EURO
EURO Holdings Berhad
(646559-T)

40 INSPIRING YEARS

ANNUAL REPORT 2016

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.

Cover Rationale

The embodiment of passion, power, and prosperity, the fiery ruby has been chosen to mark the past 40 inspiring years from EURO. The jewel also shares the same origin as many of EURO's assets; from the metal and wood used to manufacture our cabinets and chairs, to our property development projects, they are all precious elements we source responsibly from the earth.

It is a celebration to usher in a new beginning as we turn the page from our past, move forward from the present, and into the future, with the promise of more great things to come.

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corporate INFORMATION

BOARD OF DIRECTORS

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

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong
Group Managing Director

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

Dato' Tong Yun Mong
Executive Director

Dato' Kevin Sathiaseelan A/L Ramakrishnan
Independent Non-Executive Director

Tan Poh Ling
Independent Non-Executive Director

AUDIT COMMITTEE

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
Chairman

Dato' Kevin Sathiaseelan A/L Ramakrishnan
Member

Tan Poh Ling
Member

REMUNERATION COMMITTEE

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
Chairman

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong
Member

Dato' Tong Yun Mong
Member

Dato' Kevin Sathiaseelan A/L Ramakrishnan
Member

Tan Poh Ling
Member

NOMINATION COMMITTEE

Tan Poh Ling
Chairperson

Dato' Sri Mohd Haniff Bin Abd Aziz
Member

Dato' Kevin Sathiaseelan A/L Ramakrishnan
Member

COMPANY SECRETARIES

Tan Tong Lang - **MAICSA 7045482**
Chong Voon Wah - **MAICSA 7055003**

REGISTERED OFFICE

Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone No: (603) 2279 3080
Fax No: (603) 2279 3090
Email Address: admin@boardroom.com.my

HEAD OFFICE

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Lot 21, Jalan RP3
Rawang Industrial Estate
48000 Rawang, Selangor Darul Ehsan
T : (603) 6092 6666
F : (603) 6092 5000
Email : corporate@eurochairs.com
Website: www.euroholdings.com.my

AUDITORS

Nexia SSY (A.F. 2009)
SSY Building @ Sentral
Level 1, 2A Jalan USJ Sentral 3
USJ Sentral, Persiaran Subang 1
47620 Subang Jaya
Selangor Darul Ehsan
T: (603) 8025 9793
F: (603) 8025 9803

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
T : (603) 2783 9299
F : (603) 2783 9222

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd
Hong Leong Bank Berhad
AmBank (M) Berhad

STOCK EXCHANGE LISTING

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

EURO Holdings Berhad
(646559-T)

corporate STRUCTURE

Holding	Subsidiary
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 (890287-M)
75.76%	**ES** Eurosteel System Sdn Bhd (885526-M)
100%	**Euroland** Euroland & Development Sdn Bhd (936529-K)

board of DIRECTORS

Clockwise from Top Center:

1. Dato' Tong Yun Mong
2. Dato' Kevin Sathiaseelan A/L Ramakrishnan
3. Dato' Sri Mohd Haniff Bin Abd Aziz
4. Tan Poh Ling
5. Datuk Dr Syed Muhamad Bin Syed Abdul Kadir
6. Dato' Sri Choong Yuen Keong @ Tong Yuen Keong

Dato' Sri Mohd Haniff bin Abd Aziz

Chairman, Independent Non-Executive Director — *Malaysian, Male, Aged 63*

Dato' Sri Mohd Haniff bin Abd Aziz was appointed to the Board on 1 October 2004 as Chairman of EURO. He joined the Board of EURO as a Non-Independent Non-Executive Director and was re-designated as Independent Non-Executive Director on 15 May 2015. He is also a member of the Nomination Committee of EURO.

Dato' Sri Mohd Haniff graduated from University of Malaya with the degree of Bachelor of Economics (Honours) in year 1975. He has served the Ministry of International Trade and Industry (MITI) for 19 years until his early retirement in 1994. During his tenure at MITI, he was the 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, then to Thailand until 1991. He has also served as the Director of the Malaysian External Trade Development Corporation from 1991 to 1994. At present, Dato' Sri Mohd Haniff also sits on the Board of Directors of Jerasia Capital Berhad.

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong

Group Managing Director — *Malaysian, Male, Aged 57*

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong was appointed as a 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. On 23 October 2014, he was appointed as the Group Managing Director of EURO. He is also member of the Remuneration Committee of EURO.

Dato' Sri Choong started his career in construction site management and after eleven years, he moved on to property development, where he served for more than 20 years. With his wealth of experience in civil engineering, building construction and property development, at present, he was the owner of several property development companies. Spearheading the reputable Beverly Heights project in Kuala Lumpur since 2003, Dato' Sri Choong also ventures into a similar prestigious project in Penang which offers state-of-the-art living conditions, characterized by ultra-modern facilities. He is not a Director of any other public listed company. He is the sibling of Dato' Tong Yun Mong who is the Executive Director and a substantial shareholder of EURO.

Dato' Tong Yun Mong

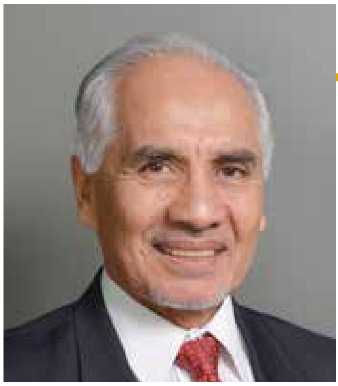
Executive Director — *Malaysian, Male, Aged 62*

Dato' Tong Yun Mong was appointed as the Executive Director of EURO on 23 October 2014. He is also a member of Remuneration Committee of EURO.

Dato' Tong has more than 20 years of experience in property development, building construction, civil engineering works, earthworks and transportation of ready mix concrete plant. Besides his operational experience, he has served as an Independent Non-Executive Director of a local public listed company from 1999 to 2012. At present, Dato' Tong also sits on the Board of Directors of various property development companies.

Dato' Tong is not a Director of any other public listed company. He is the sibling of Dato' Sri Choong Yuen Keong who is the Group Managing Director and a substantial shareholder of EURO.

directors' PROFILES
(continued)



Datuk Dr Syed Muhamad Bin Syed Abdul Kadir
Independent Non-Executive Director *Malaysian, Male, Aged 70*

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir was appointed as the Independent Non-Executive Director of EURO on 1 October 2004. He is also the Chairman of the Audit Committee and Remuneration Committee of EURO.

Datuk Dr. Syed Muhamad graduated with a Bachelor of Arts degree from 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 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. Subsequently, he became a fellow member of the Institute in May 2012.

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 prior to his appointment as Deputy Director (Academic). In November 1988, he joined the Ministry of Education as Secretary of Higher Education and 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, initially as an Alternate Executive Director and later as an Executive Director. Datuk Dr. Syed Muhamad then joined the Ministry of Finance as Secretary of Tax Analysis Division and later became the Deputy Secretary (Operations). Prior to his retirement, he was the Secretary General in the Ministry of Human Resource.

Datuk Dr. Syed Muhamad is the Chairman of CIMB Islamic Bank Berhad, Sun Life Malaysia Assurance Berhad and Sun Life Malaysia Takaful Berhad. He is also a Director of Solution Engineering Holdings Berhad, BSL Corporation Berhad, Malakoff Corporation Berhad and ACR ReTakaful SEA Berhad. He also sits on the Board of several private limited companies.

Dato' Kevin Sathiaseelan A/L Ramakrishnan
Independent Non-Executive Director *Malaysian, Male, Aged 42*

Dato' Kevin Sathiaseelan A/L Ramakrishnan was appointed as an Independent Non-Executive Director of EURO on 23 October 2014. Dato' Kevin is presently a member of the Audit Committee, Nomination Committee and Remuneration Committee of EURO.

Dato' Kevin is a practicing lawyer and has been in active practice since 2001. He also lectures law in higher learning institutions and is an author of several law texts. He is not a Director of any other public listed company.

Tan Poh Ling
Independent Non-Executive Director *Malaysian, Female, Aged 46*

Tan Poh Ling was appointed as an Independent Non-Executive Director of EURO on 21 January 2009. She is the Chairperson of Nomination Committee and a member of Audit Committee and Remuneration Committee of EURO.

Ms. Tan obtained her professional qualification from Malaysian Association of Certified Public Accountant while she was working with an international accounting firm, PriceWaterhouse Coopers Malaysia, from 1990 to 1995. She is registered as a Chartered Accountant with the Malaysian Institute of Accountants and Certified Public Accountant with Malaysian Institute of Certified Public Accountants. She is also a Financial Planner with the Financial Planning Association of Malaysia and an associate member of the Chartered Tax Institute of Malaysia.

Ms. Tan has more than 20 years of experience in auditing, accounting, taxation and corporate finance, and has worked in a multinational corporation. She is currently the Managing Partner of Total International Associates (formerly known as TPL & Associates), an auditing and business advisory firm which she established in 2004. She is not a Director of any other public listed company.

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 5 years.
3. There is no sanction or penalty imposed on the Directors by relevant regulatory bodies.

Mr. Thomas Tong Kah Hoe
Group Chief Operating Officer

Mr. Tong Kah Hoe, a Malaysian aged 51, was appointed as Group Chief Operating Officer in October 2014. He has extensive experience in construction and security with management skills gained from overseas experience for 12 years. Mr. Thomas Tong is in charge and responsible for overall group operations and strategies as well as new business development. He is the nephew of Dato' Sri Choong Yuen Keong @ Tong Yuen Keong and Dato' Tong Yun Mong.

Mr. Tan Boo Chuan
Chief Executive Officer of Manufacturing Division

Mr. Tan Boo Chuan, a Malaysian aged 50, was appointed Chief Executive Officer (Manufacturing Division) in October 2015. He joined EURO in May 2014 as the General Manager, Operations before the re-designation.

Mr. Tan started his career in banking in 1986. In his 28 years of experience in the banking industry, he has held various senior positions in the areas of human resource, strategic planning and business transformation. Mr. Tan holds an International Diploma in Computer Studies from The National Centre for Information Technology, UK.

Mr. Poo Shea Choon
Chief Financial Officer

Mr. Poo Shea Choon, a Malaysian aged 41, was appointed as Chief Financial Officer in January 2016. He is a Chartered Accountant with Malaysian Institute of Accountants and fellow member of the Association of Chartered Certified Accountants. Mr. Poo is in charge of the Group's accounting and finance function. Prior to joining EURO, he has more than 16 years of experience in audit, corporate finance, financial management and reporting gained from accounting firms and commercial companies.

NOTES :
Save as disclosed above, none of the Key Senior Management has:
- Any directorship in public companies and listed issuers;
- Any family relationship with any director and/or major shareholder of the Company;
- Any conflict of interest with the Company;
- Any conviction for offences within the past 5 years other than traffic offences, if any; and
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S statement

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

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Euro Holdings Berhad ("EURO"), I am pleased to present to you the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2016 ("FY2016").

ECONOMY & INDUSTRY REVIEW

Encouraged by continued expansion in private sector expenditure, the Malaysian economy grew by 4.5% in the fourth quarter, bringing the full year's growth to 4.5% for 2016. Major economic sectors, namely services, manufacturing, mining and construction, expanded during the year.

According to the Malaysia External Trade Development Corporation (MATRADE), Malaysia's total trade for 2016 grew by 1.5% to reach RM1.485 trillion, compared to RM1.463 trillion in the previous year. Exports rose by 1.1% to RM785.93 billion despite uncertainties in the global economic environment, led by the manufactured and agricultural products sector. In 2016, Malaysia exported RM10.7 billion worth of furniture related products, a 2.8% increase from the year before. Our nation remains as the tenth largest exporter of furniture in the world, exporting 80% of our production.

CORPORATE DEVELOPMENT

On 25 May 2016, the approval granted by Bursa Securities vide its letter dated 26 May 2015 for Private Placement had lapsed and none of the Placement Shares were placed out. This marked the completion of the entire Multiple Proposal announced by EURO on 29 April 2015.

FINANCIAL OVERVIEW

The profit after taxation ("PAT") of FY2016 registered at RM3.8 million, an increase of RM1.3 million from RM2.5 million in the previous year. The higher PAT was attributed to improved profit margin and lower taxation resulting from recognition of deferred tax assets.

Earnings per share of FY2016 was 1.40 sen as compared to 0.88 sen of the previous year attributed to the higher PAT. The shareholders' equity as at 31 December increased to RM74.0 million from RM70.6 million of the previous year.

MARKETING

EURO made its annual participation at the Malaysian International Furniture Fair (MIFF) 2016 at Putra World Trade Center in Kuala Lumpur in March, where we showcased a collection of EURO's best selling and award winning products from the past 40 years. EURO won the first prize in the Best Presentation Award of Bare Space Booth Category.

In March 2016, EURO has officially launched **Damai Vista** condominium, our maiden property development project located in Alam Damai, Cheras. The construction works of the project are progressing according to schedule.

In October 2016, EURO was featured at another world-stage exhibition in Cologne, Germany by participating in ORGATEC, an international trade fair that provided new perspectives, inspiring concepts and market leading solutions for working environment. More than 600 exhibitors from 40 countries participated in the event and attended by more than 50,000 visitors from 118 countries. We took the opportunity to display our range of products as well as highlighted our newly designed chair to be launched in 2017.

Participation in exhibitions and trade fairs is critical in our strategic marketing plan to meet potential buyers that ultimately translate to more sales. Generally, an average of 5% of our annual revenue is generated from such leads.

CHAIRMAN'S statement
(continued)

OUTLOOK & PROSPECTS

Going forward, the global economy is expected to remain on a moderate growth path. According to the International Monetary Fund's latest World Economic Outlook Update in January 2017, the world economic growth is expected to pick up to 3.4% in 2017 from 3.1% of the year before. The pickup in global growth, improvement in commodity prices and acceleration in infrastructure investment are expected to lift ASEAN-5's growth to 4.9% in 2017. India is expected to continue its economic recovery with a growth of 7.2% in 2017.

Back to our home front, Malaysia's real GDP growth is expected to grow at 4.5% in 2017, facilitated by sustained consumer spending, faster growth in public and private investments, and pick up in Government consumption expenditure.

The outlook augurs well with EURO's continued focus in these regions and with our dedicated team, we will remain resilient to make EURO better and stronger in the ever competitive market.

DIVIDENDS

The Board of Directors ("the Board") does not recommend any payment of dividend for the year ended 31 December 2016 to conserve cash for working capital requirements and expansion plans of the Group.

APPRECIATION

On behalf of the Board, I wish to extend our heartfelt gratitude to our suppliers, contractors, bankers and valued shareholders for their invaluable support and also to the relevant government authorities for their continued guidance and assistance. Not forgetting also our sincere appreciation to our valued customers and clients who have placed their trust and confidence in EURO.

To the management and staff, I would like to acknowledge their dedicated service and hard work throughout the year. I am confident that they will continue to push forward to face the challenges ahead.

Finally, my gratitude to my fellow Board members for their commitment and invaluable contribution. May we continue to work hand in hand in driving the business forward and promote a sustainable growth for EURO.

Dato' Sri Choong Yuen Keong
@ Tong Yuen Keong
Group Managing Director

MANAGEMENT DISCUSSION and ANALYSIS

MANAGEMENT DISCUSSION and ANALYSIS
(continued)

GENERAL DESCRIPTION OF THE GROUP'S BUSINESS

The Group is principally involved in manufacturing and trading of office furniture as well as property development. The Manufacturing Division started in 1976 and has grown over the 40 years to be one of the leading office furniture manufacturers in Malaysia, providing workspace solutions to customers nationwide and internationally. The Manufacturing Division owns and operates three manufacturing plants in Rawang, Selangor.

The Group diversified into property development business in recent year to broaden its revenue base and has launched its maiden property development project, **Damai Vista** condominium, in the current year.

REVENUE

The Group's revenue for the year ended 31 December 2016 ("FY2016") was RM84.3 million, a decrease of RM8.2 million or 9% as compared to RM92.5 million reported in the previous year. The lower revenue was mainly due to stiff competition from seating and steel products, especially in the domestic market coupled with lower project volume for system furniture products in the export market. However, the decrease in revenue from the aforementioned markets was partially mitigated by higher revenue generated from OEM/ODM products.

COST AND EXPENSES

Total cost and expenses before finance cost for FY2016 amounted to RM79.8 million, a decrease of RM7.6 million as compared to RM87.4 million reported in the previous year. The decrease was mainly attributable to the following items:

(a) Cost of sales decreased by RM7.9 million to RM55.8 million as compared to RM63.7 million reported in the previous year, the lower cost was in tandem with the lower revenue while average gross profit margin improved from 31.1% to 33.7%.

(b) Administrative expenses increased by RM0.7 million to RM12.9 million as compared to RM12.2 million reported in the previous year. The increase was mainly due to the increase of RM1.4 million in net allowance for doubtful debts and bad debts written off, partially mitigated by lower other administrative expenses of RM0.7 million derived from cost saving initiatives implemented. Allowance for doubtful debts of RM2.0 million were made in FY2016 on debts overdue for more than 12 months. More stringent credit control measures have been implemented in 2017 to mitigate similar risk and the Management is following up closely with the relevant customers for recovery.

(c) Selling and distribution expenses decreased by RM0.4 million to RM11.2 million as compared to RM11.6 million reported in the previous year, mainly due to decrease in variable expenses directly related to revenue.

OTHER INCOME

Other income for FY2016 was RM1.4 million, an increase of RM0.7 million as compared to RM0.7 million reported in the previous year mainly attributable to higher foreign exchange gains of RM0.6 million resulting from strengthening of foreign currencies against the local currency.

FINANCE COST

Interest expense and other finance costs for FY2016 was RM1.7 million and RM0.2 million respectively, both maintained at the same level as reported in the previous year.

TAXATION

The Group's tax expense for FY2016 was RM0.03 million as compared to RM1.3 million reported in the previous year. The lower taxation was mainly attributable to recognition of RM1.0 million deferred tax assets in the current year.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the company for FY2016 was RM3.4 million, an increase of RM1.3 million as compared to RM2.1 million reported in the previous year, mainly due to higher profit after tax.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalent of the Group increased by RM4.4 million, from negative RM4.6 million as at 31 December 2015 to negative RM0.2 million as at 31 December 2016. The increase was mainly attributable to the followings:

(a) Net cash used in operating activities of RM13.1 million mainly for financing the property development cost incurred during the year.

(b) Net cash used in investing activities of RM0.6 million mainly for purchase of plant and equipment by the Manufacturing Division.

(c) Net cash generated from financing activities of RM17.8 million mainly from drawdown of bank loans for financing the property development cost.

MANAGEMENT DISCUSSION and ANALYSIS
(continued)

GEARING

The gearing ratio of the Group as at 31 December 2016 was 53% as compared to 35% as at 31 December 2015, the increase was due to higher borrowings during the current year for financing the property development cost. The gearing ratio is calculated as net debt divided by total equity. Net debt, which is calculated as total borrowings less deposits, short term funds, cash and bank balances.

ASSETS

Total assets of the Group as at 31 December 2016 was RM157.3 million as compared to RM126.5 million as at end of last year. The increase of RM30.8 million was mainly attributable to the movement of the following assets:

(a) Property development cost increased by RM36.2 million in line with construction works of **Damai Vista** Project progressed. During FY2016, finance cost of RM1.0 million (2015: RM0.4 million) was capitalised as property development cost by the Group.

(b) Property, plant and equipment decreased by RM4.1 million mainly due to current year depreciation of RM4.9 million.

(c) Trade receivables decreased by RM4.0 million due to increase in allowance for doubt debts of RM1.2 million coupled with lower revenue in current year, while gross debtor turnover days maintained at the similar level as the previous year.

LIABILITIES

Total liabilities of the Group as at 31 December 2016 was RM82.4 million as compared to RM55.4 million as at end of last year. The increase of RM27.0 million mainly attributable to the movement of the following liabilities:

(a) Bank loans increased by RM21.4 million mainly due to drawdown of banking facilities during the year to finance the property development cost.

(b) Trade and other payables increased by RM10.0 million mainly due to the increase in property development activities during the year.

(c) Bank overdraft decreased by RM2.9 million mainly due to full repayment of overdraft facility by Property Division in accordance with facilities agreement with bank.

OPERATION REVIEW

The Group's profit before interest and tax ("PBIT") maintained at RM5.5 million, the same level as in the previous year.

<u>Manufacturing Division</u>

Manufacturing Division's PBIT of FY2016 was at RM7.9 million, an increase of RM0.5 million as compared to RM7.4 million reported in the previous year despite a lower revenue was generated. This was mainly attributable to average gross margin improved through enhanced efficiency and effective management of operating costs.

The Management has tracked and monitored the cost of production and foreign currency fluctuations in 2016 and developed a competitive product pricing strategy, taking into consideration of overall market competition.

The Product Committee has been having monthly meetings with two key objectives of improving the quality of existing products and brainstorming for new products. In 2016, the quality of existing products have been enhanced significantly with almost all product issues limited to orders prior to 2016.

In less than the normal gestation period of 24 months for a new product, a newly designed chair has been developed and showcased at the ORGATEC exhibition held in Cologne, Germany in October 2016. The new chair was officially launched in the MIFF 2017 exhibition in March 2017 and commercially available for sale thereafter.

OPERATION REVIEW (continued)

Property Division

Property Division loss before interest and tax was recorded at RM1.2 million as compared to RM1.1 million reported in the previous year. The increase of RM0.1 million was mainly due to higher selling and distribution expenses incurred during the year for the launching and marketing of **Damai Vista** Project, while revenue from the project is yet to be recognised in line with the revenue recognition policy complied with existing applicable accounting standards.

Damai Vista Project was officially launched in March 2016, the residential development project features 322 units of freehold condominium strategically located in Alam Damai, Cheras. This maiden property development project of the Group is managed by experienced team with proven track record in the property development industry.

LOOKING FORWARD

Sales growth for the Manufacturing Division will remain focused on export market as the Management targets to capture the dormant businesses of existing export markets recovering from their economic situations in the past years.

India shall remain as one of the key market and the economic recovery in India since 2015 is expected to continue into 2017. India will introduce GST starting third quarter of 2017, it would have a significant impact on international trade of goods through the change in customs duty computation. The business community is awaiting details of change in customs and foreign trade policy as a consequence to introduction of GST.

Continuous efforts would be made to increase sales in the ASEAN region, especially Singapore, Vietnam and Thailand. Sales to customers in Indonesia and The Philippines are expected to improve in 2017, although sales had declined in FY2016.

The ODM programme launched in 2014 has resulted in consistent orders for office chairs and revenue growth from this market is expected to continue in 2017. With the capabilities to produce furniture components, OEM/ODM business is an added contribution to the Group with minimal capital cost outlay. The Management will continue to develop the OEM/ODM markets with existing customers from Japan.

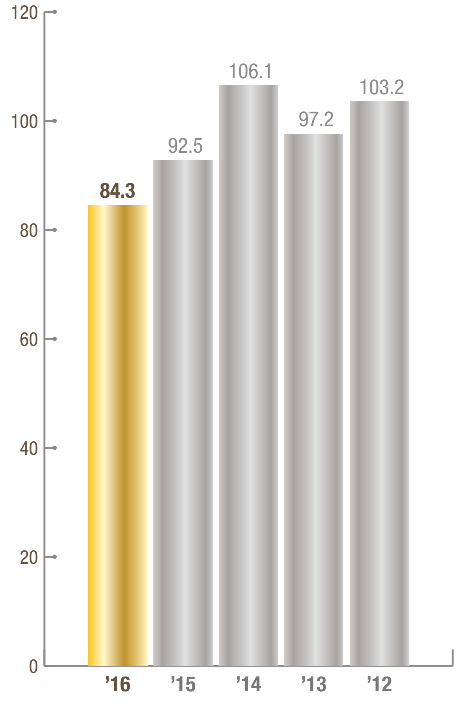
Outlook of local property sector is challenging in the year ahead given the current economic environment and property related policies. The Management is focused on marketing **Damai Vista** Project and managing the construction progress to handover the project on time. With the wealth of industry experience and the long term prospect of the property market, the Management is confident that the Group will weather the short term uncertainties in the property sector.

Pressure on the Malaysia Ringgit is expected to continue into 2017 leading to higher cost of raw materials and final products. The Management will continue its efforts in improving production efficiency with focus on safety and health of the staff. Additional processes were implemented in all areas of production to improve productivity. Continuous process improvement will be introduced to minimise material wastage and optimise operational efficiencies.

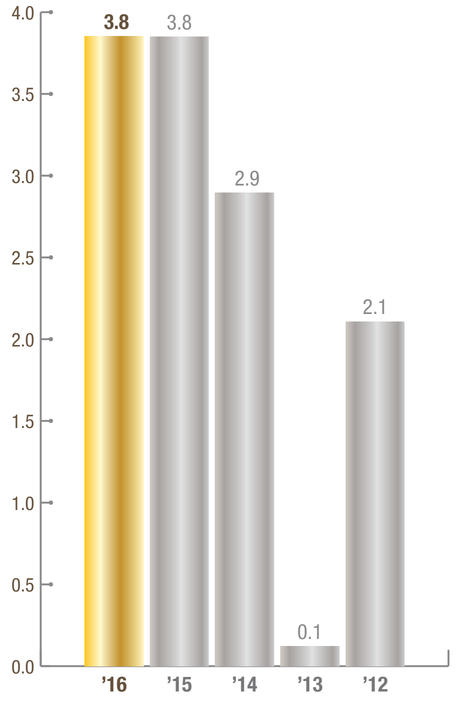
Measures taken in the FY2016 has generated steady earnings for the Group and the Management will maintain similar approach going forward.

group FINANCIAL HIGHLIGHTS

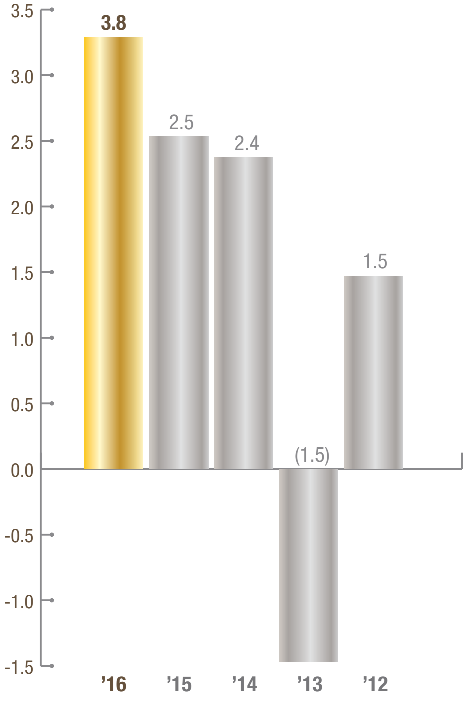
Revenue (RM' million)



Profit before taxation (RM' million)



Profit after taxation (RM' million)



	2016	2015	2014	2013	2012
OPERATING RESULTS (RM'000)					
Revenue	**84,265**	92,487	106,113	97,215	103,172
EBITDA	**10,454**	10,830	9,974	7,329	9,399
PBT/(Loss) before taxation	**3,838**	3,836	2,884	121	2,100
(Loss)/PAT after taxation	**3,812**	2,532	2,372	(1,468)	1,472
Net profit attributable to equity holders	**3,412**	2,147	2,409	(1,630)	1,472
KEY DATA OF STATEMENT ON FINANCIAL POSITION (RM'000)					
Total assets	**157,329**	126,517	120,308	123,939	129,059
Net borrowings	**39,840**	25,056	24,818	34,469	36,917
Shareholders' equity	**74,012**	70,600	68,769	66,360	67,890
SHARE INFORMATION & KEY FINANCIAL RATIOS					
Return on equity (%)	**5.15**	3.59	3.45	(2.21)	2.17
Return on total assets (%)	**2.42**	2.00	1.97	(1.18)	1.14
Gearing ratio (times)	**0.54**	0.35	0.36	0.52	0.54
Interest cover (times)	**3.24**	3.31	2.59	1.06	1.99
Number of Ordinary Shares In Issue ('000)	**243,000**	243,000	81,000	81,000	81,000
PE ratio (times)	**14.60**	28.30	18.49	(18.63)	15.96
Earnings per share attributable to equity holders (sen)	**1.40**	0.88	2.97	(2.01)	1.82
Net asset per share (sen)	**30.46**	29.05	84.90	81.93	83.81
Share price as at financial year end (sen)	**20.5**	25.0	55.0	37.5	29.0

The Board of Directors ("the Board") of Euro Holdings Berhad ("EURO" or the "Company") believes that good corporate governance is fundamental to ensure 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 and its subsidiary companies (the "Group"), as a fundamental part of discharging the Board responsibilities to create and enhance economic value for shareholders as well as other stakeholders.

This statement sets out the commitment and describes how the Group has applied the principles towards the following guides:

- Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities");
- Malaysian Code on Corporate Governance 2012 ("MCCG 2012"); and
- Second Edition of Corporate Governance Guide issued by Bursa Securities.

Save where otherwise identified specifically, EURO has complied with the above-mentioned requirements and/or guides throughout the financial year under review.

SECTION 1: THE BOARD OF DIRECTORS

The Board is collectively responsible for promoting the success of 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 MCCG 2012. 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.

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 Company's and Group's corporate strategy and adopting a strategic plan for the Company through the development of risk policy, annual budgets and long range business plans, reviewing major capital expenditures, 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 systems and management information system are in compliance with the applicable standards, laws and regulations;
- 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 calibre of the Non-Executive Directors bring an independent judgment in the decision making process;
- ensuring a proper succession plan is in place;
- monitoring material litigations (if any);
- approving all financial reports to be published and related stock exchange announcements;
- monitoring other material reporting and external communications by the Group;

SECTION 1: THE BOARD OF DIRECTORS (continued)

Duties and Responsibilities of the Board (continued)

- approving the dividend policy and payment of dividends;
- appointing external auditors (subject to shareholder's approval); and
- evaluating and reviewing the social, ethical and environmental impact of the Group's activities and determining, monitoring and reviewing standards and policies to guide the Group in this regard.

Board Charter

The Company has formalised a Board Charter which sets out a list of specific roles and functions which are reserved to the Board and other matters that are important for good corporate governance. The Board Charter also stated that the Board shall observe the Directors' Code of Best Practice.

The Board Charter will be periodically reviewed and updated to take into consideration the needs of the Company as well as development in rules and regulations that may have an impact on the Board's responsibilities. The Board Charter is accessible through the Company's website at *www.euroholdings.com.my*.

Composition and Balance

The current Board consists of an Independent Non-Executive Chairman, a Group Managing Director, an Executive Director and three (3) Independent Non-Executive Directors. The Company complies with the criteria of the MMLR of Bursa Securities, of having at least one third or two of the Board members as Independent Non-Executive Directors. The profile of each Director is presented on page 5 to 6 of this Annual Report.

The Board believes that the current composition and size is adequate to discharge its duties and responsibilities effectively and competently. The Board members have diverse professional and entrepreneurial background, varied skills and experiences. The Independent Non-Executive Directors provide the necessary check and balance in the Board's exercise of its functions and independent evaluation of the Board's decision making process. The Board has a female representative in accordance with the recommendation of the MCCG 2012 with regards to female representation.

The Board recognises the importance of a clear division of roles and responsibilities at the head of the Group to ensure a balance of power and authority. The Non-Executive Chairman is primarily responsible for orderly conduct and effective running of the Board, whilst the executive Directors are responsible for the business direction and development of the operating units, organisational effectiveness and implementation of the Board's policies and decisions with the management team oversees the Group's day-to-day operations.

Annual Assessment of Independence

The Company currently has four (4) Independent Directors. All Independent Directors have provided an annual confirmation of their independence to the Board. During the financial year under review, the Board had assessed the contribution and performance of the Independent Non-Executive Directors. The Board was satisfied that none of the Independent Directors had any relationships that could materially interfere with, or perceived to materially interfere with their unfettered and independent judgement and ability to act in the best interest of the Company.

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir was appointed as Independent Non-Executive Director since 1 October 2004. Pursuant to Recommendation 3.2 of MCCG 2012, he has served as an Independent Director of EURO for a cumulative period of more than nine (9) years.

Pursuant to Recommendation 3.3 of MCCG 2012, and notwithstanding his 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 possesses the attributes necessary in discharging his role and functions as an Independent Director of the Company and that his independence has not been compromised or impaired in any way after having noted that during his tenure in office:

SECTION 1: THE BOARD OF DIRECTORS (continued)

Annual Assessment of Independence (continued)

- he exercises due care in all undertakings of the Group and in his fiduciary duties in the interest of the Company and minority shareholders;

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

- he has never transacted or entered into any transactions with, nor provided any service to the Group, within the scope and meaning set forth under Paragraph 5 of Practice Note 13 of the MMLR; and

- he has 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 him by the Company.

Accordingly, the Board recommends to retain Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir as an Independent Non-Executive Director of the Company despite the expiry of his nine (9) years tenure in office and will be proposing an Ordinary Resolution to the shareholders at the forthcoming Annual General Meeting for the said purpose.

The independence assessment of the Board shall be performed on an annual basis.

Board Meetings

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. During the financial year under review, the Board met a total of six (6) times. The attendance of the Directors who held office during the financial year is set out below:

Name of Directors	Attendance at meeting	Percentage of Attendance
Dato' Sri Mohd Haniff Bin Abd Aziz	6/6	100%
Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	6/6	100%
Dato' Tong Yun Mong	6/6	100%
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	6/6	100%
Dato' Kevin Sathiaseelan A/L Ramakrishnan	5/6	83%
Tan Poh Ling	6/6	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.

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.

SECTION 1: THE BOARD OF DIRECTORS (continued)

Appointment of Directors

The Nomination Committee is responsible for recommending to the Board suitable candidate(s) for appointment as new Director. 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 MMLR, 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 calibre 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 Group during the financial year ended 31 December 2016 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	-	835	183	52	1,070
Non-Executive Directors	246	36	-	9	291
Total	246	871	183	61	1,361

Remuneration bands

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
RM1-RM50,000	-	1	1
RM50,001-RM100,000	-	2	2
RM100,001-RM150,000	-	1	1
RM450,001-RM500,000	1	-	1
RM550,001-RM600,000	1	-	1
Total	2	4	6

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.*

SECTION 1: THE BOARD OF DIRECTORS (continued)

Directors' Training and Education

All Directors appointed to the Board had attended the Mandatory Accreditation Programme accredited by Bursa Securities. The Board will evaluate the Directors' training needs and attend other relevant training programmes to further enhance their business acumen and professionalism in discharging their duties to the Group.

During the year, the Directors have pursued relevant courses and seminars to keep abreast with industry, regulatory and compliance issues, trends and best practices. Conferences, seminars and training programmes attended by the Directors in 2016 are as follows:

Seminar / Conference / Workshop	Details of Programme
Corporate Governance	• Composite Risk Rating Meeting - Bank Negara Malaysia • Risk Appetite Workshop • Independent Directors Programme : The Essence of Independence • 2016 National Conference by The Institute of Internal Auditors Malaysia • Detecting Creative Accounting & Fraud
Roles of an Effective Board	• Key Traits to Make or Break a CEO: Establishing the Measures • Islamic Finance for Board Programme • Future CEO Programme • CEO Faculty Programme
Management	• Competition Law Talk • Khazanah Megatrends Forum 2016 • Changing SMPs Business Model • Updates on transition to ISO 9001:2015 and 14001:2015#
Accounting and Economics	• Income tax and GST updates • Financial Stability and Payment Systems Report 2015 Briefing Session • Audit Quality Enhancement Programme for SMPs 2016 • Government Grants & Financing Seminar for SMEs 2016 • Pubic Practioners Forum 2016: Shifting Your Perspective Towards Future-Ready Practice

#In-house training provided by external training provider attended by all Directors

SECTION 2: COMMITTEES OF THE BOARD

The Board delegates certain responsibilities and duties to Board Committees which operate within clearly defined terms of reference. 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:

Audit Committee

The Audit Committee was established on 3 October 2004. The members of the Audit Committee who had served during the financial year are:

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

- **Dato' Kevin Sathiaseelan A/L Ramakrishnan**
  Member, Independent Non-Executive Director

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

The responsibilities and detailed terms of reference of the Audit Committee are accessible through the Company's website at *www.euroholdings.com.my*. The activities of the Audit Committee during the financial year are set out in the Audit Committee Report on page 29 to 30 of this Annual Report.

Nomination Committee

The Nomination Committee ("NC") was established in February 2005. The NC 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 appointment of any additional Director is made when necessary and upon the recommendation of the NC. In the process of nominating and appointing new Director, due consideration is given to the appointee's industry's experience and mix of expertise for an effective Board and diversity of the Board. In case of the independence of the candidates for Independent Director, the NC will assess whether the candidate could bring independent and objective judgments for Board's deliberations. The NC will annually evaluate the effectiveness of the Board, its committee and also the performance of the Directors.

The NC and the Board acknowledged the boardroom gender diversity as published in the MCCG 2012 and endeavor to comply as they recognize business benefits of having a balanced board. Hence, the appointment of new board members will be guided by skill, competencies, knowledge, commitment, integrity of the candidate and gender.

The Company Secretaries will ensure that all the appointments are properly carried out in compliance with legal and regulatory requirements.

The NC met twice during the financial year. The members of the NC who had served during the financial year are:

- **Tan Poh Ling**
  Chairperson, Independent Non-Executive Director

- **Dato' Sri Mohd Haniff Bin Abd Aziz**
  Member, Independent Non-Executive Chairman

- **Dato' Kevin Sathiaseelan A/L Ramakrishnan**
  Member, Independent Non-Executive Director

Terms of reference of NC are accessible through the Company's website at *www.euroholdings.com.my*.

SECTION 2: COMMITTEES OF THE BOARD (continued)

Remuneration Committee

In line with the Best Practices of the MCCG 2012, the Board has set up Remuneration Committee in February 2005 to assist the Board in determining the Director's remuneration. The Remuneration Committee meets at least once a year. The policy on Directors' remuneration practiced by the Company is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company. The remuneration package of the Executive Director is structured to commensurate with the experience, knowledge and professional skills of the Executive Director and is also structured so as to link rewards with corporate and individual performance in the case of the Executive Director. The Company takes into consideration information by independent consultants (where applicable) and survey results on the remuneration practices of comparable companies, including its financial performance in determining the remuneration packages of its Directors.

The Remuneration Committee recommends to the Board the remuneration framework and the remuneration packages for the Executive Directors. None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of Non-Executive Directors, with individual Directors abstaining from making decisions in respect of their individual remuneration. The Directors' fees are approved by the shareholders at the Annual General Meeting of the Company. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as Directors.

The members of the Remuneration Committee who had served during the financial year are:

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

- **Dato' Sri Choong Yuen Keong @ Tong Yuen Keong**
  Member, Group Managing Director

- **Dato' Tong Yun Mong**
  Member, Executive Director

- **Dato' Kevin Sathiaseelan A/L Ramakrishnan**
  Member, Independent Non-Executive Director

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

Terms of reference of Remuneration Committee are accessible through the Company's website at *www.euroholdings.com.my*.

SECTION 3: SHAREHOLDERS

Investor Relations and Shareholders Communication

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

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

Annual General Meeting ("AGM")

Notice of AGM which is contained in the Annual Report is sent out at least 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 Meeting is 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 (CA1965") 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 Board 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 2016 can be found on page 46 to 99 of this Annual Report.

Risk Management and Internal Control

Information on the Group's risk management and internal control is presented in the Statement on Risk Management and Internal Control on page 31 to 33 of this Annual Report.

SECTION 4: ACCOUNTABILITY AND AUDIT (continued)

Whistle-Blowing Policy

EURO is committed to a high standard of integrity, openness and accountability in the conduct of the businesses and operations in an ethical, responsible and transparent manner. In line with this commitment, the Board has formalised a Whistle-Blowing Policy in which employees and members of the public are provided with an avenue to raise genuine concerns and disclose any improper conduct in an appropriate manner. The Whistle-Blowing Policy is accessible through the Company's website at *www.euroholdings.com.my*.

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 twice a year 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 29 to 30 of this Annual Report.

Directors' Responsibility Statement

The Directors are required by the CA 1965 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 CA 1965. The Board 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 2016, the Board 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 CA 1965 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.

SECTION 4: ACCOUNTABILITY AND AUDIT (continued)

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 CSR. Hence, the Group supports important causes such as environmental preservation, donation to the needy, community services, promoting a safe and healthy culture within our organization and human capital development.

Environmental Preservation

EURO is mindful of the direct impact of our business have on the environment and remains committed in the environmental preservation through the creation and provision of long-term sustainable solutions. The Group's on-going activities focus on minimizing wastages and various forms of pollution, usage of non-hazardous and environment-friendly materials as well as recycling of materials, where permissible.

Various environmental best practices and preservation initiatives are constantly being implemented and carried out at our production plants with eco-friendly operations that use less to make the most of what we have. The continuous promotion of GREENGUARD Certification and low emitting products further demonstrates EURO's commitment to our long term "GO GREEN" strategy.

The Community

EURO continues to focus and remain committed through various CSR initiatives to the community. The Group steps up to serve the community, particularly where it operates and strives to make positive contributions, where needed. In 2016, the Group's initiatives included:

- contribution of funds and office furniture to various social enterprises and charitable organizations;
- event sponsorship to various charitable organizations and associations;
- participation in the security committee within our industrial zone, to safeguard and protect our employees and workplace; and
- recruitment of fresh graduates and interns to undergo practical training, aimed to equip them with invaluable skills and experience for better employment opportunities.

SECTION 4: ACCOUNTABILITY AND AUDIT (continued)

Workplace Development

EURO recognizes the importance to equip the management and staff with the right skills and knowledge to be competent in discharging their duties well and professionally. The Group continuously provides employees with the necessary internal and external trainings, both in technical as well as soft skills for an overall balance human capital development.

EURO also provides adequate medical and health care insurance, other general insurance and leave compensation programmes which commensurate with the employee's rank and level of employment. The Group also held various health activities including health screening checks, audiometric testing and health-related talks at the workplace to encourage staff to take charge of their health.

In promotion of a healthy and balanced lifestyle for our employees, the Group also organized annual dinner, sport activities and social events designed to create greater unity, teamwork and rapport amongst employees.

EURO continues to maintain a safe and healthy working environment for all employees through various measures. The manufacturing division has adopted and adhered to the guidelines on public safety and health issued by the Department of Occupational Safety and Health. The manufacturing division is also ISO 14001 and OHSAS 18001 certified.

statement on CORPORATE GOVERNANCE
(continued)

ADDITIONAL COMPLIANCE INFORMATION
The following disclosures are made in accordance with Part A of Appendix 9C of the MMLR 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 2016.

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.

Audit and Non-Audit Fees
The amount of audit fees paid and payable to external auditors by the Group and the Company for the financial year ended 31 December 2016 amounted to RM111,300 and RM26,000 respectively.

The amount of non-audit fees paid and payable to external auditors and their affiliated companies by the Group and the Company for the financial year ended 31 December 2016 amounted to RM6,000 and RM6,000 respectively.

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.

Related Party Transactions
An internal compliance framework exists to ensure the Company meets its obligations, including that of related party transactions under the MMLR. The Board reviews all related party transactions. The details of all related party transactions conducted during the financial year ended 31 December 2016 are disclosed in Note 27 to the Financial Statements.

COMPLIANCE STATEMENT
The Board has deliberated, reviewed and approved this Statement, and considers that the Statement provides the information necessary to enables shareholders to evaluate how the MCCG 2012 has been applied. The Board considers and is satisfied that the Group has fulfilled its obligation under the MCCG 2012, the MMLR and all applicable laws and regulations throughout the financial year ended 31 December 2016.

This Statement is made in accordance with a resolution of the Board of Directors dated 31 March 2017.

The Board of Directors of EURO Holdings Berhad is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2016 ("FY2016").

MEETINGS AND ATTENDANCE

The AC had met six (6) times during the FY2016. The details of attendance of each member at the meetings were as follows:-

Name of Audit Committee	Attendance at meeting	Percentage of attendance
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	6/6	100%
Dato' Kevin Sathiaseelan A/L Ramakrishnan	5/6	83%
Tan Poh Ling	6/6	100%

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms of reference of the AC, the following activities were carried out by the AC during the FY2016 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 MMLR, 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 the external auditors' fees, scope of work and audit strategy and 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 Annual General Meeting;

iii. 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;

iv. Discussed with the external auditors on new adoption and new issuance (if any) of the Financial Reporting Standards in Malaysia and its impact to the Group's and Company's financial statements;

v. Discussed significant audit findings in respect of the financial statements and accounting principles and standards that were applied and their judgments 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 Group, the audit recommendations made and management's response to these recommendations. Where appropriate, the AC has directed management to rectify and improve control and workflow procedures based on the internal auditors' recommendations and suggestions for improvement;

x. Reviewed the Statement on Risk Management and Internal Control;

AUDIT COMMITTEE report
(continued)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (continued)

xi. Reviewed related party transactions entered into by the Company and the Group for compliance with the MMLR; and

xii. 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 FUNCTION

The AC, 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 AC 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, the extent of compliance with the Group's policies, procedures and relevant statutory requirements to the AC so that remedial actions can be taken in relation to any weaknesses noted in the systems and controls of the respective operating units.

During the financial year, the internal auditors had carried out the following activities:

- Prepared and presented the annual audit plan for review and approval by the AC.

- Performed risk-based audits based on the annual audit plan.

- Issued internal audit reports to the AC on risk management, internal control and governance issues identified from the risk-based audits together with recommendations for improvements for these processes.

INTRODUCTION

The Board of Directors ("the Board") of Euro Holdings Berhad ("the Group") 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 practicing 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 risk management and internal control of the Group during the financial year ended 31 December 2016.

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

The Board is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to Senior Management on the manner the Group controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Group, assessment of financial and operational risks and an effective monitoring mechanism.

ASSURANCE FROM THE MANAGEMENT

The Board has also received reasonable assurance from the Group Managing Director and the Chief Financial Officer, 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. To further supplement Management assurance, the Key Management Staff and the respective Head of Department ("HOD") sign off a statement on the condition of Risk Management mitigation and Internal Controls implemented in their respective function and department.

INTERNAL AUDIT

The outsourced internal auditors had reviewed the Group's system of internal controls to identify and address 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. All the subsidiaries were audited based on critical risk areas. 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.

statement on Risk Management and Internal Control
(continued)

INTERNAL AUDIT (continued)
The internal audit also reports on the activities performed and key strategic and control issues observed to the Audit Committee in order to preserve its independence. The Audit Committee reviews and approves the internal audit's annual budget and audit plan. Internal audit adopts the International Standards for The Professional Practice of Internal Auditing of The Institute of Internal Auditors (IIA), the definition of Internal Auditing and Code of Ethics, Practices and Framework in order to ensure standardisation and consistency in providing assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal controls, risk management and governance. Internal audit continues to adopt the risk-based audit plan to ensure the programmes carried out are prioritised based on the Group's key risks and core/priority areas. Input from various sources, inclusive of the Enterprise Risk Management Framework, Business Plan, past audit issues, external auditors, Management and Board are gathered, assessed and prioritised to derive the annual audit plan.

In 2016, reviews in various areas involving operations of Manufacturing Division and Property Development Division of the Group were conducted. Among the key coverage included:

- Finished goods handling and warehouse
- Sales, ordering and delivery
- Sales collection and credit control management
- Tender, contract award or procurement

Report from the internal audit reviews carried out was submitted and presented to the Audit Committee with the feedback and agreed corrective actions to be undertaken by the Management. Subsequently, the progress of these corrective actions will be monitored and verified by the internal audit and reported to the Audit Committee.

Quality Assurance
The internal audit develops and maintains a quality assurance and improvement programme that covers all aspects of internal audit activities. The quality assurance programme assesses the effectiveness of the internal audit processes and identifies opportunities for improvement via both internal and external assessment. It has its own peer reviewer mechanism to ensure consistently good quality output of every audit engagement. The team leader is well experience to manage the internal audit assignments.

The cost incurred for the internal audit during the year was RM28,000.

INFORMATION, COMMUNICATION AND MONITORING
While the Management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board 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 Group.

The Board reviews the effectiveness of the risk management and internal control systems through the following monitoring and assessment mechanisms:

- On a quarterly basis, Management updates the Board on the Group's actual financial performance. Specific transactions, projects opportunities are also discussed with the Board as and when required. This allows the Board to raise potential new risks that could arise and request Management to mitigate them accordingly.
- The Key Management Staff and HOD are delegated with the responsibility of identifying and managing risks related to their functions and departments. At the periodic Management meetings, such risk identified and related internal controls are communicated to the Senior Management. In addition, significant risks identified are cascaded to the Board at their scheduled meetings.

RISK MANAGEMENT

The Audit Committee oversees the development and annual review of the Group's risk management policy and plan, as well as the effectiveness of the risk management organisation structure, responsibilities and accountabilities. It also ensures that the risk management framework is implemented to increase the possibility of anticipating unpredictable risks.

The Chief Financial Officer, who also acts in the capacity of Head of Risk Management, attended the risk profiling meetings and Audit Committee meetings. Key Management Staff, HOD and external consultant were invited to attend all or part of meetings as and when appropriate to facilitate risk management review.

The Board recognises the importance of effective Enterprise Risk Management ("ERM") in enhancing shareholder value while upholding a high standard of corporate governance. Combining a strong and sustained commitment from the Board and Senior Management with a clear direction and oversight from all levels of leadership, the Group embraces a holistic risk management approach to achieve its business targets with minimal surprises.

Risk management policies and practices form part of the Group's overall strategies to chart positive growth in today's rapidly evolving business environment. The Board continues to ensure that risk management is effectively institutionalised and its risk maturity level is elevated. This is achieved via a multitude of ERM initiatives clustered into key strategic areas, as part of the Group's efforts to ensure smooth ERM practice on the ground coupled with continuous tracking and monitoring of risks and controls. It also strengthens its risk culture and practice, harmonise its risks and risk appetites at the operational level wherever possible.

Risk Structure, Accountability and Responsibility

Further improving the Group's risk governance, ERM structures have been established at the functional level. The aim is for a risk culture to be internalised through risk ownership and to drive ERM implementation at the functional level. ERM Resource Persons, also known as Risk Coordinators, are appointed at each business unit to act as the single point of contact to liaise directly with the Head of Risk Management in matters relating to ERM, including the submission of reports on a periodic basis. In addition, they are responsible to manage and administer the units' risk portfolios, which include arranging, organising and coordinating ERM programmes.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control and have reported to the Board that nothing has come to their attention that causes them to believe that the contents of this Statement is inconsistent with their understanding of the actual processes adopted by the Board.

This statement is based on the consideration of the audit work performed by both the external auditors and the internal auditors on financial and non-financial matters.

CONCLUSION

On the whole, the Board 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 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 and FINANCIAL STATEMENTS
for the year ended 31 December 2016

CONTENTS

directors' REPORT
for the year ended 31 December 2016

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

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 RM'000	Company RM'000
Profit net of tax	3,812	238
Profit attributable to:		
Owners of the Company	3,412	238
Non-controlling interest	400	-
	3,812	238

DIVIDENDS
No dividends were paid, declared or proposed since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2016.

RESERVES AND PROVISIONS
All material transfers to or from reserves or provisions during the financial year have been 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 served during the financial year until the date of this report are:

Dato' Sri Mohd Haniff Bin Abd Aziz
Dato' Sri Choong Yuen Keong @ Tong Yuen Keong
Dato' Tong Yun Mong
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
Dato' Kevin Sathiaseelan A/L Ramakrishnan
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' REPORT
for the year ended 31 December 2016
(continued)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Shareholdings in the name of the Directors:				
Dato' Sri Mohd Haniff Bin Abd Aziz	11,673,000	-	-	11,673,000
Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	55,818,000	509,100	-	56,327,100
Dato' Tong Yun Mong	30,000,000	-	-	30,000,000
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-
Dato' Kevin Sathiaseelan A/L Ramakrishnan	-	-	-	-
Tan Poh Ling	-	-	-	-

By virtue of their interests in the shares of the Company, Dato' Sri Mohd Haniff Bin Abd Aziz, Dato' Sri Choong Yuen Keong @ Tong Yuen Keong and Dato' Tong Yun Mong are deemed to have interests in the shares of all the subsidiaries as at the financial year to the extent the Company has an interest.

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 company 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 company, 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 values 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.

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 their obligations when they fall due, except as disclosed in the financial statements.

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 Company 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 Company which secures the liability of any other person nor has any contingent liability arisen in the Group and in the Company.

directors' REPORT

for the year ended 31 December 2016
(continued)

SIGNIFICANT EVENTS

The details of significant events are disclosed in Note 36 to the financial statements.

SUBSEQUENT EVENT

The details of subsequent event are disclosed in Note 37 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 23 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 March 2017.

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong
Director

Dato' Tong Yun Mong
Director

Subang Jaya

statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Sri Choong Yuen Keong @ Tong Yuen Keong and Dato' Tong Yun Mong, 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 46 to 99 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 38 to the financial statements has been prepared in accordance with *Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure 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.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 March 2017.

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong
Director

Dato' Tong Yun Mong
Director

Subang Jaya

statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Poo Shea Choon, being the Officer primarily responsible for the financial management of Euro Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 46 to 99 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 Poo Shea Choon
at Puchong in the state of Selangor
on 31 March 2017.

Poo Shea Choon
Officer

Before me,

independent AUDITORS' REPORT
to the Members of Euro Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION
We have audited the financial statements of Euro Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 99.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

BASIS FOR OPINION
We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES
We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

1. Receivables

The carrying amount of trade receivables as at 31 December 2016: RM21,221,382. We refer to the consolidated financial statements: Note 3(g) "Receivables", Note 5(c) "Allowances for doubtful debts" and Note 12 "Trade receivables".

Key audit matter	Our responses
The Management assesses the collectability of receivables on an ongoing basis. An allowance for doubtful debt is made for any account considered to be doubtful for collection. The allowance for doubtful debt is made based on review of all outstanding accounts at the end of the reporting period. We determine this as a key audit matter as a considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer.	Our audit procedures included, among others: • Evaluate the Group's credit analysis and associated impairment assessments of receivables and prepayments that were either in default, or significantly overdue, as at 31 December 2016; • Evaluate the Group's credit risk policy, and test the associated processes used by Management to assess credit exposure, assigned internal credit ratings, based on their historical records and report on these to the appropriate level of governance to ensure they worked as designed; • Develop an understanding of significant credit exposure which were significantly overdue, deemed to be in default, or were on watch through review of credit reports produced by the credit department, review of legal reports produced by the legal representatives, analysis of aged receivables and prepayments and corroborated the understanding with the relevant business divisions and external data where available; • Consider the extent of procedures undertaken varied in light of the facts and circumstances of the individual exposures, but across the portfolio of exposures selected for testing, proposed or existing workout plan are examined, compared these to settlement agreements and repayment schedules, and obtained evidence of cash receipts, where these had been received. Obtained confirmation from the counterparties for selected accounts; • Evaluate the adequacy of disclosures in respect of impairment.

independent AUDITORS' REPORT
to the Members of Euro Holdings Berhad
(continued)

KEY AUDIT MATTERS (continued)

2. Deferred taxation

The carrying amount of deferred tax assets as at 31 December 2016: RM1,701,582. We refer to consolidated financial statements: Note 3(n) "Income tax", Note 5(e) "Deferred tax assets" and Note 9 "Deferred tax assets/liabilities".

Key audit matter

As discussed in Note 3(n), deferred tax is using liability method on temporary differences at the financial year end between the tax bases of assets and liabilities and their carrying amounts.

There are various complexities relating to the treatment and recognition of deferred taxation, in particular the recognition of deferred tax assets arising from unabsorbed tax losses, unutilised reinvestment allowances and unutilised capital allowances as these are recognised to the extent that it is probable that taxable profits will be available against which the losses and allowances can be utilised.

As a result, deferred taxation is considered a key audit matter due to the judgement arising from the considerations relating to calculation and recognition of deferred tax balances and the materiality of the balances in relation to the financial statement as a whole.

Our response

Our audit procedures included, among others:

- Review the computation of deferred taxation from the Management and carry out procedures on a sample basis to test the information supplied reflected by the Group.
- Monitor all deferred tax are accounted for those taxable temporary differences only, except to the extent that the deferred tax arises from initial recognition of goodwill, or initial recognition of an asset or liability in a transaction which is not a business combination, and at the time, the transaction affects neither accounting profit nor taxable profit.
- Assess that the deferred tax assets shall be recognised for all deductible temporary differences, unabsorbed tax losses, unutilised capital allowances and unutilised reinvestment allowances to the extent that it is probable that future taxable profit will be available against which they can be utilised.
- Assess that the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.
- Monitor and ensure that the deferred tax can only be offset when there is a legally enforceable right to set off exists; and both balances to be offset relate to income taxes levied by the same taxation authority.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

independent AUDITORS' REPORT

to the Members of Euro Holdings Berhad
(continued)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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; and

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not 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 Disclosure 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 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Nexia SSY
AF: 2009
Chartered Accountants

Michelle Yong Voon Sze
No. 2864/07/18 (J)
Partner

31 March 2017
Subang Jaya

statements of FINANCIAL POSITION
as at 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	52,327	56,458	30	33
Investment in subsidiaries	7	-	-	48,916	47,876
Land held for development	8	-	-	-	-
Deferred tax assets	9	1,702	703	-	-
		54,029	57,161	48,946	47,909
Current assets					
Property development costs	10	58,069	21,880	-	-
Inventories	11	14,911	15,270	-	-
Trade receivables	12	21,221	25,176	-	-
Other receivables, deposits and prepayments	13	1,666	1,462	13	17
Foreign exchange contracts	21	-	69	-	-
Tax recoverable		445	469	-	2
Fixed deposits with licensed financial institutions	14	1,641	1,266	-	-
Short term funds	15	132	129	75	73
Cash and bank balances		5,215	3,635	98	107
		103,300	69,356	186	199
TOTAL ASSETS		157,329	126,517	49,132	48,108

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

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	16	24,300	24,300	24,300	24,300
Share premium		19,728	19,728	19,728	19,728
Retained earnings	17	29,984	26,572	4,220	3,982
		74,012	70,600	48,248	48,010
Non-controlling interest		889	489	-	-
TOTAL EQUITY		74,901	71,089	48,248	48,010
Non-current liabilities					
Borrowings	18	31,033	13,059	-	-
Deferred tax liabilities	9	-	-	2	1
		31,033	13,059	2	1
Current liabilities					
Trade payables	19	25,516	10,098	-	-
Other payables, accruals and deposits received	20	9,820	15,244	853	97
Borrowings	18	15,795	17,027	-	-
Forward exchange contracts	21	264	-	-	-
Provision for taxation		-	-	29	-
		51,395	42,369	882	97
TOTAL LIABILITIES		82,428	55,428	884	98
TOTAL EQUITY AND LIABILITIES		157,329	126,517	49,132	48,108

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

statements of COMPREHENSIVE INCOME

for the year ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	22	84,265	92,487	-	1,000
Cost of sales		(55,827)	(63,715)	-	-
Gross profit		28,438	28,772	-	1,000
Other operating income		1,354	668	945	2
Selling and distribution expenses		(11,163)	(11,550)	-	-
Administrative expenses		(12,850)	(12,173)	(537)	(781)
Profit from operations		5,779	5,717	408	221
Finance costs		(1,941)	(1,881)	(34)	(1)
Profit before taxation	23	3,838	3,836	374	220
Taxation	25	(26)	(1,304)	(136)	5
Profit for the year		3,812	2,532	238	225
Attributable to:					
Owners of the Company		3,412	2,147	238	225
Non-controlling interest		400	385	-	-
		3,812	2,532	238	225
Earnings per share attributable to equity holders of the Company (sen)	26	1.40	0.88	-	-

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

consolidated statement of CHANGES IN EQUITY
for the year ended 31 December 2016

	Note	Non distributable Share capital RM'000	 Share premium RM'000	Distributable Retained earnings RM'000	 Total RM'000	 Non-controlling interest RM'000	 Total equity RM'000
Group							
At 1 January 2016		24,300	19,728	26,572	70,600	489	71,089
Profit for the year		-	-	3,412	3,412	400	3,812
At 31 December 2016		24,300	19,728	29,984	74,012	889	74,901
At 1 January 2015		40,500	3,844	24,425	68,769	104	68,873
Par value reduction	16	(32,400)	32,400	-	-	-	-
Bonus issue	16	16,200	(16,200)	-	-	-	-
Par value reduction and bonus issue expenses		-	(316)	-	(316)	-	(316)
Profit for the year		-	-	2,147	2,147	385	2,532
At 31 December 2015		24,300	19,728	26,572	70,600	489	71,089

statement of CHANGES IN EQUITY
for the year ended 31 December 2016

	Note	Non distributable Share capital RM'000	 Share premium RM'000	Distributable Retained earnings RM'000	 Total equity RM'000
Company					
At 1 January 2016		24,300	19,728	3,982	48,010
Profit for the year		-	-	238	238
At 31 December 2016		24,300	19,728	4,220	48,248
At 1 January 2015		40,500	3,844	3,757	48,101
Par value reduction	16	(32,400)	32,400	-	-
Bonus issue	16	16,200	(16,200)	-	-
Par value reduction and bonus issue expenses		-	(316)	-	(316)
Profit for the year		-	-	225	225
At 31 December 2015		24,300	19,728	3,982	48,010

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

statements of CASH FLOWS
for the year ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before taxation		3,838	3,836	374	220
Adjustments for:					
Allowance for doubtful debts		2,030	726	-	-
Bad debts written off		711	1,541	-	-
Reversal of allowance for doubtful debts		(862)	(1,743)	-	-
Depreciation of property, plant and equipment		4,905	5,332	3	60
Dividend income		-	-	-	(1,000)
Loss/(gain) on forward exchange contracts		333	(147)	-	-
(Gain)/loss on disposal of property, plant and equipment		(9)	259	-	212
Interest expense		1,711	1,662	34	1
Interest income		(56)	(39)	(945)	(2)
Unrealised foreign exchange gain		(732)	(470)	-	-
Operating profit/(loss) before working capital changes		11,869	10,957	(534)	(509)
Decrease/(increase) in inventories		359	(288)	-	-
Decrease/(increase) in trade and other receivables		2,602	(4,624)	(1,036)	(575)
Increase in trade and other payables		9,252	4,908	756	40
Cash generated from/(used in) operations		24,082	10,953	(814)	(1,044)

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

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Increase in property development cost	8	(36,189)	(9,741)	-	-
Tax paid		(1,323)	(863)	(106)	(2)
Tax refunded		322	374	2	292
Net cash (used in)/generated from operating activities		(13,108)	723	(918)	(754)
Cash flows from investing activities					
Purchase of property, plant and equipment	30	(696)	(507)	-	(35)
Dividends received		-	-	-	1,000
Interest received		56	39	945	2
Proceeds from disposal of property, plant and equipment		12	100	-	65
Net cash (used in)/generated from investing activities		(628)	(368)	945	1,032
Cash flows from financing activities					
Fixed deposits pledged		(375)	(363)	-	-
Interest paid		(1,711)	(1,662)	(34)	(1)
Repayment of finance lease liabilities		(1,531)	(1,562)	-	(57)
Repayment of loan		(2,579)	(1,909)	-	-
Drawdown of loan		23,956	2,604	-	-
Par value reduction and bonus issue expenses		-	(316)	-	(316)
Net cash generated from/ (used in) financing activities		17,760	(3,208)	(34)	(374)
Net increase/(decrease) in cash and cash equivalents		4,024	(2,853)	(7)	(96)
Cash and cash equivalents at beginning of the year		(4,651)	(2,052)	180	276
Effect of foreign currency translation differences		418	254	-	-
		(4,233)	(1,798)	180	276
Cash and cash equivalents at end of the year		(209)	(4,651)	173	180

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

statements of CASH FLOWS

for the year ended 31 December 2016
(continued)

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents comprise:					
Fixed deposits with licensed financial institutions	14	1,641	1,266	-	-
Short term funds	15	132	129	75	73
Cash at bank		4,054	3,567	98	107
Cash in hand		1,161	68	-	-
		6,988	5,030	173	180
Bank overdrafts	18	(5,556)	(8,415)	-	-
		1,432	(3,385)	173	180
Less: Fixed deposits pledged		(1,641)	(1,266)	-	-
		(209)	(4,651)	173	180
The currency exposure profile of fixed deposits with licensed financial institutions, cash and bank balances is as follows:					
Ringgit Malaysia		6,364	4,393	173	180
United States Dollar		576	625	-	-
Euro		39	*	-	-
Others		9	12	-	-
		6,988	5,030	173	180

* Denotes less than RM1,000

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

1. CORPORATE INFORMATION

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

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 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 in the Company at the end of the financial year were 576 (2015: 616) and NIL (2015: NIL) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 March 2017.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia 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 have 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) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the financial year end. 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 acquisition method. The acquisition 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

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.

(b) Subsidiaries

Subsidiaries are those entities 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 has such power over another entity.

In the Company's separate financial statements, 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 profit or loss.

(c) 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.

(d) 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 profit or loss as incurred.

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

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

Leasehold land and building are stated at cost and is depreciated over the remaining useful life. Subsequent to recognition, leasehold land and building are stated at cost less accumulated depreciation and any accumulated impairment losses.

No depreciation is provided for capital work-in-progress until the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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%
Plant, machinery and tools	10%
Moulds	20%
Electrical installation	15%
Computers	13% - 20%
Signboards	10%
Renovation	15%
Motor vehicles	20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate 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 in the year the property, plant and equipment is derecognised, and any unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(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 and where development activities can be completed within the Group's normal operating cycle.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Land held for development (continued)

ii Property development costs

Property development costs are determined based on a specific identification basis. Property development costs comprising costs of land, direct materials, direct labour, other direct costs, attributable overheads and payment to subcontractors that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable selling expenses. The asset is subsequently recognised as an expense in profit or loss when or as the control of the asset is transferred to the customer over time or at a point in time.

Incremental costs of obtaining a contract with a customer are recognised as assets if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Where revenue recognised in profit or loss exceeds billings to purchasers, the balance is shown as accrued billings under trade and other receivables (within current assets). Where billings to purchasers exceed revenue recognised in profit or loss, the balance is shown as progress billings under trade and other payables (within current liabilities).

(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 (based on normal operating capacity).

Net realisable value represents the estimated selling price in the ordinary course of business 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 financial year end.

(h) Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 lease 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.

ii Finance lease

Assets acquired by way of hire purchase or finance lease 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 accumulated impairment losses. The corresponding liability is included in the statement of financial position as borrowings.

In calculating the present value of the minimum lease payments, 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 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 the depreciation for property, plant and equipment as described in Note 3(d).

iii Operating lease

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 payments 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 payments represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

(j) Payables

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

notes to the FINANCIAL STATEMENTS

for the year ended 31 December 2016
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) Provision for liabilities

Provision for liabilities is 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 financial year end and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. 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.

(m) Equity instruments

Ordinary shares are classified as equity instruments. 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 assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial year end.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided for, using the liability method on temporary differences at the financial year end 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 or loss nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each financial year end and reduced to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Unrecognised deferred tax assets are reassessed at each financial year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income tax (continued)

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 and tax laws that have been enacted or substantively enacted at the financial year end.

Deferred tax is recognised in profit or loss, 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.

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

(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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or construction obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, the Group makes contributions to the statutory provident fund, the Employees Provident Fund. Such contributions are recognised as an expense in profit or loss in the period as incurred.

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 the financial year end are discounted to present value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Revenue recognition

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

i Revenue

a. Sale of goods/services

Revenue is recognised net of goods and services taxes and discounts (if any) and upon transfer of significant risks and rewards of ownership to the buyer. Service income is recognised upon service rendered and customers' acceptances.

b. Dividend income

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

ii Other income

a. 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.

b. Rental income

Rental income from operating leases (net of any incentives given to the leases) 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 reporting currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each financial year end, monetary items denominated in foreign currencies are translated at the rates prevailing at the financial year end.

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:

	2016 RM	2015 RM
1 Euro (EUR)	4.734	4.697
1 Singapore Dollar (SGD)	3.102	3.036
1 United States Dollar (USD)	4.484	4.296
1 Sterling Pound (GBP)	5.515	6.366
100 Indian Rupee (IDR)	6.598	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 financial year end 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 financial year end 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, except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(s) Financial instruments

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

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

Financial assets

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

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

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

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 financial assets 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 financial assets 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 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 as an effective hedging instrument.

Financial assets (other than 'held for trading') are designated as financial assets 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 financial assets 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 and that the Group has the positive intention and ability to hold the investments 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

Financial assets are classified as ‘available-for-sale’ financial assets when the financial assets are either designated as such upon initial recognition or are not classified in any of the three preceding categories.

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 on monetary instruments, until the ‘available-for-sale’ financial assets are derecognised.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial assets are derecognised.

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 financial assets at ‘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 financial assets at ‘fair value through profit or loss’ category if upon initial recognition, those financial assets were designated as financial assets at ‘fair value through profit or loss’. Other financial assets are not reclassified into the financial assets at ‘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 financial year, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

Financial assets (continued)
vii Impairment of financial assets (continued)

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

For other financial assets, objective evidence could include:

- significant financial difficulties of the issuer; or

- default or significant delay in payments and delinquency in interest or principal payments; 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. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade and other receivables, and staff loan receivables which are reduced through the use of an allowance account, and when these becomes uncollectible. 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.

notes to the FINANCIAL STATEMENTS
for the year ended 31 December 2016
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

Financial assets (continued)
vii Impairment of financial assets (continued)

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.

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 transfer qualifies 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 statement of financial position when the Group becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value, plus transaction costs for financial liabilities not at ‘fair value through profit or loss’. After initial recognition, financial liabilities are either classified as financial liabilities 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 financial liabilities 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 financial liabilities 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 as an effective hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

Financial liabilities (continued)

i Financial liabilities at 'fair value through profit or loss' (continued)

Financial liabilities (other than 'held for trading') are designated as financial liabilities 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 financial liabilities 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.

ii Financial liabilities at amortised cost using the effective interest method

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

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

iii 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) Borrowing costs

Borrowing costs are recognised in the profit or loss using the effective interest method.

(u) 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.

notes to the FINANCIAL STATEMENTS
for the year ended 31 December 2016
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Contingencies

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where these is a liability that cannot be recognised because it cannot be measured reliably.

The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(w) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segments results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and measurement basis of segment information.

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

MFRSs that have been issued and effective which do not have any significant impact on these financial statements

The following new and revised MFRSs issued by the MASB, effective for financial year of the Company beginning 1 January 2016, have been adopted, but the adoptions do not have any or significant impact to the financial statements:

MFRS 14:	Regulatory Deferral Accounts
Amendments to MFRS 5:	Non-current Assets Held for Sale and Discontinued Operations
Amendments to MFRS 7:	Financial Instruments: Disclosures
Amendments to MFRS 10:	Consolidated Financial Statements
Amendments to MFRS 11:	Joint Arrangements
Amendments to MFRS 12:	Disclosure of Interests in Other Entities
Amendments to MFRS 101:	Presentation of Financial Statements
Amendments to MFRS 116:	Property, Plant and Equipment
Amendments to MFRS 119:	Employee Benefits
Amendments to MFRS 127:	Separate Financial Statements
Amendments to MFRS 128:	Investment in Associates and Joint Ventures
Amendments to MFRS 134:	Interim Financial Reporting
Amendments to MFRS 138:	Intangible Assets
Amendments to MFRS 141:	Agriculture

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

MFRSs that have been issued but not effective

The following revised MFRSs issued by MASB, effective for financial periods beginning on or after 1 January 2017, have not been adopted, and the adoptions are not expected to have any or significant impact to the financial statements:

Amendments to MFRS 12:	Disclosure of Interest in Other Entities
Amendments to MFRS 107:	Statement of Cash Flows
Amendments to MFRS 112:	Income Taxes

The following new and revised MFRSs issued by MASB, effective for financial periods beginning on or after 1 January 2018, have not been adopted, and the adoptions are not expected to have any or significant impact to the financial statements:

MFRS 9:	Financial Instruments
MFRS 15:	Revenue from Contracts with Customers
Amendments to MFRS 1:	First- time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 2:	Share-based Payment
Amendments to MFRS 4:	Insurance Contracts
Amendments to MFRS 128:	Investment in Associates and Joint ventures
Amendments to MFRS 140:	Investment Property

MFRSs that have been issued but not effective (continued)

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.

The following new MFRS issued by MASB, effective for financial periods beginning on or after 1 January 2019, has not been adopted, and the adoptions are not expected to have any or significant impact to the financial statements:

MFRS 16:	Leases

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.

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(d) 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 property, 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 property, 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 debt 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 past collection history of each customer.

(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.

5. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Key Sources of Estimation Uncertainty (continued)

(e) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses, unutilised reinvestment allowances and unutilised capital allowances to the extent that it is probable that taxable profits will be available against which the losses and 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 financial year end.

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

(g) Contingent liabilities

As disclosed in Note 33, 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
for the year ended 31 December 2016
(continued)

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 2016	9,204	33,185	162	204	42,755
Additions	-	-	46	71	117
Disposals	-	-	-	-	-
Depreciation charge	-	(814)	(40)	(47)	(901)
At 31 December 2016	9,204	32,371	168	228	41,971
At 31 December 2016					
Cost	9,204	40,697	1,847	978	52,726
Accumulated depreciation	-	(8,326)	(1,679)	(750)	(10,755)
Carrying amount	9,204	32,371	168	228	41,971
At 31 December 2015					
Cost	9,204	40,697	1,801	907	52,609
Accumulated depreciation	-	(7,512)	(1,639)	(703)	(9,854)
Carrying amount	9,204	33,185	162	204	42,755
Depreciation – 2015	-	814	39	50	903

Group	Balance brought forward RM'000	Plant, machinery and tools RM'000	Moulds RM'000	Electrical installation RM'000	Computers RM'000	Balance carried forward RM'000
Carrying amount						
At 1 January 2016	42,755	8,907	1,536	136	969	54,303
Additions	117	59	408	-	90	674
Disposals	-	-	-	-	-	-
Depreciation charge	(901)	(2,376)	(505)	(45)	(340)	(4,167)
At 31 December 2016	41,971	6,590	1,439	91	719	50,810
At 31 December 2016						
Cost	52,726	34,016	11,669	449	3,422	102,282
Accumulated depreciation	(10,755)	(27,426)	(10,230)	(358)	(2,703)	(51,472)
Carrying amount	41,971	6,590	1,439	91	719	50,810
At 31 December 2015						
Cost	52,609	33,957	11,261	449	3,332	101,608
Accumulated depreciation	(9,854)	(25,050)	(9,725)	(313)	(2,363)	(47,305)
Carrying amount	42,755	8,907	1,536	136	969	54,303
Depreciation – 2015	903	2,705	544	47	356	4,555

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance brought forward RM'000	Signboards RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Carrying amount					
At 1 January 2016	54,303	35	42	2,078	56,458
Additions	674	4	12	87	777
Disposals	-	-	-	(3)	(3)
Depreciation charge	(4,167)	(5)	(16)	(717)	(4,905)
At 31 December 2016	50,810	34	38	1,445	52,327
At 31 December 2016					
Cost	102,282	56	263	5,556	108,157
Accumulated depreciation	(51,472)	(22)	(225)	(4,111)	(55,830)
Carrying amount	50,810	34	38	1,445	52,327
At 31 December 2015					
Cost	101,608	52	251	5,549	107,460
Accumulated depreciation	(47,305)	(17)	(209)	(3,471)	(51,002)
Carrying amount	54,303	35	42	2,078	56,458
Depreciation – 2015	4,555	2	16	759	5,332

Company	Motor vehicles RM'000	Signboard RM'000	Total RM'000
At cost:			
Carrying amount			
At 1 January 2016	-	33	33
Depreciation charge	-	(3)	(3)
At 31 December 2016	-	30	30
At 31 December 2016			
Cost	-	35	35
Accumulated depreciation	-	(5)	(5)
Carrying amount	-	30	30
At 31 December 2015			
Cost	-	35	35
Accumulated depreciation	-	(2)	(2)
Carrying amount	-	33	33
Depreciation – 2015	58	2	60

notes to the FINANCIAL STATEMENTS
for the year ended 31 December 2016
(continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The carrying amount of property, plant and equipment charged to bank as securities for credit facilities granted to the Group as disclosed in Note 18 is as follows:-

	Group	
	2016	2015
	RM'000	RM'000
Freehold land	9,204	9,204
Freehold buildings	32,371	33,185
	41,575	42,389

(b) The carrying amount of property, plant and equipment acquired under finance lease arrangements as at the financial year end is as follows:-

	Group	
	2016	2015
	RM'000	RM'000
Plant, machinery and tools	2,448	3,076
Motor vehicles	1,259	1,966
	3,707	5,042

(c) The cost of property, plant and equipment acquired during the year under finance lease arrangements is as follows:-

	Group	
	2016	2015
	RM'000	RM'000
Plant, machinery and tools	-	207
Motor vehicles	87	97
	87	304

(d) The cost of property, plant and equipment which have been fully depreciated, have been written-off during the year is as follows:-

	Group	
	2016	2015
	RM'000	RM'000
Office equipment	-	196
Moulds	-	320
Computer	-	457
	-	973

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost		
At 1 January/ 31 December	24,448	24,448
Amount due from subsidiaries	24,468	23,428
	48,916	47,876

The amount due from subsidiaries represents advances that are non-trade in nature and unsecured and interest free except for the advance of RM23,848,919 (2015: RMNil) to subsidiaries which bears interest between 7.90% and 8.10% (2015: Nil) per annum. 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 losses, if any.

The details of subsidiaries are as follows:-

	Equity interest held		
	2016	2015	
Name of companies	%	%	**Principal activities**
Euro Chairs Manufacturer (M) Sdn. Bhd.	100.00	100.00	Manufacturing and marketing of furniture
Euro Space Industries (M) Sdn. Bhd.	100.00	100.00	Manufacturing and trading of office furniture, partitions, chairs and panels
Euro Chairs System Sdn. Bhd.	100.00	100.00	Trading of furniture, furnishing fabric materials and other furniture components
Euro Space System Sdn. Bhd.	100.00	100.00	Trading of office furniture
Euro Chairs (M) Sdn. Bhd.	100.00	100.00	Holds the industrial designs and trademarks of the Group
Eurosteel System Sdn. Bhd.	75.76	75.76	Trading of storages and steel furniture
Eurosteel Line Sdn. Bhd.	100.00	100.00	Manufacturing and trading of steel furniture
Euroland & Development Sdn. Bhd.	100.00	100.00	Property development

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

notes to the FINANCIAL STATEMENTS
for the year ended 31 December 2016

(continued)

8. LAND HELD FOR DEVELOPMENT

	Group	
	2016	2015
	RM'000	RM'000
Freehold land and other costs at carrying amount		
At beginning of the year	-	12,139
Additions	-	9,741
	-	21,880
Transfer to property development cost (Note 10)	-	(21,880)
At end of the year	-	-

Included in the freehold land and other costs is interest expense capitalised during the year amounting to RMNil (2015: RM423,803).

9. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At beginning of the year	703	1,132	(1)	(6)
Recognised in the statements of comprehensive income (Note 25)	999	(429)	(1)	5
At end of the year	1,702	703	(2)	(1)
Presented after appropriate offsetting as follows:				
Deferred tax assets	4,656	3,907	-	-
Deferred tax liabilities	(2,954)	(3,204)	(2)	(1)
	1,702	703	(2)	(1)

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

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:

	Unabsorbed tax losses and unutilised capital allowances	Unutilised reinvestment allowances	Other deductible temporary differences	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	790	2,622	495	3,907
Recognised in the statements of comprehensive income				
- current year	(687)	421	143	(123)
- underprovision in prior years	165	387	320	872
At 31 December 2016	268	3,430	958	4,656
At 1 January 2015	1,202	2,568	663	4,433
Recognised in the statements of comprehensive income				
- current year	(467)	54	(130)	(543)
- under/(over) provision in prior years	55	-	(38)	17
At 31 December 2015	790	2,622	495	3,907

Deferred tax liabilities:

	Excess of capital allowances over depreciation	
	Group	Company
	RM'000	RM'000
At 1 January 2016	(3,204)	(1)
Recognised in the statements of comprehensive income		
- current year	123	-
- over/(under)provision in prior years	127	(1)
At 31 December 2016	(2,954)	(2)
At 1 January 2015	(3,301)	(6)
Recognised in the statements of comprehensive income		
- current year	124	5
- underprovision in prior years	(27)	-
At 31 December 2015	(3,204)	(1)

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10. PROPERTY DEVELOPMENT COSTS

	Group	
	2016	2015
	RM'000	RM'000
Freehold land and other costs at carrying amount		
At beginning of the year	21,880	-
Additions	36,189	-
Transfer from land held for development (Note 8)	-	21,880
At end of the year	58,069	21,880

Freehold land is pledged to a bank as security for banking facilities granted to the Group (Note 18). Included in the additions of freehold land and other costs are interest expenses capitalised amounting to RM968,275 (2015: RMNil).

11. INVENTORIES

	Group	
	2016	2015
	RM'000	RM'000
At cost:		
Raw materials	10,932	11,031
Work-in-progress	2,449	2,572
Finished goods	1,530	1,667
	14,911	15,270

12. TRADE RECEIVABLES

	Group	
	2016	2015
	RM'000	RM'000
Trade receivables	25,920	28,707
Less: Allowance for doubtful debts	(4,699)	(3,531)
	21,221	25,176

The normal trade credit terms granted to customers ranged from 30 to 90 (2015: 30 to 90) days or contractual periods based on project contract sales. Certain receivables' credit terms are assessed and approved on a case by case basis.

12. TRADE RECEIVABLES (continued)

The ageing analysis of trade receivables is as follows:

	Group	
	2016	2015
	RM'000	RM'000
Neither past due nor impaired	9,688	6,472
Past due, not impaired		
- 1 to 60 days past due, not impaired	6,573	9,987
- 61 to 120 days past due, not impaired	1,669	2,844
- 121 to 150 days past due, not impaired	146	1,031
- more than 150 days past due, not impaired	3,145	4,842
	11,533	18,704
Past due and impaired	4,699	3,531
	25,920	28,707

The Group has trade receivables amounting to RM11,533,722 (2015: RM18,704,129) that are past due but not impaired and is unsecured in nature. The management is confident that the receivables are recoverable as these accounts comprised mainly project related sales which are categorised as creditworthy customers and there were no significant changes in the credit quality.

The currency exposure profile of trade receivables is as follows:

	Group	
	2016	2015
	RM'000	RM'000
Ringgit Malaysia	9,080	10,882
United States Dollar	10,249	11,930
Singapore Dollar	1,238	1,347
Sterling Pound	654	967
Euro	-	50
	21,221	25,176

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other receivables	746	687	-	-
Deposits	470	292	-	-
Prepayments	450	483	13	17
	1,666	1,462	13	17

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14. FIXED DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

The fixed deposits have been pledged as security for banking facilities granted to a subsidiary, as disclosed in Note 18.

The fixed deposits as at 31 December 2016 have maturity periods ranging from 6 to 12 (2015: 3 to 8) months, and bear interest at rates ranging from 2.55% to 3.15% (2015: 2.70% to 3.00%) per annum.

15. SHORT TERM FUNDS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Redeemable at call	47	46	47	46
Redeemable upon 7-day notice	85	83	28	27
	132	129	75	73

The short term funds represent placements in fixed income trusts with licensed financial institutions, incorporated in Malaysia and bear interest at rates ranging from 2.33% to 3.31% (2015: 2.33% to 3.31%) per annum.

16. SHARE CAPITAL

	Group and Company			
	2016	2016	2015	2015
	'000 Unit	RM'000	'000 Unit	RM'000
Authorised				
Ordinary shares of RM0.10 (2015: RM0.50) each at beginning of the year	500,000	50,000	100,000	50,000
Par value reduction of ordinary shares from RM0.50 to RM0.10 each	-	-	-	(40,000)
	500,000	50,000	100,000	10,000
Ordinary shares of RM0.10 each created during the year	-	-	400,000	40,000
Ordinary shares of RM0.10 each at end of the year	500,000	50,000	500,000	50,000
Issued and fully paid				
Ordinary shares of RM0.10 (2015: RM0.50) each at beginning of the year	243,000	24,300	81,000	40,500
Par value reduction of ordinary shares from RM0.50 to RM0.10 each	-	-	-	(32,400)
	243,000	24,300	81,000	8,100
Bonus issue	-	-	162,000	16,200
Ordinary shares of RM0.10 each at end of the year	243,000	24,300	243,000	24,300

On 20 August 2015, the Company reduced its issued and paid-up share capital from RM40,500,000 to RM8,100,000 via the cancellation of RM0.40 of the par value of every existing ordinary share of RM0.50 each to RM0.10 each. Consequently, the authorised share capital stated in the Memorandum and Articles of Association of the Company was updated to reflect the change of its par value.

16. SHARE CAPITAL (continued)

On 9 September 2015, the Company increased its issued and paid-up share capital through a bonus issue of 162,000,000 new ordinary shares of RM0.10 each on the basis of two (2) bonus shares for every one (1) existing ordinary share of RM0.10 each in the Company by way of capitalisation of its share premium account amounting to RM16,200,000. The issued and paid-up share capital of the Company was increased from RM8,100,000 to RM24,300,000 by the above bonus issue.

These new shares rank pari passu in all respects with the existing shares of the Company.

17. RETAINED EARNINGS

The retained earnings can be distributed by way of single tier dividends which are not taxable in the hands of the shareholders.

18. BORROWINGS

	Group	
	2016	2015
	RM'000	RM'000
Current		
Bank overdrafts (secured)	5,556	8,415
Bills payable (secured)	5,189	5,515
Bridging loans (secured)	1,111	-
Finance lease liabilities	953	1,518
Term loans (secured)	2,986	1,579
	15,795	17,027
Non-current		
Bridging loans (secured)	17,449	-
Finance lease liabilities	554	1,439
Term loans (secured)	13,030	11,620
	31,033	13,059
	46,828	30,086
Total borrowings		
Bank overdrafts (secured)	5,556	8,415
Bills payable (secured)	5,189	5,515
Bridging loans (secured)	18,560	-
Finance lease liabilities	1,507	2,957
Term loans (secured)	16,016	13,199
	46,828	30,086

The effective interest rates incurred during the financial year for borrowings ranged from 2.28% to 8.10% (2015: 2.28% to 8.10%) per annum.

18. BORROWINGS (continued)

The bank overdrafts, bills payable and loans are secured by the following:

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

(b) Land held under property development costs, as disclosed in Note 10;

(c) Registered debenture creating a fixed and floating charge on all of a subsidiary's assets, Euroland & Development Sdn. Bhd.;

(d) All monies facility agreements;

(e) Fixed deposits with licensed financial institutions as disclosed in Note 14;

(f) Personal guarantee and indemnity by certain former Directors,

(g) Corporate guarantee by the Company, as disclosed in Note 33,

(h) Surplus sales proceeds over Company's housing development account; and

(i) A power of attorney to empower bank to complete the proposed development in the event that the Company defaults and empower bank the absolute right to deal with the land title to the subject property.

Terms of repayment of borrowings are as follows:

(a) Bank overdrafts : Repayable on demand

(b) Bills payable : 30 to 150 days

(c) Term loans : 2 to 14 years from first drawdown date

(d) Bridging loans : 19th month to 37th month from first drawdown date

	Group	
	2016	2015
	RM'000	RM'000
Finance lease liabilities		
Minimum lease payments		
- not later than 1 year	1,004	1,636
- later than 1 year and not later than 2 years	481	984
- later than 2 years and not later than 5 years	93	517
Total minimum lease payments	1,578	3,137
Less: Future finance charges on finance lease	(71)	(180)
Present value of finance lease liabilities	1,507	2,957
Present value of finance lease liabilities		
- not later than 1 year	953	1,518
- later than 1 year and not later than 2 years	466	937
- later than 2 years and not later than 5 years	88	502
	1,507	2,957

18. BORROWINGS (continued)

	Group 2016 RM'000	Group 2015 RM'000
Term loans		
Repayment terms		
- not later than 1 year	2,986	1,579
- later than 1 year and not later than 2 years	3,755	2,384
- later than 2 years and not later than 5 years	8,285	6,327
- later than 5 years	990	2,909
	16,016	13,199

	Group 2016 RM'000	Group 2015 RM'000
Bridging loans		
Repayment terms		
- not later than 1 year	1,111	-
- later than 1 year and not later than 2 years	15,000	-
- later than 2 years and not later than 5 years	2,449	-
	18,560	-

19. TRADE PAYABLES

The normal trade credit terms granted to the Group ranged from 30 to 90 (2015: 30 to 90) days. Included in trade payables is progress billings from project development amounting to RM6,480,772 (2015: RMNil).

The currency exposure profile of trade payables is as follows:

	Group 2016 RM'000	Group 2015 RM'000
Ringgit Malaysia	25,460	9,740
United States Dollar	56	358
	25,516	10,098

Included in the trade payables is the amount due to a related party as follows:

	Group 2016 RM'000	Group 2015 RM'000
Kevin & Co	*	-

* Denotes less than RM1,000

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20. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Sundry payables	5,808	5,915	-	-
Provisions and accruals	1,443	2,339	44	62
Deposits received from customers	2,389	3,880	-	-
Payables relating to property development activities	110	3,073	-	-
Amount due to subsidiaries	-	-	809	-
Amount due to related parties	66	-	-	-
Amount due to Directors	4	37	-	35
	9,820	15,244	853	97

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	6,310	9,476	853	97
United States Dollar	3,216	5,637	-	-
Euro	35	47	-	-
Singapore Dollar	256	84	-	-
India Rupee	3	-	-	-
	9,820	15,244	853	97

The amount due to subsidiaries which is non-trade in nature, is unsecured, interest free and is repayable on demand except for the advance of RM795,000 (2015: RMNil) from subsidiaries which bears interest between 7.90% and 8.10% (2015: Nil) per annum. The details of amount due to subsidiaries are as follows:

	Company	
	2016	2015
	RM'000	RM'000
Euro Chairs Manufacturer (M) Sdn. Bhd.	553	-
Euro Chairs System Sdn. Bhd.	256	-
	809	-

20. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED (continued)

The amount due to related parties which is non-trade in nature, is unsecured, interest free and is repayable on demand. The details of related parties are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Elite Pro Enterprise	18	-
Pro Uptrend Resources Sdn. Bhd.	48	-
	66	-

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

21. FORWARD EXCHANGE CONTRACTS

	Group					
	2016			2015		
	RM'000			RM'000		
	Contract notional amount	Assets	Liabilities	Contract notional amount	Assets	Liabilities
Non-hedging derivatives						
Current:						
Forward currency contracts	5,633	-	264	4,865	69	-

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, SGD, GBP and EUR for which firm commitments existed at the reporting date, extending to June 2017 (2015: June 2016).

During the financial year, the Group's recognised a loss of RM332,913 (2015: RM146,805) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

22. REVENUE

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

Company
Revenue represents dividend income and interest income received and receivable.

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23. PROFIT BEFORE TAXATION

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging:				
Allowance for doubtful debts	2,030	726	-	-
Auditors' remuneration	111	107	26	26
Bad debts written-off	711	1,541	-	-
Depreciation of property, plant and equipment	4,905	5,332	3	60
Finance cost:				
- Bank overdraft interest	319	377	-	-
- Bills payable interest	369	261	-	-
- Finance lease interest	124	192	-	1
- Term loan interest	899	832	-	-
- Advances from related companies	-	-	34	-
Loss on disposal of property, plant and equipment	-	259	-	212
Loss on forward exchange contracts	333	-	-	-
Realised foreign exchange loss	128	245	-	-
Rental of licenses	45	16	-	-
Rental of forklifts	263	261	-	-
Rental of equipment	32	33	-	-
Rental of premises	65	71	-	-
Staff costs (Note 24)	22,741	22,622	282	257
and crediting:				
Reversal of allowance for doubtful debts	862	1,743	-	-
Dividend income	-	-	-	1,000
Fixed deposits interest income	45	33	-	-
Gain on disposal of property, plant and equipment	9	-	-	-
Gain on forward exchange contracts	-	147	-	-
Interest income				
- Advances from related companies	-	-	943	-
- Others	11	6	2	2
Realised foreign exchange gain	478	-	-	-
Unrealised foreign exchange gain	732	470	-	-

24. STAFF COSTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Salaries, wages, allowances, overtime, bonus and fees	20,713	20,620	282	257
Employees Provident Fund	1,489	1,408	-	-
Social security contributions	143	132	-	-
Other staff related expenses	396	462	-	-
	22,741	22,622	282	257

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Directors				
Salaries, allowances and bonus	917	658	36	35
Fees	246	222	246	222
Employees Provident Fund	101	79	-	-
Other emoluments	36	35	-	-
	1,300	994	282	257
Estimated monetary value of other benefits received by the Directors	61	50	-	24
Senior management				
Salaries, allowances and bonus	2,117	2,037	-	-
Employees Provident Fund	225	172	-	-
Social security contributions	9	7	-	-
Benefits-in-kind	29	63	-	-
	2,380	2,279	-	-

25. TAXATION

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- current year	1,169	868	135	-
- (over)/under provision in prior years	(144)	7	-	-
	1,025	875	135	-
Deferred tax (Note 9)				
Related to origination and reversal of temporary differences				
- current year	-	419	-	(5)
- (over)/underprovision in prior years	(999)	10	1	-
	(999)	429	1	(5)
	26	1,304	136	(5)

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	3,838	3,836	374	220
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	921	959	90	55
Tax effects of:				
- income not subject to tax	(219)	(10)	-	(250)
- expenses not deductible for tax purposes	1,510	523	45	190
- tax incentives from double tax deduction	-	(39)	-	-
- deferred tax assets not recognised during the financial year	1,083	611	-	-
- utilisation of deferred tax assets not recognised previously	(2,126)	(859)	-	-
- derecognition of deferred tax assets recognised previously	-	102	-	-
(Over)/under provision of income tax in prior years	(144)	7	-	-
(Over)/under provision of deferred tax liabilities in prior years	(999)	10	1	-
	26	1,304	136	(5)

Subject to agreement with the Inland Revenue Board, the Group has unabsorbed tax losses, unutilised capital allowances and unutilised reinvestment allowances amounting to approximately RM6,373,000 (2015: RM7,186,000), RM647,000 (2015: RM383,000) and RM15,973,000 (2015: RM21,329,000) respectively for set off against future chargeable income.

25. TAXATION (continued)

Deferred tax assets amounting to approximately RM2,567,000 (2015: RM3,523,000) 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 deferred tax assets.

26. 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	
	2016	**2015**
	RM'000	**RM'000**
Consolidated profit for the year attributable to the owners of the parent	3,412	2,147
Weighted average number of shares of RM0.10 each ('000 shares)	243,000	243,000
Basic earnings per share (sen)	1.40	0.88

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.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Rental charged by a company in which a Director has interests				
Pro Uptrend Resources Sdn. Bhd.	48	48	-	-
Services provided by a related party in which a Director has interest				
Elite Pro Enterprise	18	-	-	-
Services provided by a firm in which a Director is a member				
Kevin & Co	86	-	-	-
Sales to a company in which a Director has interest				
Beverly Heights Development Sdn. Bhd.	3	-	-	-
Interest charged by subsidiaries				
Euro Chairs Manufacturer (M) Sdn. Bhd.	-	-	21	-
Euro Chairs System Sdn. Bhd.	-	-	13	-
Interest charged to subsidiaries				
Euro Chairs (M) Sdn. Bhd.	-	-	8	-
Euro Space Industries (M) Sdn. Bhd.	-	-	326	-
Eurosteel Line Sdn. Bhd.	-	-	88	-
Euroland & Development Sdn. Bhd.	-	-	521	-

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.

28. 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 does 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.

ii Interest rate risk sensitivity analysis

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

	(Increase)/ decrease in the Group's results	(Increase)/ decrease in the Group's results
	2016	2015
	RM'000	RM'000
Effects on profit before taxation:		
25 basis points	60	50
50 basis points	120	101
75 basis points	180	151
100 basis points	240	202

28. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(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 from 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 amount owing by one major customer which constituted 15% (2015: 15%) of its trade receivables at the end of the reporting period.

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

	Group	
	2016	2015
	RM'000	RM'000
Domestic	9,006	9,705
India	5,733	4,974
Indonesia	1,649	4,608
Singapore	1,282	1,027
Europe	654	1,017
Philippines	821	489
Middle East	600	460
Hong Kong	580	423
Others	896	2,473
	21,221	25,176

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

(28) FINANCIAL RISK MANAGEMENT POLICIES (continued)

(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 Dollar, Singapore Dollar, Sterling Pound, Euro and India Rupee.

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.

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 2016 RM'000	Increase/ (decrease) in the Group's results 2015 RM'000
Effects on profit before taxation:		
USD:		
- strengthened by 5% (2015: 5%)	378	339
- weakened by 5% (2015: 5%)	(378)	(339)
SGD:		
- strengthened by 5% (2015: 5%)	49	63
- weakened by 5% (2015: 5%)	(49)	(63)
GBP:		
- strengthened by 5% (2015: 5%)	33	48
- weakened by 5% (2015: 5%)	(33)	(48)
EUR:		
- strengthened by 5% (2015: 5%)	*	*
- weakened by 5% (2015: 5%)	*	*
IDR:		
- strengthened by 5% (2015: 5%)	*	Not applicable
- weakened by 5% (2015: 5%)	*	Not applicable

* Denotes less than RM1,000

28. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(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.

(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 ratio at the end of reporting period was as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total borrowings	46,828	30,086	-	-
Less: Deposits, cash and bank balances	(6,988)	(5,030)	(173)	(180)
Net debt	39,840	25,056	(173)	(180)
Total equity	74,901	71,089	48,248	48,010
Debt-to-equity	53.19%	35.25%	Not applicable	Not applicable

29. SEGMENT REPORTING

For management purposes, the Group is organised into the following operating divisions, all of which are conducted predominantly in Malaysia:

(i) Manufacturing and trading of office furniture

(ii) Property development of residential properties

(iii) Investment holding operations

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.

29. SEGMENT REPORTING (continued)

For the financial year ended 31 December 2016, 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
2016					
Revenue					
Local	19,326	-	-	-	19,326
Export	64,939	-	-	-	64,939
	84,265	-	-	-	84,265
Results					
Segment results	8,119	(1,211)	408	(1,537)	5,779
Finance costs	(2,421)	(29)	(34)	543	(1,941)
Profit/(loss) before taxation	5,698	(1,240)	374	(994)	3,838
Taxation	129	(19)	(136)	-	(26)
Profit/(loss) after taxation	5,827	(1,259)	238	(994)	3,812
Net assets/ (liabilities) as at 31 December 2016	55,569	(3,441)	48,248	(25,475)	74,901
Other information					
Allowance for doubtful debts	2,030	-	-	-	2,030
Depreciation	4,863	39	3	-	4,905
2015					
Revenue					
Local	23,799	-	1,000	(1,000)	23,799
Export	68,688	-	-	-	68,688
	92,487	-	1,000	(1,000)	92,487
Results					
Segment results	7,633	(1,105)	221	(1,032)	5,717
Finance costs	(1,879)	(1)	(1)	-	(1,881)
Profit/(loss) before taxation	5,754	(1,106)	220	(1,032)	3,836
Taxation	(1,309)	-	5	-	(1,304)
Profit/(loss) after taxation	4,445	(1,106)	225	(1,032)	2,532
Net assets/ (liabilities) as at 31 December 2015	49,739	(2,181)	48,010	(24,479)	71,089
Other information					
Allowance for doubtful debts	726	-	-	-	726
Depreciation	5,236	36	60	-	5,332

notes to the FINANCIAL STATEMENTS

for the year ended 31 December 2016
(continued)

30. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash payments	696	507	-	35
Finance lease arrangements	81	279	-	-
	777	786	-	35

31. NON-CANCELLABLE CONTRACTS

At the financial year end, the commitments in respect of non-cancellable operating lease for the rental of properties and equipment are as follows:

	Group	
	2016	2015
	RM'000	RM'000
As lessee		
Future minimum lease payments		
- not later than 1 year	735	125
- later than 1 year and not later than 2 years	430	14
- later than 2 years and not later than 5 years	80	3
	1,245	142

32. CAPITAL COMMITMENTS

At the financial year end, the commitments in respect of capital expenditure as follows:

	Group	
	2016	2015
	RM'000	RM'000
Capital expenditure		
Approved and contracted but not provided for:		
- Plant, machinery, tools and moulds	60	-
- Motor vehicle	-	72
	60	72

33. CONTINGENT LIABILITIES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Unsecured				
Corporate guarantees given to financial institutions in respect of credit facilities granted to subsidiaries	-	-	115,938	114,196

34. 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 RM'000	L&R RM'000	FVTPL RM'000	OFL RM'000
2016				
Non-derivative financial assets				
Trade receivables	21,221	21,221	-	-
Other receivables and deposits	1,216	1,216	-	-
Fixed deposits with licensed financial institutions	1,641	1,641	-	-
Short term funds	132	132	-	-
Cash and bank balances	5,215	5,215	-	-
	29,425	29,425	-	-
Non-derivative financial liabilities				
Trade payables	25,516	-	-	25,516
Other payables, accruals and deposits received	9,820	-	-	9,820
Borrowings	46,828	-	-	46,828
	82,164	-	-	82,164
Derivative financial liabilities				
Forward exchange contracts	264	-	264	-

notes to the FINANCIAL STATEMENTS
for the year ended 31 December 2016
(continued)

34. CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

Group (continued)	Carrying amount RM'000	L&R RM'000	FVTPL RM'000	OFL RM'000
2015				
Non-derivative financial assets				
Trade receivables	25,176	25,176	-	-
Other receivables and deposits	979	979	-	-
Fixed deposits with licensed financial institutions	1,266	1,266	-	-
Short term funds	129	129	-	-
Cash and bank balances	3,635	3,635	-	-
	31,185	31,185	-	-
Derivative financial assets				
Forward exchange contracts	69	-	69	-
Non-derivative financial liabilities				
Trade payables	10,098	-	-	10,098
Other payables, accruals and deposits received	15,244	-	-	15,244
Borrowings	30,086	-	-	30,086
	55,428	-	-	55,428

Company	Carrying amount RM'000	L&R RM'000	OFL RM'000
2016			
Non-derivative financial assets			
Short term funds	75	75	-
Cash and bank balances	98	98	-
	173	173	-
Non-derivative financial liabilities			
Other payables and accruals	853	-	853
2015			
Non-derivative financial assets			
Short term funds	73	73	-
Cash and bank balances	107	107	-
	180	180	-
Non-derivative financial liabilities			
Other payables and accruals	97	-	97

35. FAIR VALUES OF THE FINANCIAL INSTRUMENTS

The fair values of the financial instruments of the Group and of the Company as at 31 December 2016 are not materially different from their carrying values.

36. SIGNIFICANT EVENTS

On 18 January 2016, Euro Chairs Manufacturer (M) Sdn. Bhd. has accepted an additional banking facility amounting to RM3 million. The banking facility is secured by a corporate guarantee from its ultimate holding company, Euro Holdings Berhad.

On 11 May 2016, Eurosteel System Sdn. Bhd. has accepted an additional banking facility amounting to RM2 million. The banking is secured by a corporate guarantee from its ultimate holding company, Euro Holdings Berhad.

37. SUBSEQUENT EVENT

On 28 March 2017, Euro Space System Sdn. Bhd., received Writ of Summon and Statement of Claim from the former Chief Executive Officer of manufacturing division of Euro Group for the sum of RM739,000 plus interests at the rate of 5% per annum, costs and further or other relief as is deemed necessary by the court. The amount of the claim is in dispute and the Management is seeking the necessary legal advice.

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

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 into realised and unrealised profits is prepared and presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by the Malaysian Institutes of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad.

	Group		Company	
	2016	2015	2016	2015
	RM’000	RM’000	RM’000	RM’000
Retained earnings				
- realised	49,687	45,809	4,222	3,983
- unrealised	2,170	1,242	(2)	(1)
	51,857	47,051	4,220	3,982
Less: Consolidation adjustments	(21,873)	(20,479)	-	-
Retained earnings as per financial statements	29,984	26,572	4,220	3,982

analysis of SHAREHOLDINGS

As at 21st March 2017

The total number of issued shares of the Company stands at 243,000,000 ordinary shares, with one voting right per ordinary share.

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
1 - 99	2	0.10	84	0.00
100 - 1,000	970	47.04	300,873	0.12
1,001 - 10,000	343	16.64	2,316,553	0.96
10,001 - 100,000	590	28.61	22,071,146	9.08
100,001 - 12,149,999	152	7.37	109,411,344	45.03
12,150,000 and above	5	0.24	108,900,000	44.81
Total	2,062	100.00	243,000,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	Direct Interest	No. of Shares held %
1	Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	56,327,100	23.18
2	Dato' Tong Yun Mong	30,000,000	12.35
3	Tee Wee Sien	15,000,000	6.17
4	Ching Chiat Kwong	15,000,000	6.17

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Shareholders	Direct Interest	No. of Shares held %
1	Dato' Sri Mohd Haniff Bin Abd Aziz	11,673,000	4.80
2	Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	56,327,100	23.18
3	Dato' Tong Yun Mong	30,000,000	12.35

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	%
1	Amsec Nominess (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	30,300,000	12.47
2	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	24,300,000	10.00
3	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Dato' Tong Yun Mong	24,300,000	10.00
4	Amsec Nominees (Asing) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Tee Wee Sien (Zheng Weixian)	15,000,000	6.17
5	Maybank Nominees (Asing) Sdn Bhd Maybank Private Wealth Management for Ching Chiat Kwong	15,000,000	6.17
6	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	9,473,100	3.90
7	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Sri Mohd Haniff Bin Abd Aziz	6,902,000	2.84
8	Teo Kwee Hock	6,862,800	2.82
9	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Dato' Tong Yun Mong	5,700,000	2.35
10	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Sri Mohd Haniff Bin Abd Aziz	4,771,000	1.96
11	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Kian Boon	4,514,700	1.86
12	Tew Boo Sing	4,039,500	1.66
13	Khong Saw Keng	3,045,600	1.25
14	Tee Yeow	3,009,900	1.24
15	Chew Chong Kee	2,865,000	1.18
16	NLY Development Sdn Bhd	2,660,400	1.09
17	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kwee Hock	2,024,100	0.83
18	Lai Kim Lan	2,000,000	0.82
19	Wong Sek Hin	1,775,000	0.73
20	Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	1,727,100	0.71
21	Tan Soh Gek	1,713,300	0.71
22	Chang Yew Kwong	1,475,700	0.61
23	Lim Seok Kim	1,296,000	0.53
24	Affin Hwang Nominees (Tempatan) Sdn Bhd DBS Vickers Secs (S) Pte Ltd for Bong Choon Fah	1,032,800	0.43
25	Lee Peck Hong	1,000,000	0.41
26	Loh Cheng Fatt	1,000,000	0.41
27	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yeng Chi	900,000	0.37
28	SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Francis Ho Ik Sing	867,100	0.36
29	Tan Ah Su	866,100	0.36
30	Ng Gim Tee	843,000	0.35
		181,264,200	**74.59**

group PROPERTIES

REGISTERED/ BENEFICIAL OWNER	ECM	ESI	ESI	EUROLAND
LOCATION	H.S.(D) 86293 No Lot. 178 Mukim Rawang Daerah Gombak Selangor Darul Ehsan Bearing postal address: Lot 21, Jalan RP 3 Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan	H.S.(D) 86340 Lot No. 193 Mukim Rawang Daerah Gombak Selangor Darul Ehsan Bearing postal address: Lot 15, Jalan RP 3 Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan	H.S.(D) 86280 Lot. No 169 Mukim Rawang Daerah Gombak Selangor Darul Ehsan Bearing postal address: Lot 25, Jalan RP 2 Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan	GM 974 Lot 2223 Mukim Cheras Daerah Hulu Langat 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	Development land
LAND AREA (SQ. FT.)	87,123	82,602	210,101	175,602
BUILT-UP AREA (SQ. FT.)	91,385	69,259	108,116 149,406	-
APPROXIMATE AGE OF BUILDING/TENURE	20 years/Freehold	19 years/Freehold	10 years/ Freehold 6 years /Freehold	Freehold
NET BOOK VALUE AS AT 31 DEC 2016 (RM'000)	5,377	4,912	31,285	58,069
YEAR OF ACQUISITION/ CONSTRUCTION/ REVALUATION	1996 2004#	1997*	2006 2010	2011

* Revalued

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

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting ("AGM") 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 Thursday, 15 June 2017 at 10.00 a.m. for the transaction of the following businesses:

AGENDA

A **Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who retire in accordance with Article 73 of the Articles of Association and being eligible, have offered themselves for re-election:-

   a) Dato' Sri Choong Yuen Keong @ Tong Yuen Keong **Ordinary Resolution 1**

   b) Dato' Tong Yun Mong **Ordinary Resolution 2**

3. To approve the payment of Non-Executive Directors' Fee of RM246,000 per annum for the period from 1 January 2017 up to the 14th AGM of the Company. **Ordinary Resolution 3**

4. To approve an amount of up to RM121,200 as benefits payable to the Directors from 1 January 2017 to the 14th AGM of the Company. **Ordinary Resolution 4**

5. To re-appoint Messrs. Nexia SSY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

B **Special Business**

To consider and if thought fit, to pass with or without modifications the following resolutions:-

6. **Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act, 2016** **Ordinary Resolution 6**

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company"

notice of ANNUAL GENERAL MEETING
(continued)

7. **Proposed Renewal of Shareholders' Mandate for the Company to Purchase its Own Shares of up to Ten percent (10%) of the Total Number of Issued Shares of the Company pursuant to Section 127 of the Companies Act, 2016 ("Proposed SBB Renewal")** **Ordinary Resolution 7**

"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 retained profit of the Company for the purpose of and to purchase such amount of issued shares of the Company ("EURO Shares") 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 ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Securities at any point in time;

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 340(2) and (3) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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 SBB Renewal contemplated and/or authorised by this resolution."

8. **Proposed retention of Independent Non-Executive Director** **Ordinary Resolution 8**

"THAT, in accordance with the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next AGM, subject to the provisions of the relevant regulatory authorities."

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

BY ORDER OF THE BOARD

TAN TONG LANG (MAICSA 7045482)
CHONG VOON WAH (MAICSA 7055003)
Company Secretaries

Kuala Lumpur

Date: 28 April 2017

notice of ANNUAL GENERAL MEETING
(continued)

NOTES:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

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

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

4. For the purpose of determining a member who shall be entitled to attend the Thirteenth AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 8 June 2017. Only a depositor whose name appears on the Record of the Depositor as at 8 June 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

5. To be valid, the proxy form duly completed and signed must be deposited at the Share Registrar's Office, at Tricor Investor & Issuing House Services Sdn. Bhd. Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Explanatory Notes to Ordinary Business:

a. The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act, 2016 are meant for discussion only. It does not require shareholders' approval, and therefore, shall not be put forward for voting.

b. The proposed Ordinary Resolution 4 is the benefits payable to Directors from 1 January 2017 to the 14th AGM of the Company. The benefits comprise allowances and benefits in kind, details of which are as follows:-

    i) Meeting allowance for members of the Board and Board Committees – RM500 per meeting.

    ii) Company Car, driver and fuel for Chairman of the Board – RM2,442 per month based on maximum taxable rate.

Explanatory Notes to Special Business:

a. The proposed Ordinary Resolution 6 is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 2 June 2016 ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised. The proposed resolution, if passed, will provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investments projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next Annual General Meeting of the Company.

b. The proposed Ordinary Resolution 7 if passed, will provide a mandate for the Company to purchase its own shares up to ten percent (10%) of the total issued and paid-up share capital of the Company and shall lapse at the conclusion of the next AGM unless authority for the renewal is obtained from the shareholders of the Company at a general meeting. Please refer to the Circular to shareholders dated 28 April 2017 which is dispatched together with the Company's Annual Report 2016.

c. The proposed Ordinary Resolution 8, in observing the recommendation in relation to the tenure of an Independent director as prescribed by MCCG 2012, the Board of Directors of the Company ("the Board"), after having assessed the independence of Datuk Dr Syed Muhamad Bin Syed Abdul Kadir, considers him to be independent and recommends that Datuk Dr Syed Muhamad Bin Syed Abdul Kadir be retained as Independent Non-Executive Director of the Company. The details of the Board assessment and justifications are contained in the Statement of Corporate Governance of the Company's Annual Report 2016.

form of PROXY

EURO HOLDINGS BERHAD (646559-T)

No. of shares held	
CDS Account No.	

I/We____ I.C. or Company No ____________________________
(Full name in block letters)

of ____
(Full address)

____

being a member/members of EURO HOLDINGS BERHAD hereby appoint (Proxy 1) ___________________________

I.C. No. ___________________________________ of ____

____ or failing him/ her (Proxy 2) __________________________

I.C No. ____________________________________of ____

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 Thirteenth Annual General Meeting of the Company to be held at Green II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Off Jalan Tropicana Utama, 47410 Petaling Jaya on Thursday, 15 June 2017 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	To re-elect Dato’ Sri Choong Yuen Keong @ Tong Yuen Keong who retires in accordance with Article 73 of the Company’s Articles of Association		
RESOLUTION 2	To re-elect Dato’ Tong Yun Mong who retires in accordance with Article 73 of the Company’s Articles of Association		
RESOLUTION 3	To approve the payment of the Non-Executive Directors’ Fee of RM246,000 per annum for the period from 1 January 2017 up to the 14th AGM of the Company		
RESOLUTION 4	To approve an amount of up to RM121,200 as benefits payable to the Directors from 1 January 2017 to the 14th AGM of the Company		
RESOLUTION 5	To re-appoint Messrs. Nexia SSY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
RESOLUTION 6	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
RESOLUTION 7	Proposed SBB Renewal		
RESOLUTION 8	To approve the retention of Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir as Independent Director		

Signed this________ day of _______________ 2017

____
Signature of Shareholder(s)

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

First Proxy
No. of Shares: ______________________
Percentage : ______________________%

Second Proxy
No. of Shares: ______________________
Percentage : ______________________%

NOTES:

1. *A member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
2. *Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
3. *The Form of Proxy, in the case of an individual, shall be signed by the appointer or his attorney, and in the case of a corporation, shall be executed under its Common Seal or under the hand of its attorney of the corporation duly authorised.*
4. *For the purpose of determining a member who shall be entitled to attend the Thirteenth AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 8 June 2017. Only a depositor whose name appears on the Record of the Depositor as at 8 June 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*
5. *To be valid, the proxy form duly completed and signed must be deposited at the Share Registrar’s Office, at Tricor Investor & Issuing House Services Sdn. Bhd. Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.*

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AFFIX
STAMP

THE SHARE REGISTRAR
EURO HOLDINGS BERHAD (646559-T)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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

Rawang Industrial Estate, 48000 Rawang,
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