(2,041)	(2,041)
Balance at 31st December 2006		40,500	3,844	-	146	44,490
Profit for the year		-	-	-	2,215	2,215
Dividend	30	-	-	-	(1,656)	(1,656)
Balance at 31st December 2007		40,500	3,844	-	705	45,049

The above statements are to be read in conjunction with the notes to the financial statements on pages 43 to 83.

Cash Flow Statements For the year ended 31st December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		10,810	6,923	2,976	2,990
Adjustments for :					
Amortisation for prepaid lease payments		26	26	-	-
Allowance for doubtful debts		804	-	-	-
Bad debts written off		7	-	-	-
Depreciation					
property, plant and equipment		3,591	2,703	97	-
investment property		2	5	-	-
Dividend income		-	-	(3,370)	(3,180)
Gain on disposal of property, plant and equipment		(16)	(173)	-	-
Interest expenses		513	200	10	-
Interest income		(145)	(153)	(138)	(146)
Property, plant and equipment written off		-	2	-	-
Unrealised loss on foreign exchange		106	68	-	-
Operating profit/(loss) before working capital changes		15,698	9,601	(425)	(336)
Decrease/(Increase) in inventories		1,002	(4,291)	-	-
(Increase)/Decrease in receivables		(6,308)	(4,154)	4,482	(5,260)
(Decrease)/Increase in payables		(388)	5,657	29	9
Cash generated from/(used in) operations		10,004	6,813	4,086	(5,587)
Interest received		145	153	138	146
Interest paid		(513)	(200)	(10)	-
Tax paid		(1,450)	(1,348)	-	(26)
Tax refund		445	-	9	-
Net cash generated from/(used in) operating activities		8,631	5,418	4,223	(5,467)

Cash Flow Statements For the year ended 31st December 2007 (continued)

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(4,594)	(14,862)	(299)	-
Dividend received		-	-	2,492	2,290
Payment for prepaid lease		(97)	-	-	-
Proceeds from disposal of property, plant and equipment		17	350	-	-
Net cash (used in)/generated from investing activities		(4,674)	(14,512)	2,193	2,290
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(1,650)	(2,037)	(1,650)	(2,037)
Drawdown of term loan		-	2,500	-	-
Fixed deposit pledged		(7)	(6)	-	-
Hire purchase obtained		909	-	-	-
Repayment of hire purchase payables		(1,232)	(915)	(42)	-
Repayment of term loans		(541)	(393)	-	-
Net cash used in financing activities		(2,521)	(851)	(1,692)	(2,037)
Net increase/(decrease) in cash and cash equivalents		1,436	(9,945)	4,724	(5,214)
Cash and cash equivalents at beginning of the year		7,265	17,210	2,599	7,813
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	31	8,701	7,265	7,323	2,599

The above income statements are to be read in conjunction with the notes to the financial statements on pages 43 to 83.

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 25th April 2008.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 7 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 Financial Reporting Standards ("FRS"), 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.

At the beginning of the current financial year, the Group and the Company had adopted the revised FRSs which are mandatory for financial periods beginning on or after 1st January 2007 as described in Note 3 (b) (i).

(b) Changes in Significant Accounting Policies

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

All significant accounting policies set out below are consistent with those applied in the previous year except for the adoption of the following revised FRSs which are relevant to the Group's and Company's operations for the financial period beginning on 1st January 2007:-

FRS 117 Leases

FRS 124 Related Party Disclosures

The adoption of FRS 124 did not result in significant changes to the Group's and the Company's financial statements. The principal changes in accounting policies and the effects resulting from the adoption of FRS 117 are disclosed in Note 4 (r)(i) to the financial statements.

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

(ii) Standards, amendments to published standards and IC interpretations that are not yet effective

The Group and the Company have not adopted the following FRSs, amendments to FRSs and IC interpretations that have been issued but which are only effective for the financial periods beginning on or after:-

1st July 2007

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2 Share-based Payments

The Group and the Company will apply the above FRSs, amendments to FRSs and IC interpretations from the financial year beginning 1st January 2008. They are either not relevant to the Group's operations, or the initial application is not expected to have any significant financial impact to the Group and the Company except for FRS 112, as disclosed in Note 4(r)(ii) to the financial statements.

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

Effective date yet to be announced:

FRS 139 Financial Instruments: Recognition and Measurement

The Group and the Company is exempted from disclosing the possible impact of the initial application of FRS 139 as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors by virtue of the exemption in paragraph 103AB of FRS 139.

(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) 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 the process of preparing these financial statements:

(i) **there were no significant judgements made in applying the accounting policies of the Group and the Company which may have significant effects on the amounts recognised in the financial statements except for:**

- (i) Note 5 (vii) - Depreciation of property, plant and equipment
- (ii) Note 10 - Allowance for bad and doubtful receivables
- (iii) Note 33 - Contingent liabilities

(ii) **there were no significant estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.**

4. SIGNIFICANT ACCOUNTING POLICIES

(a) 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries as at the financial year end. Uniform accounting policies are adopted in the consolidated financial statement for the transactions and events in similar circumstances.

Subsidiaries are fully consolidated from the date that control is transferred to the Group and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, all 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.

Acquisitions of subsidiaries are accounted for using the purchase method. 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.

The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date represents goodwill. Goodwill is recognised as an asset at cost less accumulated impairment losses, if any. When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date exceeds the cost of acquisition, the excess (formerly known as "negative goodwill"), after reassessment, is recognised in the income statement.

(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 was derecognised on 1st January 2006 with a corresponding adjustment to the opening balance of retained earnings.

(ii) Acquisition Post 1st January 2006

Goodwill on acquisition of subsidiaries is presented separately in the balance sheet as intangible asset. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. Impairment losses on goodwill are not reversed. Gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) 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.

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.

(d) Non-current Asset Held for Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before the initial classification of the asset as held for sale, the carrying amount of the relevant asset is measured in accordance with applicable FRSs. Upon classification as an asset held for sale, the asset, other than financial assets within the scope of FRS 139 Financial Instruments: Recognition And Measurement, is measured at the lower of its carrying amount and fair value less costs to sell and is reclassified as current asset/liability. This change in accounting policy is applied prospectively. Any initial or subsequent write-down to, or any subsequent increase in, fair value less costs to sell 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, if any.

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 asset.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The cost and incidental cost of land and buildings, including interest on borrowings will be capitalised as part of the cost of the asset up to the date when the property is ready for use.

Subsequent costs are included in the assets' carrying amount 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 and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs 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.

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 land is stated at cost/valuation and no depreciation is provided for freehold land.

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:-

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	3% - 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 and 2007 (See Note 5 [vii]).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment are derecognised upon disposal or when no future economy benefits are expected from their use on disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement.

(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 risks 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.

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.

(iii) Prepaid Lease Payments

Lease of assets, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from lessor) are charged to the income statement on a straight line basis over the remaining lease period.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Group had previously classified a lease of land as finance lease and recognised the amount of prepaid lease payment as property within its property, plant and equipment. On adoption of FRS 117 Leases, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117. Such prepaid lease payment is amortised over the lease term.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of the cash inflows from other assets and groups.

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 the 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.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value after adequate allowance 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 price in the ordinary course of business, less the costs of completion and 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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) Transactions 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Group 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 leaves, paid sick leaves, 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Dividends

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 Revised FRS

(i) The effects on adoption of the following FRS in 2007 are set out below:-

FRS 117: Leases

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The upfront payments made for the leasehold land are now reflected as prepaid lease payments and are amortised on a straight line basis over the remaining lease term. Prior to 1st January 2007, leasehold land was classified under property, plant and equipment and was carried at cost less accumulated depreciation and impairment loss, if any.

Upon the adoption of FRS 117 at 1st January 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and certain comparative figures as at 31st December 2006 have been restated accordingly.

The effects on the financial statements as at 31st December 2007 are set out below:-

(i) Consolidated Balance Sheet as at 31st December 2007

Description of change	Increase/(Decrease) RM'000
Property, plant and equipment	(2,452)
Prepaid lease payments	2,452

(ii) Consolidated Income Statement as at 31st December 2007

Description of change	Increase/(Decrease) RM'000
Depreciation	(26)
Amortisation of prepaid lease payments	26

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) The effects on adoption of the following FRS when it becomes effective are set out below:-

FRS 112: Income Taxes

The main changes introduced by FRS 112 affecting the Group is on the removal of the relevant provisions in FRS 112_{2004} which explicitly prohibit the recognition of deferred tax on the reinvestment allowances or other allowances in excess of capital allowance. With the removal, entities can now account for these items as tax credits or investment tax credits.

The adoption of the revised standard will result in a retrospective change in the accounting policy relating to the recognition of the potential deferred tax benefits arising from unutilised reinvestment allowances. The details and impact to the financial statements should the Group choose to early adopt this revised standard are outlined below:-

	RM'000
Deferred Tax Liabilities	
As at 31st December 2006, as currently stated	1,757
Effect of adopting FRS 112	(2,106)
As at 31st December 2006, as restated	**(349)**
As at 31st December 2007, as currently stated	2,117
Effect of adopting FRS 112	(1,314)
As at 31st December 2007, as restated	**803**
Income Tax Expense	
For the year ended 31st December 2006, as currently stated	1,339
Effect of adopting FRS 112	(1,651)
For the year ended 31st December 2006, as restated	**(312)**
For the year ended 31st December 2007, as currently stated	1,724
Effect of adopting FRS 112	792
For the year ended 31st December 2007, as restated	**2,516**
Retained Earnings	
As at 31st December 2006, as currently stated	16,993
Effect of adopting FRS 112	2,106
As at 31st December 2006, as restated	**19,099**
As at 31st December 2007, as currently stated	24,423
Effect of adopting FRS 112	1,314
As at 31st December 2007, as restated	**25,737**

5. PROPERTY, PLANT AND EQUIPMENT

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

Group 2007 Cost:	At 1st January 2007 RM'000	Additions RM'000	Disposals RM'000	Adjustment RM'000	At 31st December 2007 RM'000
Freehold land					
at cost	8,010	-	-	-	8,010
at valuation	1,194	-	-	-	1,194
Factory buildings					
at cost	17,957	482	-	-	18,439
at valuation	510	-	-	-	510
Furniture and fittings	1,504	43	-	(6)	1,541
Office equipment	778	102	(1)	-	879
Forklifts	298	-	-	-	298
Plant, machinery and tools	14,629	3,197	-	-	17,826
Moulds	6,692	850	-	-	7,542
Electrical installation	56	58	-	-	114
Computers	1,443	154	-	-	1,597
Signboards	7	10	-	-	17
Renovation	117	-	-	-	117
Motor vehicles	4,938	649	(40)	-	5,547
Total	**58,133**	**5,545**	**(41)**	**(6)**	**63,631**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2007 Accumulated Depreciation :	At 1st January 2007 RM'000	Charge for the year RM'000	Disposals RM'000	Adjustment RM'000	At 31st December 2007 RM'000	Net Book Value at 31st December 2007 RM'000
Freehold land	-	-	-	-	-	8,010
at cost	-	-	-	-	-	1,194
at valuation				-		
Factory buildings						
at cost	1,902	367	-	-	2,269	16,170
at valuation	70	10	-	-	80	430
Furniture and fittings	1,035	102	-	-	1,137	404
Office equipment	513	59	-	-	572	307
Forklifts	148	18	-	-	166	132
Plant, machinery and tools	5,308	1,551	-	-	6,859	10,967
Moulds	4,827	770	-	-	5,597	1,945
Electrical installation	31	12	-	-	43	71
Computers	892	197	-	-	1,089	508
Signboards	7	1	-	-	8	9
Renovation	37	18	-	-	55	62
Motor vehicles	2,171	486	(40)	-	2,617	2,930
Total	**16,941**	**3,591**	**(40)**	**-**	**20,492**	**43,139**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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
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	**43,688**	**15,754**	**(1,309)**	**-**	**58,133**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2006 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
Factory 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	**15,368**	**2,703**	**(1,130)**	**-**	**16,941**	**41,192**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Company 2007 Cost :	At 1st January 2007 RM'000	Additions RM'000	Disposal RM'000	At 31st December 2007 RM'000
Motor vehicles	-	649	-	649

Accumulated Depreciation :	At 1st January 2007 RM'000	Charge for the year RM'000	Disposal RM'000	At 31st December 2007 RM'000	Net Book Value at 31st December 2007 RM'000
Motor vehicles	-	97	-	97	552

2006 : Nil

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

	Group	
	2007 RM'000	2006 RM'000
Freehold land	9,204	9,204
Freehold buildings	16,600	16,495
	25,804	**25,699**

(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		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Plant and machinery	2,460	896	-	-
Motor vehicles	2,045	2,570	552	-
Forklift	-	63	-	-
	4,505	**3,529**	**552**	**-**

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		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	350	650	350	-
Plant and machinery	595	242	-	-
	945	**892**	**350**	**-**

(v) Borrowing cost of RM Nil (2006: RM185,995) has been capitalised as part of building cost of a subsidiary company during the financial year.

(vi) Plant and machinery with a net book value of RM Nil (2006: RM1,800) was written off to the income statement.

(vii) The cost of property, plant and equipment is depreciated on a straight line basis over the assets' useful lives. Management revised the residual values of certain motor vehicles resulting in an increase/a reduction of the Group depreciation charge by RM120,000 (2006: RM508,000). Changes in the expected level of usage and market condition could impact the residual values of these assets, therefore future depreciation charges could be revised.

6. PREPAID LEASE PAYMENTS

	Group	
	2007	2006
	RM'000	RM'000
At beginning of the year	2,381	2,407
Addition during the year	97	-
Amortisation for the year	(26)	(26)
At end of the year	**2,452**	**2,381**

The leasehold land is charged to a bank for credit facilities granted to a subsidiary company.

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2007 RM'000	Company 2006 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 2007 %	Group's Effective Interest 2006 %
Euro Chairs Manufacturer (M) Sdn Bhd (Company No : 164921 X)	Malaysia	Manufacturing and marketing of furniture	100	100
Euro Space Industries (M) Sdn Bhd (Company No : 105420 W)	Malaysia	Manufacturing and trading of office furniture, partitions, chairs and panels	100	100
Euro Chairs System Sdn Bhd (Company No : 121935 M)	Malaysia	Trading of furniture, furniture fabric materials and other furniture components	100	100
Euro Space System Sdn Bhd (Company No : 378220 D)	Malaysia	Trading of office furniture	100	100
Euro Chairs (M) Sdn Bhd (Company No : 204498 V)	Malaysia	Holds the industrial designs and trademarks of the Group	100	100

All the subsidiary companies are audited by HALS & Associates.

8. INVESTMENT PROPERTY

The details of investment property are as follows:-

Group 2007 Cost:	At 1st January 2007 RM'000	Addition RM'000	Transfer to asset held for sale RM'000	At 31st December 2007 RM'000
Freehold shoplot	106	-	(106)	-

Accumulated Depreciation:	At 1st January 2007 RM'000	Charge for the year RM'000	Transfer to asset held for sale RM'000	At 31st December 2007 RM'000	Net Book Value at 31st December 2007 RM'000
Freehold shoplot	5	2	(7)	-	-

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

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

	Group 2007 RM'000	Group 2006 RM'000
Fair value	-	101

9. INVENTORIES – AT COST

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Raw materials	8,482	8,698	-	-
Work in progress	3,374	3,383	-	-
Finished goods	1,103	1,880	-	-
	12,959	**13,961**	**-**	**-**

10. TRADE RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade receivables	32,727	27,455	-	-
Less :			-	-
Allowance for doubtful debts	(1,141)	(344)	-	-
	31,586	**27,111**	**-**	**-**

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
United States Dollar	5,371	5,202	-	-
Singapore Dollar	2,155	3,103	-	-
Ringgit Malaysia	24,060	18,806	-	-
	31,586	**27,111**	**-**	**-**

(i) The credit period on trade receivables is normally 30-90 (2006 : 30-90) days or contractual periods based on project contract sales.

(ii) The policy for allowances for bad and doubtful receivables of the Group is based on the evaluation of collectability and aging analysis accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, additional allowances may be required.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments comprise the following:-

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Other receivables	635	463	-	-
Deposits	1,433	710	-	-
Prepayments	177	169	42	17
	2,245	**1,342**	**42**	**17**

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

12. AMOUNT DUE FROM SUBSIDIARY COMPANIES

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

The amount due from subsidiary companies comprises:-

	Company	
	2007	2006
	RM'000	RM'000
Euro Chairs (M) Sdn Bhd	42	29
Euro Chairs Manaufacturer (M) Sdn Bhd	7,805	6,305
Euro Space Industries (M) Sdn Bhd	5,807	11,827
	13,654	**18,161**

13. ASSET HELD FOR SALE

At Cost	Group	
	2007	2006
	RM'000	RM'000
Balance at 1st January	-	-
Transfer from investment property	99	-
Balance at 31st December	**99**	**-**

13. ASSET HELD FOR SALE (continued)

	Group	
	2007	2006
	RM'000	RM'000
Fair value	**118**	-

During the current financial year, a subsidiary company entered into a sale and purchase agreement to dispose off the above property. The sale had not been completed as at the balance sheet date.

The fair value is derived from the sale of the above property as stated in Note 35 to the financial statements.

14. FIXED DEPOSIT WITH A LICENSED BANK

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Deposit (Note 31)	**219**	**212**	-	-

A fixed deposit amounting to RM219,548 (2006 : RM212,273) had been pledged as security for banking facilities granted to a subsidiary company.

The fixed deposit as at 31st December 2007 has a maturity period of 3 months and will mature on 3rd March 2008. It bears interest rate at 3.38% (2006 : 3.38%) per annum.

15. SHORT TERM FUNDS

Group / Company

(i) The short term funds represent placements in fixed income trusts with a licensed financial institution, incorporated in Malaysia of which RM6,120,094 (2006 : RM1,467,000) is redeemable at call and RM1,126,064 (2006 : RM1,118,000) is redeemable upon 7 days notice.

(ii) The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

16. SHARE CAPITAL

		Group / Company	
		2007	2006
		RM'000	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	40,500	40,500

17. RESERVES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Non-Distributable:				
Share premium				
At beginning / end of the year	3,844	3,844	3,844	3,844
Reserves arising on consolidation				
At beginning of the year	-	3,693	-	-
Effect of adoption of FRS 3	-	(3,693)	-	-
At beginning of the year (restated) / end of the year	-	-	-	-
Distributable:				
Retained earnings				
At beginning of the year	16,993	9,757	146	53
Effect of adoption of FRS3	-	3,693	-	-
At beginning of the year (restated)	16,993	13,450	146	53
Profit for the year	9,086	5,584	2,215	2,134
Dividend	(1,656)	(2,041)	(1,656)	(2,041)
At end of the year	24,423	16,993	705	146
	28,267	**20,837**	**4,549**	**3,990**

18. TERM LOANS - SECURED

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Payable within 2 years	1,099	1,098	-	-
Payable next 2 years but within 5 years	1,911	1,808	-	-
Payable after 5 years	2,572	3,217	-	-
At end of the year	5,582	6,123	-	-
Portion repayable within next 12 months (Note 24)	(533)	(574)	-	-
At end of the year	**5,049**	**5,549**	**-**	**-**

The term of repayment, interest rates and securities are disclosed in Note 24 to the financial statements.

19. HIRE PURCHASE PAYABLES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Mimimum hire purchase payments:				
Not later than 1 year	1,219	956	78	-
Later than 1 year and not later than 5 years	1,728	1,353	259	-
	2,947	2,309	337	-
Less : Future finance charges	(227)	(211)	(30)	-
Present value of hire purchase liabilities	**2,720**	**2,098**	**307**	**-**
Present value of hire purchase liabilities:				
Not later than 1 year	1,060	850	66	-
Later than 1 year and not later than 5 years	1,660	1,248	241	-
	2,720	**2,098**	**307**	**-**
Instalment due:				
Within next 12 months	1,060	850	66	-
After next 12 months	1,660	1,248	241	-
	2,720	**2,098**	**307**	**-**

The hire purchase payables bear interest rate at 2.25% to 5.35% (2006: 2.60% to 5.35%) per annum.

20. DEFERRED TAXATION

	Group	
	2007	2006
	RM'000	RM'000
At beginning of the year	1,757	1,092
Recognised in the income statement (Note 28)	360	665
At end of the year	**2,117**	**1,757**

Presented after appropriate offsetting as follows:-

Deferred tax assets	-	(111)
Deferred tax liabilities	2,117	1,868
	2,117	**1,757**

The components and movements of deferred tax assets and liabilities of the Group during the financial year prior to offsetting are as follows:-

Deferred Tax Assets	**Group Unused Tax Losses and Capital Allowances**	
	2007	**2006**
	RM'000	**RM'000**
At beginning of the year	(111)	-
Transfer from / (to) income statement	111	(111)
At end of the year	**-**	**(111)**

Deferred Tax Liabilities	**Group Excess of Capital Allowances Over Depreciation**	
	2007	**2006**
	RM'000	**RM'000**
At beginning of the year	1,868	1,092
Transfer from income statement		
current year	292	779
under / (over) provision in prior year	176	(3)
effect of difference in deferred tax rates	(219)	-
At end of the year	**2,117**	**1,868**

21. TRADE PAYABLES

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
United States Dollar	898	261	-	-
Singapore Dollar	58	34	-	-
Euro	74	47	-	-
Ringgit Malaysia	15,846	15,541	-	-
	16,876	**15,883**	**-**	**-**

The normal trade credit terms granted to the Group range from 30 to 90 (2006: 30 to 90) days.

22. OTHER PAYABLES AND ACCRUALS

Other payables and accruals comprise the following:-

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Other payables	5,011	4,538	-	-
Accruals	1,173	2,544	33	14
	6,184	**7,082**	**33**	**14**

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
United States Dollar	1,693	2,387	-	-
Euro	-	42	-	-
Ringgit Malaysia	4,491	4,653	33	14
	6,184	**7,082**	**33**	**14**

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

23. AMOUNT DUE TO DIRECTORS

Group / Company

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

24. BANK BORROWINGS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Secured:				
Term loans (Note 18)	533	574	-	-
Bills payable	-	504	-	-
Bank overdrafts (Note 31)	-	40	-	-
	533	**1,118**	**-**	**-**

The bank borrowings are secured against the following:-

(i) Assignment over certain land and properties belonging to the Group as disclosed in Note 5 and 6 to the financial statements and certain directors' related company.

(ii) All monies facility agreements.

(iii) Pledge of 1st party fixed deposit of RM219,548 (2006 : RM212,273) of the Group as disclosed in Note 14 to the financial statements.

(iv) Personal guarantee and Indemnity by certain directors.

(v) Corporate guarantee by the Company.

Terms of repayment of bank borrowings are as follows:-

i) Term loans : 1 - 10 years.

ii) Bills payable : 120 - 150 days

iii) Bank overdrafts : repayable on demand

24. BANK BORROWINGS (continued)

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Term loans	3.80% - 7.50%	3.80% - 7.75%	-	-
Bills payable	3.70% - 4.48%	3.68% - 4.48%	-	-
Bank overdrafts	7.50% - 7.75%	7.25% - 7.75%	-	-

25. REVENUE

Group

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

Company

Revenue represents dividend income received and receivable.

26. FINANCE COSTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Bank charges	198	213	-	-
Bank overdraft interest	1	21	-	-
Bankers acceptance interest	8	20	-	-
Commitment fees	91	78	-	-
Hire purchase interest	178	154	10	-
LC charges	16	16	-	-
Term loan interest	326	5	-	-
	818	**507**	**10**	**-**

27. PROFIT BEFORE TAXATION

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is stated after charging:-				
Amortisation of prepaid lease payments	26	26	-	-
Allowance for doubtful debts	804	-	-	-
Auditors' remuneration				
current year	64	59	15	13
underprovision in prior year	3	-	-	-
Bad debts written off	7	-	-	-
Depreciation				
property, plant and equipment	3,591	2,703	97	-
investment property	2	5	-	-
Directors of the Company				
remuneration	1,719	1,449	17	13
fees	176	138	176	138
benefits in kind	258	242	19	-
other emoluments	35	27	35	27
Loss on foreign exchange				
unrealised	106	68	-	-
Property, plant and equipment written off	-	2	-	-
Rental of forklifts	80	-	-	-
Rental of equipment	24	13	-	-
Rental of premises				
others	6	462	-	-
paid to Company's director	-	7	-	-
paid to a company in which directors have interests	22	23	-	-
Staff cost	**15,332**	**12,469**	**-**	**-**
And crediting:-				
Dividend income received from subsidiaries	-	-	(3,370)	(3,180)
Gain on disposal of property, plant and equipment	(16)	(173)	-	-
Gain on foreign exchange				
realised	(191)	(152)	-	-
Interest income	**(145)**	**(153)**	**(138)**	**(146)**

28. TAXATION

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Tax expense for the year:				
provision for current year	1,393	764	810	886
overprovision in prior year	(29)	(90)	(49)	(30)
	1,364	674	761	856
Deferred taxation:				
Transfer to deferred taxation (Note 20)				
relating to origination and reversal of temporary differences	403	668	-	-
relating to changes in tax rates	(219)	-	-	-
under / (over) provision in prior year	176	(3)	-	-
	360	665	-	-
	1,724	**1,339**	**761**	**856**

Income tax is calculated at the Malaysian Statutory tax rate of 27% (2006 : 28%) of the estimated assessable profit for the year.

Subsequent to the announcement of reduction in the corporate tax rate to 25% with effect from year of assessment 2009 in the Malaysia Budget 2008, the computation of deferred tax liabilities has been adjusted accordingly to reflect such changes.

The tax rate of the subsidiary companies is 20% on the first RM500,000 (2006 : RM500,000) of chargeable income for small-medium industries with paid up capital of less than RM2.5 million.

28. TAXATION (continued)

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before taxation	10,810	6,923	2,976	2,990
Taxation at Malaysian Statutory tax rate at 27% (2006 : 28%)	2,919	1,938	803	837
Effect of 20% tax rate for first RM500,000 (2006 : RM500,000) taxable income	(140)	(103)	-	-
Expenses not deductible for tax purposes	298	319	44	83
Income not subject to tax	(37)	(72)	(37)	(34)
Double tax deduction	(48)	(23)	-	-
Utilisation of reinvestment allowance	(1,196)	(627)	-	-
Effect of difference in deferred tax rates	(219)	-	-	-
(Over) / Underprovision inprior year				
taxation	(29)	(90)	(49)	(30)
deferred taxation	176	(3)	-	-
Tax expense for the year	**1,724**	**1,339**	**761**	**856**

The Group has available unabsorbed tax losses of approximately RM Nil (2006 : RM201,000), unabsorbed capital allowances of approximately RM Nil (2006 : RM 190,000) and unabsorbed reinvestment allowances of approximately RM5,256,000 (2006 : RM7,521,000) for utilisation against future taxable income.

The subsidiary companies have tax exempt income of approximately RM22,584,000 (2006 : RM18,232,000) from which tax exempt dividend may be declared.

The Group and the Company have tax credit of approximately RM8,916,000 (2006 : RM8,546,000) and RM430,000 (2006 : RM161,000) respectively under Section 108 of the Income Tax Act 1967 to frank their distributable reserves as dividends.

The Tax Budget 2008 introduced a single tier company income tax system with effect from the year of assessment 2008. As such, the Section 108 tax credit as at 31st December 2007 will be available to the Company until the tax credit is fully utilised or upon expiry of the six years transitional period on 31st December 2013, whichever is earlier.

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

29. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of shares in issue during the financial year.

	Group	
	2007	**2006**
Consolidated profit after tax (RM'000)	9,086	5,584
Weighted average number of shares of RM0.50 each ('000)	81,000	81,000
Basic earnings per share (sen)	**11.22**	**6.89**

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.

30. DIVIDENDS

Dividends recognised in the current year by the Company are:-

	Group / Company	
	2007	**2006**
	RM'000	**RM'000**
In respect of the financial year ended 31st December 2006		
Final dividend of 2.80 sen gross per share less 27% of income tax	1,656	-
In respect of the financial year ended 31st December 2005		
Final dividend of 3.50 sen gross per share less 28% of income tax	-	2,041
	1,656	**2,041**

Subsequent to 31st December 2007, the directors recommended a first and final tax exempt dividend of 2.8 sen per ordinary share of 50 sen each amounting to RM2,268,000 for the financial year ended 31st December 2007 which is subject to shareholders' approval at the forthcoming Annual General Meeting. The dividend will be recognised in the subsequent financial year upon approval by the shareholders.

31. CASH AND CASH EQUIVALENTS AT END OF THE YEAR

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	1,455	4,720	77	14
Fixed deposit (Note 14)	219	212	-	-
Short term funds (Note 15)	7,246	2,585	7,246	2,585
Bank overdrafts (Note 24)	-	(40)	-	-
	8,920	7,477	7,323	2,599
Less : Fixed deposit pledged (Note 14)	(219)	(212)	-	-
	8,701	**7,265**	**7,323**	**2,599**

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
United States Dollar	270	2,260	-	-
Euro	7	7	-	-
Ringgit Malaysia	1,178	2,453	77	14
	1,455	**4,720**	**77**	**14**

32. CAPITAL COMMITMENT

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Approved and contracted but not provided for	2,081	1,380	-	-

33. CONTINGENT LIABILITIES - UNSECURED

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Corporate guarantees given to financial institutions in respect of credit facilities granted to subsidiary companies	-	-	51,133	49,854

The directors are of the opinion that provisions are not required in respect of the above matter as it is not probable that a future sacrifice of economic benefit will be required.

34. SEGMENTAL INFORMATION

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

35. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

During the year, Euro Space System Sdn Bhd, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to dispose off the investment property for a total consideration of RM118,000.

The transaction had not been concluded as at the year ended 31st December 2007.

36. FINANCIAL INSTRUMENTS

(A) Financial Risk Management Objectives and Policies

The Group's and the Company' financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's business whilst managing their interest, foreign exchange 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 interest rates on classes of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

The effective interest rates at balance sheet date in respect of interest-bearing financial assets and interest-bearing financial liabilities are as follows:-

	Effective interest rate per annum	
	2007	**2006**
	%	%
Financial Assets		
Fixed deposits with a licensed bank	3.38	3.38
Financial Liabilities		
Hire purchase payables	4.28 - 8.31	4.42 - 8.40
Term loans	5.60 - 5.87	5.60 - 5.87
Bills payable	3.70 - 4.48	3.68 - 4.48
Bank overdrafts	7.50 - 7.75	7.25 - 7.75

36. FINANCIAL INSTRUMENTS (continued)

(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 currency 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, payables and on cash flows generated from anticipated transactions denominated in foreign currencies.

As at 31st December 2007, the foreign currency forward contracts which have been entered by the Group for its trade receivables and payables are as follows:-

	Amount in RM'000	Average Contract Rate
Trade receivables / (payables)		
United States Dollar	1,358	3.36
Singapore Dollar	232	2.32
Euro Dollars	(110)	4.83

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

The unrecognised gain associated with anticipated future transactions are RM39,211 and the expected timing of recognition of income is on the maturity of the contracts. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

The net unhedged financial assets and financial liabilities of the Group are disclosed in Note 10, 21, 22 and 31 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.

36. FINANCIAL INSTRUMENTS (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 (including short-term funds) 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.

	Carrying Amount RM'000	Fair Value RM'000
Financial Liabilities		
Long term loan	5,582	5,320

(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.

37. RELATED PARTY DISCLOSURES

Group

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both.

37. RELATED PARTY DISCLOSURES (continued)

The related parties of the Group and its subsidiaries are:-

(i) Subsidiary companies

Details of the subsidiary companies are shown in Note 7 to the financial statements.

(ii) Key Management Personnel

Key management personnel of the Group and Company are defined as those persons having authority and responsibility for planning, directing and controlling their activities either directly or indirectly. The key management personnel of the Group and Company includes Directors of the Company and certain members of senior management of the subsidiary companies.

(iii) Directors and persons connected to Directors

Directors of the Company and persons connected to Directors, including close family members of their families.

(iv) Companies in which certain Directors have substantial financial interests

These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Group.

(a) Related party transactions

Transactions arising from normal business transactions of the Group and its subsidiaries with its related parties during the financial year are as follows:-

	Group				Company	
	Directors or persons connected to Directors		Company in which certain Directors have interests		Subsidiary companies	
Transactions	**2007 RM'000**	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Income earned:						
Dividend income (Note 27)	-	-	-	-	3,370	3,180

37. RELATED PARTY DISCLOSURES (continued)

	Group				Company	
	Directors or persons connected to Directors		Company in which certain Directors have interests		Subsidiary companies	
Transactions	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Expenditure incurred:						
Rental of staff accommodation paid to:-						
Euro Chairs Holdings Sdn Bhd	-	-	22	23	-	-
Law Sim Shee	-	7	-	-	-	-
Sub-contractor fees for upholstery works paid to:-						
Lew Chee Lung	577	464	-	-	-	-
	577	471	22	23	-	-

(b) Related party balances

The related party balances as at the balance sheet date are disclosed in Note 12 and 23 to the financial statements.

(c) Key Management Personnel Compensation

The key management personnel compensation are as follows:-

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors				
Salaries, allowances and contributions to Employee Provident Fund	1,754	1,476	52	40
Fees	176	138	176	138
Benefits-in-kind	258	242	19	-
	2,188	1,856	247	178

37. RELATED PARTY DISCLOSURES (continued)

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Senior Management				
Salaries, allowances and contributions to Employee Provident Fund	1,456	1,321	-	-
Benefits-in-kind	3	10	-	-
	1,459	1,331	-	-
	3,647	**3,187**	**247**	**178**

38. COMPARATIVE FIGURES

Certain comparative figures are restated in respect of the financial year ended 31st December 2006 to reflect the adoption of FRS 117 Leases and to conform with current year's presentation.

FRS 117 Leases

Group	**As restated**	**As previously reported**
	RM'000	**RM'000**
BALANCE SHEET		
Non-Current Assets		
Property, plant and equipment	41,192	43,573
Prepaid lease payments	2,381	-
CASH FLOW STATEMENT		
Depreciation	2,703	2,729
Amortisation of prepaid lease payments	26	-
NOTES TO THE FINANCIAL STATEMENTS (Note 27)		
Depreciation	2,703	2,729
Amortisation of prepaid lease payments	26	-

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 37 to 83 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 2007 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: 25 April 2008

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 37 to 83, 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 25 April 2008

Before me,

FOONG YEIN TENG

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No. W 315
Nama: SOH AH KAU
MALAYSIA

SOH AH KAU, AMN
PESURUHJAYA SUMPAH
26, Jalan Berami
50200 Kuala Lumpur W.P.
Tel: 03-2141-2878

Auditors' Report To the Members of Euro Holdings Berhad

We have audited the financial statements set out on pages 6 to 54. 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 2007 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 2007; 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 : 25 April 2008

Analysis of Shareholdings As at 25th April 2008

Authorised Share Capital	:	RM 100,000,000.00 comprising 200,000,000 ordinary shares of RM 0.50 each
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	849	65.61	147,302	0.18
1,001 - 10,000	254	19.63	1,303,102	1.61
10,001 - 100,000	127	9.81	4,708,480	5.81
100,001 - 4,049,999	56	4.33	42,978,935	53.06
4,050,000 and above	6	0.46	31,862,081	39.34
Total	1,294	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

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	%
1	EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lew Fatt Sin	6,000,000	7.41
2	EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lew Fatt Sin	6,000,000	7.41
3	Dato' Mohd Haniff Bin Abd Aziz	5,140,785	6.35
4	Dato' Choong Yuen Keong @ Tong Yuen Keong	5,010,000	6.19
5	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Mohd Haniff Bin Aziz	5,000,000	6.17
6	Law Sim Shee	4,711,296	5.82
7	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Behad for Lew Fatt Sin	3,460,961	4.27
8	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Choong Yuen Keong @ Tong Yuen Keong	3,400,000	4.20
9	EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Sim Shee	3,000,000	3.70
10	Teh Hock Toh	2,889,853	3.57
11	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Teoh Lian Hong	2,486,400	3.07
12	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for Law Sim Shee	2,070,867	2.56
13	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Mohd Haniff Bin Abd Aziz	2,009,215	2.48
14	NLY Development Sdn Bhd	1,621,100	2.00
15	Lew Fatt Sin	1,558,851	1.92
16	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Behad 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	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Hock Toh	1,000,000	1.23
21	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lew Fatt Sin	1,000,000	1.23

THIRTY (30) LARGEST SHAREHOLDERS (continued)

No.	Name of Shareholders	No. of Shares Held	%
22	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Sim Shee	1,000,000	1.23
23	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Hock Toh	1,000,000	1.23
24	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Hock Toh	1,000,000	1.23
25	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Chee Keong	986,300	1.22
26	Chong Sin Lai @ Song Sin Lai	847,000	1.05
27	Chan Moon Thiam	614,000	0.76
28	Lui Kok Kiang	517,500	0.64
29	Phang Yik Fui	485,000	0.60
30	Goh Siew Hoo	465,000	0.57
		68,342,876	**84.36**

Group Properties As at 31st December 2007

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 2007 (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	2,453	1997
ECM	H.S.(D) 86293 No Lot . 178 (Previously known as 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	11 years / Freehold	6,363	1996 2004#
ESI	H.S.(D) 86340 Lot No. 193 (Previously known as 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	10 years / Freehold	5,661	1997*

Group Properties As at 31st December 2007 (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 2007 (RM'000)	Year of acquisition/ revaluation*
ESI	H.S.(D) 86280 Lot. No 169 (Previously known as 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	13,778	2005
ESS	H.S.(D) No. 94663 P.T. No. 28589D Mukim of Sungai Buluh Daerah Petaling Jaya Selangor Bearing postal address: No. 42-D, Tingkat 3 Jalan BRP 6/11 Bukit Rahman Putra 47000 Sungai Buluh Selangor	Vacant office shoplot	N/A	1,650	8 years/ Freehold	99	2004

* Revalued
^ The master title of the land has not been sub-divided yet.
# The building was constructed in 1995 whereas the land was only acquired in 2004.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Company will be held at Green II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, off Jalan Tropicana Utama, 47410 Petaling Jaya on Thursday, 26 June 2008 at 10.00 a.m. for the transaction of the following businesses:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To declare a first and final tax exempt dividend of 2.8 sen per Ordinary Share of RM0.50 each for the financial year ended 31 December 2007. **(Resolution 2)**

3. To re-elect the following Directors who retire pursuant to Article 73 of the Company's Articles of Association:-

   Datuk Dr Syed Muhamad Bin Syed Abdul Kadir **(Resolution 3)**
   Ng Wai Pin **(Resolution 4)**
   Pua Kah Ho **(Resolution 5)**

4. To approve the payment of Directors' fees amounting to RM176,000 for the financial year ended 31 December 2007. **(Resolution 6)**

5. To re-appoint Messrs HALS & Associates as Auditors of the Company for the financial year ending 31 December 2008 and to authorise the Board of Directors to fix their remuneration. **(Resolution 7)**

Special Business

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

   ORDINARY RESOLUTION 1
   Authority to allot shares **(Resolution 8)**

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

   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 9)**

"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 29 May 2008 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 renewed;

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

NOTICE OF ENTITLEMENT AND PAYMENT OF FIRST AND FINAL DIVIDEND

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Fourth Annual General Meeting to be held on 26 June 2008, a first and final tax exempt dividend of 2.8 sen per Ordinary Share of RM0.50 each for the financial year ended 31 December 2007 will be paid on 17 July 2008 to Depositors whose name appear in the Record of Depositors on 30 June 2008.

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 30 June 2008 in respect of transfers;

b. 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: 29 May 2008

NOTES:

1. *A member of the Company shall be entitled to appoint one or more proxies to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Act are complied with. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.*

2. *Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*

3. *The Form of Proxy, in the case of an individual, shall be signed by the appointer or his attorney, and in the case of a corporation, shall be executed under its Common Seal or under the hand of its attorney of the corporation duly authorised.*

4. *To be valid, the proxy form duly completed and signed must be deposited at the Registered Office of the Company at Suite 1603, 16th Floor, Wisma Lim Foo Yong, No. 86, Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

5. *Explanatory Notes on Special Business:-*

    a. *The proposed 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 29 May 2008 which is circulated with the 2007 Annual Report.*

Statement Accompanying Notice of Annual General Meeting

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

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION

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

i. Datuk Dr Syed Muhamad Bin Syed Abdul Kadir
ii. Ng Wai Pin
iii. Pua Kah Ho

The Directors are subject to retirement pursuant to Article 73 of the Articles of Association of the Company. The details of the Directors who are standing for re-election and their particulars are set out in the Profile of the Board of Directors which appears on page 4 to page 7 of this Annual Report.

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Five (5) Board of Directors' Meetings were held during the financial year ended 31 December 2007. 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	5/5	100
Lew Fatt Sin	5/5	100
Law Sim Shee	5/5	100
Lew Hin	5/5	100
Teh Hock Toh	5/5	100
Foong Yein Teng	5/5	100
Datuk Dr Syed Muhamad Bin Syed Abdul Kadir	5/5	100
Ng Wai Pin	5/5	100
Pua Kah Ho	5/5	100
Dato' Choong Yuen Keong @ Tong Yuen Keong*	3/3	100

**NOTE:*
Base on board meetings held subsequent to his appointment for the financial year ended 31 December 2007

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

Date : 26 June 2008 (Thursday)
Time : 10.00 a.m.
Venue : Green II, Tropicana Golf & Country Resort,
Jalan Kelab Tropicana, off Jalan Tropicana Utama, 47410 Petaling Jaya

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 Fourth Annual General Meeting of the Company to be held at Green II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, off Jalan Tropicana Utama, 47410 Petaling Jaya on Thursday, 26 June 2008 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 2007		
RESOLUTION 2	Declaration of a first and final tax exempt dividend of 2.8 sen per Ordinary Share of RM0.50 for the financial year ended 31 December 2007.		
RESOLUTION 3	Re-election of Datuk Dr Syed Muhamad Bin Syed Abdul Kadir		
RESOLUTION 4	Re-election of Ng Wai Pin		
RESOLUTION 5	Re-election of Pua Kah Hoo		
RESOLUTION 6	Approval of the payment of Directors' fees		
RESOLUTION 7	Re-appointment of Auditors		
RESOLUTION 8	Approval for Directors to issue shares pursuant to Section 132D		
RESOLUTION 9	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature		

Signed this ________ day of ______________ 2008

____
Signature of Shareholder(s)

NOTES:

1. *A member of the Company shall be entitled to appoint one or more proxies to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Act are complied with. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.*
2. *Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
3. *The Form of Proxy, in the case of an individual, shall be signed by the appointer or his attorney, and in the case of a corporation, shall be executed under its common seal or under the hand of its officer or 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

2nd fold here

1st fold here

WISMA EURO Lot 21
Rawang Industrial Estate
48000 Rawang
Selangor Darul Ehsan
Malaysia

EURO III Lot 25
Rawang Industrial Estate
48000 Rawang
Selangor Darul Ehsan
Malaysia

EURO II Lot 15
Rawang Industrial Estate
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