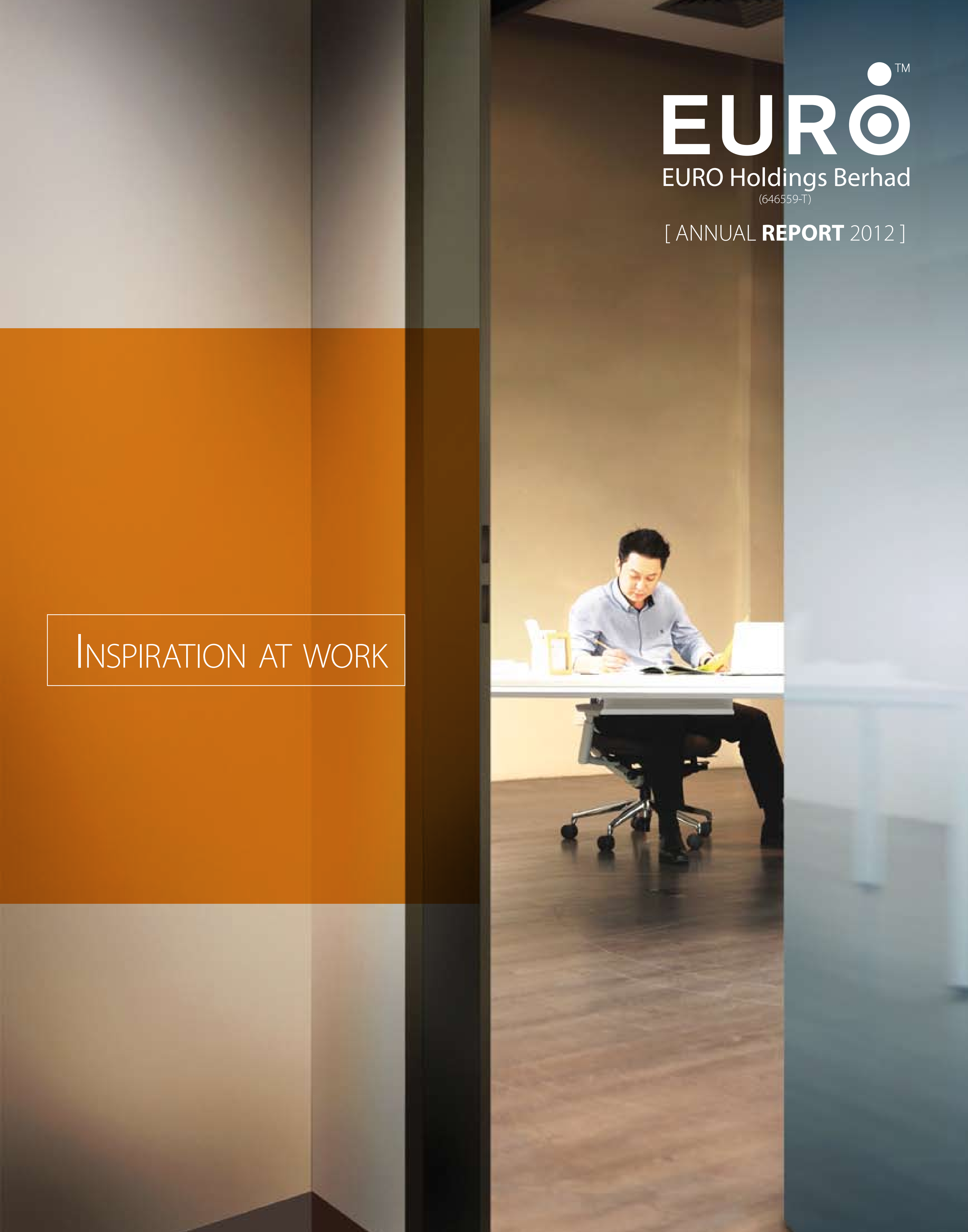
EURO™

EURO Holdings Berhad

(646559-T)

[ANNUAL **REPORT** 2012]

INSPIRATION AT WORK



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

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

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

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

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

EURO inspiration at work

[ANNUAL **REPORT** 2012]

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[**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
Pua Kah Ho
Chairman, Independent Non-Executive Director

Ng Wai Pin
Member, Independent Non-Executive Director

Tan Poh Ling
Member, Independent Non-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
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F : (603) 6092 5000
Email : corporate@eurochairs.com
Website : www.eurochairs.com

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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)
HSBC Bank Malaysia Berhad (127776-V)

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

[**Corporate** Structure]

[**EURO**
EURO HOLDINGS BERHAD (646559-T)]

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

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

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

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

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

[100% **ESL**
Eurosteel Line Sdn Bhd (121935-M)]

[75.76% **ES**
Eurosteel System Sdn Bhd (378220-D)]

[100% **Euroland**
Euroland & Development (M) Sdn Bhd (204498-V)]

[**Directors'** Profiles]

Dato' Sri Mohd Haniff, a Malaysian aged 59, was appointed Chairman of EURO on 1 October 2004. He was the Chairman of the Nomination Committee from 28 February 2005, but resigned on 26 November 2012. 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 also a director of Jerasia Capital Berhad.

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

Lew Fatt Sin, a Malaysian aged 59, 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 close to 40 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.

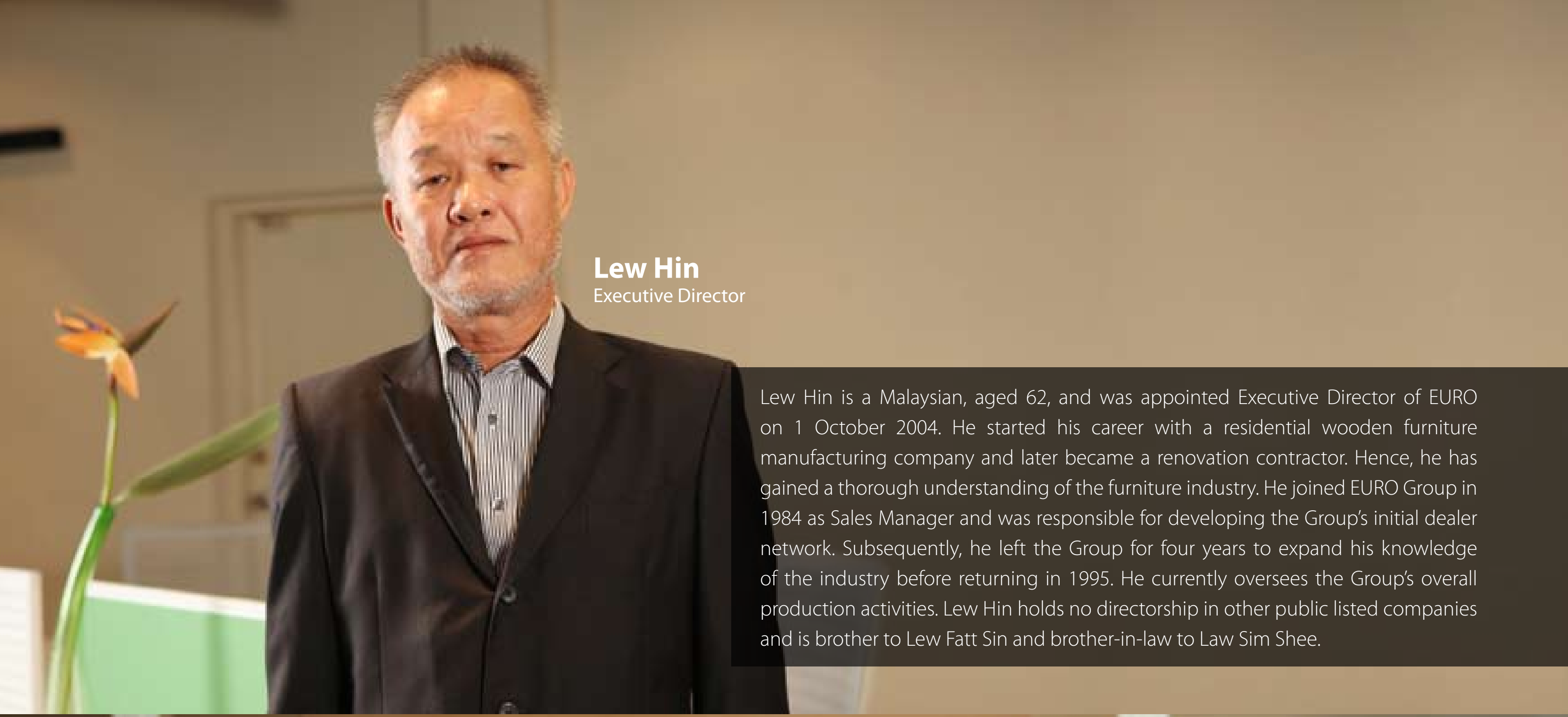
Lew Fatt Sin
Group Managing Director

Dato' Choong Yuen Keong, a 54-year old Malaysian, was appointed Non-Independent, Non-Executive director of EURO on 24 April 2007. On 29 February 2012, he has been re-designated as an Executive Director of the Company 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 presently owns several property development companies. Spearheading the reputable Beverly Heights project in Kuala Lumpur since 2003, Dato' Choong also ventures into a similar prestigious project in Penang which offers state-of-the-art living conditions, characterized by ultra-modern facilities. He does not hold other directorship in other public listed company.

Dato' Choong Yuen Keong @ Tong Yuen Keong
Executive Director

Law Sim Shee
Executive Director

A Malaysian aged 60, Law Sim Shee was appointed Executive Director of EURO on 1 October 2004, and was on the Nomination Committeesince 28 February 2005. She resigned as a member of the Nomination Committee on 26 November 2012. 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 62, 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, aged 48, 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.

Teh Hock Toh
Executive Directorv

[**Directors'** Profiles] (continued)

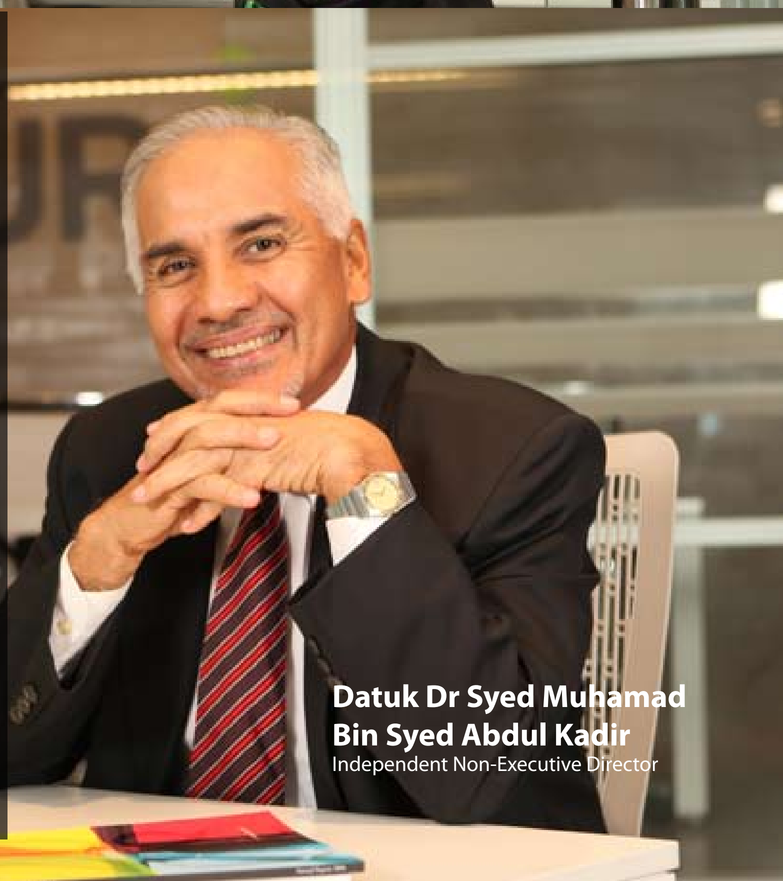
[**Directors'** Profiles] (continued)

Foong Yein Teng is a 43-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.

Foong Yein Teng
Executive Director

A Malaysian aged 65 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 graduated with a Bachelor of Arts degree from the University of Malaya in 1971 and obtained a Ph.D in Business Management from Virginia Polytechnic Institute and State University (USA) in 1986. In 2005, he obtained a Bachelor of Jurisprudence (Hons) degree from the University of Malaya and obtained a Certificate in legal practice in 2008. He was admitted as an Advocate and Solicitor of the High Court of Malaya in July, 2009. In November 2009, he completed his LLM (Corporate Law) degree from Universiti Teknologi Mara (UITM). In July 2011, he became a member of The Chartered Institute of Arbitrators, United Kingdom and in May 2012, became the fellow of the Institute.

Datuk Dr. Syed Muhamad started his career in 1973 as Senior Project Officer, School of Financial Management at the National Institute of Public Administration (Intan) and held various positions before his final appointment as Deputy Director (Academic). In November 1988, he joined the Ministry of Education as Secretary of Higher Education and thereafter assumed the position of Deputy Secretary (Foreign and Domestic Borrowing, Debt Management) of the Finance Division, Federal Treasury. From 1993 to 1997, he joined the Board of Directors of Asian Development Bank, Manila, Philippines, first as Alternate Executive Director and later as Executive Director. Datuk Dr. Syed Muhamad then joined the Ministry of Finance as Secretary of Tax Analysis Division and later became Deputy Secretary (Operations). Prior to his retirement, he was Secretary General in the Ministry of Human Resource. Currently, Datuk Dr. Syed Muhamad is the Chairman of CIMB Islamic Bank Berhad and CIMB Middle East BSC. He is also a director of CIMB Bank Berhad, Bursa Malaysia Berhad, Solution Engineering Holdings Berhad, BSL Corporation Berhad, ACR Re Takaful SEA Berhad (formerly known as ACR ReTakaful SEA Berhad) and Malakoff Corporation Berhad. He also holds directorships in several private companies.



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

Ng Wai Pin is a 48-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, the Remuneration Committee, appointed on 28 February 2005 and the Nomination Committee, appointed on 26 November 2012. 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 several public listed companies, both locally and overseas. Currently, he is the Chairman and Managing Director of Frontken Corporation Berhad and he also sits on the board of BSL Corporation Berhad.

Ng Wai Pin
Independent Non-Executive Director

Pua Kah Ho
Independent Non-Executive Director

Pua Kah Ho, a Malaysian aged 64, was appointed Independent Non-Executive Director or EURO on 1 October 2004. He is a member on the Nomination Committee, appointed on 28 February 2005 and became the chairman on 26 November 2012. 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.

[**Directors'** Profiles] (continued)

[Directors' Profiles] (continued)

Tan Poh Ling, aged 43 was appointed as an Independent Non-Executive Director of EURO and the Audit Committee member on 21 January 2009. She also sits on the Nomination Committee, appointed on 26 November 2012. 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 a mid-size audit firm. Tan Poh Ling does not hold any directorship in other public listed companies.

Tan Poh Ling
Independent Non-Executive Director

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]

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

ECONOMY & INDUSTRY REVIEW

While economic conditions continued to challenge businesses, consumption and livelihood around the globe, 2012 demonstrated Euro's resilience in weathering another tumultuous year.

The world growth momentum which picked up gradually in the first quarter of 2012, moderated during the subsequent quarters. By the second half of 2012, it had become clear that developed countries would need more time to fully recover and stoke the global economy engine. The continued weak growth in these developed countries further led to the decline in demands for manufactured goods from developing nations, notably China. This resulted in many developing nations channeling their focus homeward for revival.

This homeward policy proved crucial in the overall Malaysian economy as 2012 drew to a close. Malaysia Institute of Economic Research (MIER) reported how strong domestic demand in the forms of private and public investments helped to boost GDP to grow 5.6%, surpassing the forecasted 5%. The fourth quarter growth of 6.4% year-on-year was also the highest since the second quarter of 2010.

For the furniture industry, Malaysia's export in 2012 was valued at RM8 billion, an increase of 4.3% compared to 2011 with nearly 200 international destinations for the end-products. Another significant development reflected was the fast-growing number of furniture suppliers in Southeast Asia. The development of furniture production in these countries is mainly export–driven, with around two-thirds of production being sold outside the country of origin.

It is therefore important for Euro to remain adaptable in reacting to changing market conditions by standardizing and improving our business processes, so that we are ever ready to face any challenges ahead and to match our abilities with emerging opportunities.

FINANCIAL OVERVIEW

For the full year ended 31 December 2012, revenue was recorded at RM103.2 million against FY2011's RM107.1 million, a decrease of 3.6% on a year-to-year basis. Profit after tax however increased from 2011's RM0.1 million to RM1.5 million. Earnings per share increased from FY2011's 0.15 sen to 1.82 sen while net assets rose from 82.0 sen in FY2011 to 83.81 sen in FY2012.

Generally, product demand remained flat with low sales volume in the first quarter from both global and local markets. Improvements ensued though slowly, most noticeably in the second quarter. In 2012, export sales went from FY2011's RM59.3 million to RM68.6 million. This is made possible through the securing of projects across the Asian region, coupled with considerable headway in expanding our steel product range into the European and African markets. There was also a collective increase in projects from India, Bangladesh and the Middle East.

Domestically, FY2012 recorded RM34.6 million in sales versus RM47.8 million in 2011. Corporations remained cautious in moving forward with mid to big-size projects, opted to wait and see. There was also a sense of looming uncertainty in anticipation of the Malaysian general election, which further affected expansion and renovation plans of business owners.

AWARDS & ACCREDITATION

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

- Furniture Leadership Award ("FLA") Malaysia and Asian Furniture Leadership Award ("AFLA") 2011/2012 - 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"). The Group won awards in FLA Malaysia 2011/2012 for Brand Excellence and Product Excellence.

- Asian Furniture Leadership Award 2011/12 for Brand Excellence - In recognition of commendable furniture companies in the ASEAN region. Participating countries include China, Japan and South Korea.

Euro continues its pledge to be eco-friendly and environmentally-conscious by renewing the Greenguard certification by the Greenguard Environmental Institute. Euro also made its annual appearance at the Malaysia International Furniture Fair (MIFF) 2012 earlier in the year, followed by international exhibitions in Dubai and Germany.

OUTLOOK & PROSPECTS

The Group's primary attention in overseas market will remain on Asia's developing countries with resilient domestic consumption and proactive government's initiatives to accelerate investments, particularly in infrastructure and expansion projects. Euro will also explore new opportunities in Central America and the Carribean. As the Euro-zone economy heals through austerity programs and emergency loans, growth is expected to lag. While the United States and Japan look forward to modest growth, furniture demand will remain slow and cautious from these markets.

Locally, Euro is anticipating a brighter outlook with the expected roll-out of more projects, by both the government and the private sector in the second half of 2013. This is in line with the return of business confidence and consumer sentiments following the conclusion of the general election, and continued deployment of various Economic Transformation Programme projects.

However, it is increasingly important for the Group to cushion rising production expenses, specifically labour cost with the implementation of minimum wage in Malaysia in 2013. Though more competitors are outsourcing offshore as a cheaper option, Euro will stay true as a Malaysian manufacturer. Continued efforts will be made to further improve overall production efficiency and rationalisation of operation. Technologically, Euro is fortifying its imprint by fine-tuning its production efficacy, from automation to mechanization and simplification.

The changing landscape of office furniture calls for the increased emphasis on ergonomics, adaptability and eco-friendly products. The principal focal point of our R&D team now is to design workspace that addresses the organizational, human and facility needs of a broad, diversified client base.

Despite numerous economic downturns, Euro is confident it will continue to set itself apart. Our excellent practice and standards have allowed us to adjust and align with the times administratively, operationally and strategically. We will redefine and improve our products, continue to invest and nurture working relationships with the help of industrial advances to make Euro better and stronger.

DIVIDENDS

The Board of Directors does not recommend any payment of final dividend for the year ended 31 December 2012. This is to conserve cash to meet working capital requirements and expansion plans of the Group in 2013.

APPRECIATION

Euro is constantly reminded of the resolute effort from our Board members, management team and employees. Working together towards a common goal has sustained Euro through another challenging year and we cannot thank you enough.

To our business partners, bankers and various government agencies, thank you for your unremitting support. To our esteemed customers and stakeholders, your steadfast confidence in the Group's vision fuels us to march forward courageously.

Thank you.

Dato' Sri Mohd Haniff bin Abd Aziz

[**Managing Director's** Statement]

BUSINESS REVIEW

The Group recorded a satisfactory performance in the second half of 2012, prevailing over losses suffered in the first quarter of the year. Despite an overall 3.6% revenue decrease on a year-to-year basis, Euro continues to find the silver lining behind every challenge by moving forward with constructive planning instead of emotive choices; from operation efficacy to emerging markets, new products and diversifying revenue.

DOMESTIC

Here at home, sales went down 27% from FY2011's RM47.8 million to RM34.6 million for FY2012. Generally, there were less activities in the furniture market with corporations cutting down on expansion and renovation plans, amidst the uncertain political environment due to the looming general election. Government initiatives focused on public infrastructure projects which had no immediate correlation to the demand on furniture products. However, the poor market condition was compensated by Euro's success in making major inroads into the local steel furniture market via its steel storage line's maiden project and penetration into the local steel storage dealers' network.

EXPORT

In spite of less than favorable market conditions in some of our trading partners' region, specifically in Vietnam, China and Indonesia, the Group registered a 15.7% increase in export sales for FY2012, compared to 2011 while the export-domestic sales ratio was recorded at 67:33 for 2012 versus 55:45 in 2011. The Group was able to secure some key projects in Asia and Middle East. These high-volume projects enabled the Group to maximize its production capacity usage, thus resulting in higher efficiency to ensure profitable returns. The Group also made considerable headway in broadening its international clientele base for the steel-storage range, in line with ongoing marketing expansion plans. By the end of 2012, the Group managed to garner better penetration into the European and African markets.

PRODUCT LAUNCHES

In 2012, Euro stayed on-track and rolled out new range of workstations with metal-storage products to create a compact and cost-effective way to enhance functionality. This particular line was streamlined to provide storage with work-surface support that can assume multi-tiered, space-divide and flexibility with stackable and adjustable add-on features. Euro also introduced "Theory", its latest range of office chairs in 2012.

OPERATION EXPANSION

Following the completion of 2011's plant comprising of the third plant's Phase II, the Group also completed the installation of a new epoxy line to cater to growing demand for steel-storage products. This new addition aims to relieve production congestion, increase production flow while boosting quality yields.

The Group, via its Euroland & Development Sdn Bhd continues to work with relevant agencies and authoritative bodies to progress its debut set in Mukim Cheras, Kuala Lumpur. This property subsidiary will be able to contribute to the Group's overall revenue in time to come.

LOOKING FORWARD

With the Malaysian economy expected to grow at 4.5% to 5% in 2013, Euro is expecting higher sales volume, especially in the second half of the year with the return of business confidence following the conclusion of the Malaysian general election. Domestic demand is also projected to maintain its strong momentum in-line with various initiatives under the Economic Transformation Program.

In terms of upcoming strategies and measures, Euro is exploring opportunities with reputable global players to form Original Equipment Manufacturer (OEM) and Original Design Manufacturer (ODM) collaboration. This exchange will not only expand our revenue base but more importantly, it will advance our operational and production processes as we learn from the best the industry has to offer.

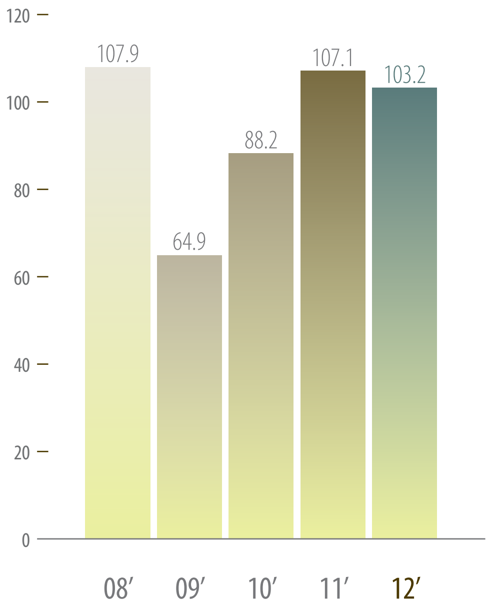
It is also vital to increase our brand visibility to ensure Euro's marketability does not rest solely on affordability. The Research & Development team will continue to analyse and respond to the market's needs to fine-tune our existing products, while creating new ones.

The road ahead to recovery may be long and arduous still but Euro is ready, steady and poised to write another memorable chapter in the coming year. We ask that your support and faith remain equally dedicated and strong. There is still much to be done, but together, anything is possible.

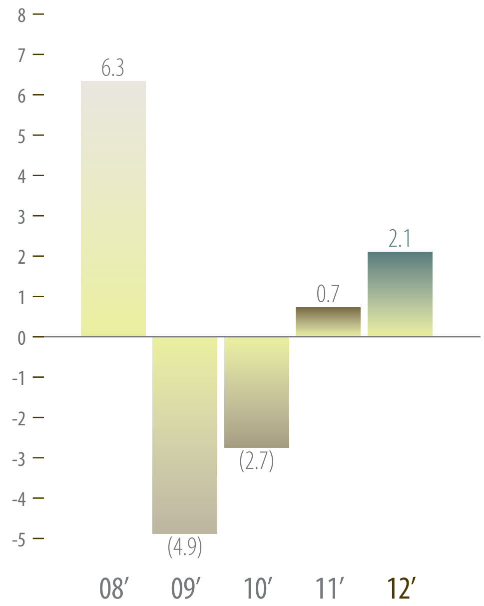
Lew Fatt Sin
Group Managing Director

Group [**Financial** Highlights]

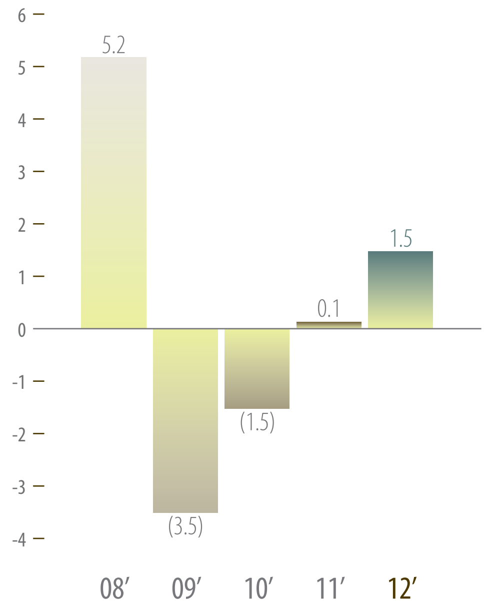
Revenue (RM'Million)



PBT/(Loss) before taxation (RM'000)



PAT/(Loss) after taxation (RM'000)



	2012	2011	2010	2009	2008
Operating Results (RM'000)					
Revenue	103,172	107,076	88,207	64,914	107,921
EBITDA	9,399	7,896	2,625	523	11,276
PBT/(Loss) before taxation	2,100	725	(2,745)	(4,888)	6,330
PAT/(Loss) after taxation	1,472	125	(1,527)	(3,512)	5,173
Net profit attibutable to equity holders	1,472	125	(1,527)	(3,512)	5,173
Key Data of Statement on Financial Position (RM'000)					
Total assets	129,059	131,533	119,169	113,524	102,777
Net borrowings	36,917	36,234	30,472	21,893	2,461
Shareholders equity	67,890	66,418	66,293	67,813	72,945
Share Information & Key Financial Ratios					
Return on equity (%)	2.17	0.19	(2.30)	(5.18)	7.09
Return on total assets (%)	1.14	0.10	(1.28)	(3.09)	5.03
Gearing ratio (times)	0.54	0.55	0.46	0.32	0.03
Interest cover (times)	1.99	1.36	(2.31)	(6.30)	11.16
PE ratio (times)	15.96	174.96	(19.10)	(10.95)	9.08
Earnings/(Loss) per share (sen)	1.82	0.15	(1.89)	(4.34)	6.39
Net asset per share (sen)	83.81	82.00	81.84	83.72	90.06
Gross dividend yield per share (sen)	-	-	-	-	2.00
Share price as at financial year end (sen)	29.0	27.0	36.0	47.5	58.0

Statement on [**Corporate** Governance]

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 Principles and 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

At the end of the year 2012, the Board of Directors consists of a Group Chairman, a Group Managing Director, five (5) Executive Directors and four (4) Independent Non-Executive Directors. 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 members of the Board have the appropriate and relevant professional and business experiences to steer the direction of the Group. The profile of each Director is presented on page 4 to page 9 of this Annual Report.

The Chairman is responsible for running the Board and ensures that all directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Chairman of EURO is a Non-Independent and Non-Executive Director. This is a deviation from the recommendations of the new Malaysian Code on Corporate Governance 2012 ("MCCG 2012") released by the Securities Commission but the Board is of the opinion that the process of decision making by the Board has been based on collective decisions without any individual exercising any concentration of power or influence and is supported by the presence of independent elements in the Board. Further, the Chairman is not involved with the Group's business management and operations as these are the responsibilities of the Group Managing Director and neither is he related to any of the other Board Directors and major shareholders of the Company.

Tenure of Independent Directors

Datuk Dr Syed Muhamad Bin Syed Abdul Kadir, Ng Wai Pin and Pua Kah Ho were appointed as Independent Directors since 1 October 2004. Pursuant to Recommendation 3.2 of MCCG 2012, all three (3) of the Directors will have served as Independent Directors for a cumulative period of nine (9) years by 30 September 2013.

Pursuant to Recommendation 3.3 of MCCG 2012, and notwithstanding their long tenure in office, the Board based on the review and recommendations made by the Nomination Committee is unanimous in its opinion that Datuk Dr Syed Muhamad Bin Syed Abdul Kadir, Ng Wai Pin and Pua Kah Ho possess the attributes necessary in discharging their roles and functions as Independent Directors of the Company and that their independence have not been compromised or impaired in any way after having noted that during their tenure in office:

Tenure of Independent Directors (continued)

- the Directors exercise due care in all undertakings of the Group and in their fiduciary duties in the interest of the Company and minority shareholders;

- the Directors have not developed, established or maintained any significant relationship which would impair their independence as Independent Directors with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level, consistent and expected of them to carry out their duties as Independent Non-Executive Directors, Chairman or members of the Board's Committees;

- the Directors have never transacted or entered into any transactions with, nor provided and services to the Company and its subsidiaries, within the scope and meaning set forth under Paragraph 5 of Practice Note 13 of the Main LR; and

- the Directors have not been granted any options by the Company, other than Director's fees and allowances paid which has been an industry norm and within acceptable market rates, duly disclosed in the Annual Reports. No other incentives or benefits of whatsoever nature had been paid to them by the Company.

Accordingly, the Board recommends to retain Datuk Dr Syed Muhamad Bin Syed Abdul Kadir, Ng Wai Pin and Pua Kah Ho as Independent Non-Executive Directors upon the expiry of nine (9) year tenure in office on 30 September 2013 and will be proposing an Ordinary Resolution to the shareholders at the forthcoming Annual General Meeting for the said purpose.

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:

- 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;

- monitoring corporate performance and the conduct of the Group's business and to ensure compliances to best practices and principles of corporate governance;

- identifying and implementing appropriate system to manage principal risks. The Board undertakes this responsibility through the Audit Committee;

- 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; and

- 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 judgement in the decision making process.

Statement on [**Corporate** Governance] (continued)

BOARD MEETINGS

Board Meetings are scheduled for every quarter with additional meetings to be convened as and when required. During the financial year under review, the Board met a total of four (4) times. The attendance of the Directors who held office during the financial year is set out below:

Name of Directors	Attendance at meeting	Percentage of attendance (%)
Dato' Sri Mohd Haniff Bin Abdul Aziz	4/4	100
Lew Fatt Sin	4/4	100
Law Sim Shee	4/4	100
Teh Hock Toh	4/4	100
Lew Hin	4/4	100
Foong Yein Teng	4/4	100
Dato' Choong Yuen Keong @ Tong Yuen Keong	3/4	75
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	4/4	100
Ng Wai Pin	3/4	75
Pua Kah Ho	4/4	100
Tan Poh Ling	4/4	100

SUPPLY OF INFORMATION

All directors are given complete and timely information before each Board Meeting to be convened together with an agenda and a set of Board papers, 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 the 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. However, 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 2012 are as follows:

Aggregate Remuneration categorized into appropriate components:

	Fees (RM'000)	Salaries and allowances, inclusive of EPF contributions (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Executive Directors	-	1,800	133	265	2,198
Non-Executive Directors	210	54	-	28	292
Total	210	1,854	133	293	2,490

Remuneration Bands

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
RM1-RM50,000	-	4	4
RM100,001-RM150,000	-	1	1
RM200,001-RM250,000	1	0	1
RM250,001-RM300,000	2	-	2
RM350,001-RM400,000	2	-	2
RM650,001-RM700,000	1	0	1
Total	6	5	11

Note:

1. *For security and confidentiality reasons, the details of Directors' remuneration are not shown with reference to individual Director. 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.

DIRECTORS' TRAINING AND EDUCATION (continued)

During the year, some 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 2012 are as follows:

Corporate Governance	• Malaysian Code of Corporate Governance 2012* • Key Amendments to Listing Requirements 2011 and Corporate Disclosure Guide • Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012 • Corporate Governance Today and the Directions Moving Forward
Role of an Effective Board	• Directors' Duties, Defences, Bursa Malaysia and Judicial Review • Role of Audit Committee in Assuring Audit Quality
Management	• Bursa CEO & CFO Training • Growth through Innovation • 21st. Century Corporation: Driving Sustainable Leadership & Innovation
Accounting and Economics	• Latest Updates on Malaysian Financial Reporting Standards • Invest Malaysia 2012 • Effective Tax Planning • National Tax Conference 2012 – Taxation Challenges in a Borderless Economy • Competition Law: How It May Impact The Way We Do Business • Financial Planning 2012

* *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 (resigned on 26 November 2012)
	Pua Ka Ho (appointed on 26 November 2012)
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 31 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 (resigned on 26 November 2012)

  - **Pua Kah Ho**
    Chairman, Independent Non-Executive Director (appointed on 26 November 2012)
    Member, Independent Non-Executive Director (1 January 2012 – 25 November 2012)

  - **Ng Wai Pin**
    Member, Independent Non-Executive Director (appointed on 26 November 2012)

  - **Tan Poh Ling**
    Member, Independent Non-Executive Director (appointed on 26 November 2012)

  - **Law Sim Shee**
    Member, Executive Director (resigned on 26 November 2012)

  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

  - **Lew Fatt Sin**
    Member, Group Managing Director

  - **Ng Wai Pin**
    Member, Independent Non-Executive 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:

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION (continued)

- 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

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 judgements 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 2012 can be found on pages 41 to 92 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 32 to page 33 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 31 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 2012, 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 and human capital development.

Environmental Preservation

Euro remains committed to our role as an environmental steward in creating and providing sustainable solutions along our value chains to meet the needs of our customers in an environmentally sound and sustainable manner. This is achieved through continuous improvements in our environmental performance in all our activities as we strive to reduce the environmental impacts of our manufacturing operations. These activities aim to minimise resources used and wastes, prevention of pollution in all forms, use of non-hazardous materials, recycling and re-use of materials.

A review of our environmental strategy and performance in 2012 showed that we made good progress in our sustainability initiatives, particularly so in the areas of "eco-efficiency" - improving the environmental efficiency of our manufacturing operations and "eco-innovation" - developing environmentally better products, where environmental factors are incorporated in the design and re-design of our products. EURO's achievement of GREENGUARD Certification again demonstrates our promise to create a healthier built environment.

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.

Statement on [**Corporate** Governance] (continued)

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

- contribution of funds, wheel chairs, office furniture and other necessities to various charitable organizations and associations
- sponsorship of events of various non-profitable organizations
- participation in the security committee within our industrial zone, to safeguard the safety and interest of our workplace
- 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
"Safety Always Comes First", has always been at the heart of EURO's activities and decision making. In recognition of the value placed on strong OHS performance, EURO has instilled a strong safety culture into the workforce committed to provide a healthy and safe working environment to our employees. This enduring commitment remains an integral part of EURO's overall Vision and Values.

In 2012, we continued to embed OHS in business practices, developing a framework to align goals, standards and processes across operational divisions. Group-led OHS programs continued to focus on the particular needs and activities of the different business units and processes. These programs identified significant risk areas in workplace safety and health impacts such as lifting, electrical testing, mechanical handling, safe work operation, chemical safety, sickness, diseases, occupational hygiene and healthy work environment. It consisted of intensive training in theory and practice, each resulting in improvement in action plans.

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 Capital 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 programs including eye-check-up, audiometric testing and medical benefit management talk 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 2012.

Share Buyback
The Company had at its Eighth Annual General Meeting held on 27 June 2012, 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-back 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 25 June 2013.

Options, Warrants or Convertible Securities
There is 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 2012 amounted to RM3,000.

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 2012.

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 Eighth Annual General Meeting of the Company held on 27 June 2012, the Company had obtained the approval of shareholders for the renewal of the shareholders' mandate and proposed new 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 mandates took effect on 28 June 2012 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 2012 pursuant to the shareholders' mandates are disclosed in Note 26 to the Financial Statements.

At the forthcoming Annual General meeting to be held on 25 June 2013, the Company intends to seek its shareholders' approval to renew the existing mandate for recurrent related party transactions of a revenue or trading nature. The details of the shareholders' mandate to be sought are furnished in the Circular to Shareholders dated 3 June 2013 attached to this Annual Report.

[Audit Committee Report]
for the financial year ended 31 december 2012

The Board of Directors of Euro Holdings Berhad is pleased to present the report on the Audit Committee and its activities during the financial year ended 31 December 2012.

MEMBERS
The Audit Committee ("the Committee") was established on 3 October 2004. The members who had served during the financial year ended 31 December 2012 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.

1. COMPOSITION (continued)

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

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

[Audit Committee Report] (continued)

for the financial year ended 31 december 2012

3. DUTIES AND FUNCTIONS OF AUDIT COMMITTEE (continued)

(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;

(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 interests 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 2012. 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	5	83
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 2012 in discharge of their duties:-

(i) reviewed the quarterly financial results announcements for each quarter of the Group to ensure the Company's 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;

[Audit Committee Report] (continued)

for the financial year ended 31 december 2012

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (continued)

(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 the 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 an external consultant firm, which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal controls. The principal role of the internal audit is to undertake systematic reviews of the systems of internal control within the Group so as to provide reasonable assurance that such systems are adequate and functioning as intended. It's responsibilities include the provision of independent and objective reports on the state of internal control of the various operating units within the Group to the Audit Committee so that remedial actions can be taken in relation to any weaknesses noted in the systems and controls of the respective operating units.

Statement on [**Internal** Control]

INTRODUCTION

The Board of Euro Holdings Berhad ("the Board") acknowledges the importance of maintaining a sound system of internal control and effective risk management as part of its 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 2012.

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.

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 Company controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Company, assessment of financial and operational risks and an effective monitoring mechanism.

Assurance From The Management

The Board has also received reasonable assurance from the Group Managing Director and the Head of Finance, that the Group's risk management and internal control system are operating adequately and effectively, in all material respects, based on the risk management model adopted by the Group.

Statement on [**Internal** Control] (continued)

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 reviewed 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 a detailed annual internal audit plan was presented to the Audit Committee for approval. It should be annotated that the internal audit was based on samples selection and did not engage any strategy to detect fraud during the performance of the audit.

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

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 request for information and clarification from the Management as well as to seek inputs from the Audit Committee, external and internal auditors and other experts at the expense of the Company.

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 risks are adequately addressed at various levels within the Group. Risk management is embedded in the Group's management system and is every employee's responsibility. The Group firmly believes that risk management is critical for the Group's continued profitability and the enhancement of shareholders' value.

CONCLUSION

On the whole, the Board of Directors is satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives is in place to provide reasonable assurance to that effect. It is the Group's positive attitude towards striving for 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.

[**Reports & Financial** Statements]

for the year ended 31 December 2012

[**Directors'** Report]

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

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

FINANCIAL RESULTS

	GROUP	COMPANY
	RM'000	RM'000
Profit for the year	1,472	236

DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2012.

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 or debentures by the Company during the financial year.

DIRECTORS

The Directors of the Company who held office since the date of the last report are as follows:

Dato' Sri Mohd Haniff Bin Abd Aziz
Lew Fatt Sin
Law Sim Shee
Lew Hin
Teh Hock Toh
Foong Yein Teng
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
Dato' Choong Yuen Keong @ Tong Yuen Keong
Pua Kah Ho
Ng Wai Pin
Tan Poh Ling

Retirement and re-election of the Directors at the Annual General Meeting will be in accordance with the Company's Articles of Association.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in the shares of the Company during the financial year were as follows:

	Number of ordinary shares of RM0.50 each in the Company			
	At 1.1.2012	Bought	Sold	At 31.12.2012
Shareholdings in the name of the Directors:				
Dato' Sri Mohd Haniff Bin Abd Aziz	12,150,000	-	-	12,150,000
Lew Fatt Sin	14,558,851	-	-	14,558,851
Law Sim Shee	6,500,096	-	(905,500)	5,594,596
Lew Hin	357,840	-	-	357,840
Teh Hock Toh	2,400,201	-	(98,100)	2,302,101
Dato' Choong Yuen Keong @ Tong Yuen Keong	8,410,000	-	-	8,410,000

Pursuant to Section 6A of the Companies Act 1965, 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 the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' remuneration as disclosed in the financial statements) by reason of a contract made by the Company or any related companies with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest, except as disclosed in the financial statements.

Neither during nor at the end of the financial year was the Company or any related companies, a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of 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 had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount to which they might be expected so to realise.

[Directors' Report] (continued)

OTHER STATUTORY INFORMATION (continued)

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of 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 of 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 of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and of 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) no contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due.

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the Directors, would affect substantially the results of the operations of the Group and of the subsidiaries for the financial year in which this report is made; and

(b) no charge has arisen on the assets of the Group and of the subsidiaries which secures the liability of any other person nor has any contingent liability arisen in the Group and in the subsidiaries.

SUBSEQUENT EVENT

The details of subsequent event are disclosed in Note 35 to the financial statements.

AUDITORS

The auditors, Messrs SSY Partners, have indicated their willingness to continue in office.

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

Lew Fatt Sin
Director

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
Director

Subang Jaya
Date : 25th April 2013

[**Statement** by Directors]

Pursuant to Section 169(15) of the Companies Act 1965

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 accompanying financial statements set out on pages 41 to 92 are drawn up in accordance with the Companies Act 1965 and Malaysian 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 of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 34 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.

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

Lew Fatt Sin
Director

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
Director

Subang Jaya
25th April 2013

[**Statutory** Declaration]

Pursuant to Section 169(16) of the Companies Act 1965

I, Foong Yein Teng, being the Director primarily responsible for the financial management of Euro Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 92 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Foong Yein Teng at Puchong in the state of Selangor on 25th April 2013

Foong Yein Teng
Director

Before me,

PESURUHJAYA SUMPAH
No: B 93
Nama: NG SAY JIN
MALAYSIA

No. 115B (2nd Floor),
Jalan Kenari 23,
Bandar Puchong Jaya,
47100 Puchong Selangor

Independent [**Auditors'** Report] to the Members of Euro Holdings Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Euro Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 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 41 to 92.

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 Malaysian 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 Malaysian 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 of the Company as of 31 December 2012 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.

Independent [**Auditors'** Report] to the Members of Euro Holdings Berhad (continued)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 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
AF: 0040
Chartered Accountants

Subang Jaya
25th April 2013

Jason Sia Sze Wan
No. 2376/05/14 (J)
Partner

Consolidated Statement of [**Financial** Position]

as at 31 December 2012

GROUP	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	64,511	65,071	66,941
Land held for development	8	8,514	7,984	-
Deferred tax assets	9	2,351	2,914	2,684
		75,376	75,969	69,625
Current assets				
Inventories	10	15,810	15,743	15,254
Trade receivables	11	30,391	33,364	28,930
Other receivables, deposits and prepayments	12	1,457	1,222	1,270
Tax recoverable		1,381	1,238	1,172
Forward exchange contracts	13	34	38	50
Fixed deposits with licensed financial institutions	14	748	242	236
Short term funds	15	118	116	113
Cash and bank balances		3,744	3,601	2,519
		53,683	55,564	49,544
TOTAL ASSETS		129,059	131,533	119,169
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	16	40,500	40,500	40,500
Reserves	17	27,390	25,918	25,793
TOTAL EQUITY		67,890	66,418	66,293
Non-current liabilities				
Borrowings	18	17,516	17,710	19,441
		17,516	17,710	19,441
Current liabilities				
Trade payables	19	13,643	16,671	11,656
Other payables and accruals	20	5,934	7,888	7,775
Borrowings	18	24,011	22,483	13,899
Taxation		65	363	105
		43,653	47,405	33,435
TOTAL LIABILITIES		61,169	65,115	52,876
TOTAL EQUITY AND LIABILITIES		129,059	131,533	119,169

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

Statement of [**Financial** Position]

as at 31 December 2012

COMPANY	Note	31.12.2012	31.12.2011	1.1.2011
		RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	474	544	614
Investment in subsidiaries	7	45,889	45,710	44,433
		46,363	46,254	45,047
Current assets				
Other receivables, deposits and prepayments	12	17	22	26
Amount due from a subsidiary		-	-	101
Tax recoverable		291	201	99
Short term funds	15	67	66	65
Cash and bank balances		91	124	679
		466	413	970
TOTAL ASSETS		46,829	46,667	46,017
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	16	40,500	40,500	40,500
Reserves	17	6,031	5,795	5,038
TOTAL EQUITY		46,531	46,295	45,538
Non-current liabilities				
Borrowings	18	150	238	309
Deferred tax liabilities	9	7	-	-
		157	238	309
Current liabilities				
Other payables and accruals	20	53	51	80
Borrowings	18	88	83	90
		141	134	170
TOTAL LIABILITIES		298	372	479
TOTAL EQUITY AND LIABILITIES		46,829	46,667	46,017

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

Statements of [**Comprehensive** Income]

for the year ended 31 December 2012

	Note	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Revenue	21	103,172	107,076	1,000	1,600
Cost of sales		(76,631)	(83,469)	-	-
Gross profit		26,541	23,607	1,000	1,600
Other operating income		511	445	2	2
Selling and distribution expenses		(11,837)	(11,669)	-	-
Administrative expenses		(10,718)	(9,319)	(582)	(620)
Profit from operations		4,497	3,064	420	982
Finance costs		(2,397)	(2,339)	(16)	(21)
Profit before taxation	22	2,100	725	404	961
Taxation	24	(628)	(600)	(168)	(204)
Profit for the year		1,472	125	236	757
Basic earnings per share (sen)	25	1.82	0.15	-	-

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

Statements of [Changes in **Equity**]

for the year ended 31 December 2012

	------NON DISTRIBUTABLE------		DISTRIBUTABLE	
	Share capital	Share premium	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
GROUP				
At 1 January 2012	40,500	3,844	22,074	66,418
Profit for the year	-	-	1,472	1,472
At 31 December 2012	40,500	3,844	23,546	67,890
At 1 January 2011	40,500	3,844	21,949	66,293
Profit for the year	-	-	125	125
At 31 December 2011	40,500	3,844	22,074	66,418
COMPANY				
At 1 January 2012	40,500	3,844	1,951	46,295
Profit for the year	-	-	236	236
At 31 December 2012	40,500	3,844	2,187	46,531
At 1 January 2011	40,500	3,844	1,194	45,538
Profit for the year	-	-	757	757
At 31 December 2011	40,500	3,844	1,951	46,295

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

Statements of [**Cash** Flows]

for the year ended 31 December 2012

	Note	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Cash flows from operating activities					
Profit before taxation		2,100	725	404	961
Adjustments for:					
Allowance for doubtful debts		735	50	-	-
Bad debts written off		598	-	-	-
Depreciation of property, plant and equipment		5,180	5,125	70	70
Dividend income		-	-	(1,000)	(1,600)
Loss on forward exchange contracts		4	12	-	-
Gain on disposal of property, plant and equipment		(18)	(109)	-	-
Interest expenses		2,119	2,046	16	21
Interest income		(26)	(14)	(2)	(2)
Property, plant and equipment written off		12	1	-	-
Unrealised (gain)/loss on foreign exchange		(45)	30	-	-
Operating profit/(loss) before working capital changes		10,659	7,866	(512)	(550)
Increase in inventories		(67)	(489)	-	-
Decrease/(increase) in trade and other receivables		1,403	(4,424)	(174)	(672)
(Decrease)/increase in trade and other payables		(5,783)	8,141	2	(24)
Cash generated from/(used in) operations		6,212	11,094	(684)	(1,246)
Land held for development		(530)	(7,984)	-	-
Tax paid		(690)	(732)	(1)	-
Tax refunded		184	94	-	94
Cash generated from/(used in) operating activities		5,176	2,472	(685)	(1,152)
Cash flows from investing activities					
Acquisition of a new subsidiary		-	-	-	(500)
Purchase of property, plant and equipment	29	(1,490)	(2,092)	-	-
Dividends received		-	-	750	1,200
Interest received		26	14	2	2
Proceeds from disposal of property, plant and equipment		58	257	-	-
Net cash (used in)/generated from investing activities		(1,406)	(1,821)	752	702
Cash flows from financing activities					
Drawdown of term loan		554	505	-	-
Dividends paid		-	(5)	-	(5)
Fixed deposits pledged		(506)	(6)	-	-
Interest paid		(2,119)	(2,046)	(16)	(21)
Repayment of finance lease liabilities		(2,287)	(1,871)	(83)	(78)
Repayment of term loan		(1,658)	(1,469)	-	-
Net cash used in financing activities		(6,016)	(4,892)	(99)	(104)

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

for the year ended 31 December 2012

	Note	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Net decrease in cash and cash equivalents		(2,246)	(4,241)	(32)	(554)
Cash and cash equivalents at beginning of the year		(6,282)	(2,041)	190	744
Cash and cash equivalents at end of the year		(8,528)	(6,282)	158	190
Cash and cash equivalents comprise:					
Cash and bank balances		3,744	3,601	91	124
Short term funds		118	116	67	66
Fixed deposits with licensed financial institutions		748	242	-	-
Bank overdrafts		(12,390)	(9,999)	-	-
		(7,780)	(6,040)	158	190
Less: Fixed deposits pledged		(748)	(242)	-	-
		(8,528)	(6,282)	158	190
The currency exposure profile of cash and bank balances is as follows:					
Ringgit Malaysia		2,899	3,478	91	124
United States Dollar		842	118	-	-
Others		3	5	-	-
		3,744	3,601	91	124

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

Notes to the [**Financial** Statements]

for the year ended 31 December 2012

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Suite 1603, 16th Floor, Wisma Lim Foo Yong, 86, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at Wisma Euro, Lot 21, Rawang Industrial Estate, 48000 Rawang, Selangor.

The principal activities of the Company is investment holding. The principal activities of the subsidiaries are as stated in Note 7. There have been no significant changes in the nature of these activities during the financial year.

The number of employees in the Group and the Company at the end of the financial year were 664 (2011: 624) and NIL (2011: NIL) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 April 2013.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements comply with the Companies Act 1965 and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies (Note 3).

The preparation of financial statements in conformity with the Companies Act 1965 and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia (RM), which is the Group's functional currency. All financial information presented in RM has been rounded to the nearest thousand (RM'000), unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

(c) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's 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. Repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an indefinite useful life and is therefore not depreciated.

The Group carried one of its subsidiary's freehold industrial land and building at revalued amount less accumulated depreciated and impairment losses. Surplus arising from revaluation is recognised as other comprehensive income and accumulated in equity under 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.

The Group had 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. Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment, where there is no change to the value of net assets.

The transition from FRS to MFRS has no significant impact to the Group and Company's statements of financial position, statements of comprehensive income and statements of cash flows.

Notes to the [**Financial** Statements] (continued)

for the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment, and depreciation (continued)

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

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 residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(d) Goodwill or reserve arising on consolidation

Goodwill or reserve arising on consolidation represents the difference of the fair value of purchase consideration of subsidiaries acquired over the Group's share of the fair values of their identifiable assets and liabilities at the date of acquisition.

Reserve arising on consolidation will be written off in profit or loss.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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.

(f) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress include cost of raw materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(g) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts on a review of all outstanding amounts at the balance sheet date.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Leases

i. Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

Notes to the [**Financial** Statements] (continued)

for the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

ii. Finance lease

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings.

In calculating the present value of the minimum lease payment, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance cost and the reduction of the outstanding liabilities. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that of depreciable for property, plant and equipment as described in Note 3(c).

iii. Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of lease of land and buildings, the minimum lease payments or up-front payment made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings elements of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight -line basis over the lease term.

(j) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(k) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(l) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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, net of tax. 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 profit or loss 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.

(n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and 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 credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

(o) Employee benefits

i. Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined contribution plan

As required by law, the Group makes contributions to the statutory pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

Notes to the [**Financial** Statements] (continued)

for the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

iii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(p) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

i. Sales of goods

Revenue is recognised net of sales taxes (if any) and upon transfer of significant risks and rewards of ownership to the buyer.

ii. Interest income

Interest income is recognised on an accrual basis (taking into account the effective yield on the asset) unless its collectability is in doubt.

iii. Rental income

Rental income is recognised on an accrual basis.

(q) Foreign currencies

i. Functional and presentation currency

The individual 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 consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

ii. Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Foreign currencies (continued)

ii. Foreign currency transactions (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operation, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Group's financial statements or the individual financial statements of the foreign operation, as appropriate.

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:

	2012	2011
	RM	RM
1 Euro (EURO)	4.053	4.109
1 Singapore Dollar (SGD)	2.504	2.442
1 United States Dollar (USD)	3.063	3.173
1 Sterling Pound (GBP)	4.951	Not applicable

(r) Impairment of assets

The carrying amounts of assets, other than investment property, construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

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 unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of assets (continued)

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, 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 other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(s) Financial instruments

Financial assets

Financial assets are recognised in the statements 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 estimate 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

Financial assets (continued)

i. 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.

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.

ii. '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.

iii. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)
Financial assets (continued)

iv. '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 right to receive payment is established.

v. 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.

vi. Reclassifications 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.

vii. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)
Financial assets (continued)
vii. Impairment of financial assets (continued)

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 a 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.

Notes to the [**Financial** Statements] (continued)

for the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

Financial assets (continued)

viii. 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 transfers 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.

Financial liabilities

Financial liabilities are recognised on the statements 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.

i. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

Financial liabilities (continued)

ii. 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.

(t) 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. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS Framework. The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 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 venture (herein called 'Transitioning Entities'). Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group and the Company do not fall within the scope of the Transitioning Entities and thus, during the financial year, the Group and the Company have adopted the following new and revised Malaysian Financial Reporting Standards and Interpretations (collectively referred to as 'MFRSs'), issued by the Malaysian Accounting Standards Board ('MASB') and effective for the financial periods beginning on or after 1 January 2012:

4. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (continued)

MFRSs that do not have any significant impact on the financial statements

The following new and revised MFRSs issued by the MASB, effective for financial periods beginning on or after 1 January 2012, have been adopted, but the adoptions do not have any significant impact on the financial statements:

MFRS 2:	Share-based Payment
MFRS 3:	Business Combinations
MFRS 4:	Insurance Contracts
MFRS 5:	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6:	Exploration for and Evaluation of Mineral Resources
MFRS 7:	Financial Instruments: Disclosures
MFRS 8:	Operating Segments
MFRS 101:	Presentation of Financial Statements
MFRS 102:	Inventories
MFRS 107:	Statement of Cash Flows
MFRS 108:	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110:	Events After the Reporting Period
MFRS 111:	Construction Contracts
MFRS 112:	Income Taxes
MFRS 116:	Property, Plant and Equipment
MFRS 117:	Leases
MFRS 118:	Revenue
MFRS 119:	Employee Benefits
MFRS 120:	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121:	The Effects of Changes in Foreign Exchange Rates
MFRS 123:	Borrowing Costs
MFRS 124:	Related Party Disclosures
MFRS 126:	Accounting and Reporting by Retirement Benefit Plans
MFRS 127:	Consolidated and Separate Financial Statements
MFRS 128:	Investments in Associates
MFRS 129:	Financial Reporting in Hyperinflationary Economies
MFRS 131:	Interests in Joint Ventures
MFRS 132:	Financial Instruments: Presentation
MFRS 133:	Earnings per Share
MFRS 134:	Interim Financial Reporting
MFRS 136:	Impairment of Assets
MFRS 137:	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138:	Intangible Assets
MFRS 139:	Financial Instruments: Recognition and Measurement
MFRS 140:	Investment Property
MFRS 141:	Agriculture

4. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (continued)

MFRSs that have been issued but are not yet effective

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

MFRS 9:	Financial Instruments
MFRS 10:	Consolidated Financial Statements
MFRS 11:	Joint Arrangements
MFRS 12:	Disclosure of Interests in Other Entities
MFRS 13:	Fair Value Measurement
Amendment to MFRS 7:	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 101:	Presentation of Items of Other Comprehensive Income
Amendment to MFRS 116:	Property, Plant and Equipment
Amendment to MFRS 119:	Employee Benefits
Amendment to MFRS 127:	Separate Financial Statements
Amendment to MFRS 128:	Investment in Associates and Joint Ventures
Amendment to MFRS 132:	Financial Instruments: Presentation
Amendment to MFRS 134:	Interim Financial Reporting

The new MFRSs will take effect on 1 January 2013, and the Group and the Company will adopt these MFRSs during the financial year beginning on 1 January 2013.

MFRS 9 requires all recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of MFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at 'fair value through profit or loss') attributable to changes in the credit risk of that liability. Specifically, under MFRS 9, for financial liabilities that are designated as at 'fair value through profit or loss', the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

MFRS 10 replaces the parts of MFRS 127 Consolidated and Separate Financial Statements that deal with consolidated financial statements. IC Interpretation 112 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of MFRS 10. Under MFRS 10, there is only one basis for consolidation, that is control. In addition, MFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in MFRS 10 to deal with complex scenarios.

4. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (continued)

MFRS 11 replaces MFRS 131 Interests in Joint Ventures. MFRS 11 deals with how a joint arrangement of which two or more parties have joint control shall be classified. IC Interpretation 113 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of MFRS 11. Under MFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under MFRS 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under MFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under MFRS 131 can be accounted for using the equity method or proportionate consolidation accounting.

MFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in MFRS 12 are more extensive than those in the current standards.

MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. MFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards.

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant changes relate to the accounting for defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

At the date the financial statements are authorised for issue, the impacts of the adoptions of these MFRSs are yet to be reasonably estimated. Hence, the impacts on the adoption of new accounting policies are not disclosed.

The following revised MFRS will take effect on 1 July 2012, and the Group and the Company will adopt these MFRSs during the financial year beginning on 1 January 2013:

Amendment to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

4. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (continued)

MFRSs that affect the reported results and/or financial position

MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards

The impact of the changes is disclosed, as follows:

Transition to the Malaysian Financial Reporting Standards ('MFRS framework')

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS Framework. The financial statements of the Group for the year ended 31 December 2012 are the first financial statements prepared in accordance with the MFRS Framework. Previously, the Group prepared its financial statements in accordance with the Financial Reporting Standards in Malaysia.

Accordingly, the Group and the Company have prepared financial statements which comply with MFRS applicable for periods beginning on or after 1 January 2012, together with the comparative period data as at and for the period ended 31 December 2011, as described in the accounting policies. In preparing these financial statements, the Group and the Company's opening statements of financial position were prepared as at 1 January 2011, the Group and the Company's date of transition to MFRS.

In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing the current year financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011.

Exemptions from full retrospective application

The Group has previously availed itself to the transitional provision when the MASB first adopted IAS 16 Property, Plant and Equipment. Certain land and buildings were revalued in 1997 and no subsequent revaluation has been recorded in respect of these buildings.

5. SIGNIFICANT ACCOUNTING ESTIMATES

Key Sources of Estimation Uncertainty

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

5. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Key Sources of Estimation Uncertainty (continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method. The estimated useful lives applied by the Group as disclosed in Note 3(c) reflect the Directors' estimates of the periods that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment.

(b) Impairment of plant and equipment

The Group carried out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit (CGU) to which the plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Allowances for doubtful debts

The collectability 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 debt 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 pass collection history of each company.

(d) Income tax

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(f) Impairment of investment in subsidiaries

The investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy. The recoverable amounts of these investments have been determined based on their fair value less costs to sell. The fair value less costs to sell was arrived at by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market condition existing at each statement of financial position date.

There could be further adjustments to the carrying value of the investments should the going concern basis be inappropriate.

5. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Key Sources of Estimation Uncertainty (continued)

(g) Contingent liabilities

As disclosed in Note 36, 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 provision is not required in respect of the above instance as it is not probable that a future sacrifice of economic benefits will be required.

(h) Fair value estimates of certain financial instruments

The Group carries certain financial assets and liabilities at fair value, which required 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 will differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit or loss/equity.

Notes to the [**Financial** Statements] (continued)

for the year ended 31 December 2012

6. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Factory buildings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Balance carried forward RM'000
Carrying amount					
At 1 January 2012	9,204	36,152	315	261	45,932
Additions	-	216	-	64	280
Disposals/write-offs	-	-	-	-	-
Depreciation charge	-	(812)	(58)	(61)	(931)
At 31 December 2012	9,204	35,556	257	264	45,281
At 31 December 2012					
Cost	9,204	40,627	1,768	1,090	52,689
Accumulated depreciation	-	(5,071)	(1,511)	(826)	(7,408)
Carrying amount	9,204	35,556	257	264	45,281
At 31 December 2011					
Cost	9,204	40,411	1,768	1,026	52,409
Accumulated depreciation	-	(4,259)	(1,453)	(765)	(6,477)
Carrying amount	9,204	36,152	315	261	45,932
Depreciation – 2011	-	772	52	55	879

GROUP	Balance brought forward RM'000	Plant, machinery and tools RM'000	Moulds RM'000	Electrical installation RM'000	Balance carried forward RM'000
Carrying amount					
At 1 January 2012	45,932	14,471	1,384	163	61,950
Additions	280	2,996	154	36	3,466
Disposals/write-offs	-	(19)	(4)	-	(23)
Depreciation charge	(931)	(2,715)	(604)	(40)	(4,290)
At 31 December 2012	45,281	14,733	930	159	61,103
At 31 December 2012					
Cost	52,689	32,285	9,488	334	94,796
Accumulated depreciation	(7,408)	(17,552)	(8,558)	(175)	(33,693)
Carrying amount	45,281	14,733	930	159	61,103
At 31 December 2011					
Cost	52,409	29,330	9,338	298	91,375
Accumulated depreciation	(6,477)	(14,859)	(7,954)	(135)	(29,425)
Carrying amount	45,932	14,471	1,384	163	61,950
Depreciation – 2011	879	2,566	720	35	4,200

6. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	Balance brought forward RM'000	Computers RM'000	Signboards RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Carrying amount						
At 1 January 2012	61,950	550	5	68	2,498	65,071
Additions	3,466	265	-	-	941	4,672
Disposals/write-offs	(23)	(11)	-	-	(18)	(52)
Depreciation charge	(4,290)	(229)	(1)	(17)	(643)	(5,180)
At 31 December 2012	61,103	575	4	51	2,778	64,511
At 31 December 2012						
Cost	94,796	2,545	17	208	6,538	104,104
Accumulated depreciation	(33,693)	(1,970)	(13)	(157)	(3,760)	(39,593)
Carrying amount	61,103	575	4	51	2,778	64,511
At 31 December 2011						
Cost	91,375	2,291	17	208	5,738	99,629
Accumulated depreciation	(29,425)	(1,741)	(12)	(140)	(3,240)	(34,558)
Carrying amount	61,950	550	5	68	2,498	65,071
Depreciation – 2011	4,200	202	1	24	698	5,125

COMPANY	Motor vehicles RM'000
At cost:	
Carrying amount	
At 1 January 2012	544
Depreciation charge	(70)
At 31 December 2012	474
At 31 December 2012	
Cost	649
Accumulated depreciation	(175)
Carrying amount	474
At 31 December 2011	
Cost	649
Accumulated depreciation	(105)
Carrying amount	544
Depreciation - 2011	70

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	GROUP	
	2012	2011
	RM'000	RM'000
Freehold land	9,204	9,204
Freehold buildings	35,556	36,152
	44,760	45,356

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

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Plant and machinery	6,699	4,875	-	-
Motor vehicles	2,499	2,136	474	544
	9,198	7,011	474	544

(d) The cost of plant and equipment under hire purchase instalment plans are:-

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Plant and machinery	2,614	847	-	-
Motor vehicles	941	465	-	-
	3,555	1,312	-	-

(e) Property, plant and equipment stated at valuation had been included in Cost in accordance with the transition exemption provided under MFRS 1 as disclosed in Note 3(c).

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2012	**2011**
	RM'000	RM'000
Unquoted shares, at cost		
At 1 January	24,448	23,948
Acquisition of new subsidiaries	-	500
At 31 December	24,448	24,448
Amount due from subsidiaries	21,441	21,262
	45,889	45,710

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.

The details of subsidiaries are as follows:-

Name of company	**Equity interest held**		**Principal activities**
	2012	**2011**	
Euro Chairs Manufacturer (M) Sdn. Bhd.	100%	100%	Manufacturing and marketing of furniture
Euro Space Industries (M) Sdn. Bhd.	100%	100%	Manufacturing and trading of office furniture, partitions, chairs and panels
Euro Chairs System Sdn. Bhd.	100%	100%	Trading of furniture, furniture fabric materials and other furniture components
Euro Space System Sdn. Bhd.	100%	100%	Trading of office furniture
Euro Chairs (M) Sdn. Bhd.	100%	100%	Holds the industrial designs and trademarks of the Group
Eurosteel System Sdn. Bhd.	100%	100%	Trading of storages and steel furniture
Eurosteel Line Sdn. Bhd.	100%	100%	Manufacturing and trading of steel furniture
Euroland & Development Sdn. Bhd.	100%	100%	Property development

All of the above subsidiaries were incorporated in Malaysia and audited by SSY Partners, a member of Nexia International.

8. LAND HELD FOR DEVELOPMENT

	GROUP	
	2012	**2011**
	RM'000	RM'000
Freehold land and other costs	8,514	7,984

Included in the freehold land and other costs are interest expenses capitalised amounting to RM386,591 (2011: RM146,310).

9. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
At 1 January	2,914	2,684	-	-
Recognised in the statement of comprehensive income (Note 24)	(563)	230	(7)	-
At 31 December	2,351	2,914	(7)	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	5,780	6,383	-	-
Deferred tax liabilities	(3,429)	(3,469)	(7)	-
	2,351	2,914	(7)	-

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

Deferred tax assets of the Group:

	Unutilised reinvestment allowances	Other deductible temporary differences	Unutilised tax losses and capital allowances	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	2,457	180	3,746	6,383
Recognised in the statement of comprehensive income				
- current year	422	52	(1,111)	(637)
- under/(over)provision in prior years	83	51	(100)	34
At 31 December 2012	2,962	283	2,535	5,780
At 1 January 2011	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 years	(113)	5	(92)	(200)
At 31 December 2011	2,457	180	3,746	6,383

9. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Deferred tax liabilities:

	Excess of capital allowances over depreciation	
	GROUP	COMPANY
	RM'000	RM'000
At 1 January 2012	(3,469)	-
Recognised in the statement of comprehensive income		
- current year	81	(1)
- underprovision in prior years	(41)	(6)
At 31 December 2012	(3,429)	(7)
At 1 January 2011	(2,785)	-
Recognised in the statement of comprehensive income		
- current year	(760)	-
- overprovision in prior years	76	-
At 31 December 2011	(3,469)	-

10. INVENTORIES

	GROUP	
	2012	2011
	RM'000	RM'000
At cost:		
Raw materials	10,765	11,853
Work-in-progress	2,834	2,345
Finished goods	2,211	1,545
	15,810	15,743

11. TRADE RECEIVABLES

	GROUP	
	2012	2011
	RM'000	RM'000
Trade receivables	32,429	35,265
Less: Allowance for doubtful debts	(2,038)	(1,901)
	30,391	33,364

11. TRADE RECEIVABLES (continued)

The normal trade credit terms granted to customers ranged from 30 to 90 (2011: 30 to 90) days.

The ageing of trade receivables is as follows:

	GROUP	
	2012	2011
	RM'000	RM'000
Neither past due nor impaired	14,964	21,260
Past due, not impaired		
- 1 to 60 days past due not impaired	7,535	3,115
- 61 to 120 days past due not impaired	4,022	1,416
- 121 to 150 days past due not impaired	648	1,018
- 150 days and above past due not impaired	3,222	6,555
	15,427	12,104
Past due and impaired	2,038	1,901
	32,429	35,265

The Group has trade receivables amounting to RM15,427,542 (2011: RM12,103,961) that are past due but not impaired as there were no significant changes in the credit quality, and the management is confident that the remaining receivables are recoverable as these accounts comprised mainly project related sales which are categorised as creditworthy customers.

The currency exposure profile of trade receivables is as follows:

	GROUP	
	2012	2011
	RM'000	RM'000
Ringgit Malaysia	15,852	26,009
United States Dollar	8,956	5,392
Singapore Dollar	4,710	1,647
Euro	401	316
Sterling Pound	472	-
	30,391	33,364

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Other receivables	141	102	-	-
Deposits	413	457	-	-
Prepayments	903	676	17	22
	1,457	1,235	17	22
Less: Allowance for impairment loss	-	(13)	-	-
	1,457	1,222	17	22

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

13. FORWARD EXCHANGE CONTRACTS

	2012 RM'000			2011 RM'000		
	Contract notional amount	Assets	Liabilities	Contract notional amount	Assets	Liabilities
Non-hedging derivatives						
Current:						
Forward currency contracts	3,558	34	-	4,087	38	-

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 2013 (2011: June 2012).

During the financial year, the Group's recognised a loss of RM4,032 (2011: RM11,703) 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 DEPOSITS WITH LICENCED FINANCIAL INSTITUTIONS

The fixed deposits have been pledged as security for banking facilities granted to a subsidiary.

The fixed deposits as at 31 December 2012 have a maturity period ranging from 3 to 8 (2011: 3) months, bear interest at rates ranging from 2.55% to 3.00% (2011: 2.25% to 2.55%) per annum.

15. SHORT TERM FUNDS

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Redeemable at call	93	92	42	42
Redeemable upon 7-day notice	25	24	25	24
	118	116	67	66

The short term funds represent placements in fixed income trusts with licensed financial institutions, incorporated in Malaysia and bears interest at the rates ranging from 2.07% to 3.05% (2011: 1.93% to 2.93%).

16. SHARE CAPITAL

	GROUP AND COMPANY	
	2012	2011
	RM'000	RM'000
Authorised ordinary shares of RM0.50 each		
100,000,000 ordinary shares at beginning/end of the year	50,000	50,000
Issued and fully paid ordinary shares of RM0.50 each		
81,000,000 ordinary shares at beginning/end of the year	40,500	40,500

17. RESERVES

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Share premium at 1 January/ 31 December	3,844	3,844	3,844	3,844
Distributable:				
Retained earnings				
At 1 January	22,074	21,949	1,951	1,194
Profit for the year	1,472	125	236	757
At 31 December	23,546	22,074	2,187	1,951
	27,390	25,918	6,031	5,795

Effective 1 January 2008, the Company is given an irrecoverable option to elect for the single tier tax system or to continue to use its tax credits 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 are not taxable in the hands of the shareholders. The Company has not elected to move to a single tier tax system.

17. RESERVES (continued)

At the statement of financial position date, subject to the agreement with the Inland Revenue Board, the Company has:

(a) tax credits of approximately RM379,000 (2011: RM379,000) under Section 108(6) of the Income Tax Act, 1967 to frank its retained earnings as dividends of approximately RM1,137,000 (RM1,137,000); and

(b) a balance of RM329,000 (2011: RM329,000) in the tax exempt account to declare tax exempt dividends.

18. BORROWINGS

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
	RM'000	RM'000	RM'000	RM'000
Current				
Bank overdrafts (secured)	12,390	9,999	-	-
Bill payables (secured)	8,004	8,852	-	-
Finance lease liabilities	1,855	1,948	88	83
Term loans (secured)	1,762	1,684	-	-
	24,011	22,483	88	83
Non-current				
Finance lease liabilities	3,114	2,126	150	238
Term loans (secured)	14,402	15,584	-	-
	17,516	17,710	150	238
	41,527	40,193	238	321
Total borrowings				
Bank overdrafts (secured)	12,390	9,999	-	-
Bill payables (secured)	8,004	8,852	-	-
Finance lease liabilities	4,969	4,074	238	321
Term loans (secured)	16,164	17,268	-	-
	41,527	40,193	238	321

The effective interest rates incurred during the financial year for borrowings ranging from 1.98% to 8.35% (2011: 1.98% to 8.15%) per annum.

The bank overdrafts, bankers' acceptances and term loans are secured by the following:

(a) Land and buildings of the Group as disclosed in Note 6;

(b) Land and building of related parties;

(c) All monies facility agreements;

(d) Fixed deposits of RM747,815 (2011: RM241,581) of the Group as disclosed in Note 14;

Notes to the [**Financial** Statements] (continued)

for the year ended 31 December 2012

18. BORROWINGS (continued)

(e) Personal guarantee and indemnity by certain Directors; and

(f) Corporate guarantee by the Company.

Terms of repayment of bank borrowings are as follows:

(a) Bank overdrafts : Repayable on demand

(b) Bill payables : 30 to 150 days

(c) Term loans : 10 to 14 years from drawdown date

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Finance lease liabilities				
Minimum lease payments				
- not later than 1 year	2,094	2,143	99	99
- later than 1 year and not later than 2 years	1,418	1,360	99	99
- later than 2 years and not later than 5 years	1,959	890	57	156
	5,471	4,393	255	354
Less : Future finance charges on finance lease	(502)	(319)	(17)	(33)
Present value of finance lease liabilities	4,969	4,074	238	321
Present value of finance lease liabilities				
- not later than 1 year	1,855	1,948	88	83
- later than 1 year and not later than 2 years	1,274	1,272	93	88
- later than 2 years and not later than 5 years	1,840	854	57	150
	4,969	4,074	238	321
Term loans				
Repayment terms				
- not later than 1 year	1,762	1,684	-	-
- later than 1 year and not later than 2 years	1,885	1,802	-	-
- later than 2 years and not later than 5 years	4,961	5,557	-	-
- later than 5 years	7,556	8,225	-	-
	16,164	17,268	-	-

19. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 (2011: 30 to 90) days.

The currency exposure profile of trade payables is as follows:

	GROUP	
	2012	**2011**
	RM'000	RM'000
Ringgit Malaysia	13,414	16,506
United States Dollar	229	165
	13,643	16,671

20. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
	RM'000	RM'000	RM'000	RM'000
Sundry payables	3,605	3,984	-	-
Deposits received from customers	1,274	2,349	-	-
Amount due to Directors	35	37	15	16
Accruals	1,020	1,518	38	35
	5,934	7,888	53	51

The amount due to Directors which is non-trade in nature, is unsecured, interest free and is repayable on demand.

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	3,929	5,350	53	51
United States Dollar	2,002	2,479	-	-
Euro	3	59	-	-
	5,934	7,888	53	51

21. REVENUE

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

Company
Revenue represents dividend income received and receivable.

22. PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging:				
Allowance for doubtful debts	735	50	-	-
Auditors' remuneration	94	94	20	20
Bad debts written off	598	-	-	-
Depreciation of property, plant and equipment	5,180	5,125	70	70
Finance cost:				
- Bank overdraft interest	244	210	-	-
- Bill payables interest	395	355	-	-
- Finance lease liabilities interest	307	326	16	21
- Term loan interest	1,173	1,155	-	-
Loss on forward exchange contracts	4	12	-	-
Property, plant and equipment written off	12	1	-	-
Rental of forklifts	290	252	-	-
Rental of equipment	17	82	-	-
Rental of premises	198	101	-	-
Staff costs (Note 23)	19,967	18,047	264	301
Unrealised foreign exchange loss	-	30	-	-
and crediting:				
Dividend income	-	-	1,000	1,600
Gain on disposal of property, plant and equipment	18	109	-	-
Interest income	26	14	2	2
Realised foreign exchange gain	382	316	-	-
Unrealised foreign exchange gain	45	-	-	-

23. STAFF COSTS

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Salaries, wages, allowances, overtime, bonus and fees	17,156	15,449	242	278
Employees Provident Fund	1,296	1,029	22	23
Social security contributions	128	121	-	-
Other staff related expenses	1,387	1,448	-	-
	19,967	18,047	264	301

Included in staff costs are Directors' remuneration and senior management remuneration as follows:

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Directors				
Salaries, allowances and bonus	1,757	1,456	32	40
Fees	210	238	210	238
Employee Provident Fund	229	194	22	23
Social security contributions	1	1	-	-
Other emoluments	168	176	-	-
	2,365	2,065	264	301
Estimated monetary value of other benefits received by the Directors	125	136	28	28
Senior management				
Salaries, allowances and bonus	1,289	1,124	-	-
Employee Provident Fund	129	83	-	-
Social security contributions	5	5	-	-
Benefits-in-kind	35	36	-	-
	1,458	1,248	-	-

24. TAXATION

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current year	56	938	162	300
- Under/(overprovision) in prior years	9	(108)	(1)	(96)
	65	830	161	204
Deferred tax (Note 9)				
- Related to origination and reversal of temporary differences	556	(354)	1	-
- Underprovision in prior years	7	124	6	-
	563	(230)	7	-
	628	600	168	204

Reconciliations of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	2,100	725	404	961
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	525	181	101	240
Tax effects of:				
- income not subject to tax	(16)	(1)	-	-
- expenses not deductible for tax purposes	479	412	62	61
- tax incentives from double tax deduction	(38)	(8)	-	-
- deferred tax assets arising from current year's losses not recognised	354	-	-	-
- utilisation of deferred tax assets recognised previously	(692)	-	-	(1)
Under/(over)provision of income tax in prior years	9	(108)	(1)	(96)
Underprovision of deferred tax in prior years	7	124	6	-
Tax expense for the year	628	600	168	204

Subject to agreement with the Inland Revenue Board, the Group has unabsorbed tax losses, unutilised capital allowances and unutilised reinvestment allowances amounting to approximately RM5,955,000 (2011: RM5,424,000), RM4,875,000 (2011: RM9,156,000) and RM24,298,000 (2011: RM23,492,000) respectively for set off against future chargeable income.

24. TAXATION (continued)

Deferred tax assets arising from these unabsorbed tax losses, unutilised capital allowances and unutilised reinvestment allowances amounting to approximately RM3,465,000 (2011: RM3,365,000) have not been recognised in the financial statements as the Directors are uncertain whether future taxable profits will be available for set-off against these unabsorbed tax losses, unutilised capital allowances and unutilised reinvestment allowances.

25. EARNINGS PER SHARE

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

	GROUP	
	2012	**2011**
	RM'000	RM'000
Consolidated profit for the year	1,472	125
Weighted average number of shares of RM0.50 each ('000)	81,000	81,000
Basic earnings per share (sen)	1.82	0.15

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.

26. SIGNIFICANT 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	
	2012	**2011**	**2012**	**2011**
	RM'000	RM'000	RM'000	RM'000
Rental charged by a company in which certain Directors have interests				
Euro Chairs Manufacturer (M) Sdn. Bhd.	22	22	-	-
Euro Space Industries (M) Sdn. Bhd.	11	11	-	-
Euroland & Development Sdn. Bhd.	24	-	-	-

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Subcontractor fees charged by Directors or persons connected to Directors				
Euro Space Industries (M) Sdn. Bhd.	308	306	-	-

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

27. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed 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.

Interest rate sensitivity analysis

i. Fair value sensitivity analysis for fixed rate instrument

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

27. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(a) Interest rate risk (continued)

ii. Interest rate risk sensitivity analysis

If the interest rates have been higher or lower and all other variable 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 borrowing which are not hedged. The following analysis shows the Group's sensitivity to interest rate exposure.

	(Increase)/ decrease in the Group's results 2012 RM'000	(Increase)/ decrease in the Group's results 2011 RM'000
Effects on profit before taxation:		
25 basis points	64	62
50 basis points	128	124
75 basis points	192	186
100 basis points	256	248

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

Credit risks concentration profile

The Group's concentration of credit risks relates to the amounts owing by two (2011: two) major customers which constituted 35% (2011: 22%) of its trade receivables at the end of the reporting period.

27. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(b) Credit risk (continued)

The exposure of credit risks for trade receivables as at the end of the reporting period by geographical region is as follows:

	GROUP	
	2012	**2011**
	RM'000	RM'000
Domestic	15,825	26,009
India	458	1,570
Singapore	4,726	1,647
Bangladesh	5,991	1,686
Europe	1,266	356
Others	2,125	2,096
	30,391	33,364

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

(c) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars, Singapore Dollar, Euro and Sterling Pound.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts. The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

27. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(c) Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

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 is as follows:

	(Increase)/ decrease in the Group's results 2012 RM'000	(Increase)/ decrease in the Group's results 2011 RM'000
Effects on profit before taxation:		
USD		
- strengthened by 5% (2011: 5%)	378	143
- weakened by 5% (2011: 5%)	(378)	(143)
SGD:		
- strengthened by 5% (2011: 5%)	236	82
- weakened by 5% (2011: 5%)	(236)	(82)
EURO:		
- strengthened by 5% (2011: 5%)	20	13
- weakened by 5% (2011: 5%)	(20)	(13)
GBP:		
- strengthened by 5% (2011: Not applicable)	24	Not applicable
- weakened by 5% (2011: Not applicable)	(24)	Not applicable

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

27. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
	RM'000	RM'000	RM'000	RM'000
Total borrowings	41,527	40,193	238	321
Less: Deposits, cash and bank balances	(4,610)	(3,959)	(158)	(190)
Net debt	36,917	36,234	80	131
Total equity	67,890	66,418	46,531	46,295
Debt-to-equity	54.38%	54.55%	0.17%	0.28%

28. SEGMENT REPORTING

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.

28. SEGMENT REPORTING (continued)

For the financial year ended 31 December 2012, the Group's financial information is analysed by operating segments as follows:

	Manufacturing	Property	Investment holding	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2012					
Revenue					
Local	34,599	-	-	-	34,599
Exports	68,573	-	-	-	68,573
	103,172	-	-	-	103,172
Results					
Segment results	5,443	(365)	419	(1,000)	4,497
Finance costs	(2,380)	(1)	(16)	-	(2,397)
Profit/(loss) before taxation	3,063	(366)	403	(1,000)	2,100
Taxation	(710)	-	(168)	250	(628)
Profit/(loss) after taxation	2,353	(366)	235	(750)	1,472
Net assets/ (liabilities) as at 31 December 2012	45,910	(10)	46,531	(24,541)	67,890

	Manufacturing	Property	Investment holding	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2011					
Revenue					
Local	47,822	-	-	-	47,822
Exports	59,254	-	-	-	59,254
	107,076	-	-	-	107,076
Results					
Segment results	3,825	(143)	982	(1,600)	3,064
Finance costs	(2,318)	-	(21)	-	(2,339)
Profit/(loss) before taxation	1,507	(143)	961	(1,600)	725
Taxation	(796)	-	(204)	400	(600)
Profit/(loss) after taxation	711	(143)	757	(1,200)	125
Net assets as at 31 December 2012	44,279	357	46,295	(24,513)	66,418

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment which were satisfied as follows:

	GROUP	
	2012	**2011**
	RM'000	RM'000
Cash payments	1,490	2,092
Finance lease	3,182	1,312
	4,672	3,404

30. CAPITAL COMMITMENTS

	GROUP	
	2012	2011
Capital expenditure		
Approved and contracted but not provided for:		
- Plant and machinery and moulds	-	1,430
- Others	2	35
	2	1,465

31. NON-CANCELLABLE CONTRACTS

At the statement of financial position date, the commitments in respect of non-cancellable operating lease for the rental of properties are as follows:

	GROUP	
	2012	**2011**
	RM'000	RM'000
As lessee		
Future minimum lease payments		
- not later than one year	115	99
- later than 1 year and not later than 2 years	63	45
- later than 2 years and not later than 5 years	33	17
	211	161

32. FAIR VALUES OF THE FINANCIAL INSTRUMENTS

The fair values of the financial instruments of the Group and of the Company as at 31 December 2012 are not materially different from their carrying values.

33. CATEGORIES OF FINANCIAL INSTRUMENTS

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

(a) Loans and receivables [L&R]

(b) Fair value through profit or loss [FVTPL]

(c) Other financial liabilities [OFL]

GROUP	Carrying amount	L&R	FVTPL	OFL
	RM'000	RM'000	RM'000	RM'000
2012				
Non-derivative financial assets				
Trade receivables	30,391	30,391	-	-
Other receivables and deposits	554	554	-	-
Fixed deposits with licensed financial institutions	748	748	-	-
Short term funds	118	118	-	-
Cash and bank balances	3,744	3,744	-	-
	35,555	35,555	-	-
Derivative financial assets				
Forward exchange contracts	34	-	34	-
Non-derivative financial liabilities				
Trade payables	13,643	-	-	13,643
Other payables and accruals	5,934	-	-	5,934
Finance lease liabilities	4,969	-	-	4,969
Bank borrowings	36,558	-	-	36,558
	61,104	-	-	61,104

Notes to the [**Financial** Statements] (continued)

for the year ended 31 December 2012

33. CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

GROUP (continued)	**Carrying amount** RM'000	**L&R** RM'000	**FVTPL** RM'000	**OFL** RM'000
2011				
Non-derivative financial assets				
Trade receivables	33,364	33,364	-	-
Other receivables and deposits	559	559	-	-
Fixed deposits with licensed financial institutions	242	242	-	-
Short term funds	116	116	-	-
Cash and bank balances	3,601	3,601	-	-
	37,882	37,882	-	-
Derivative financial assets				
Forward exchange contracts	38	-	38	-
Non-derivative financial liabilities				
Trade payables	16,671	-	-	16,671
Other payables and accruals	7,888	-	-	7,888
Finance lease liabilities	4,074	-	-	4,074
Bank borrowings	36,119	-	-	36,119
	64,752	-	-	64,752

COMPANY	**Carrying amount** RM'000	**L&R** RM'000	**FVTPL** RM'000	**OFL** RM'000
2012				
Non-derivative financial assets				
Short term funds	67	67	-	-
Cash and bank balances	91	91	-	-
	158	158	-	-
Non-derivative financial liabilities				
Other payables and accruals	53	-	-	53
Finance lease liabilities	238	-	-	238
	291	-	-	291
2011				
Non-derivative financial assets				
Short term funds	66	66	-	-
Cash and bank balances	124	124	-	-
	190	190	-	-
Non-derivative financial liabilities				
Other payables and accruals	51	-	-	51
Finance lease liabilities	321	-	-	321
	372	-	-	372

34. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2012 into realised and unrealised profits is prepared and presented in accordance with the directive of Bursa Malaysia Securities Berhad dated 25 March 2012 and prepared 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 as issued by the Malaysian Institutes of Accountants.

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Retained earnings				
- realised	41,151	39,187	2,187	1,951
- unrealised	2,521	2,985	-	-
	43,672	42,172	2,187	1,951
Less: Consolidation adjustments	(20,126)	(20,098)	-	-
Accumulated profits as per financial statements	23,546	22,074	2,187	1,951

35. SUBSEQUENT EVENT

On 1 March 2013, Eurosteel System Sdn. Bhd., a subsidiary, incorporated in Malaysia, increased its issued and paid up share capital to 330,000 ordinary shares of RM1 each by way of an allotment of 80,000 ordinary shares of RM1 each to a third party. As a result of this allotment, the percentage of shareholdings in Eurosteel System Sdn. Bhd. has been diluted from 100.00% to 75.76%.

36. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Unsecured				
Corporate guarantees given to financial institutions in respect of credit facilities granted to subsidiaries	-	-	84,826	78,044

Analysis of [**Shareholdings**]

As at 23rd April 2013

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

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
1 - 99	5	0.29	277	0.00
100 - 1,000	1,020	58.59	152,702	0.19
1,001 - 10,000	334	19.18	2,123,800	2.62
10,001 - 100,000	306	17.58	12,125,182	14.97
100,001 - 4,049,999	72	4.13	33,488,403	41.34
4,050,000 and above	4	0.23	33,109,636	40.88
Total	1,741	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	15.0
2	Lew Fatt Sin	14,558,851	17.97
3	Dato' Choong Yuen Keong @ Tong Yuen Keong	8,410,000	10.38
4	Law Sim Shee	5,594,596	6.91

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	Dato' Choong Yuen Keong @ Tong Yuen Keong	8,410,000	10.38
4	Law Sim Shee	5,594,596	6.91
5	Lew Hin	357,840	0.44
6	Teh Hock Toh	2,302,101	2.84

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) Berhad 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	Tew Boo Sing	1,346,500	1.66
11	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Hong Teng	1,111,800	1.37
12	Khong Saw Keng	1,015,200	1.26
13	Oh Seng Hong	933,800	1.15
14	Goh Yee Lai & Goh Yee Li	920,000	1.14
15	Chan Siew Kuen	919,700	1.14
16	Tan Soh Gek	911,100	1.12
17	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Teoh Lian Hong	798,500	0.99
18	JF Apex Nominees (Asing) Sdn Bhd Pledged Securities Account for Chiang Ping Chung	610,000	0.76
19	Loh Cheng Fatt	570,000	0.70
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	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Francis Ho Ik Sing	480,900	0.59
23	Jayna Teng Wei Tsuan	399,100	0.49
24	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Hong Ket	371,600	0.46
25	Tan Boo Chuan	370,000	0.46
26	Lee Yuet Chin	362,100	0.45
27	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt An for Phillip Capital Management Sdn Bhd	360,000	0.45
28	Lew Hin	357,840	0.44
29	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Liang Kia	350,000	0.43
30	Ng Gim Tee	311,000	0.38
		58,557,839	72.29

Group [**Properties**]

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 RP3 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 RP2 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	16 years/Freehold	15 years/Freehold	6 years/ Freehold 2 year /Freehold
Net book value as at 31 Dec 2012 (RM'000)	5,831	5,245	12,902 20,781
Year of acquisition/ construction/ revaluation	1996 2004#	1997*	2005/2006 2010

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

Notice of [Annual **General Meeting**]

NOTICE IS HEREBY GIVEN that the Ninth 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 Tuesday, 25 June 2013 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 2012 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' fees amounting to RM210,000 for the financial year ended 31 December 2012. **Resolution 2**

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

   Dato' Sri Mohd Haniff Bin Abd Aziz **Resolution 3**

   Dato' Choong Yuen Keong @ Tong Yuen Keong **Resolution 4**

   Lew Hin **Resolution 5**

   Foong Yein Teng **Resolution 6**

4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 7**

   The auditors, Messrs. SSY Partners and Messrs. Nexia SSY are members of the international network of accountants, Nexia International. Consequently, in a rationalisation exercise, Messrs. SSY Partners will retire at the forthcoming Annual General Meeting and have signified their intention not to continue in office.

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 (a copy of which is annexed and marked as "Annexure A" in the Annual Report 2012) has been received by the Company for the nomination of Messrs Nexia SSY for appointment as Auditors and of the intention to propose the following ordinary resolution:

   "That Messrs Nexia SSY having consented to act, be and are hereby appointed as Auditors of the Company for the financial year ending 31 December 2013 in place of the retiring Auditors, Messrs SSY Partners and to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to determine their remuneration."

Notice of [Annual **General Meeting**] (continued)

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 8,100,000 Shares in the Company, representing ten percent (10%) of the total issued and paid-up share 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 deemed 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 for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties ("Proposed Renewal of RRPT Mandate")

"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 3 June 2013 with the related parties mentioned therein which are necessary for the EURO Group's day-to-day operations, subject further to the following:-

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

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

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

i) the conclusion of the next 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 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 Renewal of RRPT Mandate contemplated and/or authorized by this resolution."

ORDINARY RESOLUTION 4

Proposed retention of Independent Non-Executive Directors

"THAT, in accordance to the Malaysian Code on Corporate Governance 2012, authority be and is hereby given for the following Directors to be retained as Independent Non-Executive Directors after 30 September 2013, being the expiry of nine years since they were appointed on 1 October 2004" until the conclusion of the next AGM of the Company:

Datuk Syed Muhamad Bin Syed Abdul Kadir **Resolution 11**
Ng Wai Pin **Resolution 12**
Pua Kah Ho **Resolution 13**

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: 3 June 2013

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)(a) and (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.

   For the purpose of determining a member who shall be entitled to attend the Ninth AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 18 June 2013. Only a depositor whose name appears on the Record of the Depositor as at 18 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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 Eighth Annual General Meeting held on 27 June 2012 and which will lapse at the conclusion of the Ninth AGM to be held on 25 June 2013.

      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 3 June 2013 which is circulated with the 2012 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 3 June 2013 which is circulated with the 2012 Annual Report.

   d. The proposed Ordinary Resolution 4, if passed, will allow Datuk Dr Syed Muhamad Bin Syed Abdul Kadir, Ng Wai Pin and Pua Kah Ho to be retained and continue acting as Independent Non-Executive Directors of the Company in line with the requirements of Paragraph 3.04 of the Main LR and recommendation No 3.2 of the Malaysian Code of Corporate Governance 2012. The full details of the Board's justifications and recommendations for the retention of Datuk Dr Syed Muhamad Bin Syed Abdul Kadir, Ng Wai Pin and Pua Kah Ho are set out on page 17 and page 18 of the Statement on Corporate Governance in the 2012 Annual Report.

[Annexure **A**]

Date: 25 April 2013

The Board of Directors
EURO HOLDINGS BERHAD
Suite 1603, 16th Floor
Wisma Lim Foo Yong
No. 86 Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs

EURO HOLDINGS BERHAD ("Company")

NOTICE OF NOMINATION OF MESSRS NEXIA SSY AS AUDITORS

I, being the major shareholder of EURO Holdings Berhad, hereby give notice pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Messrs Nexia SSY as Auditors of the Company in place of the retiring auditors and of our intention to propose the following as an ordinary resolution to be tabled at the forthcoming Ninth Annual General Meeting:

"That Messrs Nexia SSY having consented to act, be and are hereby appointed as Auditors of the Company for the financial year ending 31 December 2013 in place of the retiring Auditors, Messrs SSY Partners and to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to determine their remuneration."

Yours faithfully,

(Lew Fatt Sin)

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[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 Ninth 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 Tuesday, 25 June 2013 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 2012		
RESOLUTION 2	Re-election of Dato' Sri Mohd Haniff Bin Abd Aziz		
RESOLUTION 3	Re-election of Dato' Choong Yuen Keong @ Tong Yuen Keong		
RESOLUTION 4	Re-election of Lew Hin		
RESOLUTION 5	Re-election of Foong Yein Teng		
RESOLUTION 6	Approval of the payment of Directors' fees		
RESOLUTION 7	Appointment of Auditors		
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 for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties		
RESOLUTION 11	Proposed retention of Datuk Dr Syed Muhamad Bin Syed Abdul Kadir as Independent Non-Executive Director of the Company		
RESOLUTION 12	Proposed retention of Ng Wai Pin as Independent Non-Executive Director of the Company		
RESOLUTION 13	Proposed retention of Pua Kah Ho as Independent Non-Executive Director of the Company		

Signed this_______________ day of ___________________ 2013

____
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)(a) and (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

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AFFIX
STAMP

THE COMPANY SECRETARY
EURO HOLDINGS BERHAD (646559-T)
Suite 1603, 16th Floor
Wisma Lim Foo Yong
No. 86 Jalan Raja Chulan
50200 Kuala Lumpur

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EURO

inspiration at work

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

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www.eurosteelline.com