2011
ANNUAL REPORT

EURO™

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.

CONTENTS

Corporate Information

BOARD OF DIRECTORS

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

Lew Fatt Sin
Group Managing Director

Dato' Choong Yuen Keong @ Tong Yuen Keong
Executive Director

Law Sim Shee
Executive Director

Lew Hin
Executive Director

Teh Hock Toh
Executive Director

Foong Yein Teng
Executive Director

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

Ng Wai Pin
Independent Non-Executive Director

Pua Kah Ho
Independent Non-Executive Director

Tan Poh Ling
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

Tan Poh Ling
Member, Independent Non-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, Group Managing Director

NOMINATION COMMITTEE

Dato' Sri 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

SSY Partners (A.F. 0040)
SSY Building @ Sentral
Level 1, 2A Jalan USJ Sentral 3
USJ Sentral, Persiaran Subang Jaya 1
47620 Subang Jaya
Selangor Darul Ehsan
T: (603) 8025 9793
F: (603) 8025 9803

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
T : (603) 2664 3883
F : (603) 2282 1886

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

Main Market of Bursa Malaysia Securities Berhad
Stock Name: EURO
Stock Code : 7208

Corporate Structure

Board of Directors

from left to right :

1 Datuk Dr Syed Muhamad Bin Syed Abdul Kadir
2 Foong Yein Teng 3 Teh Hock Toh
4 Law Sim Shee 5 Lew Fatt Sin 6 Dato' Sri Mohd Haniff bin Abd Aziz
7 Dato' Choong Yuen Keong @ Tong Yuen Keong
8 Pua Kah Ho 9 Tan Poh Ling 10 Lew Hin 11 Ng Wai Pin

Directors' Profiles

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

Dato' Sri Mohd Haniff, a Malaysian aged 58, was appointed Chairman of EURO on 1 October 2004. He is a member of the Nomination Committee, appointed on 28 February 2005. A graduate of the University of Malaya with a Bachelor of Economics (Honours) Degree, he 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. Dato' Sri Mohd Haniff 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.

Lew Fatt Sin
Group Managing Director

Lew Fatt Sin, a Malaysian aged 58, was appointed Group Managing Director of EURO on 1 October 2004. He is on the Remuneration Committee, appointed on 28 February 2005. A practical entrepreneur who knows his trade well, Lew has garnered over 35 years of experience in furniture manufacturing, design and development. He started his career as a skilled craftsman in 1970 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.

Dato' Choong Yuen Keong @ Tong Yuen Keong
Executive Director

Dato' Choong Yuen Keong, a 53-year old Malaysian, was appointed Non-Independent, Non-Executive director of EURO on 24 April 2007. On 29 February 2012, his position has been re-designated to Executive Director, following his appointment as the Managing Director of a wholly owned subsidiary in the property division. He started his career in construction site management and after eleven years, he moved on to the management of property development, where he served for twenty one years. With his wealth of experience in civil engineering, building construction and property development, he now owns several property development companies. Spearheading the reputable Beverly Heights project since 2003, Dato' Choong is venturing into a similar prestigious project in Penang which offers state-of-the-art living conditions, characterized by ultra-modern facilities. He also owns Menara Klang, which comprises an eight-storey shopping complex and a sixteen-storey office block. He does not hold other directorship in other public listed company.

Law Sim Shee
Executive Director

A Malaysian aged 59, 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 worked as a general clerk in 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.

Lew Hin
Executive Director

Lew Hin is a Malaysian, aged 61, 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. Subsequently, 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 directorship in other public listed companies and is brother to Lew Fatt Sin and brother-in-law to Law Sim Shee.

Teh Hock Toh
Executive Director

Teh Hock Toh, aged 47, 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. With diligence and good management skills, he ascended the corporate ranks efficiently and became the General Manager in 1994. With over twenty 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 for EURO Group and heads the Business Development Department. Teh Hock Toh does not hold any directorship in other public listed companies.

Foong Yein Teng
Executive Director

Foong Yein Teng is a 42-year old Malaysian. She was appointed Executive Director of EURO on 1 October 2004. Foong is professionally qualified as an Accountant and is a member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and CPA Australia. Her career took off at Price Waterhouse Coopers in 1990 where she gained professional exposure in auditing 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 directorship in other public listed companies.

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

A Malaysian aged 64 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 holds a Bachelor of Arts from University of Malaya, a Master in Business Administration from the University of Massachusetts (USA), a Doctorate in Business Management from the Virginia Polytechnic Institute and State University (USA). In 2005, he obtained a Bachelor of Jurisprudence (Hons) degree from the University of Malaya, which was followed with a Certificate in legal practice in 2008. In 2009, he completed his LLM (corporate law) degree from Universiti Teknologi Mara (UITM). 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, Bursa Malaysia Berhad, Solution Engineering Holdings Berhad and BSL Corporation Berhad.

Ng Wai Pin

Independent Non-Executive Director

Ng Wai Pin is a 47-year old Malaysian who was appointed as an 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 degree in Bachelor of Laws and was admitted as a Barrister and Solicitor of the High Court in New Zealand. He was attached to a legal firm in Auckland for a few years. Thereafter, he returned to Kuala Lumpur and joined Shook Lin & Bok before being admitted as an Advocate and Solicitor in the High Court of Malaya in 1993. Besides his experience in legal practice, he also served as a Chief Executive Officer of public listed companies. Currently he sits on the board of Frontken Corporation Berhad and BSL Corporation Berhad.

Pua Kah Ho

Independent Non-Executive Director

Pua Kah Ho, a Malaysian aged 63, was appointed Independent Non-Executive Director or EURO on 1 October 2004. He sits on the Nomination Committee, appointed on 28 February 2005. Upon graduating high school in 1969, Pua commenced a long and rewarding career with Overseas Union Bank (M) Bhd (OUB). 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.

Tan Poh Ling

Independent Non-Executive Director

Tan Poh Ling, aged 42 was appointed as a Non-Executive Director of EURO on 21 January 2009. She was also appointed a member of the Audit Committee on the same day. She is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, Malaysian Institute of Taxation and Financial Planning Association of Malaysia. She has more than 20 years of experience in the field of auditing, accounting, taxation, business advisory and corporate finance, encompassing professional firms, multi national companies and private companies. Currently, she is a partner of an audit firm. Tan Poh Ling 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.

Chairman's Statement

Managing Director's
Review of Operations

Chairman's Statement

Economy and Industry Review

At the beginning of 2011, the global economic recovery seemed almost certain. But the spike in the first two quarters soon hit a plateau before dipping, and while there was general improvement in demand, it was still not the impetus everyone had hoped for. Many industries had to adjust their growth figures accordingly, reassessing against the still weak retail conditions. The unresolved euro zone sovereign debt crisis further exacerbated worldwide uncertainties while structural issues like high unemployment, the continued de-leveraging by banks and restrained credit conditions prohibited growth in partner-economies.

Here at home, Malaysia Institute of Economic Research (MIER) reported a GDP growth of 5.3% for Malaysia in 2011. Though lower in comparison to the 7.2% recorded in 2010, the nation's exports did reflect a 10.1% increase from the year before, closing at RM659.7 billion for 2011. Industry data from the Ministry of International Trade and Industry (MATRADE) however, shows that Malaysia's furniture exports fell 4% to RM7.67 billion from 2010's RM7.96 billion.

Weathering through another challenging year where recession lingered longer than expected and the economic gasped for recovery, EURO chose to focus on what we have control over instead. Turning homeward, we leveraged on the more favorable domestic demands where private and public consumption grew significantly and remained resilient.

Financial Overview

The Group witnessed a slight boost for the full year ended 31 December 2011, with revenue registering at RM107.1 million against FY2010's RM88.2 million. The revenue increase enabled a turnaround from a loss before taxation of RM2.7 million in the previous year to a profit after taxation of RM0.7 million in 2011. Loss after taxation was therefore reversed from RM1.5 million in 2010 to a profit after taxation of RM0.1 million for 2011. This contributed to an earning per share of 0.15 sen versus a loss per share of 1.89 sen the year before. The Group's net asset rose marginally to 82.00 sen per share from 2010's 81.84 sen.

Demand for EURO products improved as the year progressed in 2011. Significant revenue jump was seen in the second half of the year, as more than 55% of the annual group revenue was raked in from completed supply and projects during that period. Both local and export markets recorded higher sales, translating into RM47.8 million and RM59.3 million respectively in 2011, against RM33.6 million and RM54.7 million in the previous year.

The Group also achieved higher sales from the new line of steel storages with the rolling out of the complete basic range of steel storages in March 2011. Throughout the year, the Group continued to intensify its efforts to penetrate the market and create the EURO brand name for the steel storage products. These efforts have started to bear fruits. 2011's revenue from steel storages doubled as compared to the previous year and the Group also managed to secure a few major supply contracts overseas. The initial teething challenges faced in this new product line were duly countered with targeted solutions as the Group continued to streamline its manufacturing process flow, improved production efficiency and product quality.

While, overall product demand had improved considerably, the Group continued to face stiff competition and a price sensitive market. Margin was affected by selling price pressures, rising material and operational costs. The Group had however managed to achieve better performance in the last two quarters of the financial year and thereby reversed the earlier losses to record a profit before taxation of RM0.7 million for the full year under review.

Corporate Development

In May 2011, the Group announced its intention to diversify its business into property development which was duly approved by the shareholders of the Company. The Group views this as a strategic move to expand its revenue base and to reduce its sole reliance on the existing core business in furniture manufacturing and trading.

In September 2011, the Group had via its wholly owned subsidiary, Euroland & Development Sdn Bhd completed its acquisition of a piece of freehold land, measuring 4.031 acres in the State of Selangor to form part of the land bank for its property development business.

Awards and Accreditation

As always we are proud to be the recipient of the following honors, a testament of the Group's effective brand-building strategy and commitment to corporate management:

- BrandLaureate Award 2011/2012 for Best in office furniture for corporate branding. The Academy Award of brand excellence is an annual event organized by the Brand Laureate Sdn Bhd, a member of the Asia Pacific Brands Foundation.

- Furniture Leadership Award (FLA) Malaysia and Asian Furniture Leadership Award (AFLA) 2011/2012 for Brand Excellence & Product Excellence. Organized by APS Media Group, the publisher of Furniture and Furnishing International Export (a member of International Alliance of Furnishing Publications representing Southeast Asia) with the endorsement of the Malaysian Furniture International Council (MPIC).

- Asian Furniture Leadership Award 2011/2012 for Brand Excellence with contenders hailing from China, Japan, Korea, Vietnam and Thailand.

- Malaysian International Furniture Fair (MIFF) 2011 – Bronze Award for category 1 and Merit Award for category 2 for Best Booth Presentation.

We stayed true to our pledge to be environment-friendly and sustainable by renewing the Greenguard certification by the Greenguard Environmental Institute. We were also active in the exhibition circuit, with participation in domestic and international furniture fairs, from our nation's capital to Dubai.

Chairman's Statement
(continued)

Outlook and Prospects

Doubts over the public debt crisis in Europe and U.S, coupled with the still unpredictable financial markets continue to undermine investors and business-builders' confidence in an already price-sensitive setting. Demand had shifted to the Asian region and developing countries, resulting in even the world class office furniture manufacturer putting more emphasis to develop market in this region instead of advanced economy previously. But there is a silver lining to be seen. Malaysia remains the world's 10th largest exporter of furniture, exporting 80% of its national production mainly to key trading partners of the strongest and leading economies globally, from US to Japan, United Kingdom to U.A.E. Nearer to home, our Asian counterparts and markets are still evolving dynamically in real-estate and office industries, creating much needed opportunities.

Amidst the uncertain global environment and the intense competition in the global furniture industry, 2012 will remain challenging to the Group. The Group will take appropriate measures to confront these issues. Stiff competition from neighboring countries and regions will be converted into catalysts for EURO to improve further. Our Research and Development department will look into possible new niches and untapped avenues in the market to increase revenue, while our Sales and Marketing team will focus on driving our export ability further, with Asia as the primary end-users. It has become ever more vital for Euro to stand out in terms of quality, design, innovativeness and reliability to stay ahead.

Dividends

The Board of Directors does not recommend any payment of final dividend for the year ended 31 December 2011. This is to conserve cash to meet working capital requirements and expansion plans of the Group.

Appreciation

The tireless effort from our Board, management team and staff knows no bounds. The concerted endeavor and common goal we all work towards has once again prevailed, sustaining Euro through another demanding year. Your resilience and spirit are beyond invaluable.

To our business associates, bankers and various government agencies, thank you for your support in the work that we do. Last but not least, heartfelt gratitude to our esteemed customers and stakeholders for your continued confidence.

Thank you,

Dato' Sri Mohd Haniff bin Abd Aziz
Chairman

Managing Director's
Review of Operations

For the financial year ended 31 December 2011, the Group delivered reasonable performance specifically in the second half, with revenue increasing from RM23.1 million in the first quarter to RM30.0 million in the final quarter. An overall improvement from 2010, the increased demand from domestic market was unexpectedly higher compared to exports since the latter was affected by the calamity of natural disasters in neighboring Thailand and Japan. The lingering political unrest in the Middle East, coupled with the unresolved financial crisis in Europe and U.S. further cast a cloud of uncertainty where many international counterparts opted for caution and frugality instead.

Business Review

Revenue was recorded at RM107.1 million in 2011 and a profit after taxation of RM0.1 million as compared to a revenue of RM88.2 million and a loss after taxation of RM1.5 million in 2010. This translates to a revenue increase of 21.4% on a year-to-year basis. The strong construction and building sectors in the Asian region were big contributors as more commercial projects were being executed. The Group successfully converted this heightened demand for office future into a much needed boost.

However, despite the increase in revenue, the Group's profitability was affected by high operating costs and selling price pressures in an increasingly competitive business environment. The start-up cost, market penetration cost and gestation period to build up the steel storage business also impacted the Group's bottom line.

Domestic

Domestic growth was driven mainly by continued strong internal demand despite the more challenging external environment. The Malaysian economy continued to expand, driven by resilient private consumption and strong investment activities. This was also supported by the acceleration of public infrastructure projects by the government.

Riding on the wave of a fortified local economy, many corporations undertook new or previously postponed expansion projects, causing considerable improvement to the Group's revenue, from RM33.6 million in 2010 to RM47.8 million in the current financial year. The Group also managed to secure steady supply contracts from its new line of steel storages to enhance monthly sales.

Export

Exports revenue increased, albeit at a lower rate as compared to domestic sales. Contributing 55% of total group revenue in 2011 (2010: 62%), this represented an 8% increase from 2010's export of RM54.7 million. The Group generated higher export revenue especially from rapid development and healthy growth in the Indian market, with more projects executed and completed.

Nevertheless, sales to certain other countries still paled in contrast to the previous year. Singapore which supplied various opportunities in the beginning of 2011 as carry-over surge from the previous year, saw orders began slowing down in the third quarter due to a saturated property market and inflationary anxiety. Some Asian trading partners were severely affected by the tsunami and crippling flood, while the western counterparts remained tangled in their respective economic and civic turmoil.

Product Launches in 2011

In tandem with evolving market needs, the following carefully crafted and constructed products and systems have joined the EURO family:

i. Compactors: sleek and aesthetic, this combines the best of storage attributes and flexibility to create maximized and functional space

ii. Add-on lockers and stow-away storage: grow within limited capacity with practicality, sustainability and transparency

Operations Expansion

Phase II of Plant 3 was successfully completed with the new range of steel storages rolled out in March 2011. The new facility commenced its state-of-the-art manufacturing automation to yield top-of-the-line quality and efficiency, while reducing overall cost in the long run. In anticipation of increasing demand for steel storages, a new epoxy line is currently in the works with a targeted completion date in middle of 2012.

In May 2011, the Group also announced its plan to delve into property development which the Group believed has strong growth prospects. This will diversify existing revenue base while reducing sole dependency on the manufacturing business. As such, Euroland & Development Sdn Bhd was set up to undertake the Group's new endeavor whereby a property has been acquired in the state of Selangor as the new subsidiary's first venture.

Looking forward

Globally, the risks of growth have increased significantly with possible escalation of the fiscal and banking problems in the euro area, lack of medium-term fiscal consolidation plans in the U.S and Japan, possibility of a hard landing in key emerging economies as well as oil supply constraints. Against this backdrop, global growth is projected to decelerate further to 3.3% in 2012 (2011: 3.8%).

On the local front, the country's economy will continue to depend on domestic demand to drive GDP growth with the implementation and delivery of 10 MP, complemented by the ETP and GTP. Successful execution is vital to create new construction projects and continued investments in the private sector of which the Group is cautiously optimistic of.

Despite the challenging global market environment, the Group will intensify its efforts to secure more projects in the Asian region and other developing countries. The Group will expand on existing customer base, especially in markets that are relatively small but with good growth potential. The Group has tapped into the African market with its steel storage system and will continue to explore that avenue. The Group is also working with a slew of European partners as they are outsourcing to more affordable countries in Asia.

Concerted efforts will be made to further enhance the steel storage product line with the aims to evolve and present a new concept for this fledging category. The Group will leverage on innovative and vigorous measures to increase its productivity, assist cost-efficacy and overall operation efficiency.

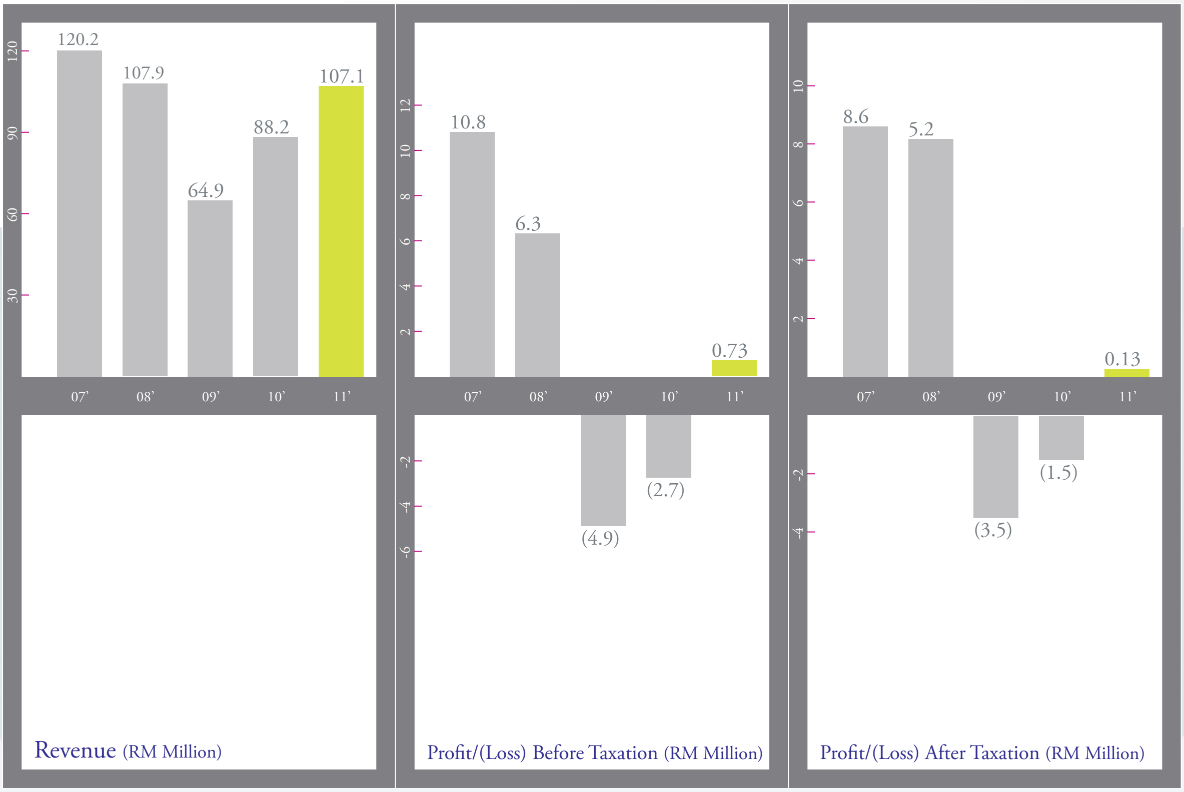
EURO's new property division, will proceed with its inaugural activities for the making and development of a residential project where the targeted timeline for approval and initial groundwork is 12 months with development to ensue thereafter. The Group is hopeful that the new division will soon generate an additional source of revenue and income.

Having fared a challenging but also a satisfactory year at Euro, rest assured that we will capitalize on the opportunities ahead as we strive for better performance and sustainable returns.

Lew Fatt Sin
Group Managing Director

Group
Financial Highlights

	2007	2008	2009	2010	2011
***Operating Results** (RM'000)*					
Revenue	120,189	107,921	64,914	88,207	107,076
EBITDA	14,932	11,276	523	2,625	7,896
PBT/ (Loss) before taxation	10,810	6,330	(4,888)	(2,745)	725
PAT /(Loss) after taxation, attibutable to equity holders of the Company	8,600	5,173	(3,512)	(1,527)	125
***Key Data of Statement on Financial Position** (RM'000)*					
Total assets	102,285	102,777	113,524	119,169	131,533
Net borrowings/(cash)	(618)	2,461	21,893	30,472	36,234
Shareholders equity	70,040	72,945	67,813	66,293	66,418
Share Information & Key Financial Ratios					
Return on equity (%)	12.28	7.09	(5.18)	(2.30)	0.19
Return on total assets (%)	8.41	5.03	(3.09)	(1.28)	0.10
Net gearing ratio (times)	-	0.03	0.32	0.46	0.55
Interest cover (times)	21.36	11.16	(6.27)	(2.32)	1.35
PE ratio (times)	6.12	9.08	(10.95)	(19.10)	180.00
Earnings/ (Loss) per share (sen)	10.62	6.39	(4.34)	(1.89)	0.15
Net asset per share (sen)	86.47	90.06	83.72	81.84	82.00
Gross dividend yield per share (sen)	2.80	2.00	-	-	-
Share price as at financial year end (sen)	65.00	58.00	47.50	36.00	27.00



The Board of Directors of Euro Holdings Berhad ("the Board") believes that good corporate governance is fundamental to ensure the Group's long-term sustainability and good business performance of the organization. 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 create and enhance economic value for its shareholders as well as other stakeholders.

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

In 2011, the Board of Directors consists of a Group Chairman, a Group Managing Director, four (4) Executive Directors, four (4) Independent Non-Executive Directors and one (1) Non-Independent and Non-Executive Director. On 29 February 2012, Dato' Choong Yuen Keong @ Tong Yuen Keong has been re-designated from Non-Independent and Non-Executive Director to Executive Director of the Company following his appointment as the Managing Director of a wholly-owned subsidiary. The Company complies with the criteria of the Main Market Listing Requirements ("Main 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 6 to page 8 of this Annual Report.

DUTIES AND RESPONSIBILITIES OF THE BOARD

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

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

(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' Sri 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	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
Tan Poh Ling	5/5	100

SUPPLY OF INFORMATION

All directors are given complete and timely information before each Board Meeting to be convened together with an agenda and a set of Board papers, including information on financial, operational and corporate matters. Board papers are circulated within 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, whether as a full Board or in their individual capacity, have access to the advice of the Company Secretary and management staff. Where considered necessary, the Board may also engage the services of Independent Professional Advisors on specialized issues in furtherance of their duties.

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' Main 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 require 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.

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 2011 are as follows:

Aggregate Remuneration categorized into appropriate components:

	Fees	Salaries and Allowances, inclusive of EPF contributions	Bonus	Benefits-in-kind	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Executive Directors	-	1,479	109	284	1,872
Non-Executive Directors	238	63	-	28	329
Total	238	1,542	109	312	2,201

DIRECTORS' REMUNERATION (continued)

Remuneration Bands

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
RM1-RM50,000	-	5	5
RM100,001-RM150,000	-	1	1
RM150,001-RM200,000	1	-	1
RM250,001-RM300,000	1	-	1
RM350,001-RM400,000	1	-	1
RM400,001-RM450,000	1	-	1
RM650,001-RM700,000	1	-	1
Total	5	6	11

Note:
1. *For security and confidentiality reasons, the details of Directors' remuneration are not shown with reference to individual Directors. The Board is on 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 had attended and completed the Mandatory Accreditation Programme accredited by Bursa Securities. The Board will evaluate the Directors' training needs and attend other relevant training programmes to further enhance their business acumen and professionalism in discharging their duties to the Group.

During the year, the Directors have pursued relevant courses and seminars to keep abreast with industry, regulatory and compliance issues, trends and best practices. Conferences, seminars and training programmes attended by the Directors in 2011 are as follows:

Corporate Governance	• Malaysian Corporate Governance Index 2011 • Amendments to the Listing Requirements (Disclosure & Others) and Corporate Disclosure Guide • Managing Related Party Transactions and Common Pitfalls in Chapter 10 of Listing Requirements • Advocacy Sessions on Disclosure for CEOs and CFOs
Role of an Effective Board	• The Board's Responsibility for Corporate Culture: Selected Governance Concerns and Tools for Addressing Corporate Culture and Board Performance • The Nomination/ Remuneration Committee Programme
Management	• Brand Creation with Blue Ocean Strategy* • 21st. Century Corporation: Driving Sustainable Leadership & Innovation
Accounting and Economics	• Updates of 2011 new and revised Financial Reporting Standards & New Bursa Listing Requirements • Economic Outlook 2011 • Invest Malaysia 2011 • Bursa's Power Business Sustainability, a Guide for Directors • Latest Tax Rulings on Construction Contracts • Update on GST • Build your Business: Assessing Options, Building Capabilities, Competing for the Future • Sustainability Programme for Corporate Malaysia

* *Attended by all Directors - An in-house training provided by an external training provider*

SECTION 2: COMMITTEES OF THE BOARD

The Board had delegated certain responsibilities and duties to several Committees which operate within clearly defined terms and reference to assist the Board in the running of the Group. This is to allow the members of the Board Committees to deliberate and examine issues in greater details and subsequently recommend and report to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board. The Board Committees for the financial year under review are as follows:

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

• AUDIT COMMITTEE

The Audit Committee comprises of three (3) independent Non-Executive Directors as at the end of the year. 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 27 to page 30 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' Sri 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

Meetings of the Nomination Committee are held at least once a year or as and when necessary.

• 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

SECTION 3: SHAREHOLDERS

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

Recognizing the importance of transparency and the need for 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
- Circulars to Shareholders
- 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

During the financial year, the Directors and senior management also responded to requests for discussions with analysts from research houses and investment banks 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 2011 can be found on pages 39 to 101 of the Annual Report.

INTERNAL CONTROL

The Statement of Internal Control, which provides an overview of the state of internal controls within the Group, is set out on page 31 to page 32 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 twice a year to review audit plans, audit findings and to facilitate exchange of views on issues requiring attention. The Audit Committee also meets the external auditors without the presence of the executive Directors and management. The role of Audit Committee in relation to the auditors is described in the Audit Committee Report set out on page 27 to page 30 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 2011, the Board of Directors has:

- adopted suitable accounting policies and applied them consistently;
- where applicable, made judgments and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been followed; and
- prepared the annual financial statement on a going concern basis

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.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and the Company to prevent fraud and irregularities.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Group, whilst pursuing its commitment to the stakeholders, is also consciously focusing its efforts on the effective development of CSR Governance. The Group undertook various steps to play its part in contributing to the welfare of the society and communities in the environment it operates in. The Group recognizes that for long term sustainability, its strategic orientation will need to look beyond the financial parameters and strike a balance between business profitability and corporate social responsibility. Hence, the Group supports important causes such as environmental preservation, donation to the needy, community services, promoting a healthy and safety culture within our organization, staff development, etc.

CORPORATE SOCIAL RESPONSIBILITY ("CSR") (continued)

Environmental Preservation

Throughout its business, EURO has been continuously meeting or improving upon legislative and regulatory environmental requirements. We strives to contain the environmental impact of our activities to a practicable minimum in accordance with our Environmental Principles and in meeting our objectives to be regarded as a good and trusted neighbor, demonstrating environmental care in the communities in which we operate in.

Our employees across the EURO Group continued to make great efforts to improve environmental performance during the year. This involves continuously refining and developing our Environmental Governance, Risk Management and Environment Management System to be in line with our business activities. We are incorporating environmental issues into our business decision-making processes, monitoring environmental performance against relevant objectives, enhancing employees' participation on relevant environmental issues, providing appropriate training, promote use of energy efficient resources, waste minimization, encouraging efficient use of resources, beneficial re-use or recycling. And, where these are not practicable, we ensure disposal in environmentally responsible manner in accordance with regulatory compliance.

The Community

The Group is committed to promote a healthy and friendly environment to the community. It is our policy to comply with laws governing plant operations, maintenance and improvement relating to environment standards, housekeeping and storage methods, noise level management, emission standards, etc.

Other than the above, EURO has also emphasized CSR within the community by supporting various community services and activities. Some of the initiatives included:

- contributing of funds, wheel chairs, office furniture and other necessities to various charitable organizations and associations.
- sponsorship of events of various non-profitable organizations
- recruitment of fresh graduates and interns, aimed at equipping young graduates with invaluable skills and experience for better employment opportunities

CSR initiatives within the Organization:-

Occupational Health and Safety

EURO's commitment to Safety and Health is an integral part of the Company's overall Vision and Values. Euro is committed to provide a healthy and safe working environment to our employees. Clear and written policies, including any updates as well as any training on occupational health and safety matters are provided and communicated to employees. In line with this, the SHE Committee comprising of executive officers, senior managers, team leaders and employees of various departments, had been re-structured and further consolidated during the year to ensure a more effective management and control of identified risks. Under the charge of the Safety Officer, the SHE Committee performs its role with a clear mandate to ensure effective implementation of the Company's established OSH policies which outline the Company's commitment to zero-incident work environment. The committee has a key operational role to manage programs and monitor performance, raising issues to the management as appropriate, providing strategic advice and sets performance targets.

EURO aims to perform every job in a safe and healthy manner. Work related injury or illness is unacceptable. This is supported by our committed leadership approach, continuous training such as risk assessments and all other on-going efforts in promoting good HSE work ethics at all times to create a safety culture throughout the Company.

Employees Welfare and Development

It is the policy of Euro that its employees are competent on the basis of appropriate education, training, skills and experience. Continuous performance enhancement and development of employees' competencies had been our primary focus in the area of Human Resource development. In this respect, work related trainings and continuous internal and external training programs are provided to all staff, in line with the Group's belief to grow and upgrade our talent pool of workforce.

The employees are also provided with medical and health care insurance, adequate insurance and leave compensation programs which commensurate with their rank and level of employment. The Company also held various health screening programs including eye-check-up, hearing tests, etc at the workplace to encourage staff to take charge of their health.

Recognizing the need to promote a healthy and balanced lifestyle to our staff, the Group also organized Annual Dinner, sport activities and social events for our staff. Such events are designed to create greater unity, teamwork and rapport amongst employees.

ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made in accordance with Part A of Appendix 9C of the Main LR 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 2011.

Share Buybacks

The Company had at its Seventh Annual General Meeting held on 27 June 2011, obtained its shareholders' renewal mandate to purchase its own shares of up to ten (10%) of the issued and paid-up share capital of the Company.

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

The Company will seek a renewal of the mandate from its shareholders for the purchase of its own shares at the forthcoming Annual General Meeting to be held on 27 June 2012.

Options, Warrants or Convertible Securities

There as 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 2011 amounted to RM 1,000.

Variation in Results

There is no material variance between the audited financial results and the unaudited results previously made for the financial year ended 31 December 2011.

Profit Estimate, Forecast or Guarantee

There was no profit estimate, forecast or 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 Seventh Annual General Meeting of the Company held on 27 June 2011, the Company had obtained the approval of shareholders for the renewal of the shareholders' mandate to enter into recurrent related party transactions ("RRPTs) 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 28 June 2011 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 2011 pursuant to the shareholders' mandate are disclosed in Note 36 to the Financial Statements.

At the forthcoming Annual General meeting to be held on 27 June 2012, the Company intends to seek its shareholders' approval to renew the existing mandate and to approve new mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature. The details of the shareholders' mandates to be sought are furnished in the Circular to Shareholders dated 4 June 2012 attached to this Annual Report.

The Board of Directors of Euro Holdings Berhad is pleased to present the report on the Audit Committee and its activities for the financial year ended 31 December 2011.

MEMBERS

The Audit Committee ("the Committee") was established on 3 October 2004. The members who had served during the financial year ended 31 December 2011 and their respective designations are as follows:

i. **Datuk Dr Syed Muhamad bin Abdul Kadir**
Chairman, Independent Non-Executive Director

ii. **Ng Wai Pin**
Member, Independent Non-Executive Director

iii. **Tan Poh Ling**
Member, Independent Non-Executive Director

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

1. Composition

The Audit Committee shall be appointed by the Directors from amongst their numbers (pursuant to a resolution of the Board of Directors) and shall be composed of not fewer than three (3) members, all of whom shall be non-executive directors with the majority being 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 or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities")

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

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

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

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

1. Composition (continued)

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

2. Authority

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 directors or management of the Company, 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 Main Market Listing Requirements of Bursa Securities ("Main LR"), the Audit Committee shall promptly report such matter to Bursa Securities.

3. 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 discuss with the external auditor before the audit commences, the nature and scope of the audit
(iv) Approve any appointment or termination of the internal auditor;
(v) To review the effectiveness and the adequacy of the scope, functions, competency and work resources of the internal audit functions and that it has the authority to carry out its work;
(vi) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function and to report to the Board accordingly;
(vii) Take cognizance of resignation of internal auditor and provide the resigning internal auditor an opportunity to submit reasons for resigning;
(viii) To review the effectiveness of the internal control and management information systems;
(ix) 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) major judgemental areas, significant and unusual events;
  (c) significant adjustments arising from the audit;
  (d) the going concern assumption; and
  (e) compliance with applicable accounting standards, Main LR and other legal and statutory requirements;

3. Duties and functions of Audit Committee (continued)

(x) To review the external auditors' audit report;
(xi) To review any management letter sent by the external auditors to the Company and the management's response to such letter;
(xii) To convene meetings with the external auditors, the internal auditors, excluding the attendance of other directors and employees of the Company on problems and reservations arising from the audits, and any matter the auditors may wish to discuss;
(xiii) To review the assistance given by the Company's officers to the external auditors;
(xiv) To provide any regulatory authorities with such information concerning the Group in such form and within such time limits as the authorities may require;
(xv) To ensure strict compliance by the Group with the Main LR and all relevant legislations, guidelines and regulations issued by regulatory authorities;
(xvi) To review proposals and implement action plans to effect proposals to meet and maintain required standards and guidelines;
(xvii) To review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
(xviii) To review all related-party transactions and potential conflict of interest situations; and
(xix) To consider other areas as defined by the Board.

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 six (6) times during the financial year ended 31 December 2011. The details of attendance of each member at the meetings were as follows:-

Name of Audit Committee Member	Total meetings attended	Percentage of attendance (%)
Datuk Dr Syed Muhamad bin Abdul Kadir	6	100
Ng Wai Pin	6	100
Tan Poh Ling	6	100

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 31 December 2011 in discharge of their duties:-

(i) Reviewed the quarterly financial results announcements for each quarter of the Company to ensure compliance with the Main LR, applicable approved accounting standards and other legal and regulatory requirements, prior to recommending them for the Board of Director's consideration and approval;
(ii) Reviewed and discussed the annual audited financial statements of the Group and the Company with the external auditors and management prior to submission to the Board of Directors for their approval;
(iii) Reviewed the external auditors' fees, scope of work and audit plans for the financial year prior to the commencement of audit and evaluated the performance of the external auditors and recommending the appointment at the AGM;
(iv) Discussion with the external auditors on new adoption and new issuance (if any) of the Financial Reporting Standards in Malaysia and its impact to the Group's and Company's financial statements;
(v) Discussed significant audit findings in respect of the financial statements and accounting principles and standards that were applied and their judgement of the items that may affect the financial statements of the Group with the external auditors;
(vi) Reviewed with the external auditors, their audit report and management's response
(vii) Reviewed the internal audit scope, programmes and plans to ensure adequate scope and comprehensive coverage of the activities of the Group and to determine the internal auditors' fees for the financial year under review;
(viii) Reviewed the effectiveness of the audit process for the year and assessed the performance of the internal audit functions;
(ix) Reviewed the internal auditor's reports which were tabled during the year, on the state of the internal control of the Company, the audit recommendations made and management's response to these recommendations. Where appropriate, the Committee has directed management to rectify and improve control and workflow procedures based on the internal auditors' recommendations and suggestions for improvement;
(x) Reviewed the related party transactions entered into by the Company and the Group for compliance with the Main LR; and
(xi) Reviewed risk management process and updates from management on the existence of mitigating controls and action plans identified to mitigate the business risks identified.

INTERNAL AUDIT FUNCTIONS

The Audit Committee, on behalf of the Board, assumes the responsibility to review and monitor the effectiveness as well as the adequacy of the Group's internal control system. The Group has outsourced the internal audit function to external consultants, which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal controls. The principal role of the internal audit is to undertake systematic reviews of the systems of internal control within the Group so as to provide reasonable assurance that such systems are adequate and functioning as intended. It's responsibilities include the provision of independent and objective reports on the state of internal control of the various operating units within the Group to the Audit Committee so that remedial actions can be taken in relation to any weaknesses noted in the systems and controls of the respective operating units.

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 on-going 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 2011.

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 recognized 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 Group 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 Group, assessment of financial and operational risks and an effective monitoring mechanism.

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 tested 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. The cost incurred for the internal audit during the year was RM20,000.00.

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 Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Group in accordance to the Guidance for Directors of Public Listed Companies on Statement of Internal Control. This is to ensure that all high risk areas 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 better that drives its desire to ensure that the system of internal control will be enhanced on 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.


EURO
inspiration at work
have a good day at work!
BHH 3075

Report & 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 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

There have been no significant changes in these activities during the financial year except for the acquisition of Euroland & Development Sdn Bhd in a move to diversify into the property development industry.

RESULT OF OPERATIONS

	GROUP	COMPANY
	RM'000	RM'000
Profit after taxation for the year	125	757

DIVIDENDS

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31st December 2011.

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' Sri 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
Pua Kah Ho
Ng Wai Pin
Tan Poh Ling (f)

In accordance with Article 73 of the Company's Articles of Association, Lew Fatt Sin, Law Sim Shee, Teh Hock Toh and Tan Poh Ling 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 1.1.2011	Bought	Sold	As at 31.12.2011
Direct Interest:				
Dato' Sri Mohd Haniff Bin Abd Aziz	12,150,000	-	-	12,150,000
Lew Fatt Sin	18,019,812	-	3,460,961	14,558,851
Law Sim Shee	10,782,163	-	4,282,067	6,500,096
Lew Hin	357,840	-	-	357,840
Teh Hock Toh	7,290,001	-	4,889,800	2,400,201
Dato' Choong Yuen Keong @ Tong Yuen Keong	8,410,000	-	-	8,410,000

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

No other directors in office at the end of the financial year held any interest in the shares of 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 the directors or the fixed salary of a full-time employee of the Company or its related corporations as shown in Note 36 to the financial statements and in the financial statements of its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 36 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position 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.

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 EVENTS

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

AUDITORS

The auditors, Messrs SSY Partners, have indicated 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) Directors

DATUK DR. SYED MUHAMAD BIN)
SYED ABDUL KADIR

KUALA LUMPUR
DATE: 25th April 2012

Statements Of Financial Position As At 31st December 2011

		GROUP		COMPANY	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	65,071	66,941	544	614
Investment in subsidiaries	6	-	-	45,710	44,433
Land held for development	7	7,984	-	-	-
Deferred taxation	8	2,914	2,684	-	-
		75,969	69,625	46,254	45,047
CURRENT ASSETS					
Inventories	9	15,743	15,254	-	-
Trade receivables	10	33,364	28,930	-	-
Other receivables, deposits and prepayments	11	1,222	1,270	22	26
Amount due from a subsidiary	12	-	-	-	101
Tax recoverable		1,238	1,172	201	99
Forward exchange contracts	13	38	50	-	-
Fixed deposit with a licensed bank	14	242	236	-	-
Short term funds	15	116	113	66	65
Cash and bank balances		3,601	2,519	124	679
		55,564	49,544	413	970
TOTAL ASSETS		131,533	119,169	46,667	46,017
EQUITY AND LIABILITIES					
Share capital	16	40,500	40,500	40,500	40,500
Reserves	17	25,918	25,793	5,795	5,038
SHAREHOLDERS' EQUITY		66,418	66,293	46,295	45,538
NON-CURRENT AND DEFERRED LIABILITIES					
Term loans	18	15,584	16,309	-	-
Hire purchase payables	19	2,126	3,132	238	309
		17,710	19,441	238	309
CURRENT LIABILITIES					
Trade payables	20	16,671	11,656	-	-
Other payables and accruals	21	7,851	7,737	35	58
Dividend payable		-	5	-	5
Amount due to directors	22	37	33	16	17
Hire purchase payables	19	1,948	1,501	83	90
Bank borrowings	23	20,535	12,398	-	-
Provision for taxation		363	105	-	-
		47,405	33,435	134	170
TOTAL LIABILITIES		65,115	52,876	372	479
TOTAL EQUITY AND LIABILITIES		131,533	119,169	46,667	46,017

The accompanying notes form an integral part of these financial statements.

Statements Of Comprehensive Income
For The Year Ended 31st December 2011

		GROUP		COMPANY	
	Note	2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
REVENUE	24	107,076	88,207	1,600	800
Less: COST OF SALES		(83,469)	(70,726)	-	-
GROSS PROFIT		23,607	17,481	1,600	800
OTHER OPERATING INCOME					
Interest Income		14	20	2	3
Other Income		431	617	-	95
		445	637	2	98
		24,052	18,118	1,602	898
Less: EXPENSES					
Selling and Distribution Expenses		11,669	10,556	-	-
Administrative Expenses		9,319	9,171	620	616
Finance Costs	25	2,339	1,136	21	15
		23,327	20,863	641	631
PROFIT/(LOSS) BEFORE TAXATION	26	725	(2,745)	961	267
TAXATION	27	(600)	1,218	(204)	(107)
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		125	(1,527)	757	160
BASIC EARNINGS/(LOSS) PER SHARE (SEN)	28	0.15	(1.89)	-	-

The accompanying notes form an integral part of these financial statements.

Statements Of Changes In Equity
For The Year Ended 31st December 2011

	-------Non Distributable ------		Distributable	Total
	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Shareholders' Equity RM'000
Group				
Balance at 1st January 2010	40,500	3,844	23,469	67,813
Effects of adopting FRS 139	-	-	7	7
Balance at 1st January 2010, restated	40,500	3,844	23,476	67,820
Loss for the year	-	-	(1,527)	(1,527)
Balance at 31st December 2010	40,500	3,844	21,949	66,293
Profit for the year	-	-	125	125
Balance at 31st December 2011	40,500	3,844	22,074	66,418
Company				
Balance at 1st January 2010	40,500	3,844	1,034	45,378
Profit for the year	-	-	160	160
Balance at 31st December 2010	40,500	3,844	1,194	45,538
Profit for the year	-	-	757	757
Balance at 31st December 2011	40,500	3,844	1,951	46,295

The accompanying notes form an integral part of these financial statements.

		GROUP		COMPANY	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		725	(2,745)	961	267
Adjustments for:-					
Allowance for impairment loss		50	380	-	-
Depreciation on property, plant and equipment		5,125	4,542	70	86
Dividend income		-	-	(1,600)	(800)
Loss/(Gain) on forward exchange contracts		12	(43)	-	-
Gain on disposal of property, plant and equipment		(109)	(175)	-	(95)
Interest expenses		2,046	828	21	15
Interest income		(14)	(20)	(2)	(3)
Property, plant and equipment written off		1	-	-	-
Loss on foreign exchange - unrealised		30	40	-	-
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES		7,866	2,807	(550)	(530)
Increase in inventories		(489)	(1,381)	-	-
Increase in receivables		(4,424)	(5,561)	(672)	(478)
Increase/(Decrease) in payables		8,141	2,852	(24)	6
CASH GENERATED FROM/(USED IN) OPERATIONS		11,094	(1,283)	(1,246)	(1,002)
Land held for development		(7,984)	-	-	-
Tax paid		(732)	(777)	-	-
Tax refunded		94	212	94	184
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		2,472	(1,848)	(1,152)	(818)

The accompanying notes form an integral part of these financial statements.

	Note	GROUP 2011 RM'000	GROUP 2010 RM'000	COMPANY 2011 RM'000	COMPANY 2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of new subsidiaries	6	-	-	(500)	(250)
Acquisition of property, plant and equipment		(2,092)	(2,360)	-	(219)
Dividends received		-	-	1,200	600
Interest received		14	20	2	3
Proceeds from disposal of property, plant and equipment		257	540	-	363
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(1,821)	(1,800)	702	497
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of term loans		505	-	-	-
Dividends paid		(5)	(3)	(5)	(3)
Fixed deposit pledged		(6)	(4)	-	-
Interest paid		(2,046)	(828)	(21)	(15)
Repayment of hire purchase payables		(1,871)	(2,021)	(78)	(203)
Repayment of term loans		(1,469)	(596)	-	-
NET CASH USED IN FINANCING ACTIVITIES		(4,892)	(3,452)	(104)	(221)
Net decrease in cash and cash equivalents		(4,241)	(7,100)	(554)	(542)
Cash and cash equivalents at beginning of the year		(2,041)	5,059	744	1,286
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	29	(6,282)	(2,041)	190	744

The accompanying notes form an integral part of these financial statements.

1. GENERAL

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market 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 located 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 2012.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

There have been no significant changes in these activities during the financial year except for the acquisition of Euroland & Development Sdn Bhd in a move to diversify into the property development industry.

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 the Companies Act 1965 and Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

(b) Changes in Accounting Policies

During the financial year, the Group and the Company have adopted the following new and revised Financial Reporting Standards, Interpretations and amendments to certain Standards and Interpretations (collectively referred to as 'FRSs') issued by the Malaysian Accounting Standards Board (MASB), which are effective for the financial periods beginning on or after 1st January 2011:

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

FRS 1:	First-time Adoption of Financial Reporting Standards
FRS 3:	Business Combinations
FRS 127:	Consolidated and Separate Financial Statements
Amendments to FRS 1:	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1:	Additional Exemptions for First-time Adopters
Amendments to FRS 2:	Share-based Payment
Amendments to FRS 2:	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 3:	Business Combinations
Amendments to FRS 5:	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7:	Improving Disclosures about Financial Instruments
Amendments to FRS 101:	Presentation of Financial Statements
Amendments to FRS 121:	The Effects of Changes in Foreign Exchange Rates
Amendments to FRS 127:	Consolidated and Separate Financial Statements
Amendments to FRS 128:	Investments in Associates
Amendments to FRS 131:	Interests in Joint Ventures
Amendments to FRS 132:	Financial Instruments: Presentation
Amendments to FRS 134:	Interim Financial Reporting
Amendments to FRS 138:	Intangible Assets
Amendments to FRS 139:	Financial Instruments: Recognition and Measurement
IC Interpretation 4:	Determining Whether an Arrangement contains a Lease
IC Interpretation 12:	Service Concession Arrangements
IC Interpretation 16:	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17:	Distributions of Non-cash Assets to Owners
IC Interpretation 18:	Transfers of Assets from Customers
Amendments to IC Interpretation 9:	Reassessment of Embedded Derivatives
Amendments to IC Interpretation 13:	Customer Loyalty Programmes
Amendments to IC Interpretation 15:	Agreements for the Construction of Real Estate

Adoption of the above FRSs did not have any significant effect on the financial performance, position or presentation of financial information of the Group and of the Company.

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

The Group and the Company have not adopted the following FRSs that have been issued by the MASB but are not yet effective:

FRS 9*:	Reassessment of Embedded Derivatives
FRS 10*:	Consolidated Financial Statements
FRS 11*:	Joint Arrangements
FRS 12*:	Disclosure of Interests in Other Entities
FRS 13*:	Fair Value Measurement
FRS 119*:	Employee Benefits
FRS 124:	Related Party Disclosures
FRS 127*:	Separate Financial Statements
FRS 128*:	Investment in Associates and Joint Ventures
Amendments to FRS 1:	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7:	Disclosures - Transfers of Financial Assets
Amendments to FRS 101*:	Presentation of Items of Other Comprehensive Income
Amendments to FRS 112:	Deferred Tax: Recovery of Underlying Assets
IC Interpretation 15:	Agreements for Construction of Real Estate (withdrawn)
IC Interpretation 19:	Extinguishing Financial Liabilities with Equity Instruments
IC Interpretation 20*:	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 14:	Prepayments of a Minimum Funding Requirement

The new FRSs will be applicable to the Group and the Company for financial year beginning 1st January 2012, except for those marked "*" will be applicable for financial year beginning 1st January 2013.

Malaysian Financial Reporting Standards

On 19th November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31st December 2012. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The Group and the Company is currently in the process of determining the financial impact arising from the MFRS Framework.

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

(c) Basis of measurement

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs, 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, there were no significant areas of estimation uncertainty and critical 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 other than those disclosed below or in the notes to the financial statements:-

i. Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis over the assets' useful lives. 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.

ii. Allowance for doubtful debts

The collectibility of receivables is assessed on an ongoing basis. An allowance for doubtful debts is made for any account considered to be doubtful for collection. The allowance for doubtful debts is made based on a review of all outstanding accounts at the end of the reporting period. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer.

iii. Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. This involves judgement in relation to the future financial performance of the entities in which the deferred tax assets had been recognised.

iv. Contingent liabilities

As disclosed in Note 31, a contingent liability is not recognised but is disclosed in the notes to the financial statements and when a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

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

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

(d) Use of estimates and judgements (continued)

v. Fair value estimates of certain financial instruments

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would effect profit or loss/equity.

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.

Investments in subsidiaries which are eliminated on consolidation are stated at cost less impairment losses, unless the investment is held for sale.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the profit or loss.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries as at the reporting date. Uniform accounting policies are adopted in the consolidated financial statements 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 acquisition 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. Acquisition related costs are expensed off in the statement of comprehensive income as incurred.

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. 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)

(b) Basis of Consolidation (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 profit or loss any excess remaining after that reassessment.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiary. Any differences between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the equity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statement of comprehensive income.

(c) 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 expenditures that are 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.

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

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.

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 profit or loss 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 is disclosed in Note 5.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

Surplus arising from revaluation is recognised as other comprehensive income and accumulated in equity under the 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 profit or loss. On disposal of revalued assets, amounts in revaluation reserve relating to these assets are transferred to retained earnings.

Freehold land with an unlimited useful life and building-in-progress which is not yet available for use are stated at cost/valuation and are not depreciated. Depreciation of building-in-progress only commences when the asset is ready for its intended use. Depreciation of other property, plant and equipment is provided on a straight line basis, calculated to write off the cost of each asset to its residual value over the term of its estimated useful lives.

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	15%
Computers	13%-20%
Signboards	10%
Renovation	15%
Motor vehicles	20%

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

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 profit or loss.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

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

(d) Land Held for Development

i. Land Held for Property Development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the assets is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced.

ii. Property Development Costs

Property development costs comprise costs associated with the acquisition of land and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments

Financial instruments carried on the statement of financial position include cash and bank balances, investments, receivables, payables and borrowings. The recognition methods adopted are disclosed in the respective accounting policy statements.

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

i. Financial Assets

Financial assets are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting.

On initial recognition, financial assets are measured at fair value, plus transaction costs for financial assets not at 'fair value through profit or loss'. Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets or a shorter period to the net carrying amount of the financial assets.

After initial recognition, financial assets are classified into one of four categories: financial assets at 'fair value through profit or loss', 'held-to-maturity' investments, loans and receivables and 'available-for-sale' financial assets.

a. Financial assets at 'fair value through profit or loss'

Financial assets are classified as at 'fair value through profit or loss' when the financial assets are either 'held for trading', or upon initial recognition, financial assets are designated as at 'fair value through profit or loss'.

A financial asset is classified as 'held for trading' if:

– it is acquired principally for the purpose of selling it in near term; or

– on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

Financial assets (other than 'held for trading') are designated as at 'fair value through profit or loss' upon initial recognition if:

– it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases; or

– a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as at 'fair value through profit or loss'.

After initial recognition, financial assets at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial assets at 'fair value through profit or loss' are recognised in profit or loss.

b. Held to maturity investments

'Held-to-maturity' investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

After initial recognition, 'held-to-maturity' investments are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when 'held-to-maturity' investments are derecognised or impaired.

c. Loans and receivables

Loans and receivables are non-derivative financial assets (such as trade receivables, loans assets, unquoted debt instruments and deposits held in banks) with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when loans and receivables are derecognised or impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

d. 'Available for sale' financial assets

Investment in quoted equity and debt instruments that are traded in active market and certain unquoted equity instruments (when the fair value can be determined using a valuation technique) are classified as 'available-for-sale' financial assets. 'Available-for-sale' financial assets are measured at fair value.

Gains or losses on 'available-for-sale' financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains or losses, until the 'available-for-sale' financial assets are derecognised.

At that time, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Interest calculated using the effective interest method is recognised in profit or loss. Dividends on 'available-for-sale' equity instruments are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

e. Investment in unquoted equity instruments carried at cost

Investment in equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such an unquoted equity instruments, are measured at cost less any accumulated impairment losses.

f. Reclassification of financial assets

The Group does not reclassify derivative out of the 'fair value through profit or loss' category while they are held or in issue. Equally, the Group does not reclassify other financial assets out of the 'fair value through profit or loss' category if upon initial recognition, those financial assets were designated as at 'fair value through profit or loss'. Other financial assets are not reclassified into the 'fair value through profit or loss' category after initial recognition under another category.

When it is no longer appropriate to classify an investment as 'held-to-maturity' as a result of a change in intention and ability, the investment is reclassified as held for sale and re-measured at fair value. Any difference between the carrying amount and fair value of the investment is recognised in other comprehensive income.

g. Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is any objective evidence that financial assets held, other than financial assets at 'fair value through profit or loss', are impaired.

Financial assets are impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial assets which have an impact on the estimated future cash flows of the financial assets that can be reliably measured.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

For investment in equity instruments classified as 'available-for-sale', objective evidence that the financial assets are impaired includes the disappearance of an active market for the financial assets because of financial difficulties, or the decline of the market price below the cost.

For other financial assets, objective evidence could include:
– significant financial difficulty of the issuer; or

– a breach of contract; or

– the lender granting to the borrower a concession that the lender would not otherwise consider; or

– it becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or

– observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

Impairment losses, in respect of 'held-to-maturity' investments carried at amortised cost are measured as the differences between the assets' carrying amounts and the present values of their estimated future cash flows discounted at the 'held-to-maturity' investments' original effective interest rate.

For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade receivables which are reduced through the use of an allowance account. Any impairment loss is recognised in profit or loss immediately.

If, in later periods, the amount of any impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

If there is objective evidence that impairment losses have been incurred on financial assets carried at cost, the amount of any impairment loss is measured as the differences between the carrying amounts of the financial assets and the present value of their estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment losses are not reversed.

For 'available-for-sale' financial assets, if a decline in fair value has been recognised in other comprehensive income and there is objective evidence that the assets are impaired, the cumulative losses that have been recognised are reclassified to profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as 'available-for-sale' financial assets are not reversed through profit or loss. If the fair value of a debt instrument classified as an 'available-for-sale' financial asset subsequently increases, and the increase can be objectively related to an event occurring after the impairment losses were recognised in profit or loss, the impairment losses are reversed and recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

h. Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the Group transfers the financial assets and the transfer qualify for derecognition.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income are recognised in profit or loss.

ii. Financial Liabilities

Financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value, plus transaction costs for financial liabilities not at 'fair value through profit or loss'. After initial recognition, financial liabilities are either classified as at 'fair value through profit or loss' or amortised cost using the effective interest method.

a. Financial liabilities at 'fair value through profit or loss'

Financial liabilities are classified as at 'fair value through profit or loss' when the financial liabilities are either 'held for trading' or upon initial recognition, the financial liabilities are designated as at 'fair value through profit or loss'.

A financial liability is classified as 'held for trading' if:

– it is incurred principally for the purpose of repurchasing it in the near term; or

– on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective hedging instrument.

Financial liabilities (other than 'held for trading') are designated as at 'fair value through profit or loss' upon initial recognition if:

– it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring liabilities or recognising the gains and losses on them on different bases; or

– a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as at 'fair value through profit or loss'.

After initial recognition, financial liabilities at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial liabilities at 'fair value through profit or loss' are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

b. Financial liabilities at amortised cost using the effective interest method

Effective interest method is a method of calculating the amortised cost of financial liabilities and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liabilities or a shorter period to the net carrying amount of the financial liabilities.

After initial recognition, financial liabilities other than financial liabilities at 'fair value through profit or loss' are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities are derecognised or impaired.

c. Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of financial liabilities derecognised and the consideration paid is recognised in profit or loss.

iii. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

The Company designates corporate guarantee given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in FRS 4 *Insurance Contracts*. The Company recognises these financial guarantee contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company shall assess at every reporting date, whether its recognised liabilities are adequate. If the carrying amount of the liabilities is assessed to be inadequate, the entire deficiency shall be recognised in profit or loss. Insurance liabilities recognised are only removed from the statement of financial position when it is extinguished through discharge, cancellation or expiration.

(g) Cash and Cash Equivalents

The Group adopts the indirect method in the preparation of statements of cash flows.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment

Non-Financial Assets

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

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating units ("CGU") to which the asset belongs to. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent 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 profit or loss unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income up to the amount of any previous revaluation. 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 asset's 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 profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(i) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where the time value of money is material, provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The unwinding of the discount is recognised as finance cost.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the profit or loss when the changes arise.

(k) 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 reporting date.

Deferred tax is provided by the liability method based on all taxable temporary differences by comparing carrying amounts of assets and liabilities and their corresponding tax bases. 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 or loss.

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 reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised outside profit or loss, in which case the deferred tax is also charged or credited directly either in other comprehensive income or 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.

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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 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.

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. Foreign Currency Transactions

Transactions in foreign currencies are measured in the functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the date of the initial transactions. Non monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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

	2011	2010
	RM	RM
1 United States Dollar	3.173	3.091
1 Singapore Dollar	2.442	2.391
1 Euro	4.109	4.091

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee Benefits

i. Short term employee benefits

Short term employee benefits in respect of wages, salaries, social security contributions, paid annual leaves, paid sick leaves, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed in the financial year when employees have rendered their services to the Group.

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 plan

The Group makes 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 has no further payment obligations.

(o) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses.

Operating segments are reported in a manner consistent with the internal reporting provided to the management who is responsible for allocating resources and assessing performance of the operating segments. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated, and for which discrete financial information is available.

(p) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individual or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in statement of comprehensive income on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

5. PROPERTY, PLANT AND EQUIPMENT

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

Group 2011 Cost:	At 1st January 2011 RM'000	Additions RM'000	Reclassification RM'000	Written off/ Disposals RM'000	At 31st December 2011 RM'000
Freehold land					
- at cost	8,010	-	-	-	8,010
- at valuation	1,194	-	-	-	1,194
Factory buildings					
- at cost	18,514	291	21,096	-	39,901
- at valuation	510	-	-	-	510
Building-in-progress	21,038	58	(21,096)	-	-
Furniture and fittings	1,548	220	-	-	1,768
Office equipment	975	78	-	(27)	1,026
Forklifts	78	-	-	(78)	-
Plant, machinery and tools	27,949	1,381	-	-	29,330
Moulds	8,985	353	-	-	9,338
Electrical installation	232	66	-	-	298
Computers	2,197	329	-	(235)	2,291
Signboards	17	-	-	-	17
Renovation	179	29	-	-	208
Motor vehicles	5,744	599	-	(605)	5,738
Total	97,170	3,404	-	(945)	99,629

Accumulated Depreciation:	At 1st January 2011 RM'000	Charge for the year RM'000	Reclassification RM'000	Written off/ Disposals RM'000	At 31st December 2011 RM'000	Carrying amount at 31st December 2011 RM'000
Freehold land						
- at cost	-	-	-	-	-	8,010
- at valuation	-	-	-	-	-	1,194
Factory buildings						
- at cost	3,341	750	-	-	4,091	35,810
- at valuation	146	22	-	-	168	342
Building-in-progress	-	-	-	-	-	-
Furniture and fittings	1,401	52	-	-	1,453	315
Office equipment	736	55	-	(26)	765	261
Forklifts	34	-	-	(34)	-	-
Plant, machinery and tools	12,293	2,566	-	-	14,859	14,471
Moulds	7,234	720	-	-	7,954	1,384
Electrical installation	100	35	-	-	135	163
Computers	1,773	202	-	(234)	1,741	550
Signboards	11	1	-	-	12	5
Renovation	116	24	-	-	140	68
Motor vehicles	3,044	698	-	(502)	3,240	2,498
Total	30,229	5,125	-	(796)	34,558	65,071

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Group 2010	At 1st January 2010	Additions	Disposals	At 31st December 2010
Cost:	RM'000	RM'000	RM'000	RM'000
Freehold land				
- at cost	8,010	-	-	8,010
- at valuation	1,194	-	-	1,194
Factory buildings				
- at cost	18,449	65	-	18,514
- at valuation	510	-	-	510
Building-in-progress	20,403	635	-	21,038
Furniture and fittings	1,548	-	-	1,548
Office equipment	945	30	-	975
Forklifts	159	-	(81)	78
Plant, machinery and tools	25,151	3,283	(485)	27,949
Moulds	8,746	239	-	8,985
Electrical installation	142	90	-	232
Computers	2,076	121	-	2,197
Signboards	17	-	-	17
Renovation	140	39	-	179
Motor vehicles	5,721	828	(805)	5,744
Total	93,211	5,330	(1,371)	97,170

Accumulated	At 1st January 2010	Charge for the year	Disposals	At 31st December 2010	Carrying amount at 31st December 2010
Depreciation:	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land					
- at cost	-	-	-	-	8,010
- at valuation	-	-	-	-	1,194
Factory buildings					
- at cost	2,983	358	-	3,341	15,173
- at valuation	124	22	-	146	364
Building-in-progress	-	-	-	-	21,038
Furniture and fittings	1,342	59	-	1,401	147
Office equipment	683	53	-	736	239
Forklifts	107	8	(81)	34	44
Plant, machinery and tools	10,464	2,225	(396)	12,293	15,656
Moulds	6,332	902	-	7,234	1,751
Electrical installation	78	22	-	100	132
Computers	1,568	205	-	1,773	424
Signboards	10	1	-	11	6
Renovation	95	21	-	116	63
Motor vehicles	2,907	666	(529)	3,044	2,700
Total	26,693	4,542	(1,006)	30,229	66,941

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Company 2011 Cost:	At 1st January 2011 RM'000	Additions RM'000	Disposals RM'000	At 31st December 2011 RM'000
Motor vehicles	649	-	-	649

Accumulated Depreciation:	At 1st January 2011 RM'000	Charge for the year RM'000	Disposals RM'000	At 31st December 2011 RM'000	Carrying amount at 31st December 2011 RM'000
Motor vehicles	35	70	-	105	544

Company 2010 Cost:	At 1st January 2010 RM'000	Additions RM'000	Disposals RM'000	At 31st December 2010 RM'000
Motor vehicles	649	649	(649)	649

Accumulated Depreciation:	At 1st January 2010 RM'000	Charge for the year RM'000	Disposals RM'000	At 31st December 2010 RM'000	Carrying amount at 31st December 2010 RM'000
Motor vehicles	330	86	(381)	35	614

(a) The carrying amount of property, plant and equipment charged to bank for credit facilities granted to the Group are as follows:-

	GROUP	
	2011 RM'000	2010 RM'000
Freehold land	9,204	9,204
Freehold buildings (2010: freehold buildings and building in progress)	36,152	36,575
	45,356	45,779

(b) 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'.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) The carrying amount of plant and equipment acquired under hire purchase instalment plans are as follows:-

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Plant and machinery	4,875	6,438	-	-
Motor vehicles	2,136	2,128	544	614
	7,011	8,566	544	614

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

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Plant and machinery	847	2,420	-	-
Motor vehicles	465	550	-	430
	1,312	2,970	-	430

(e) Group

Included in building-in-progress is interest capitalised during the year of RM58,495 (2010: RM635,374).

6. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2011 RM'000	2010 RM'000
Unquoted shares, at cost:		
At 1st January	23,948	23,698
Acquisition of new subsidiaries	500	250
At 31st December	24,448	23,948
Amount due from subsidiaries	21,262	20,485
	45,710	44,433

The amount due from subsidiaries represents advances that are non-trade in nature, unsecured and interest free. The repayment of the amount is neither planned nor likely to occur in the foreseeable future. As this amount is in substance a part of the Company's net investment in the subsidiaries, it is stated at cost less accumulated impairment.

6. INVESTMENT IN SUBSIDIARIES (continued)

(a) The details of subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Principal Activities	Group's Effective Interest 2011 %	Group's Effective Interest 2010 %
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
Eurosteel System Sdn Bhd (Company No:885526 M)	Malaysia	Trading of storages and steel furniture	100	100
Eurosteel Line Sdn Bhd (Company No: 890287 M)	Malaysia	Manufacturing and trading of steel furniture	100	100
Euroland & Development Sdn Bhd (Company No: 936529 K)	Malaysia	Property development	100	-

All the subsidiaries are audited by SSY Partners, a member of Nexia International.

6. INVESTMENT IN SUBSIDIARIES (continued)

(b) The effects of the acquisition of the subsidiaries on the Group's financial results for the financial year are as follows:-

	2011	2010
	RM'000	RM'000
Revenue	-	3,035
Cost of sales	-	(2,824)
	-	211
Add: Other operating income	-	22
	-	233
Less: Administrative expenses	(143)	(446)
Loss before taxation	(143)	(213)
Less: Taxation	-	45
Decrease in Group's net profit	(143)	(168)

The effects of the acquisition of the subsidiaries on the Group's financial position for the financial year are as follows:-

	2011	2010
	RM'000	RM'000
Land held for development	7,984	-
Plant and equipment	218	2,042
Deferred taxation	-	45
Trade and other receivables	-	802
Cash and bank balances	16	796
Bank borrowings	(4,940)	-
Trade and other payables	(2,921)	(1,929)
Amount due to directors	-	(2)
Hire purchase payables	-	(1,672)
Net assets as at year end	357	82
Add:		
Group's share of loss had the Group not acquired the additional equity interest	143	168
	500	250

(c) There is no significant impact on the Group's financial results, position and cash flows for the current financial year as the subsidiary was dormant at the date of acquisition.

7. LAND HELD FOR DEVELOPMENT

	GROUP	
	2011	2010
	RM'000	RM'000
Freehold land and other costs	7,984	-

Included in the freehold land and other costs are interest expenses capitalised amounting to RM146,310.

8. DEFERRED TAXATION

	GROUP	
	2011	2010
	RM'000	RM'000
At 1st January	2,684	1,333
Recognised in the statement of comprehensive income (Note 27)	230	1,351
At 31st December	2,914	2,684
Presented after appropriate offsetting as follows:-		
Deferred tax assets	6,383	5,469
Deferred tax liabilities	(3,469)	(2,785)
	2,914	2,684

8. DEFERRED TAXATION (continued)

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			
	Unabsorbed reinvestment allowances RM'000	Other deductible temporary differences RM'000	Unused tax losses and capital allowances RM'000	Total RM'000
At 1st January 2010	2,143	186	1,991	4,320
Recognised in the statement of comprehensive income				
- current year	444	(1)	791	1,234
- overprovision in prior year	(20)	(11)	(54)	(85)
At 31st December 2010	2,567	174	2,728	5,469
Recognised in the statement of comprehensive income				
- current year	3	1	1,110	1,114
- (over)/underprovision in prior year	(113)	5	(92)	(200)
At 31st December 2011	2,457	180	3,746	6,383

Deferred Tax Liabilities

	GROUP	
	Excess of capital allowances over depreciation	
	2011 RM'000	2010 RM'000
At 1st January	(2,785)	(2,987)
Recognised in the statement of comprehensive income		
- current year	(760)	(178)
- overprovision in prior years	76	380
At 31st December	(3,469)	(2,785)

9. INVENTORIES

	GROUP	
	2011	2010
	RM'000	RM'000
At cost:		
Raw materials	11,853	11,207
Work in progress	2,345	2,803
Finished goods	1,545	1,244
	15,743	15,254

10. TRADE RECEIVABLES

	GROUP	
	2011	2010
	RM'000	RM'000
Trade receivables	35,265	30,794
Less:		
Allowance for impairment loss	(1,901)	(1,864)
	33,364	28,930

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

	GROUP	
	2011	2010
	RM'000	RM'000
Ringgit Malaysia	26,009	20,319
United States Dollar	5,392	5,923
Singapore Dollar	1,647	2,495
Euro	316	193
	33,364	28,930

The credit period on trade receivables is normally 30-90 (2010: 30-90) days or contractual periods based on project contract sales.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments comprise the following:-

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other receivables	102	140	-	-
Deposits	457	442	-	-
Prepayments	676	688	22	26
	1,235	1,270	22	26
Less:				
Allowance for impairment loss	(13)	-	-	-
	1,222	1,270	22	26

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

12. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary represents non trade advances which is unsecured, interest free and repayable on demand. The amount was due from Euro Chairs (M) Sdn Bhd.

13. FORWARD EXCHANGE CONTRACTS

	2011			2010		
Group RM'000	Contract Notional Amount	Assets	Liabilities	Contract Notional Amount	Assets	Liabilities
Non-hedging derivatives:						
Current						
Forward currency contracts	4,087	38	-	2,777	50	-

The Group uses forward exchange contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedge and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward exchange contracts are used to hedge the Group's sales and purchases denominated in USD and SGD for which firm commitments existed at the reporting date, extending to June 2012 (2010: June 2011).

During the financial year, the Group's recognised a loss of RM11,703 (2010: Gain: RM42,551) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

14. FIXED DEPOSIT WITH A LICENSED BANK

	GROUP	
	2011	2010
	RM'000	RM'000
Fixed deposit (Note 29)	242	236

Fixed deposit amounting to RM241,581 (2010: RM236,222) had been pledged as security for banking facilities granted to a subsidiary.

The fixed deposit as at 31st December 2011 has a maturity period of 3 months and will mature on 1st March 2012. It bears interest rate at 2.55% (2010: 2.25%) per annum.

15. SHORT TERM FUNDS

	GROUP		COMPANY	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Short term funds (Note 29)	116	113	66	65
Redeemable at call	92	72	42	24
Redeemable upon 7-day notice	24	41	24	41
	116	113	66	65

The short term funds represent placements in fixed income trusts with licensed financial institutions, incorporated in Malaysia. It bears interest rate of 1.96%-2.96% (2010: 1.05%-2.79%) per annum.

16. SHARE CAPITAL

	GROUP/COMPANY	
	2011	2010
	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	
	2011	2010	2011	2010
	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
Distributable:				
Retained earnings				
At beginning of the year	21,949	23,469	1,194	1,034
Effects of adopting FRS 139	-	7	-	-
Profit/(Loss) for the year	125	(1,527)	757	160
At end of the year	22,074	21,949	1,951	1,194
	25,918	25,793	5,795	5,038

Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and the Company at the end of the reporting period, into realised and unrealised profits is analysed as follows:-

	GROUP		COMPANY	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Group and the Company				
- realised	39,187	39,290	1,951	1,194
- unrealised	2,985	2,694	-	-
	42,172	41,984	1,951	1,194
Less: Consolidation adjustments	(20,098)	(20,035)	-	-
Retained earnings as per financial statements	22,074	21,949	1,951	1,194

18. TERM LOANS

The terms of repayment, interest rates and securities are disclosed in Note 23 and Note 34 to the financial statements.

	GROUP	
	2011	2010
	RM'000	RM'000
Secured:		
Payable not later than 2 years	3,486	3,985
Payable later than 2 years but not later than 5 years	5,557	6,251
Payable later than 5 years	8,225	7,996
At end of the year	17,268	18,232
Payable not later than 1 year (Note 23)	(1,684)	(1,923)
At end of the year	15,584	16,309

19. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Mimimum hire purchase payments:				
Not later than 1 year	2,143	1,809	99	99
Later than 1 year but not later than 2 years	1,360	1,729	99	99
Later than 2 years but not later than 5 years	890	1,601	156	255
	4,393	5,139	354	453
Less: Future finance charges	(319)	(506)	(33)	(54)
Present value of hire purchase liabilities	4,074	4,633	321	399
Present value of hire purchase liabilities:				
Not later than 1 year	1,948	1,501	83	90
Later than 1 year but not later than 2 years	1,272	1,633	88	83
Later than 2 years but not later than 5 years	854	1,499	150	226
	4,074	4,633	321	399
Instalments due:				
Within next 12 months	1,948	1,501	83	90
After next 12 months	2,126	3,132	238	309
	4,074	4,633	321	399

The hire purchase payables bear interest rate at 1.98% to 4.00% (2010: 1.98% to 4.50%) per annum.

20. TRADE PAYABLES

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

	GROUP	
	2011	2010
	RM'000	RM'000
Ringgit Malaysia	16,506	11,639
United States Dollar	165	17
	16,671	11,656

The normal trade credit terms granted to the Group range from 30 to 90 (2010: 30 to 90) days.

21. OTHER PAYABLES AND ACCRUALS

Other payables and accruals comprise the following:-

	GROUP		COMPANY	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Other payables	3,984	5,631	-	-
Accruals	1,518	738	35	58
Deposit received from customers	2,349	1,368	-	-
	7,851	7,737	35	58

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

	GROUP		COMPANY	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	5,313	4,527	35	58
United States Dollar	2,479	3,168	-	-
Euro	59	42	-	-
	7,851	7,737	35	58

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

22. AMOUNT DUE TO DIRECTORS

Group/Company

The amount due to directors is unsecured, interest free and repayable on demand.

23. BANK BORROWINGS

	GROUP	
	2011 RM'000	2010 RM'000
Secured:		
Bills payable	8,852	5,802
Term loans (Note 18)	1,684	1,923
Bank overdrafts (Note 29)	9,999	4,673
	20,535	12,398

The bank borrowings are secured against the following:-

(a) Land and buildings of the Group as disclosed in Note 5.

(b) Land and buildings of related parties.

(c) All monies facility agreements.

(d) Fixed deposit of RM241,581 (2010: RM236,222) of the Group as disclosed in Note 14.

(e) Personal guarantee and indemnity by certain directors.

(f) Corporate guarantee by the Company.

Terms of repayment of bank borrowings are as follows:-

(a)	Term loans	:	10-14 years from draw down date
(b)	Bank overdrafts	:	repayable on demand
(c)	Bills payable	:	30-150 days

The interest rates per annum on the Group's borrowings are disclosed in Note 34.

24. REVENUE

Group

Revenue represents the invoiced value of goods sold less returns and discounts.

Company

Revenue represents dividend income received and receivable.

25. FINANCE COSTS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bank charges	224	222	-	-
Bank overdraft interest	210	98	-	-
Bankers acceptance interest	355	250	-	-
Commitment fees	64	80	-	-
Hire purchase interest	326	217	21	15
LC charges	5	6	-	-
Term loan interest	1,155	263	-	-
	2,339	1,136	21	15

26. PROFIT/(LOSS) BEFORE TAXATION

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit/(Loss) before taxation is stated after charging:-				
Allowance for impairment loss	50	380	-	-
Auditors' remuneration				
- current year	94	85	20	20
- underprovision in prior year	-	4	-	2
Depreciation				
- property, plant and equipment	5,125	4,542	70	86
Directors of the Company				
- remuneration	1,612	1,612	24	24
- fees	238	238	238	238
- benefits-in-kind	312	305	28	28
- other emoluments	39	39	39	39
Loss on forward exchange contracts	12	-	-	-
Loss on foreign exchange				
- unrealised	30	40	-	-
Property, plant and equipment written off	1	-	-	-
Rental of forklifts	252	193	-	-
Rental of equipment	82	82	-	-
Rental of premises				
- others	68	30	-	-
- paid to a company in which directors have interests	33	30	-	-
Staff cost				
- salaries, wages and allowance	8,981	8,655	-	-
- Employees Provident Fund	854	830	-	-
- social security contributions	120	112	-	-
- other benefits	5,467	4,845	-	-

26. PROFIT/(LOSS) BEFORE TAXATION (continued)

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
And crediting:-				
Dividend income received from subsidiaries	-	-	(1,600)	(800)
Gain on disposal of property, plant and equipment	(109)	(175)	-	(95)
Gain on forward exchange contracts	-	(43)	-	-
Gain on foreign exchange				
- realised	(316)	(411)	-	-
Interest income	(14)	(20)	(2)	(3)

27. TAXATION

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Tax expense for the year:				
- provision for current year	938	244	300	200
- overprovision in prior year	(108)	(111)	(96)	(93)
	830	133	204	107
Deferred taxation:				
Transfer (from)/to deferred taxation (Note 8)				
- relating to origination and reversal of temporary differences	(354)	(1,056)	-	-
- (over)/underprovision in prior year	124	(295)	-	-
	(230)	(1,351)	-	-
	600	(1,218)	204	107

27. TAXATION (continued)

Income tax is calculated at the Malaysian Statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

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

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit/(Loss) before taxation	725	(2,745)	961	267
Taxation at Malaysian Statutory tax rate at 25% (2010: 25%)	181	(686)	240	67
Tax effects of:				
- expenses not deductible for tax purposes	412	378	61	134
- income not subject to tax	(1)	(1)	-	-
- double tax deduction	(8)	(58)	-	-
Deferred tax assets on reinvestment allowance	-	(444)	-	-
Deferred tax liabilities not recognised	-	(1)	(1)	(1)
(Over)/Underprovision in prior year				
- taxation	(108)	(111)	(96)	(93)
- deferred taxation	124	(295)	-	-
	600	(1,218)	204	107

The Group has available unabsorbed capital allowance and tax losses of approximately RM9,736,000 (2010: RM6,285,000) and RM5,075,000 (2010: RM4,157,000) respectively for utilisation against future taxable income.

27. TAXATION (continued)

The Group has available unabsorbed reinvestment allowances of approximately RM21,865,000 (2010: RM9,814,000) for utilisation against future taxable income.

The Company has tax exempt income of approximately RM329,000 (2010: RM329,000) from which tax exempt dividend may be declared.

The Company has tax credit of approximately RM379,000 (2010: RM379,0000) under Section 108 of the Income Tax Act 1967 to frank their distributable reserves as dividends.

Effective 1 January 2008, the Company is given an irrevocable option to elect for the single tier tax system or to continue to use its tax credit under Section 108 of the Income Tax Act 1967 for the purpose of dividend distribution during the transitional period of up to 6 years until 31 December 2013. Under this single tier system, tax on the Company's profit is a final tax, and dividends distributed to shareholders will be exempted from tax. The Company has not elected to move to a single tier tax system.

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

28. BASIC EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) 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	
	2011	2010
Consolidated profit/(loss) after tax (RM'000)	125	(1,527)
Weighted average number of shares of RM0.50 each ('000)	81,000	81,000
Basic earnings/(loss) per share (sen)	0.15	(1.89)

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.

29. CASH AND CASH EQUIVALENTS AT END OF THE YEAR

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances	3,601	2,519	124	679
Fixed deposit (Note 14)	242	236	-	-
Short term funds (Note 15)	116	113	66	65
Bank overdrafts (Note 23)	(9,999)	(4,673)	-	-
	(6,040)	(1,805)	190	744
Less:				
Fixed deposit pledged (Note 14)	(242)	(236)	-	-
	(6,282)	(2,041)	190	744

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

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	3,478	2,240	124	679
United States Dollar	118	274	-	-
Others	5	5	-	-
	3,601	2,519	124	679

30. CAPITAL COMMITMENTS

	GROUP	
	2011 RM'000	2010 RM'000
Approved and contracted but not provided for:		
Purchase of moulds, plant and machinery	1,430	872
Purchase of motor vehicles	-	571
Others	35	-
	1,465	1,443

31. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Unsecured:				
Corporate guarantees given to financial institutions in respect of credit facilities granted to subsidiaries	-	-	78,044	76,155

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

32. SEGMENTAL INFORMATION

The Group is involved in a single industry of manufacturing and trading of office furniture with its operations conducted predominantly in Malaysia, as the property division of the Group had not commenced operations during the financial year.

The Group presents its segment information based on local and exports market segments, which is the basis of presenting its monthly management reports. For each of the market segments, the Group Managing Director reviews internal management reports on a regular basis for performance and resource allocation decisions.

2011	LOCAL	EXPORT	TOTAL
	RM'000	RM'000	RM'000
Revenue			
Revenue from external customers	47,822	59,254	107,076
Results			
Segment result			3,865
Unallocated expenses			(801)
Operating profit			3,064
Finance costs			(2,339)
Profit before taxation			725
Tax expense			(600)
Net profit for the financial year			125

32. SEGMENTAL INFORMATION (continued)

2010	LOCAL	EXPORT	TOTAL
	RM'000	RM'000	RM'000
Revenue			
Revenue from external customers	33,554	54,653	88,207
Results			
Segment result			(1,076)
Unallocated expenses			(533)
Operating loss			(1,609)
Finance costs			(1,136)
Loss before taxation			(2,745)
Tax expense			1,218
Net loss for the financial year			(1,527)

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 7th April 2011, the Company acquired the entire issued and paid up share capital of Euroland & Development Sdn Bhd ("ELD") (Company incorporated in Malaysia) for a consideration of RM2. ELD became a wholly owned subsidiary of the Company with effect from that date. On 12th August 2011, ELD increased its paid up share capital from RM2 to RM500,000 by way of new allotment of 499,998 new ordinary shares of RM1 each at par for cash consideration. There is no change to the subsidiary structure subsequent to the event.

(b) On 18th May 2011, ELD entered into a sale and purchase agreement with a third party to acquire a piece of agricultural land held under GM974, Lot No. 2223, Mukim Cheras, Daerah Hulu Langat, Selangor for a consideration of RM7,000,000. The acquisition was completed during the financial year.

34. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:-

i. Loans and receivables (L&R);
ii. Fair value through profit or loss (FVTPL);
iii. Other financial liabilities (OFL)

GROUP	CARRYING AMOUNT	L&R	FVTPL	OFL
2011	RM'000	RM'000	RM'000	RM'000
Non-derivative financial assets				
Trade receivables	33,364	33,364	-	-
Other receivables and deposits	559	559	-	-
Fixed deposit with a licensed bank	242	242	-	-
Short term funds	116	116	-	-
Cash and cash equivalents	3,601	3,601	-	-
	37,882	37,882	-	-
Derivative financial asset				
Forward exchange contracts	38	-	38	-
Non-derivative financial liabilities				
Trade payables	16,671	-	-	16,671
Other payables and accruals	7,851	-	-	7,851
Amount due to directors	37	-	-	37
Hire purchase payables	4,074	-	-	4,074
Bank borrowings	36,119	-	-	36,119
	64,752	-	-	64,752

34. FINANCIAL INSTRUMENTS (continued)

GROUP	CARRYING AMOUNT	L&R	FVTPL	OFL
2010	RM'000	RM'000	RM'000	RM'000
Non-derivative financial assets				
Trade receivables	28,930	28,930	-	-
Other receivables and deposits	582	582	-	-
Fixed deposit with a licensed bank	236	236	-	-
Short term funds	113	113	-	-
Cash and cash equivalents	2,519	2,519	-	-
	32,380	32,380	-	-
Derivative financial asset				
Forward exchange contracts	50	-	50	-
Non-derivative financial liabilities				
Trade payables	11,656	-	-	11,656
Other payables and accruals	7,737	-	-	7,737
Dividend payable	5	-	-	5
Amount due to directors	33	-	-	33
Hire purchase payables	4,633	-	-	4,633
Bank borrowings	28,707	-	-	28,707
	52,771	-	-	52,771

COMPANY	CARRYING AMOUNT	L&R	FVTPL	OFL
2011	RM'000	RM'000	RM'000	RM'000
Non-derivative financial assets				
Short term funds	66	66	-	-
Cash and cash equivalents	124	124	-	-
	190	190	-	-
Non-derivative financial liabilities				
Other payables and accruals	35	-	-	35
Amount due to directors	16	-	-	16
Hire purchase payables	321	-	-	321
	372	-	-	372

34. FINANCIAL INSTRUMENTS (continued)

COMPANY 2010	CARRYING AMOUNT RM'000	L&R RM'000	FVTPL RM'000	OFL RM'000
Non-derivative financial assets				
Amount due from a subsidiary	101	101	-	-
Short term funds	65	65	-	-
Cash and cash equivalents	679	679	-	-
	845	845	-	-
Non-derivative financial liabilities				
Other payables and accruals	58	-	-	58
Dividend payable	5	-	-	5
Amount due to directors	17	-	-	17
Hire purchase payables	399	-	-	399
	479	-	-	479

Net gain or loss arising from financial instruments:-

Group	2011 RM'000	2010 RM'000
Net (loss)/gain arising on:		
Financial asset at fair value through profit or loss	(12)	43

(b) Financial Risk Management

The Group and the Company have exposure to the following risks from its use of financial instruments:

* Credit risk
* Liquidity risk
* Market risk

i. Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given.

34. FINANCIAL INSTRUMENTS (continued)

Receivables

Risk management objectives, policies and processes for managing the 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. For other financial assets (including cash and bank balances and derivatives), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk, credit quality and collateral

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due which are deemed to have higher credit risk are monitored individually.

<u>Credit risks concentration profile</u>

The Group's concentration of credit risk relates to the amounts owing by two (2010: one) major customers which constituted 22% (2010: 16%) of its trade receivables at the end of the reporting period.

The exposure of credit risk for receivables as at the end of the reporting period by geographical region was:-

	GROUP	
	2011	2010
	RM'000	RM'000
Domestic	26,009	20,319
India	1,570	3,051
Singapore	1,647	2,495
Bangladesh	1,686	-
Middle East	330	963
Others	2,122	2,102
	33,364	28,930

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

34. FINANCIAL INSTRUMENTS (continued)

Ageing Analysis

The ageing of trade receivables as at the end of the reporting period are as follows:-

	GROUP	
	2011	2010
	RM'000	RM'000
Neither past due nor impaired	21,260	14,006
1 to 60 days past due, not impaired	3,115	2,967
61 days to 120 days past due, not impaired	1,416	2,131
121 days to 150 days, past due not impaired	1,018	491
150 days past due not impaired	6,555	9,335
	12,104	14,924
	33,364	28,930

The credit period is normally 30 to 90 days or contractual period as based on project contract sales. A significant portion of the Group's revenue is derived from projects, both locally and abroad.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM12,103,961 (2010: RM14,923,629) that are past due at the reporting date but are not impaired because there has not been significant changes in the credit quality, and the management is confident that the remaining receivables are recoverable. These balances comprised mainly of indirect project related sales and are due from creditworthy customers.

Impairment losses

The movements in the allowance for impairment losses of trade and other receivables during the year were:-

	2011	2010
	RM'000	RM'000
At 1 January	1,864	1,484
Impairment loss recognised	50	380
At 31 December	1,914	1,864

The allowance account in respect of trade and other receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

34. FINANCIAL INSTRUMENTS (continued)

Other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

Transactions involving derivative financial instruments are entered into with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The investments and other financial assets are unsecured.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM78,043,571 (2010: RM76,155,461) representing the banking facilities and hire purchase facilities of the subsidiaries as guaranteed by the Company as at the end of the reporting period.

As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loan and advances to subsidiaries to meet their working capital and other needs. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the amount due from subsidiaries is not recoverable.

34. FINANCIAL INSTRUMENTS (continued)

ii. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

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.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual repayments obligations:

	Carrying Amount	Within 1 year	1-5 years	More than 5 years
Group	RM'000	RM'000	RM'000	RM'000
2011				
Non-derivative financial liabilities				
Trade payables	16,671	16,671	-	-
Other payables and accruals	7,888	7,888	-	-
Hire purchase payables	4,074	1,948	2,126	-
Bank overdrafts	9,999	9,999	-	-
Bills payables	8,852	8,852	-	-
Term loan	17,268	1,684	7,359	8,225
	64,752	47,042	9,485	8,225

34. FINANCIAL INSTRUMENTS (continued)

Group	Carrying Amount RM'000	Within 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
2010				
Non-derivative financial liabilities				
Trade payables	11,656	11,656	-	-
Other payables and accruals	7,775	7,775	-	-
Hire purchase payables	4,633	1,501	3,132	-
Bank overdrafts	4,673	4,673	-	-
Bills payables	5,802	5,802	-	-
Term loan	18,232	1,923	8,313	7,996
	52,771	33,330	11,445	7,996

Company	Carrying Amount RM'000	Within 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
2011				
Non-derivative financial liabilities				
Other payables and accruals	51	51	-	-
Hire purchase payables	321	83	238	-
	372	134	238	-

Company	Carrying Amount RM'000	Within 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
2010				
Non-derivative financial liabilities				
Other payables and accruals	80	80	-	-
Hire purchase payables	399	90	309	-
	479	170	309	-

34. FINANCIAL INSTRUMENTS (continued)

iii. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

a. Currency 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 United States Dollar, Euro and Singapore Dollar.

Risk management objectives, policies and processes for managing the risk

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 2011, the foreign currency forward contracts which have been entered by the Group for its trade receivables are as follows:-

	AMOUNT IN		AVERAGE CONTRACT	
	2011	2010	2011	2010
	RM'000	RM'000	Rate	Rate
Trade receivables				
United States Dollar	3,229	2,657	3.17	3.12
Singapore Dollar	858	120	2.43	2.38

These contracts mature within 3 to 6 (2010: 3 to 6) months from the statement of financial position date.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period is disclosed in Note 10,13, 20, 21 and 29.

34. FINANCIAL INSTRUMENTS (continued)

Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period with all other variables held constant:-

	Increase/ (Decrease) in the Group's results	Increase/ (Decrease) in the Group's results
	2011 RM'000	2010 RM'000
Effects on profit/(loss) before taxation		
USD:-		
- strengthened by 14% (2010: 10%)	11	55
- weakened by 14% (2010: 10%)	(11)	(55)
SGD:-		
- strengthened by 2% (2010: 5%)	16	118
- weakened by 2% (2010: 5%)	(16)	(118)
Euro:-		
- strengthened by 15% (2010: 25%)	39	37
- weakened by 15% (2010: 25%)	(39)	(37)

b. Interest Rate Risk

The Group's borrowings are exposed to a risk of change in their fair values due to changes in interest rates.

Risk management objectives, policies and processes for managing the 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.

34. FINANCIAL INSTRUMENTS (continued)

Exposure to interest rate risk

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

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

	Interest rate per annum	
	2011	2010
	%	%
Fixed rate instruments		
Financial assets		
Fixed deposit with a licensed bank	2.25-2.55	1.50-2.25
Short term funds	1.96-2.96	1.05-2.79
Financial Liabilities		
Hire purchase payables	1.98-4.00	1.98-4.50
Term loans	6.00-6.60	6.00-6.25
Floating Rate Instruments		
Financial Liabilities		
Bills payable	3.73-6.37	3.23-6.01
Bank overdrafts	7.30-8.15	6.55-7.85

Interest Rate Sensitivity Analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial liabilities at fair value through profit or loss and do not designate derivatives as hedging instruments under fair value hedge accounting method. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

34. FINANCIAL INSTRUMENTS (continued)

Interest rate risk sensitivity analysis

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit before tax would decrease or increase accordingly. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which are not hedged. The following analysis shows the Group's sensitivity to interest rate exposure:

	(Increase)/ Decrease in the Group's results	(Increase)/ Decrease in the Group's results
	2011	2010
	RM'000	RM'000
Effects on profit/(loss) before taxation		
25 basis points	62	20
50 basis points	124	40
75 basis points	186	60
100 basis points	248	80

c. Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The fair value of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:-

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Group	RM'000	RM'000	RM'000	RM'000
Financial Asset				
Forward exchange contracts	38	38	50	50
Financial liabilities				
Term loans	17,268	16,810	18,232	18,672
Hire purchase payables	4,074	4,107	4,633	4,622

34. FINANCIAL INSTRUMENTS (continued)

	2011		2010	
Company	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial liability				
Hire purchase payables	321	321	399	399

35. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain investment, creditor and market confidence and to sustain future development of the business.

To achieve these objectives, the Group may make adjustments to the capital structure in the light of changes in economic conditions and the net characteristic of the underlying assets. The Group may adjust the amount of dividend payment, new issue of shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

The Group monitors its capital on the basis of the debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year, was to maintain the debt-to-equity ratio at a manageable level.

The debt-to-equity ratio at the end of reporting period was as follows:-

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group				
Total borrowings	40,193	33,340	321	399
Less:				
Cash and cash equivalents	(3,959)	(2,868)	(190)	(744)
Net debt	36,234	30,472	131	(345)
Total equity	66,418	66,293	46,295	45,538
Debt-to-equity	0.546	0.460	0.003	N/A

36. 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.

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

(a) Subsidiaries

Details of the subsidiaries are shown in Note 6.

(b) 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 include Directors of the Company and certain members of senior management of the subsidiaries.

(c) Directors and persons connected to Directors

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

(d) 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.

36. RELATED PARTY DISCLOSURES (continued)

i. 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	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income earned:						
Dividend income	-	-	-	-	1,600	800
Expenditure incurred:						
Rental of staff accommodation	-	-	33	30	-	-
Sub-contractor fees	306	356	-	-	-	-
	306	356	33	30	-	-

ii. Related party balances

The related party balances as at the statement of financial position date are disclosed in Note 6, 12 and 22.

36. RELATED PARTY DISCLOSURES (continued)

iii. Key Management Personnel Compensation

The key management personnel compensation are as follows:-

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Directors				
- Salaries, allowances and contributions to Employee Provident Fund	1,651	1,651	63	63
- Fees	238	238	238	238
- Benefits-in-kind	312	305	28	28
	2,201	2,194	329	329
Senior Management				
- Salaries, allowances and contributions to Employee Provident Fund	1,212	905	-	-
- Benefits-in-kind	36	12	-	-
	1,248	917	-	-
	3,449	3,111	329	329

37. COMPARATIVE FIGURES

The comparative figures are derived from financial statements audited by the previous auditors.

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 39 to 101 are drawn up in accordance with the Companies Act 1965 and Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company as at 31st December 2011 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.

The supplementary information set out in Note 17 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

On behalf of the Board,

LEW FATT SIN

DATUK DR. SYED MUHAMAD
BIN SYED ABDUL KADIR

KUALA LUMPUR
DATE: 25th April 2012

Statutory Declaration

I, FOONG YEIN TENG, being the director primarily responsible for the financial management of EURO HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements on pages 39 to 101 are in my opinion 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 Jalan Puchong in Selangor D.E. on 25th April 2012.

Before me,

FOONG YEIN TENG

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No. B 401
MURALITHERAN
ART PILLAI
MALAYSIA

61, Jalan 23, Taman Bukit Kuchai,
47100 Puchong,
Selangor D.E.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Euro Holdings Berhad, which comprise the statements of financial position as at 31st December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 101.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Companies Act 1965 and Financial Reporting Standards issued by the Malaysian Accounting Standards Board and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act 1965 and Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the financial position of the Group and the Company as at 31st December 2011 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, 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.

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

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 17 to the financial statements is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and does not form part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with *Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects in accordance with the MIA Guidance and directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SSY PARTNERS
A.F. 0040
CHARTERED ACCOUNTANTS

JASON SIA SZE WAN
No. 2376/05/12 (J)
Partner

SUBANG JAYA
DATE: 25th April 2012

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	5	0.27	277	0.00
100 - 1,000	1,026	55.70	156,902	0.19
1,001 - 10,000	385	20.90	2,434,900	3.01
10,001 - 100,000	353	19.16	13,320,082	16.44
100,001 - 4,049,999	69	3.75	31,978,203	39.48
4,050,000 and above	4	0.22	33,109,636	40.88
Total	1,842	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' Sri Mohd Haniff Bin Abd Aziz	12,150,000	15.00
2	Lew Fatt Sin	14,558,851	17.97
3	Law Sim Shee	5,594,596	6.91
4	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' Sri Mohd Haniff Bin Abd Aziz	12,150,000	15.00
2	Lew Fatt Sin	14,558,851	17.97
3	Law Sim Shee	5,594,596	6.91
4	Lew Hin	357,840	0.44
5	Teh Hock Toh	2,302,101	2.84
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	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Sri Mohd Haniff Bin Abd Aziz	10,140,785	12.52
2	Dato' Choong Yuen Keong @ Tong Yuen Keong	8,410,000	10.38
3	EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lew Fatt Sin	7,558,851	9.33
4	EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lew Fatt Sin	7,000,000	8.64
5	EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Sim Shee	3,000,000	3.70
6	EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Sim Shee	2,500,000	3.09
7	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Behad for Teh Hock Toh	2,302,048	2.84
8	NLY Development Sdn Bhd	2,100,900	2.59
9	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Sri Mohd Haniff Bin Abd Aziz	2,009,215	2.48
10	Lee Ah Yew	1,564,500	1.93
11	Tew Boo Sing	1,346,500	1.66
12	Ting Ping Hook	1,126,100	1.39
13	Khong Saw Keng	1,015,200	1.26
14	Tan Soh Gek	811,100	1.00
15	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Teoh Lian Hong	798,500	0.99
16	Chan Siew Kuen	715,000	0.88
17	Loh Cheng Fatt	570,000	0.70
18	Siah Gim Siew	570,000	0.70
19	Oh Seng Hong	561,100	0.69
20	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Solomon Tan Yiin Yuh	545,000	0.67
21	Chang Yew Kwong	491,900	0.61
22	SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Francis Ho Ik Sing	480,900	0.59
23	Goh Yee Lai & Goh Yee Li	415,000	0.51
24	Tan Boo Chuan	370,000	0.46
25	Lew Hin	357,840	0.44
26	Ng Gim Tee	311,000	0.38
27	Maybank Securities Nominees (Asing) Sdn Bhd Lim & Tan Securities Pte Ltd for Chang Seow Song	300,000	0.37
28	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Khong Ling	300,000	0.37
29	Tan Ah Su	288,700	0.36
30	Tan Ai Ching	283,200	0.35
		58,243,339	71.89

REGISTERED / BENEFICIAL OWNER	ECM	ESI	ESI
Location	H.S.(D) 86293 Lot No. 178 Mukim Rawang Daerah Gombak Selangor Darul Ehsan Bearing postal address: Lot 21, Jalan RP3 Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan	H.S.(D) 86340 Lot No. 193 Mukim Rawang Daerah Gombak Selangor Darul Ehsan Bearing postal address: Lot 15, Jalan RP 3 Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan	H.S.(D) 86280 Lot. No 169 Mukim Rawang Daerah Gombak Selangor Darul Ehsan Bearing postal address: Lot 25, Jalan RP 2 Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan
Description/Existing use	Industrial land with factory and office building erected thereon	Industrial land with factory and office building erected thereon	Industrial land with factory buildings erected thereon
Land area (sq. ft.)	87,126	82,654	210,101
Built-up area (sq. ft.)	94,500	63,938	110,000 160,000
Approximate age of building/ Tenure	14 years/Freehold	13 years/Freehold	5 years/ Freehold 1 year /Freehold
Net book value as at 31 Dec 2011 (RM'000)	5,945	5,328	13,086 20,997
Year of acquisition/ revaluation	1996 2004#	1997*	2005

* Revalued

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

NOTICE IS HEREBY GIVEN that the Eighth 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, Selangor on Wednesday, 27 June 2012 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 2011 together with the Reports of the Directors and Auditors thereon. — Resolution 1

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

   Lew Fatt Sin — Resolution 2
   Law Sim Shee — Resolution 3
   Teh Hock Toh — Resolution 4
   Tan Poh Ling — Resolution 5

3. To approve the payment of Directors' fees amounting to RM237,600 for the financial year ended 31 December 2011. — Resolution 6

4. To re-appoint Messrs SSY Partners as Auditors of the Company for the financial year ending 31 December 2012 and to authorise the Board of Directors to fix their remuneration. — Resolution 7

Special Business

5. To consider and if thought fit, to pass the following Resolutions as:

   ORDINARY RESOLUTION 1 — Resolution 8

   Authority to issue shares pursuant to section 132D of the Companies Act, 1965

   "THAT, subject always to the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and the approvals of Bursa Malaysia Securities Berhad ("Bursa Securities") and the relevant regulatory authorities where such approval is necessary, 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 ("AGM") 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 ten percent (10%) of the total issued share capital of the Company for the time being."

ORDINARY RESOLUTION 2 Resolution 9

Proposed renewal of authority to the Company to purchase its own shares of up to ten percent (10%) of the issued and paid-up share capital ("Proposed Renewal of SBB Mandate")

"THAT subject to compliance with the Act, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Securities and all other applicable laws, regulations and guidelines and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to allocate an amount not exceeding the total of audited share premium reserve and retained profit of the Company for the purpose of and to purchase such amount of ordinary shares of RM0.50 each ("EURO Shares") in the Company as may be determined by the Directors of the Company provided that the aggregate number of EURO Shares purchased and/or held as treasury shares pursuant to this resolution does not exceed RM4,050,000 comprising 8,1000,000 shares in the Company, representing ten percent (10%) of the total issued and paid-up capital of the Company.

THAT upon completion of the purchase by the Company of its own shares, the Directors are authorised to deal with the EURO Shares in the following manner:-

i) to cancel the EURO Shares so purchased; or

ii) to retain the EURO Shares so purchased as treasury shares for distribution as dividends to shareholders and/or resell through Bursa Securities in accordance with the relevant rules of Bursa Securities; or

iii) combination of (i) and (ii) above

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force

AND THAT the Directors be and are hereby empowered to carry out the above immediately upon the passing of this resolution and from the date of the passing of this resolution until:-

i) the conclusion of the next AGM of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

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

iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever occurs first AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things deem fit and expedient in the interest of the Company to give full effect to the Proposed Renewal of SBB Mandate contemplated and/or authorised by this resolution."

ORDINARY RESOLUTION 3 Resolution 10

Proposed renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties ("Proposed RRPT Mandates")

"That, pursuant to Paragraph 10.09 Part E of the Listing Requirements of Bursa Securities, EURO 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 3.2 of the Circular to Shareholders of EURO dated 4 June 2012 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 RRPT Mandates 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 AGM of the Company following the general meeting at which this resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

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 Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first AND THAT the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things deemed fit and expedient in the interest of the Company to give full effect to the Proposed RRPT Mandates contemplated and/or authorized by this resolution."

SPECIAL RESOLUTION 1 — Resolution 11

Proposed Amendments to the Articles of Association ("Proposed Amendments")

"THAT the Articles of Association of the Company be and are hereby amended in the form and manner as set out in Appendix II of the Circular to Shareholders dated 4 June 2012;

AND THAT the Board of Directors of the Company and the Company Secretary be and are hereby authorised to do all such acts and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities."

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

BY ORDER OF THE BOARD

Tai Keat Chai (MIA 1688)
Company Secretary

Lim Hooi Chin (MAICSA 7025949)
Company Secretary

Kuala Lumpur
Date: 4 June 2012

NOTES:

1. A member of the Company shall be entitled to appoint one or more proxies to attend and vote at the same meeting. 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 to Special Business:-

   a. The proposed Ordinary Resolution 1 is a renewal of the general authority for the Directors to issue shares pursuant to Section 132D of the Act, 1965. If passed, it will empower the Directors of the Company, from the conclusion of this Annual General Meeting to allot and issue shares in the Company up to and not exceeding in total ten per centum (10%) of the issued and paid-up share capital of the Company for the time being for such purposes as they consider would be in the interests of the Company. This authority will expire at the next Annual General Meeting of the Company, unless revoked or varied at a general meeting.

      The Company has not issued any new shares under the general authority which was approved at the Seventh Annual General Meeting held on 27 June 2011 and which will lapse at the conclusion of the Eighth AGM to be held on 27 June 2012.

      The general authority to issue shares will allow the Company to take advantage of any strategic opportunities, including but not limited to, issuance of new shares for purpose of funding investment project(s), working capital and/or acquisitions which require new shares to be allotted and issued speedily and would also save the cost involved in convening a general meeting to approve such issuance of shares.

   b. The proposed Ordinary Resolution 2, if passed, will give the Directors of the Company the authority to purchase its own ordinary shares of up to ten percent (10%) of the issued and paid-up share capital of the Company. Please refer to the Circular to Shareholders dated 4 June 2012 which is circulated with the 2011 Annual Report for more information.

   c. The proposed Ordinary Resolution 3, 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 4 June 2012 which is circulated with the 2011 Annual Report.

   d. The special resolution 1, if passed, will render the Articles of Association of the Company to be in line with the Main Market Listing Requirements of Bursa Securities and to update the Articles of Association of the Company to be consistent with the prevailing laws, guidelines or requirements of the relevant authorities as well as to further enhance administrative efficiency of the Company.

EURO™
inspiration at work

Form Of Proxy

No. of shares	

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 Eighth 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 Wednesday, 27 June 2012 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 2011		
RESOLUTION 2	- Re-election of Lew Fatt Sin		
RESOLUTION 3	- Re-election of Law Sim Shee		
RESOLUTION 4	- Re-election of Teh Hock Toh		
RESOLUTION 5	- Re-election of Tan Poh Ling		
RESOLUTION 6	- Approval of the payment of Directors’ fees		
RESOLUTION 7	- To re-appoint Messrs SSY Partners as Auditors of the Company and to authorise the Board of Directors to fix their remuneration		
RESOLUTION 8	- Authority to issue shares pursuant to Section 132D of the Act		
RESOLUTION 9	- Proposed Renewal of Share Buyback Mandate to purchase its own shares of up to ten percent (10%) of the issued and paid-up share capital		
RESOLUTION 10	- Proposed Renewal of Shareholders’ Mandate and proposed New Shareholders’ Mandate for recurrent party transactions of a revenue or trading nature		
RESOLUTION 11	- Proposed Amendments to the Articles of Association		

Signed this__________day of__________2012

____

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

Fold this flap for sealing

2nd fold here

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

1st fold here

Lot 21 **Wisma Euro**
Lot 15 **EURO II**
Lot 25 **EURO III**

Rawang Industrial Estate
48000 Rawang
Selangor Darul Ehsan, Malaysia

tel +603 6092 6666
fax +603 6092 3000

www.eurochairs.com
www.eurosteelline.com