EURO™

EURO Holdings Berhad
(646559-T)

ANNUAL REPORT **2017**

INSPIRATION at WORK

VISION

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

MISSION

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

VALUES

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

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' 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

Tan Poh Ling
Independent Non-Executive Director

AUDIT COMMITTEE

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
Chairman

Dato' Sri Mohd Haniff Bin Abd Aziz
Member

Tan Poh Ling
Member

REMUNERATION COMMITTEE

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
Chairman

Dato' Sri Mohd Haniff Bin Abd Aziz
Member

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong
Member

Dato' Tong Yun Mong
Member

Tan Poh Ling
Member

NOMINATION COMMITTEE

Tan Poh Ling
Chairperson

Dato' Sri Mohd Haniff Bin Abd Aziz
Member

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
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
Tel : (603) 2279 3080
Fax : (603) 2279 3090
Email : enquiry@boardroom.com.my

HEAD OFFICE

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

AUDITORS

Nexia SSY (A.F. 2009)
UOA Business Park
Tower 3, 5th Floor, K03-05-08
1 Jalan Pengaturcara U1/51A
Section U1, 40150 Shah Alam
Selangor Darul Ehsan
Tel : (603) 5039 1811
Fax : (603) 5039 1822

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
Tel : (603) 2783 9299
Fax : (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

CORPORATE STRUCTURE

EURO Holdings Berhad
(646559-T)

- 100% **ECM** — Euro Chairs Manufacturer (M) Sdn Bhd (164921-X)
- 100% **ESI** — Euro Space Industries (M) Sdn Bhd (105420-W)
- 100% **ECS** — Euro Chairs System Sdn Bhd (121935-M)
- 100% **ESS** — Euro Space System Sdn Bhd (378220-D)
- 100% **ECSB** — Euro Chairs (M) Sdn Bhd (204498-V)
- 100% **ESL** — Eurosteel Line Sdn Bhd (890287-M)
- 75.76% **ES** — Eurosteel System Sdn Bhd (885526-M)
- 100% **Euroland** — Euroland & Development Sdn Bhd (936529-K)

BOARD OF DIRECTORS'

Sitting
from right

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

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

Standing
from left

Dato' Tong Yun Mong
Executive Director

Tan Poh Ling
Independent Non-Executive Director

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

DIRECTORS' PROFILES

Dato' Sri Mohd Haniff bin Abd Aziz
Chairman,
Independent Non-Executive Director
Malaysian, Male, Aged 64

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 Audit Committee, Nomination Committee and Remuneration Committee of EURO.

Dato' Sri Mohd Haniff graduated from University of Malaya with a degree in Bachelor of Economics (Honours) in year 1975. He 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 in the same capacity until 1991. He has also served as the Director of the Malaysian External Trade Development Corporation (formerly Malaysia Export Trade Centre MEXPO) from 1991 to 1994. At present, Dato' Sri Mohd Haniff also sits on the Board Directors of Jerasia Capital Berhad.

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong
Group Managing Director
Malaysian, Male, Aged 58

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 is 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, characterised 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 63

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 71

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 and a member of Nomination 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 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.

Tan Poh Ling
Independent Non-Executive Director
Malaysian, Female, Aged 47

Mdm 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.

Mdm 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.

Mdm 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, 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, if any) within the past 5 years.
3. There is no sanction or penalty imposed on the Directors by relevant regulatory bodies.

SENIOR MANAGEMENT PROFILES

Thomas Tong Kah Hoe
Group Chief Operating Officer
Malaysian, Male, Age 52

Thomas Tong Kah Hoe 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.

Melvin Chay Wing Kin
Chief Executive Officer
of Manufacturing Division
Malaysian, Male, Age 43

Melvin Chay Wing Kin was appointed as Chief Executive Officer (Manufacturing Division) in November 2017. He joined EURO in January 2001 as the Business Development Executive (International).

Mr. Melvin Chay graduated with a Bachelor of Arts degree, majoring in Marketing, from University of Nebraska Lincoln (USA) in 1997. He started his career as Project Management Assistant Manager in Corporate Realty Services in Citibank Bhd from 1998 to 2001.

Mr. Melvin Chay was recruited by EURO in 2001 for the development of the export business. He has more than 17 years of experience in sales and marketing in the international environment. He has been setting up dealership network for EURO for more than 60 countries around the globe.

Poo Shea Choon
Chief Financial Officer
Malaysian, Male, Age 42

Poo Shea Choon 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 2017 ("FY2017").

CHAIRMAN'S STATEMENT
(continued)

ECONOMY & INDUSTRY REVIEW

The Malaysian economy registered a growth of 5.9% in the fourth quarter of 2017 as private sector spending continued to be the primary driver of growth, bringing the full year's growth to 5.9%. Major economic sectors, namely services, manufacturing, agriculture and construction, expanded during the year.

According to the Malaysia External Trade Development Corporation (MATRADE), Malaysia's total trade for 2017 grew by 19.4% to reach RM1.774 trillion, compared to RM1.486 trillion in the previous year. Exports of most product sectors, namely manufacturing, mining and agricultural products, grew by double digit in 2017 with total exports expanding by 18.9% to RM935.39 billion. In 2017, Malaysia exported RM11.4 billion worth of furniture related products, a 6.6% increase from the year before. Our nation remains as the top ten largest furniture exporters in the world.

CORPORATE DEVELOPMENT

On 19 July 2017, the Company had announced to undertake a Private Placement exercise of up to 24,300,000 new ordinary shares in the Company ("Placement Shares"), representing up to 10% of the total issued shares of the Company ("Private Placement").

On 22 August 2017, the Company had completed its Private Placement exercise. A total of 24,300,000 Placement Shares were issued at RM0.18 per Placement Share. The gross proceeds received from the Private Placement was RM4.4 million and approximately RM4.3 million was utilised for working capital of the Group.

FINANCIAL OVERVIEW

EURO recorded a loss after taxation of RM3.5 million for FY2017 as compared to profit after tax of RM3.8 million in the previous year. The loss after tax was primarily due to lower margin contribution from lower revenue and higher taxation resulting from de-recognition of deferred tax assets during the year.

Loss per share of FY2017 was 1.43 sen as compared to earnings per share of 1.40 sen of the previous year. The shareholders' equity as at 31 December 2017 increased to RM74.8 million from RM74.0 million of the previous year.

MARKETING

EURO made its brand present on the local and international fronts by participating at the Malaysian International Furniture Fair (MIFF) during March 2017 at Putra World Trade Center in Kuala Lumpur. The international event was participated by 550 exhibitors and nearly 20,000 attendees from 132 countries. EURO was awarded the Merit Award in the Best Presentation Awards.

Our Property Division is aggressively marketing the Damai Vista condominium while the construction works of the project are progressing as scheduled. As of 31 December 2017, the project was 47% completed and 51% of the condominiums were sold.

OUTLOOK & PROSPECTS

The global economy is expected to improve in the medium term. According to the International Monetary Fund's World Economic Outlook update in January 2018, the world economy is expected to grow at 3.9% in 2018 from 3.7% of the year before. This would spur greater global trade and this would in turn benefit the ASEAN economies. Supported by consumer spending and growing momentum on infrastructure investments, growth of ASEAN-5 are expected at 5.3% in 2018. India, being our largest foreign market, is expected to overcome the temporary disruptions in 2017 and to grow at 7.4% in 2018.

Back to our home front, Malaysia's real GDP growth is expected to grow at 5.4% in 2018 on the back of sustained consumer spending, public consumption and gross fixed capital formation.

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

CHAIRMAN'S STATEMENT
(continued)

DIVIDENDS

The Board of Directors ("the Board") does not recommend any payment of dividend for the year ended 31 December 2017 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 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 enhance their performance 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 2011 to broaden its revenue base.

REVENUE

The Group's revenue for the year ended 31 December 2017 ("FY2017") was RM63.5 million, a decrease of RM20.8 million or 25% as compared to RM84.3 million reported in the previous year. The lower revenue was due to stiff competition in all products range, namely seating, system furniture and steel storages as well as temporary disruption of India market in 2017, one of the main export destination. However, export to India shown some recovery in the fourth quarter.

MANAGEMENT DISCUSSION AND ANALYSIS
(continued)

COST AND EXPENSES

Total cost and expenses before finance cost for FY2017 amounted to RM63.7 million, a decrease of RM16.1 million as compared to RM79.8 million reported in the previous year. The decrease was mainly attributable to the following items:

(a) Cost of sales decreased by RM10.3 million to RM45.5 million as compared to RM55.8 million reported in the previous year, the lower cost was in tandem with the lower revenue while average gross profit margin decreased from 33.7% to 28.4% mainly due to certain production overheads were fixed in nature while cost of raw material has risen.

(b) Administrative expenses decreased by RM3.9 million to RM9.0 million as compared to RM12.9 million reported in the previous year. The decrease was mainly due to the decrease of RM2.0 million in net allowance for doubtful debts and bad debts written off. In addition, other administrative expenses decreased by RM1.9 million benefited 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 FY2017 to mitigate similar risk and the doubtful debts were partially recovered in FY2017. Management is following up with the relevant customers for further recovery.

(c) Selling and distribution expenses decreased by RM2.0 million to RM9.2 million as compared to RM11.2 million reported in the previous year, due to reduced overheads benefited from cost saving initiatives and decrease in variable expenses directly related to revenue.

OTHER INCOME

Other income for FY2017 was RM0.9 million, a decrease of RM0.5 million as compared to RM1.4 million reported in the previous year mainly attributable to lower foreign exchange gain of RM0.4 million resulting from strengthening of the local currency against foreign currencies.

FINANCE COST

Interest expense for FY2017 was RM1.4 million, a decrease of RM0.3 million as compared to RM1.7 million reported in the previous year due to lower interest for term loan and finance lease resulting from instalment made during the year. Other finance costs for FY2017 was RM0.2 million, which has maintained at the same level as reported in the previous year.

TAXATION

The Group's tax expense for FY2017 was RM2.68 million as compared to RM0.03 million reported in the previous year. The higher taxation was mainly attributable to de-recognition of RM1.7 million deferred tax assets in the current year as compared to recognition of deferred tax assets of RM1.0 million in previous year.

PROFIT / (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the company for FY2017 was RM3.6 million as compared to profit of RM3.4 million reported in the previous year, the loss was due to lower operating profit resulting from lower revenue coupled with higher taxation as explained above.

MANAGEMENT DISCUSSION AND ANALYSIS
(continued)

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalent of the Group decreased by RM3.5 million, from negative RM0.2 million as at 31 December 2016 to negative RM3.7 million as at 31 December 2017. The decrease was mainly attributable to the followings:

(a) Net cash used in operating activities of RM8.5 million mainly for financing the property development cost incurred during the year.
(b) Net cash used in investing activities of RM0.4 million mainly for purchase of plant and equipment by the Manufacturing Division.
(c) Net cash generated from financing activities of RM5.1 million mainly from proceeds of private placement, advance proceeds from sale of property development units and bridging loan draw down off set with repayment of bank loans, interest payment and fixed deposit pledged for banking facility.

GEARING

The gearing ratio of the Group as at 31 December 2017 was 59% as compared to 53% as at 31 December 2016, the increase was mainly due to higher debt financing during the current year for property development cost. The gearing ratio is calculated as net debt divided by total equity. Net debt, which is calculated as total borrowings and advance proceeds from sale of development units less deposits, short term funds, cash and bank balances.

ASSETS

Total assets of the Group as at 31 December 2017 was RM173.0 million as compared to RM157.3 million as at end of last year. The increase of RM15.7 million was mainly attributable to the movement of the following assets:

(a) Property development cost increased by RM25.4 million in line with construction works of Damai Vista Project progressed. During FY2017, interests of RM2.0 million (2016: RM1.0 million) and an apportionment of profit guarantee cost of RM0.8 million (2016: RMNil) were capitalised under property development cost by the Group.
(b) Property, plant and equipment decreased by RM3.8 million mainly due to current year depreciation of RM4.3 million.
(c) Trade receivables decreased by RM2.7 million due to lower revenue in current year, while gross debtor turnover days increased to 133 days as compared to 112 days of the previous year.
(d) Cash and bank balance decreased by RM2.4 million due mainly to lower utilisation of bank borrowings as compared to last year.

LIABILITIES

Total liabilities of the Group as at 31 December 2017 was RM97.2 million as compared to RM82.4 million as at end of last year. The increase of RM14.8 million mainly attributable to the movement of the following liabilities:

(a) Trade payables increased by RM9.1 million mainly due to the increase in progress billings from property development while no revenue was recognised during the year to offset the progress billings.
(b) Other payables increased by RM7.8 million mainly due to the increase in payables related to property development activities during the year.
(c) Bank borrowings decreased by RM1.9 million mainly due to decrease in term loan resulting from monthly repayments made during the year.

MANAGEMENT DISCUSSION AND ANALYSIS
(continued)

OPERATION REVIEW

The Group's profit before interest and tax ("PBIT") for FY2017 was RM0.6 million as compared to RM5.5 million reported in the previous year.

Manufacturing Division

Manufacturing Division's PBIT of FY2017 was at RM3.4 million, a decrease of RM4.5 million as compared to RM7.9 million reported in the previous year due mainly to decrease in revenue. In response to the stiff competition amid weaker market demand, the Management has adopted a more aggressive approach on product pricing in order to re-capture sales from all areas in the last quarter of 2017. The Management will continuously adopt the same strategy and measures the performance going into 2018.

Property Division

Property Division loss before interest and tax was recorded at RM1.2 million, which was same level as reported in the previous year. The constructions works of Damai Vista project progressed as scheduled although revenue from the project is yet to be recognised in line with the revenue recognition policy complied with existing applicable accounting standards.

MANAGEMENT DISCUSSION AND ANALYSIS
(continued)

LOOKING FORWARD

Export sale will remain as key contributor of the Manufacturing Division while greater effort would also be made in regaining the local market share. India shall remain as one of the key markets and the Management will continue to focus on the business from India. India business environment is expected to overcome the temporary disruption experienced in FY2017 and revived to the previous condition after the GST regulations simplified.

The Management will invest greater time and effort in neighbouring countries to increase sales in the ASEAN region, especially in countries that with rapid development policy and increasing establishment of Business Process Outsourcing centre.

The Original Design Manufacturer or Original Equipment Manufacturer (ODM/OEM) programme has contributed consistent orders for office chairs and revenue from this market is expected to continue in 2018. 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.

A newly developed range of business collaboration furniture was officially launched and introduced in the Malaysia International Furniture Fair 2018. With this new product range, the Manufacturing Division is able to expand beyond the conventional office environment and leading EURO brand into the hospitality set up such as hotel and airport.

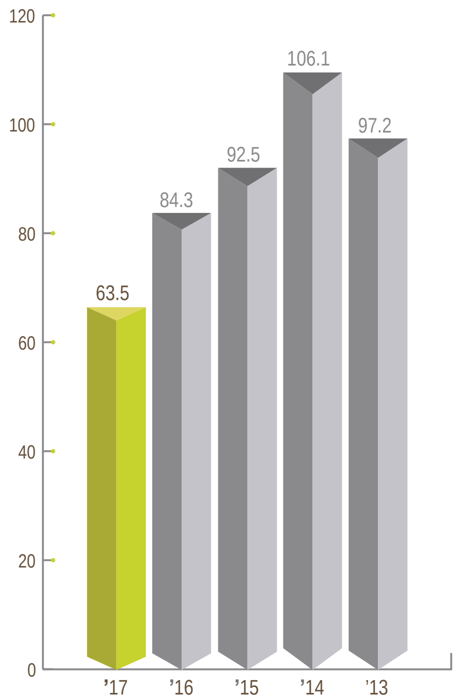
Inflation of the raw material cost and higher direct labour expenses resulting from Malaysia foreign labour policy will continue to put pressure on production cost of the Manufacturing Division. The division is therefore driven to continue its efforts to improve productivity and optimise operational efficiencies.

In regard to Property Division, construction works of Damai Vista Condominium will continue to progress as scheduled and as such the revenue recognition from the project is expected to contribute positively to the Group's 2018 financials.

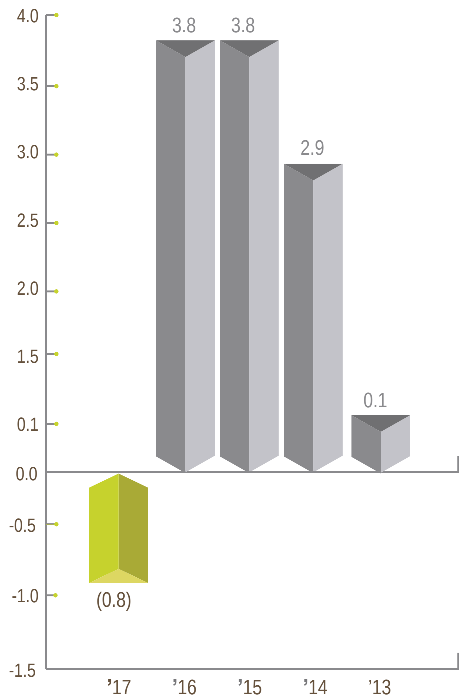
EURO
EURO Holdings Berhad
(646559-T)

GROUP FINANCIAL HIGHLIGHTS

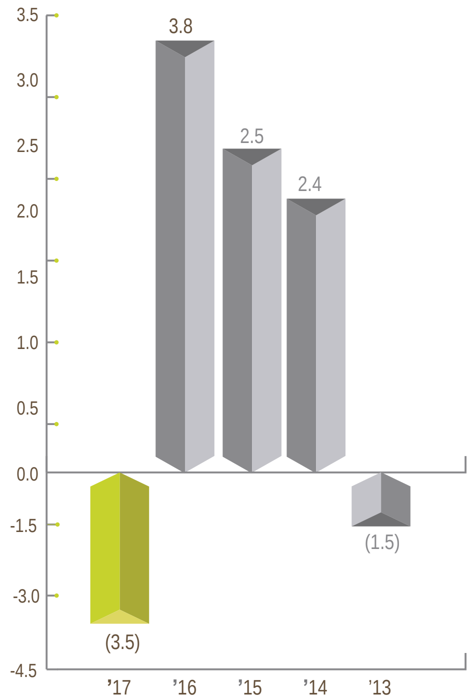
Revenue (RM' million)



(Loss)/Profit before taxation (RM' million)



(Loss)/Profit after taxation (RM' million)



	2017	2016	2015	2014	2013
Operating Results (RM'000)					
Revenue	**63,517**	84,265	92,487	106,113	97,215
EBITDA	**4,871**	10,454	10,830	9,974	7,329
(Loss)/Profit Before Taxation	**(840)**	3,838	3,836	2,884	121
(Loss)/Profir After Taxation	**(3,523)**	3,812	2,532	2,372	(1,468)
Net (loss)/profit attributable to equity holders	**(3,600)**	3,412	2,147	2,409	(1,630)
Key Data of Statement on Financial Position (RM'000)					
Total assets	**172,950**	157,329	126,517	120,308	123,939
Net borrowings	**44,882**	39,840	25,056	24,818	34,469
Shareholders' equity	**74,786**	74,012	70,600	68,769	66,360
Share Information & Key Financial Ratios					
Return on equity (%)	**(4.71)**	5.15	3.59	3.45	(2.21)
Return on total assets (%)	**(2.04)**	2.42	2.00	1.97	(1.18)
Gearing ratio (times)	**0.60**	0.54	0.35	0.36	0.52
Interest cover (times)	**0.41**	3.24	3.31	2.59	1.06
Number of Ordinary Shares In Issue ('000)	**267,300**	243,000	243,000	81,000	81,000
PE ratio (times)	**(11.88)**	14.60	28.30	18.49	(18.63)
(Loss)/Earnings per share attributable to equity holders (sen) #	**(1.43)**	1.40	0.88	2.97	(2.01)
Net asset per share (sen)	**27.98**	30.46	29.05	84.90	81.93
Share price as at financial year end (sen)	**16.0**	20.5	25.0	55.0	37.5

NOTES

\# The (Loss)/Earnings Per Share is arrived at by dividing the Group's (loss)/profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

SUSTAINABILITY STATEMENT

Our Commitment

We perceive corporate sustainability as our commitment to create long term value for our shareholders, environment and society through innovation and overall operational excellence. We understand our choices today have an impact on our customers and suppliers and the success of their businesses in the future. Our business imperative is to carry out our activities responsibly and with integrity. Our people are expected to behave in an honest and ethical manner in accordance with our policies, business rules and guidelines.

Mindful of the need to be a corporately responsible organisation, the Group undertook various steps to play its part in contributing to the welfare of the society and communities in the environment it operates. The Group recognises that for long term sustainability, its strategic orientation will need to look beyond the financial parameters. Hence, the Group supports important causes such as donation to the needy, community services, promoting a healthy and safety culture within the organisation.

Within this context we have defined our commitment to Corporate Sustainability across five impact areas:

Workplace

EURO recognises 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. 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.

Customer Satisfaction

The Group is unwavering in meeting its standards of excellence by ensuring the delivery of quality in project execution and meeting all customer deliverables as detailed in our contracts. We aspire towards full realisation of ISO standards (ISO 9001 and ISO14001) throughout our operations and the application of established quality practices and policies. The Group is committed to improving compliance with product requirements and the effectiveness of its Quality Management System on a continuing basis.

The Group Procurement Department ensures diversification of supply chain to mitigate the risk of disruption to our operations. The Group’s operations maintain at least one primary and one secondary supplier for raw material, consumables and spare parts, wherever possible.

Marketplace

The Group is continuously committed to promote and maintain transparency, accountability and ethics in the conduct of its business and operations with the stakeholders, including our Government and Authorities, Shareholders and Investors, Customers, Suppliers, Employees and Communities. This includes the implementation of internal control systems such as a financial authority framework and risk management framework. Coupled with this, the Company’s Audit Committee periodically review these internal control systems together with recommendations from Internal and External Auditors.

The Group aims to develop and evolve good relationships, trust, mutual respect, understanding with our stakeholders who have an effect on, or is affected by our businesses. The Group has introduced various channels to engage with our stakeholders to understand and respond to their expectations and interests with regard to our services and operations.

SUSTAINABILITY STATEMENT
(continued)

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 2017, the Group's initiatives included:

- organising blood donation drive for our employees and some of our business associates to the National Blood Bank;
- 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.

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.

Moving Forward

We are committed to promote good corporate governance standards and building sustainability.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

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 practised 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.

The Board is pleased to report on the application of the recommended practices of the Malaysian Code on Corporate Governance ("MCCG") as required under the MCCG and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") during the financial year under review.

The application of each Practice set out in the MCCG during the financial year under review is disclosed the Company's Corporate Governance Report which is available on the Company's website at www.euroholdings.com.my as well as via an announcement on the website of Bursa Securities.

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 MCCG. 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;
- 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(continued)

SECTION 1: THE BOARD OF DIRECTORS (continued)

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 two (2) 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 checks and balances in the Board's exercise of its functions and independent evaluation of the Board's decision-making process. The Board has a woman representative in accordance with the recommendation of the MCCG with regards to women 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 three (3) 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 and Mdm Tan Poh Ling were appointed as Independent Non-Executive Directors since 1 October 2004 and 21 January 2009 respectively. Pursuant to Practice 4.2 of MCCG, they have served as an Independent Director of EURO for a cumulative period of more than 12 years and nine (9) years respectively and therefore, shareholders' approval will be sought on their retention as Independent Non-Executive Directors at the upcoming annual general meeting.

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 and Mdm Tan Poh Ling possess the attributes necessary in discharging their role and functions as Independent Directors of the Company and that their independence have not been compromised or impaired in any way after having noted that during their tenure in office:

- The Directors exercises due care in all undertakings of the Group and in their fiduciary duties in the interest of the Company and minority shareholders;
- The Directors have not developed, established or maintained any significant relationship which would impair their independence as Independent Directors with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level, consistent and expected of them to carry out their duties as Independent Non-Executive Director, Chairman or member of the Board's Committees;

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(continued)

SECTION 1: THE BOARD OF DIRECTORS (continued)

Annual Assessment of Independence (continued)

- The Directors have 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

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

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%
Mdm Tan Poh Ling	6/6	100%
Dato' Kevin Sathiaseelan A/L Ramakrishnan *(Resigned w.e.f. 28 November 2017)*	3/6	50%

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 Secretaries and management staff. Where considered necessary, the Board may also engage the services of Independent Professional Advisors on specialized issues in furtherance of their duties.

Appointment of Directors

The Nomination Committee is responsible for recommending to the Board suitable candidate(s) for appointment as new 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(continued)

SECTION 1: THE BOARD OF DIRECTORS (continued)

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 detailed remuneration of Directors of the Company and the Group comprising remuneration received/receivable from the Company and the Group during the financial year ended 31 December 2017 are disclosed in Note 25(b) to the financial statements on page 85 of this Annual Report.

Details of the remuneration of the top Senior Management (including salary, bonus, benefits in-kind and other emoluments) in each successive bands of RM50,000 during the financial year ended 31 December 2017, are as follows:

Range of Remuneration RM	Name of Top Senior Management
350,000 - 400,000	Thomas Tong Kah Hoe - Group Chief Operating Officer
250,000 - 300,000	Melvin Chay Wing Kin - Chief Executive Officer (Manufacturing Division)#
200,000 - 250,000	Tan Boo Chuan - Chief Executive Officer (Manufacturing Division)*
250,000 - 300,000	Poo Shea Choon - Chief Financial Officer

 # Appointed w.e.f. 1-Nov-2017, remuneration amount include position before current appointment

** Resigned w.e.f. 4-Jul-2017*

Directors' Training and Education

All Directors appointed to the Board had attended the Mandatory Accreditation Programme accredited by Bursa Securities. The Board evaluated the Directors' training needs and attended 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 2017 are as follows:

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(continued)

SECTION 1: THE BOARD OF DIRECTORS (continued)

Directors' Training and Education (continued)

Seminar / Conference / Workshop	Details of Programme
Corporate Governance	• CEO Faculty Talk on "Company Law" • Briefing on Companies Act 2016 for Directors of CPAM & CPIAM • Training to update Directors on Malaysian Code of Corporate Governance (MCCG) 2017 and the Main Market Listing Requirement (MMLR) of Bursa Malaysia • Briefing on Companies Act 2016# • Briefing on MCCG 2017#
Roles of an Effective Board	• MINDA's Power Talk with Captain Peter Jähne • ICLIFF session on Mindfulness - A Critical Source of Leadership Energy • Future CEO Programme • CEO Faculty Programme • Joining the Dots: Good decision making in a VUCA world
Management	• Cyber Security Board Awareness Session – Cyber Security from the Front Line • Mentoring session for Women Directors Mentoring Programme (WDMP) 2017 • Big Data Analytics for Competitive Business Advantage • Cloud technologies for SMPs • M&A perspective on ASEAN cross-border investments
Accounting and Economics	• Khazanah Annual Review Briefing • Capital Market Directors Programme • SIDC-IMD 3rd Series: Innovation in the Financial Sector – Where The World Will Be, How to Get There? • Islamic Finance for BOD Programme • Professional certificate US GAAP & Taxation • US GAAP & SEC Reporting Courses • Practical Auditing Methodology for SMPs • MIA Lecture – Trust • MIA Lecture – Integrity: The Game Changer • MFRS Conference 2017 – the future of financial reporting • Tax impact of 2018 Budget on Business • Public Practitioners Forum 2017 – integrating innovations in your practice • Updates on tax audits, investigation & appeal process

 # 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 ("AC") was established on 3 October 2004. The responsibilities and detailed terms of reference of the AC are accessible through the Company's website at www.euroholdings.com.my. The members of the AC and activities of the AC during the financial year are set out in the AC Report on page 28 to 29 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(continued)

SECTION 2: COMMITTEES OF THE BOARD (continued)

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 and endeavor to comply as they recognise 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 once during the financial year. The members of the NC who had served during the financial year are:

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

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

- **Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir**
  Member, Independent Non-Executive Director
  (Appointed w.e.f. 25 January 2018)

- **Dato' Kevin Sathiaseelan A/L Ramakrishnan**
  Member, Independent Non-Executive Director
  (Resigned w.e.f. 28 November 2017)

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

Remuneration Committee

The Board has set up the Remuneration Committee ("RC") in February 2005 to assist the Board in determining the Director's and Senior Management's remuneration. The RC 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 and Senior Management of the quality required to manage the business of the Company and the Group. 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 RC 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(continued)

SECTION 2: COMMITTEES OF THE BOARD (continued)

Remuneration Committee (continued)

The members of the RC 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

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

- **Dato' Sri Mohd Haniff Bin Abd Aziz**
  Member, Independent Non-Executive Chairman
  (Appointed w.e.f. 25 January 2018)

- **Dato' Kevin Sathiaseelan A/L Ramakrishnan**
  Member, Independent Non-Executive Director
  (Resigned w.e.f. 28 November 2017)

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

SECTION 3: SHAREHOLDERS

Investor Relations and Shareholders Communication

Recognising 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. At each AGM, a platform is available to shareholders to participate in the question and answer session. All Directors attended the 13th AGM held in 2017. The Chair of the Board Committees as well as Senior Management attended the AGM and were available to provide responses to shareholders. Extraordinary General Meeting is held when required.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(continued)

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, 2016 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 2017 can be found on page 44 to 96 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 30 to 32 of this Annual Report.

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 28 to 29 of this Annual Report.

Directors' Responsibility Statement

The Directors are required by the Companies Act, 2016 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 Companies Act, 2016. 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 of the Company for the year ended 31 December 2017, the Board has:

- adopted suitable accounting policies and applied them consistently;
- where applicable, made judgements 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 Companies Act, 2016 and the applicable approved accounting standards.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(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

On 22 August 2017, the Company had completed its Private Placement Exercise of 24,300,000 new ordinary shares in the Company ("Placement Shares"). A total of 24,300,000 Placement Shares were issued at RM0.18 per Placement Share. The proceeds raised and its utilisation thereof are as set out below:-

Purpose	Utilisation (RM'000)
Working Capital	4,276
Defray expenses relating to the exercise	98
Total	**4,374**

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 2017 amounted to RM119,300 and RM35,000 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 2017 are disclosed in Note 25 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 has been applied. The Board considers and is satisfied that the Group has fulfilled its obligation under the MCCG, the MMLR and all applicable laws and regulations throughout the financial year ended 31 December 2017.

This Statement is made in accordance with a resolution of the Board of Directors dated 28 March 2018.

The Board of Directors of EURO Holdings Berhad is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2017 ("FY2017").

The AC had met six (6) times during the FY2017. The composition and the attendance record of AC members are as follows:-

Chairman, Independent Non-Executive Director	6/6	100%
Member, Independent Non-Executive Director		6/6 100%
Member, Independent Non-Executive Chairman (appointed w.e.f. 25 January 2018)	-	-
Member, Independent Non-Executive Director (Resigned w.e.f. 28 November 2017)	3/6	50%

The Company recognises the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.

Collectively, the members of the Audit Committee have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the Audit Committee. The qualification and experience of the individual Audit Committee members are disclosed in the Directors' Profiles on pages 5 to 6 of this Annual Report. During the financial year ended 31 December 2017, all members of the Audit Committee had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their duties.

In line with the terms of reference of the AC, the following activities were carried out by the AC during the FY2017 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;

AUDIT COMMITTEE REPORT
(continued)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (continued)

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;

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's internal audit function is carried out by an outsourced internal audit firm, namely Total Advisors Sdn Bhd, which is independent of the activities it audits. The Head of the Internal Auditors, Christine Looi Pek San, is a Professional member of The Institute of Internal Auditors Malaysia and is competent to conduct the internal audit according to the standards and code of ethics set by the body. The Internal Auditors report directly to the AC and provide the Committee with independent and objective evaluation on the state of risk management and internal controls of the Group, and the extent of compliance of the divisions with the Group's established policies and procedures as well as relevant statutory requirements, so that remedial actions can be taken in relation to any weaknesses noted in the systems and controls of the respective divisions.

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

- Prepared 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.

- Performed follow-up reviews on the implementation of recommendations made by the internal auditors to ensure that appropriate corrective actions are taken on a timely basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 2017.

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 Group's internal audit function was performed by an outsourced professional firm of consultants, that is independent of the activities it audits. 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 performed 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, past audit issues, external auditors, Management and Board are gathered, assessed and prioritised to derive the annual audit plan.

In 2017, reviews on various areas involving operations of Manufacturing Division of the Group were conducted. Among the key coverage included:

- Raw material handling and management

- Scrap and disposal process

- Procurement operation

- Supplier evaluation and management

Reports 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 internal assessment. It has its own peer reviewer mechanism to ensure consistently good quality output of every audit engagement. The team leader is experienced to manage the internal audit assignments.

The cost incurred for the internal audit during the year was RM24,000.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(continued)

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 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.

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The principal activity 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
(Loss)/profit net of tax	(3,523)	900
(Loss)/profit attributable to:		
Owners of the Company	(3,600)	900
Non-controlling interest	77	-
	(3,523)	900

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 2017.

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

On 22 August 2017, the Company increased its issued and paid-up share capital by issuing 24,300,000 new ordinary shares through a private placement, to 267,300,000 ordinary shares at an issue price of RM0.18 each to independent third party investors totalling RM4,374,000 for working capital purposes. The issued and paid-up share capital of the Company was increased from RM24,300,000 to RM28,674,000 from the said private placement.

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

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

Directors

The Directors in the office during the financial year and during the period from the end of the financial year to 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
Tan Poh Ling
Dato' Kevin Sathiaseelan A/L Ramakrishnan *(Resigned on 28.11.2017)*

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Directors (continued)

The names of the directors of the Company's subsidiaries in the office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong
Dato' Tong Yun Mong
Tan Boo Chuan *(Resigned on 1.6.2017)*

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 in the Company			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Shareholdings in the name of the Directors:				
Dato' Sri Mohd Haniff Bin Abd Aziz	11,673,000	-	(2,375,000)	9,298,000
Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	56,327,100	200,000	-	56,527,100
Dato' Tong Yun Mong	30,000,000	-	-	30,000,000
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-
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 end 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.

Indemnity and insurance costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company is RM12,730. There were no indemnity coverage and insurance premium paid for the Auditors during the financial year.

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Other statutory information (continued)

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

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

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) no contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet 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 2017 (continued)

Significant and subsequent events
The details of significant and subsequent events are disclosed in Note 34 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 21 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 March 2018.

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong
Director

Dato' Tong Yun Mong
Director

Shah Alam

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 44 to 96 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 March 2018.

Dato' Sri Choong Yuen Keong @ Tong Yuen Keong
Director

Dato' Tong Yun Mong
Director

Shah Alam

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) 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 44 to 96 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 28 March 2018.

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 2017 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 44 to 96.

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 2017 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 2016 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EURO HOLDINGS BERHAD (continued)

Key Audit Matters (continued)

1. Receivables

The carrying amount of trade receivables as at 31 December 2017: RM18,550,220. We refer to the consolidated financial statements: Note 3(g) "Receivables", Note 5(c) "Allowances for doubtful debts" and Note 11 "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 2017; • 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 liabilities as at 31 December 2017: RM44,118. We refer to consolidated financial statements: Note 3(n) "Income tax", Note 5(e) "Deferred tax assets" and Note 8 "Deferred tax assets/liabilities".

Key audit matter	Our responses
As discussed in Note 3(n), 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. 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. The recognition of deferred tax liabilities arising from excess of capital allowances over depreciation and all taxable temporary differences, except to the extent that the deferred tax liabilities arise 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 of the transaction, affects neither accounting profit or loss nor taxable profit or loss. 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 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 or loss nor taxable profit or loss. • 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EURO HOLDINGS BERHAD (continued)

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 conclude 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 2016 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.

- 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EURO HOLDINGS BERHAD (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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

28 March 2018
Shah Alam

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	48,509	52,327	26	30
Investment in subsidiaries	7	-	-	54,368	48,916
Deferred tax assets	8	-	1,702	-	-
		48,509	54,029	54,394	48,946
Current assets					
Property development costs	9	83,464	58,069	-	-
Inventories	10	14,399	14,911	-	-
Trade receivables	11	18,550	21,221	-	-
Other receivables, deposits and prepayments	12	1,841	1,666	12	13
Foreign exchange contracts	19	71	-	-	-
Tax recoverable		449	445	-	-
Fixed deposits with licensed financial institutions	13	2,782	1,641	-	-
Short term funds	13	90	132	32	75
Cash and bank balances	13	2,795	5,215	82	98
		124,441	103,300	126	186
TOTAL ASSETS		**172,950**	**157,329**	**54,520**	**49,132**

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	14	48,402	24,300	48,402	24,300
Share premium		-	19,728	-	19,728
Retained earnings	15	26,384	29,984	5,120	4,220
		74,786	74,012	53,522	48,248
Non-controlling interest		966	889	-	-
TOTAL EQUITY		75,752	74,901	53,522	48,248
Non-current liabilities					
Borrowings	16	18,826	31,033	-	-
Deferred tax liabilities	9	44	-	2	2
		18,870	31,033	2	2
Current liabilities					
Trade payables	17	34,650	25,516	-	-
Other payables, accruals and deposits received	18	17,581	9,820	890	853
Borrowings	16	26,097	15,795	-	-
Forward exchange contracts	19	-	264	-	-
Provision for taxation		-	-	106	29
		78,328	51,395	996	882
TOTAL LIABILITIES		97,198	82,428	998	884
TOTAL EQUITY AND LIABILITIES		172,950	157,329	54,520	49,132

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	20	63,517	84,265	-	-
Cost of sales		(45,453)	(55,827)	-	-
Gross profit		18,064	28,438	-	-
Other operating income		941	1,354	1,980	945
Selling and distribution expenses		(9,214)	(11,163)	-	-
Administrative expenses		(9,026)	(12,850)	(645)	(537)
Profit from operations		765	5,779	1,335	408
Finance costs		(1,605)	(1,941)	(57)	(34)
(Loss)/profit before taxation	21	(840)	3,838	1,278	37
Taxation	23	(2,683)	(26)	(378)	(136)
(Loss)/profit for the year		(3,523)	3,812	900	238
Attributable to:					
Owners of the Company		(3,600)	3,412	900	238
Non-controlling interest		77	400	-	-
		(3,523)	3,812	900	238
Earnings per share attributable to equity holders of the Company (sen)	24	(1.43)	1.40	-	-

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Non distributable		Distributable			
		Share Capital RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group							
At 1 January 2017		24,300	19,728	29,984	74,012	889	74,901
Adjustments for the effects of Companies Act 2016:							
- Share premium	14	19,728	(19,728)	-	-	-	-
Issue of shares	14	4,374	-	-	4,374	-	4,374
(Loss)/profit for the year		-	-	(3,600)	(3,600)	77	(3,523)
At 31 December 2017		48,402	-	26,384	74,786	966	75,752
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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Non-distributable Share capital RM'000	Share premium RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2017		24,300	19,728	4,220	48,248
Adjustments for the effects of Companies Act 2016:					
- Share premium	14	19,728	(19,728)	-	-
Issue of shares	14	4,374	-	-	4,374
Profit for the year		-	-	900	900
At 31 December 2017		48,402	-	5,120	53,522
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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
(Loss)/profit before taxation		(840)	3,838	1,278	374
Adjustments for:					
Allowance for doubtful debts		744	2,030	-	-
Bad debts written off		-	711	-	-
Reversal of allowance for doubtful debts		(858)	(862)	-	-
Depreciation of property, plant and equipment		4,287	4,905	4	3
(Gain)/loss on forward exchange contracts		(335)	333	-	-
Property, plant and equipment written-off		8	-	-	-
Gain on disposal of property, plant and equipment		(58)	(9)	-	-
Interest expense		1,424	1,711	57	34
Interest income		(31)	(56)	(1,980)	(945)
Unrealised foreign exchange gain		(356)	(732)	-	-
Operating profit/(loss) before working capital changes		3,985	11,869	(641)	(534)
Decrease in inventories		512	359	-	-
Decrease/(increase) in trade and other receivables		2,745	2,602	(5,451)	(1,036)
Increase in trade and other payables		10,565	9,252	37	756
Cash generated from/(used in) operations		17,807	24,082	(6,055)	(814)
Increase in property development cost	9	(25,395)	(36,189)	-	-
Tax paid		(1,535)	(1,323)	(301)	(106)
Tax refunded		594	322	-	2
Net cash used in operating activities		(8,529)	(13,108)	(6,355)	(918)
Cash flows from investing activities					
Purchase of property, plant and equipment	29	(496)	(696)	-	-
Interest received		31	56	1,980	945
Proceeds from disposal of property, plant and equipment		77	12	-	-
Net cash (used in)/generated from investing activities		(388)	(628)	1,980	945
Cash flows from financing activities					
Fixed deposits pledged (net)		(1,141)	(375)	-	-
Interest paid		(1,424)	(1,711)	(57)	(34)
Repayment of finance lease liabilities		(953)	(1,531)	-	-
Repayment of loan		(7,817)	(2,579)	-	-
Drawdown of loan		6,386	23,956	-	-
Advance proceeds from sale of property development units	18	5,626	-	-	-
Proceeds from issue of shares	14	4,374	-	4,374	-
Net cash generated from/(used in) financing activities		5,051	17,760	4,317	(34)

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Net increase/(decrease) in cash and cash equivalents		(3,866)	4,024	(59)	(7)
Cash and cash equivalents at beginning of the year		(209)	(4,651)	173	180
Effect of foreign currency translation differences		331	418	-	-
		122	(4,233)	173	180
Cash and cash equivalents at end of the year		(3,744)	(209)	114	173
Cash and cash equivalents comprise:					
Fixed deposits with licensed financial institutions	13	2,782	1,641	-	-
Short term funds	13	90	132	32	75
Cash at bank		2,733	4,054	82	98
Cash in hand		62	1,161	-	-
		5,667	6,988	114	173
Bank overdrafts	16	(6,629)	(5,556)	-	-
		(962)	1,432	114	173
Less: Fixed deposits pledged		(2,782)	(1,641)	-	-
		(3,744)	(209)	114	173

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

The Company is a public limited 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 474 (2016: 576) and NIL (2016: NIL) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 March 2018.

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 2016 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 2016 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income tax (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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, and 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 date 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Foreign currencies (continued)

ii Foreign currency transactions (continued)

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:

	2017 RM	2016 RM
1 Euro (EUR)	4.852	4.734
1 Singapore Dollar (SGD)	3.037	3.102
1 United States Dollar (USD)	4.063	4.484
1 Sterling Pound (GBP)	5.461	5.515
100 Indian Rupee (IDR)	Not applicable	6.598

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

Financial assets (continued)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

Financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

Financial assets (continued)

vii Impairment of financial assets (continued)

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 asset. Such impairment losses are not reversed.

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

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

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'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

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

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.

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.

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 28, 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 revised MFRSs issued by MASB, effective for financial year of the company beginning 1 January 2017, have been adopted, and the adoptions are not expected to have any or significant impact to the financial statements:

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

MFRSs that have been issued but not effective

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: Recognition and Measurement
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
IC Interpretation 22:	Foreign Currency Transactions and Advance Consideration

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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

MFRSs that have been issued but not effective (continued)

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

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS, including MFRS 111: Construction Contracts, MFRS 118: Revenue, IC Interpretation 13: Customer Loyalty Programmes, IC Interpretation 15: Agreements for Construction of Real Estate, IC Interpretation 18: Transfers of Assets from Customers and IC Interpretation 131: Revenue – Barter Transaction Involving Advertising Services.

The following new and revised MFRSs 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 except for MFRS 16.

MFRS 16:	Leases
Amendments to MFRS 3:	Business Combinations
Amendments to MFRS 9:	Financial Instruments: Recognition and Measurement
Amendments to MFRS 11:	Joint Arrangements
Amendments to MFRS 112:	Income Taxes
Amendments to MFRS 119:	Employee Benefits
Amendments to MFRS 123:	Borrowings Costs
Amendments to MFRS 128:	Investment in Associates and Joint Ventures
IC Interpretation 23:	Uncertainty over Income Tax Treatments

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The following new MFRS issued by MASB, effective for financial periods beginning on or after 1 January 2021, has not been adopted, and the adoptions are not expected to have any or significant impact to the financial statements:

MFRS 17: Insurance Contracts

MFRSs that have been issued but effective dates have been deferred

MFRS 10: Consolidated Financial Statements
MFRS 128: Investments in Associates and Joint Ventures

NOTES TO THE FINANCIAL STATEMENTS

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

5. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Key Sources of Estimation Uncertainty (continued)

(g) Contingent liabilities

As disclosed in Note 32, 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 2017 (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 2017	9,204	32,371	168	228	41,971
Additions	-	58	-	54	112
Disposals	-	-	-	-	-
Write-offs	-	(6)	-	(2)	(8)
Depreciation charge	-	(814)	(31)	(45)	(890)
At 31 December 2017	9,204	31,609	137	235	41,185
At 31 December 2017					
Cost	9,204	40,747	1,847	1,020	52,818
Accumulated depreciation	-	(9,138)	(1,710)	(785)	(11,633)
Carrying amount	9,204	31,609	137	235	41,185
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
Depreciation charge – 2016	-	814	40	47	901

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 2017	41,971	6,590	1,439	91	719	50,810
Additions	112	-	237	-	32	381
Disposals	-	(15)	-	-	-	(15)
Write-offs	(8)	-	-	-	-	(8)
Depreciation charge	(890)	(1,930)	(552)	(36)	(296)	(3,704)
At 31 December 2017	41,185	4,645	1,124	55	455	47,464
At 31 December 2017						
Cost	52,818	33,970	11,906	449	3,454	102,597
Accumulated depreciation	(11,633)	(29,325)	(10,782)	(394)	(2,999)	(55,133)
Carrying amount	41,185	4,645	1,124	55	455	47,464
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
Depreciation charge – 2016	901	2,376	505	45	340	4,167

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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 2017	50,810	34	38	1,445	52,327
Additions	381	-	-	115	496
Disposals	(15)	-	-	(4)	(19)
Write-offs	(8)	-	-	-	(8)
Depreciation charge	(3,704)	(4)	(13)	(566)	(4,287)
At 31 December 2017	47,464	30	25	990	48,509
At 31 December 2017					
Cost	102,597	56	263	4,791	107,707
Accumulated depreciation	(55,133)	(26)	(238)	(3,801)	(59,198)
Carrying amount	47,464	30	25	990	48,509
At 31 December 2016					
Cost	102,282	56	263	5,556	108,157
Accumulated depreciation	(51,472)	(22)	(238)	(4,111)	(55,830)
Carrying amount	50,810	34	38	1,445	52,327
Depreciation charge – 2016	4,167	5	16	717	4,905

Company	Signboard RM'000	Total RM'000
At cost:		
Carrying amount		
At 1 January 2017	30	30
Depreciation charge	(4)	(4)
At 31 December 2017	26	26
At 31 December 2017		
Cost	35	35
Accumulated depreciation	(9)	(9)
Carrying amount	26	26
At 31 December 2016		
Cost	35	35
Accumulated depreciation	(5)	(5)
Carrying amount	30	30
Depreciation charge – 2016	3	3

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 16 is as follows:-

	Group	
	2017 RM'000	2016 RM'000
Freehold land	9,204	9,204
Freehold buildings	31,609	32,371
	40,813	41,575

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

	Group	
	2017 RM'000	2016 RM'000
Plant, machinery and tools	548	2,448
Motor vehicles	630	1,259
	1,178	3,707

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

	Group	
	2017 RM'000	2016 RM'000
Motor vehicles	-	87

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost		
At 1 January/ 31 December	24,448	24,448
Amount due from subsidiaries	29,920	24,468
	54,368	48,916

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

7. INVESTMENT IN SUBSIDIARIES (continued)

The amount due from subsidiaries represents advances that are non-trade in nature and unsecured and interest free except for the advance of RM28,417,446 (2016: RM23,848,919) to subsidiaries which bears interest between 7.65% and 7.90% (2016: 7.90% and 8.10%) 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:-

Name of companies	Equity interest held 2017 %	2016 %	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.

8. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
At beginning of the year	1,702	703	(2)	(1)
Recognised in the statements of comprehensive income (Note 23)	(1,746)	999	-	(1)
At end of the year	(44)	1,702	(2)	(2)
Presented after appropriate offsetting as follows:				
Deferred tax assets	2,648	4,656	-	-
Deferred tax liabilities	(2,692)	(2,954)	(2)	(2)
	(44)	1,702	(2)	(2)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

8. 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 RM'000	Unutilised reinvestment allowances RM'000	Other deductible temporary differences RM'000	Total RM'000
At 1 January 2017	268	3,430	958	4,656
Recognised in the statements of comprehensive income				
- current year	(71)	(1,717)	(221)	(2,009)
- (over)/underprovision in prior years	(2)	(34)	37	1
At 31 December 2017	195	1,679	774	2,648
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

Deferred tax liabilities:

	Excess of capital allowances over depreciation	
	Group RM'000	Company RM'000
At 1 January 2017		
Recognised in the statements of comprehensive income	(2,954)	(2)
- current year	263	-
- underprovision in prior years	(1)	-
At 31 December 2017	(2,692)	(2)
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)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

9. PROPERTY DEVELOPMENT COSTS

	Group 2017 RM'000	Group 2016 RM'000
Freehold land and other costs at carrying amount		
At beginning of the year	58,069	21,880
Additions	25,395	36,189
At end of the year	83,464	58,069

Freehold land is pledged to a bank as security for banking facilities granted to the Group, as disclosed in Note 16. Included in the additions to property development costs are interests amounting to RM1,986,626 (2016: RM968,275) and an apportionment of profit guarantee costs amounting to RM800,000 (2016: RMNil). The profit guarantee arrangement is disclosed in Note 18.

10. INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000
At cost:		
Raw materials	10,559	10,932
Work-in-progress	2,321	2,449
Finished goods	1,519	1,530
	14,399	14,911

11. TRADE RECEIVABLES

	Group 2017 RM'000	Group 2016 RM'000
Trade receivables	23,135	25,920
Less: Allowance for doubtful debts	(4,585)	(4,699)
	18,550	21,221

The normal trade credit terms granted to customers ranged from 30 to 180 (2016: 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.

11. TRADE RECEIVABLES (continued)

The ageing analysis of trade receivables is as follows:

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	12,245	9,688
Past due, not impaired		
- 1 to 60 days past due, not impaired	3,438	6,573
- 61 to 120 days past due, not impaired	889	1,669
- 121 to 150 days past due, not impaired	205	146
- more than 150 days past due, not impaired	1,773	3,145
	6,305	11,533
Past due and impaired	4,585	4,699
	23,135	25,920

The Group has trade receivables amounting to RM6,305,107 (2016: RM11,533,722) 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	
	2017 RM'000	2016 RM'000
Ringgit Malaysia	13,623	9,080
United States Dollar	4,152	10,249
Singapore Dollar	708	1,238
Sterling Pound	67	654
	18,550	21,221

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	481	746	-	-
Deposits	477	470	-	-
Prepayments	883	450	12	13
	1,841	1,666	12	13

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

13. CASH AND CASH EQUIVALENTS

As at the financial year end, the cash and cash equivalents are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed financial institutions	2,782	1,641	-	-
Short term funds				
- redeemable at call	3	47	3	47
- redeemable upon 7-day notice	87	85	29	28
Cash at bank	2,733	4,054	82	98
Cash in hand	62	1,161	-	-
	5,667	6,988	114	173

The fixed deposits have been pledged as security for banking facilities granted to a subsidiary, as disclosed in Note 16.

The fixed deposits as at 31 December 2017 have maturity periods ranging from 2 to 12 (2016: 6 to 12) months, and bear interest at rates ranging from 2.55% to 2.95% (2016: 2.55% to 3.15%) per annum.

The short term funds represent placements in fixed income trusts with licensed financial institutions, incorporated in Malaysia and bear interest at rates ranging from 2.43% to 3.27% (2016: 2.33% to 3.31%) per annum.

The currency exposure profile of cash and cash equivalents are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	2,537	6,364	114	173
United States Dollar	617	576	-	-
Euro	3	39	-	-
Others	10	9	-	-
	3,167	6,988	114	173

14. SHARE CAPITAL

	Group and Company			
	2017	2017	2016	2016
	'000 Unit	RM'000	'000 Unit	RM'000
Authorised				
At beginning of the year	500,000	50,000	500,000	50,000
Adjustment for the effects of Companies Act 2016	(500,000)	(50,000)	-	-
At end of the year	-	-	500,000	50,000
Issued and fully paid				
At beginning of the year	243,000	24,300	243,000	24,300
Adjustments for the effects of Companies Act 2016:				
- Share premium	-	19,728	-	-
Issued for cash under private placement	24,300	4,374	-	-
At end of the year	267,300	48,402	243,000	24,300

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

14. SHARE CAPITAL (continued)

The new Companies Act 2016 which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the credits standing in the share premium account RM19,728,000 has been transferred to the share capital account during the financial year.

On 22 August 2017, the Company increased its issued and paid-up share capital by issuing 24,300,000 new ordinary shares through a private placement, to 267,300,000 ordinary shares at an issue price of RM0.18 each to independent third party investors totalling RM4,374,000 for working capital purpose. The issued and paid-up share capital of the Company was increased from RM24,300,000 to RM28,674,000 from the said private placement.

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

15. RETAINED EARNINGS

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

16. BORROWINGS

	Group	
	2017 RM'000	**2016 RM'000**
Current		
Bank overdrafts (secured)	6,629	5,556
Bills payable (secured)	4,595	5,189
Bridging loans (secured)	12,270	1,111
Finance lease liabilities	466	953
Term loans (secured)	2,137	2,986
	26,097	15,795
Non-current		
Bridging loans (secured)	8,836	17,449
Finance lease liabilities	88	554
Term loans (secured)	9,902	13,030
	18,826	31,033
	44,923	46,828
Total borrowings		
Bank overdrafts (secured)	6,629	5,556
Bills payable (secured)	4,595	5,189
Bridging loans (secured)	21,106	18,560
Finance lease liabilities	554	1,507
Term loans (secured)	12,039	16,016
	44,923	46,828

The effective interest rates incurred during the financial year for borrowings ranged from 2.28% to 8.21% (2016: 2.28% to 8.10%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

16. BORROWINGS (continued)

The borrowings 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 9;
(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 13;
(f) Personal guarantee and indemnity by certain former Directors;
(g) Corporate guarantee by the Company, as disclosed in Note 32;
(h) Surplus sales proceeds over a subsidiary's housing development account, Euroland & Development Sdn. Bhd.; and
(i) A power of attorney to empower bank to complete the proposed development in the event that a subsidiary, Euroland & Development Sdn. Bhd. 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 2017 RM'000	Group 2016 RM'000
Finance lease liabilities		
Minimum lease payments		
- not later than 1 year	481	1,004
- later than 1 year and not later than 2 years	52	481
- later than 2 years and not later than 5 years	41	93
Total minimum lease payments	574	1,578
Less: Future finance charges on finance lease	(20)	(71)
Present value of finance lease liabilities	554	1,507
Present value of finance lease liabilities		
- not later than 1 year	466	953
- later than 1 year and not later than 2 years	48	466
- later than 2 years and not later than 5 years	40	88
	554	1,507

	Group 2017 RM'000	Group 2016 RM'000
Term loans		
Repayment terms		
- not later than 1 year	2,137	2,986
- later than 1 year and not later than 2 years	3,903	3,755
- later than 2 years and not later than 5 years	5,999	8,285
- later than 5 years	-	990
	12,039	16,016

16. BORROWINGS (continued)

	Group 2017 RM'000	Group 2016 RM'000
Bridging loans		
Repayment terms		
- not later than 1 year	12,270	1,111
- later than 1 year and not later than 2 years	8,836	15,000
- later than 2 years and not later than 5 years	-	2,449
	21,106	18,560

17. TRADE PAYABLES

The normal trade credit terms granted to the Group ranged from 30 to 90 (2016: 30 to 90) days. Included in trade payables is progress billings from project development amounting to RM17,644,798 (2016: RM6,480,772).

The currency exposure profile of trade payables is as follows:

	Group 2017 RM'000	Group 2016 RM'000
Ringgit Malaysia	34,564	25,460
United States Dollar	84	56
Euro	2	-
	34,650	25,516

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

	Group 2017 RM'000	Group 2016 RM'000
Kevin & Co	-	*

* Denotes less than RM1,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

18. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sundry payables	3,249	5,808	7	-
Provisions and accruals	6,460	1,443	40	44
Deposits received from customers	2,137	2,389	-	-
Payables relating to property development activities	5,707	110	-	-
Amount due to subsidiaries	-	-	843	809
Amount due to related parties	24	66	-	-
Amount due to Directors	4	4	-	-
	17,581	9,820	890	853

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	14,201	6,310	890	853
United States Dollar	3,380	3,216	-	-
Euro	-	35	-	-
Singapore Dollar	-	256	-	-
India Rupee	-	3	-	-
Sterling Pound	*	-	-	-
	17,581	9,820	890	853

* Denotes less than RM1,000

Included in the payables relating to property development activities is an amount of RM5,626,005 (2016: RMNil) being advance proceeds from the sale of property development units received from a customer which is subject to a profit guarantee arrangement. The subsidiary had guaranteed a profit of RM2,400,000 upon the receipt of the advance proceeds from the sale of property development units. As disclosed in Note 9, the amount of RM800,000 has been apportioned to property development costs.

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 RM801,000 (2016: RM795,000) from subsidiaries which bears interest at 7.90% (2016: 7.90% to 8.10%) per annum. The details of amount due to subsidiaries are as follows:

	Company	
	2017 RM'000	2016 RM'000
Euro Chairs Manufacturer (M) Sdn. Bhd.	507	553
Euro Chairs System Sdn. Bhd.	336	256
	843	809

18. 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 2017 RM'000	Group 2016 RM'000
Elite Pro Enterprise	-	18
Pro Uptrend Resources Sdn. Bhd.	24	48
	24	66

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

19. FORWARD EXCHANGE CONTRACTS

	Group 2017 RM'000			Group 2016 RM'000		
	Contract notional amount	Assets	Liabilities	Contract notional amount	Assets	Liabilities
Non-hedging derivatives						
Current:						
Forward currency contracts	2,458	71	-	5,633	-	264

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 and GBP for which firm commitments existed at the reporting date, extending to June 2018 (2016: June 2017).

During the financial year, the Group's recognised a gain of RM335,252 (2016: a loss of RM332,913) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

20. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

21. (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/profit before taxation is arrived at after charging:				
Allowance for doubtful debts	744	2,030	-	-
Auditors' remuneration				
- Current year	119	111	35	26
- Previous year	3	-	3	-
Bad debts written-off	-	711	-	-
Depreciation of property, plant and equipment	4,287	4,905	4	3
Finance cost:				
- Bank overdraft interest	376	319	-	-
- Bills payable interest	223	369	-	-
- Finance lease interest	51	124	-	-
- Term loan interest	774	899	-	-
- Advances from related companies	-	-	57	34
Property, plant and equipment written-off	8	-	-	-
Loss on forward exchange contracts	-	333	-	-
Realised foreign exchange loss	328	128	-	-
Rental of licenses	54	45	-	-
Rental of forklifts	281	263	-	-
Rental of equipment	33	32	-	-
Rental of premises	66	65	-	-
Staff costs (Note 22)	18,788	22,741	270	282
and crediting:				
Reversal of allowance for doubtful debts	858	862	-	-
Fixed deposits interest income	-	45	-	-
Gain on disposal of property, plant and equipment	58	9	-	-
Gain on forward exchange contracts	335	-	-	-
Interest income				
- Advances from related companies	-	-	1,979	943
- Others	31	11	1	2
Realised foreign exchange gain	117	478	-	-
Unrealised foreign exchange gain	356	732	-	-

22. STAFF COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries, wages, allowances, overtime, bonus and fees	17,061	20,713	270	282
Employees Provident Fund	1,240	1,489	-	-
Social security contributions	139	143	-	-
Other staff related expenses	348	396	-	-
	18,788	22,741	270	282

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

22. STAFF COSTS (continued)

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Directors				
Salaries, allowances and bonus	761	953	28	36
Fees	242	246	242	246
Employees Provident Fund	67	101	-	-
	1,070	1,300	270	282
Estimated monetary value of other benefits received by the Directors	61	61	-	-
Senior management				
Salaries, allowances and bonus	2,182	2,117	-	-
Employees Provident Fund	245	225	-	-
Social security contributions	12	9	-	-
Benefits-in-kind	39	29	-	-
	2,478	2,380	-	-

The remuneration of each named Director are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Dato' Sri Mohd Haniff Bin Abd Aziz	123	115	105	106
Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	465	579	4	5
Dato' Tong Yun Mong	385	500	3	4
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	67	68	67	68
Tan Poh Ling	49	51	49	51
Dato' Kevin Sathiaseelan A/L Ramakrishnan	42	48	42	48
	1,131	1,361	270	282

23. TAXATION

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Malaysian income tax				
- current year	1,045	1,169	376	135
- (over)/underprovision in prior years	(108)	(144)	2	-
	937	1,025	378	135
Deferred tax (Note 8)				
Related to origination and reversal of temporary differences				
- current year	1,746	-	-	-
- (over)/underprovision in prior years	-	(999)	-	1
	1,746	(999)	-	1
	2,683	26	378	136

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

23. TAXATION (continued)

Reconciliations of income tax expense applicable to the results 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/profit before taxation	(840)	3,838	1,278	374
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	(202)	921	307	90
Tax effects of:				
- income not subject to tax	(247)	(219)	-	-
- expenses not deductible for tax purposes	1,009	1,510	69	45
- tax incentives from double tax deduction	(37)	-	-	-
- deferred tax assets not recognised during the financial year	914	1,083	-	-
- utilisation of deferred tax assets not recognised previously	(482)	(2,126)	-	-
- derecognition of deferred tax assets recognised previously	1,746	-	-	-
(Over)/underprovision of income tax in prior years	(108)	(144)	2	-
(Over)/underprovision of deferred tax liabilities in prior years	-	(999)	-	1
	2,683	26	378	136

Subject to agreement with the Inland Revenue Board, the Group has unabsorbed tax losses, unutilised capital allowances and unutilised reinvestment allowances amounting to approximately RM5,414,000 (2016: RM5,692,000), RM701,000 (2016: RM647,000) and RM15,183,000 (2016: RM15,973,000) respectively for set off against future chargeable income.

Deferred tax assets amounting to approximately RM3,816,000 (2016: RM2,586,000) have not been recognised in the financial statements as the Directors are uncertain whether future taxable profits will be available for set-off against these unabsorbed tax losses, unutilised capital allowances and unutilised reinvestment allowances.

24. 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	
	2017 RM'000	2016 RM'000
Consolidated (loss)/profit for the year attributable to the owners of the parent	(3,600)	3,412
Weighted average number of shares of RM0.10 each ('000 shares)	252,054	243,000
Basic earnings per share (sen)	(1.43)	1.40

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 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.	-	-	34	21
Euro Chairs System Sdn. Bhd.	-	-	23	13
Interest charged to subsidiaries				
Euro Chairs (M) Sdn. Bhd.	-	-	17	8
Euro Chairs Manufacturer (M) Sdn. Bhd.	-	-	2	-
Euro Space Industries (M) Sdn. Bhd.	-	-	615	326
Eurosteel Line Sdn. Bhd.	-	-	175	88
Euroland & Development Sdn. Bhd.	-	-	1,170	521

(b) Compensation of key management personnel and Directors

The total remuneration of key management personnel and Directors during the financial year are as follow:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Salaries, allowances and bonus	2,943	3,070	28	36
Fees	242	246	242	246
Employees Provident Fund	312	326	-	-
Social security contributions	12	9	-	-
Estimated monetary value of other benefits received	100	90	-	-
	3,609	3,741	270	282

Included in total remuneration of key management personnel are the Executive Directors' remuneration of the Group and of the Company amounting to RM850,584 (2016: RM1,078,851) and RM7,000 (2016: RM9,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel and Directors (continued)

The detailed remuneration of each named Directors of the Group and of the Company's subsidiaries during the current financial year was as follow:

	Salaries, allowances, fees and bonus RM	Employees Provident Fund RM	Social security contributions RM	Benefits in-kind RM	Total RM
Dato' Sri Mohd Haniff Bin Abd Aziz	105	-	-	18	123
Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	393	47	-	25	465
Dato' Tong Yun Mong	347	20	-	18	385
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	67	-	-	-	67
Tan Poh Ling	49	-	-	-	49
Dato' Kevin Sathiaseelan A/L Ramakrishnan**	42	-	-	-	42
Tan Boo Chuan***	132	16	*	10	158
	1,135	83	*	71	1,289

* Denotes less than RM1,000
** His remuneration is disclosed up to his resignation date as a Director of the Company on 28 November 2017.
*** His remuneration is disclosed up to his resignation date as a director of subsidiary companies on 1 June 2017.

26. 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.

26. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(a) Interest rate risk (continued)

ii Interest rate risk sensitivity analysis

If the interest rates have been higher or lower and all other 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 2017 RM'000	(Increase)/ decrease in the Group's results 2016 RM'000
Effects on (loss)/profit before taxation:		
25 basis points	49	60
50 basis points	98	120
75 basis points	147	180
100 basis points	196	240

(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 11% (2016: 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 2017 RM'000	Group 2016 RM'000
Domestic	11,526	9,006
India	3,573	5,733
Indonesia	266	1,649
Singapore	700	1,282
Europe	67	654
Philippines	499	821
Middle East	671	600
Hong Kong	552	580
Others	696	896
	18,550	21,221

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

26. 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 Indian 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:

	Group	
	(Increase)/ decrease in the Group's results 2017 RM'000	(Increase)/ decrease in the Group's results 2016 RM'000
Effects on profit before taxation:		
USD:		
- strengthened by 5% (2016: 5%)	65	378
- weakened by 5% (2016: 5%)	(65)	(378)
SGD:		
- strengthened by 5% (2016: 5%)	35	49
- weakened by 5% (2016: 5%)	(35)	(49)
GBP:		
- strengthened by 5% (2016: 5%)	3	33
- weakened by 5% (2016: 5%)	(3)	(33)
EUR:		
- strengthened by 5% (2016: 5%)	*	*
- weakened by 5% (2016: 5%)	*	*
IDR:		
- strengthened by 5% (2016: 5%)	Not applicable	*
- weakened by 5% (2016: 5%)	Not applicable	*

* Denotes less than RM1,000

26. 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.

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the financial year end based on contractual undiscounted repayment obligations.

		Maturity	
Group	**Carrying amount RM**	**Less than 1 year RM**	**Between 2 and 5 years RM**
2017			
Trade payables	34,650	34,650	-
Other payables	17,581	17,581	-
	52,231	52,231	-
2016			
Trade payables	25,516	25,516	-
Other payables	9,820	9,820	-
	35,336	35,336	-

		Maturity	
Company	**Carrying amount RM**	**Less than 1 year RM**	**Between 2 and 5 years RM**
2017			
Other payables	890	890	-
2016			
Other payables	853	853	-

Included in other payables is amount due to related parties, as disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

26. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(e) Capital management

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

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

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Total borrowings	16	44,923	46,828	-	-
Advance proceeds from the sale of development activities	18	5,626	-	-	-
Less: Deposits, cash and bank balances	13	(5,667)	(6,988)	(114)	(173)
Net debt		44,882	39,840	(114)	(173)
Total equity		75,752	74,901	53,522	48,248
Debt-to-equity ratio		59.25%	53.19%	Not applicable	Not applicable

27. FAIR VALUES

(a) Financial instruments that are carried at fair value

Forward exchange contracts are measured at fair value different measurement hierarchies (i.e. Levels 1, 2, 3). The hierarchies reflect the level of objectiveness of inputs used when measuring the fair value.

(i) Level 1: Quoted prices (unadjusted) of identical asset in active markets
(ii) Level 2: Inputs other at quoted prices included within Level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices)
(iii) Level 3: Inputs for the assets are not based on observable market data (unobservable inputs)

The Group does not have any financial instruments measured at Level 1 and 3 in current and previous financial years.

	Level 2	Total
	RM'000	RM'000
2017		
Financial assets		
Forward exchange contracts	71	71
2016		
Financial liabilities		
Forward exchange contracts	(264)	(264)

27. FAIR VALUES (continued)

(b) Financial instruments that are not carried at fair value

The carrying amount of the financial instruments carried at amortised cost are reasonable approximation of their fair values due to their short term nature.

	Note
Trade receivables	11
Other receivables and deposits	12
Cash and bank balances	13
Trade payables	17
Other payables, accruals and deposits received	18
Borrowings	16

28. 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.

For the financial year ended 31 December 2017, the Group's financial information is analysed by operating segments as follows:

	Manufacturing RM'000	Property RM'000	Investment holding RM'000	Elimination RM'000	Total RM'000
2017					
Revenue					
Local	15,286	-	-	-	15,286
Export	48,231	-	-	-	48,231
	63,517	-	-	-	63,517
Results					
Segment results	3,600	(1,221)	1,335	(2,949)	765
Finance costs	(2,456)	(11)	(57)	919	(1,605)
Profit/(loss) before taxation	1,144	(1,232)	1,278	(2,030)	(840)
Taxation	(2,176)	(129)	(378)	-	(2,683)
(Loss)/profit after taxation	(1,032)	(1,361)	900	(2,030)	(3,523)
Net assets/ (liabilities) as at 31 December 2017	54,536	(4,801)	53,522	(27,505)	75,752
Other information					
Allowance for doubtful debts	745	-	-	-	745
Depreciation	4,241	39	4	-	4,284

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

28. SEGMENT REPORTING (continued)

	Manufacturing RM'000	Property RM'000	Investment holding RM'000	Elimination RM'000	Total 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

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash payments	496	696	-	-
Finance lease arrangements	-	81	-	-
	496	777	-	-

30. NON-CANCELLABLE CONTRACTS

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

	Group 2017 RM'000	Group 2016 RM'000
As lessee		
Future minimum lease payments		
- not later than 1 year	405	735
- later than 1 year and not later than 2 years	156	43
- later than 2 years and not later than 5 years	3	80
	564	1,245

31. CAPITAL COMMITMENTS

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

	Group 2017 RM'000	Group 2016 RM'000
Capital expenditure		
Approved and contracted but not provided for:		
- plant, machinery, tools and moulds	11	60
	11	60

32. CONTINGENT LIABILITIES

(a) Guarantees

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Corporate guarantees given to:				
- financial institutions in respect of credit facilities granted to subsidiaries	-	-	116,653	115,938
- third parties in respect of credit facilities granted to subsidiaries	-	-	4,200	-
- contract customer of a subsidiary company	-	-	8,026	-
	-	-	128,879	115,938

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

32. CONTINGENT LIABILITIES (continued)

(b) Material litigations

(i) High Court of Malaya at Kuala Lumpur Suit No. WA-22C-50-04/2017 ("Suit-50"). Tack Yap Construction (M) Sdn. Bhd. ("the Plaintiff") v. Euroland & Development Sdn. Bhd. ("the Defendant")

On 18 February 2016, Euroland & Development Sdn. Bhd. ("EDSB") a wholly owned subsidiary of the Company had awarded the construction of the main building superstructure works of a development project to Tack Yap Construction (M) Sdn. Bhd. ("TYC") for the sum of RM76,800,000. On 17 April 2017, TYC terminated the contract alleging that EDSB has underpaid its progress claims.

Subsequently, on 27 April 2017 EDSB received a Writ of Summon and Statement of Claim from TYC claiming the following:

1. the alleged underpayment of its certified progress claims nos. 1 to 7 amounting to RM4,830,643.21;
2. return of the retention sums amounting to RM1,211,099.04;
3. sums for uncertified work done pursuant to its progress claims no. 8 to 10 plus the corresponding retention sums amounting to RM3,455,759.67;
4. loss of profit of RM7,401,009.82; and
5. interests and costs.

EDSB disputed TYC's claims based upon the agreed terms in the Letter of Award as well as an oral agreement reached between parties and has filed a counterclaim against TYC within the said suit for the following:

1. wrongful termination of the agreement;
2. the additional costs of the completion of the construction arising thereof;
3. cost for remedial actions in rectifying TYC's defective works; and
4. TYC's excessive valuation of its progress claims above the agreed actual and/or reasonable value of the works constructed at the material time.

Suit-50 is pending in the High Court of Malaya and proceedings are set for dates subsequent to the EDSB's financial year end on 16 to 18, 25 and 26 July 2018.

The total of TYC's claims from Suit-50 amounts to RM16,898,511.74 excluding interests and costs. The EDSB's solicitors are of the opinion that there is a fair chance of EDSB succeeding in defending against TYC's claims and succeeding in its counterclaim. The Directors are unable to quantify the financial effect of the outcome of the said suit in relation to the interest and cost.

(ii) Adjudication proceedings registered as KLRCA Adjudication No. ADJ-1376-2017 ("Adj. 1376") between Tack Yap Construction (M) Sdn. Bhd. and Euroland & Development Sdn. Bhd.

In connection with and related to the above claim, on 16 November 2017, TYC had initiated an adjudication claim against EDSB at the Kuala Lumpur Regional Centre for Arbitration ("KLRCA") for the same alleged underpayment of progress claims nos. 1 to 7 for RM6,512,443.05 together with the retention sums amounting to RM1,211,099.04

.

EDSB disputed this claim on the same basis as their counterclaim, and further on the grounds that the dispute between EDSB and TYC is not subject to adjudication as it does not come within the ambit and jurisdiction of the Construction Industry Payment and Adjudication Act 2012. However on 8 March 2018, the High Court of Malaya in Kuala Lumpur has directed EDSB to respond to the adjudication

On 16 March 2018, EDSB filed its Adjudication Response while TYC filed its Adjudication Reply on 23 March 2018. Subject to any further directions from the Adjudicator, he has 45 days from 23 March 2018 to deliver his decision.

The total of TYC's claims from Adj. 1376 amounts to RM7,723,542.09. The EDSB's solicitors are of the opinion that there is a fair chance of EDSB succeeding in defending against Adj. 1376.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

33. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:
(a) Loans and receivables ("L&R")
(b) Fair value through profit or loss ("FVTPL")
(c) Other financial liabilities ("OFL")

Group	Carrying amount RM'000	L&R RM'000	FVTPL RM'000	OFL RM'000
2017				
Non-derivative financial assets				
Trade receivables	18,550	18,550	-	-
Other receivables and deposits	958	958	-	-
Fixed deposits with licensed financial institutions	2,782	2,782	-	-
Short term funds	90	90	-	-
Cash and bank balances	2,795	2,795	-	-
	25,175	25,175	-	-
Derivative financial assets				
Forward exchange contracts	71	-	71	-
Non-derivative financial liabilities				
Trade payables	34,650	-	-	34,650
Other payables, accruals and deposits received	17,581	-	-	17,581
Borrowings	44,923	-	-	44,923
	97,154	-	-	97,154
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	-	-
Derivative financial liabilities				
Forward exchange contracts	264	-	264	-
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

33. CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

Company	Carrying amount RM'000	L&R RM'000	OFL RM'000
2017			
Non-derivative financial assets			
Short term funds	32	32	-
Cash and bank balances	82	82	-
	114	114	-
Non-derivative financial liabilities			
Other payables and accruals	890	-	890
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

34. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) Kuala Lumpur Session Court Civil Suit No: WA-B52NCVC-127-03/2017. Teh Hock Toh ("the Plaintiff") v. Euro Space System Sdn. Bhd. ("the Defendant")

On 28 March 2017, Euro Space System Sdn. Bhd. ("ESS"), a wholly owned subsidiary of the Company received a 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.

On 30 October 2017, based on the parties out of court settlement reached, the Plaintiff has withdrawn the suit against ESS with no order as to cost. The said withdrawal has been recorded by the Court accordingly.

(b) High Court of Malaya at Kuala Lumpur Suit No. WA-22C-50-04/2017 ("Suit-50"). Tack Yap Construction (M) Sdn. Bhd. ("the Plaintiff") v. Euroland & Development Sdn. Bhd. ("the Defendant")

As disclosed in Note 32(b)(i).

(c) Adjudication proceedings registered as KLRCA Adjudication No. ADJ-1376-2017 ("Adj. 1376") between Tack Yap Construction (M) Sdn. Bhd. and Euroland & Development Sdn. Bhd

As disclosed in Note 32(b)(ii).

34. SIGNIFICANT AND SUBSEQUENT EVENTS (continued)

(d) High Court of Malaya at Kuala Lumpur Originating Summons No. WA-24C-5-01/2018 ("OS-5"). Euroland & Development Sdn. Bhd. v. Tack Yap Construction (M) Sdn. Bhd

On 4 January 2018, EDSB initiated an Originating Summons against TYC seeking an order and declaration that the disputes arising between TCY and EDSB do not fall within the ambit and jurisdiction of the Construction Industry Payment and Adjudication Act 2012 ("CIPAA 2012").

On 10 January 2018, EDSB filed an application under OS-5 to inter alia:

1. restrain TYC from pursuing and/or proceeding with Adj. 1376; an
2. stay the Adj. 1376 proceedings

pending the disposal of the OS-5 ("Application").

On 14 February 2018, by consent of parties the High Court ordered that Adj. 1376 be stayed until 8 March 2018 pending the disposal of OS-5.

On 8 March 2018, OS-5 was dismissed with costs of RM10,000.00 to be paid by EDSB to TYC.

(e) Court of Appeal Civil Appeal No. W-02(C)(A)-675-03/2018. Euroland & Development Sdn. Bhd. v. Tack Yap Construction (M) Sdn. Bhd. [High Court of Malaya at Kuala Lumpur Originating Summons No. WA-24C-5-01/2018]

Arising from the dismissal of the Originating Summons in item (d) above, on 23 March 2018 EDSB appealed to the Court of Appeal, and proceedings are set on 11 June 2018.

The EDSB's solicitors are of the opinion that there is a fair chance of EDSB succeeding in obtaining a declaration that the disputes between EDSB and TYC do not fall within the ambit and jurisdiction of CIPAA 2012.

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting ("14th 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 Monday, 25 June 2018 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 2017 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) Datuk Dr Syed Muhammad Bin Syed Abdul Kadir **Ordinary Resolution 1**
   b) Mdm Tan Poh Ling **Ordinary Resolution 2**

3. To approve the payment of Non-Executive Directors' Fee of RM222,000.00 per annum for the period from the 14th AGM up to the 15th AGM of the Company. **Ordinary Resolution 3**

4. To approve an amount of up to RM16,800 per annum as benefits payable to the Non-Executive Chairman for the period from the 14th AGM up to the 15th AGM of the Company. **Ordinary Resolution 4**

5. To approve the payment of meeting allowance of RM500 per meeting for each Director with effect from 14th AGM up to the 15th AGM of the Company. **Ordinary Resolution 5**

6. 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 6**

B **Special Business**

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

7. Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act, 2016. **Ordinary Resolution 7**

   "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 FOURTEENTH ANNUAL GENERAL MEETING (continued)

8. Proposed Renewal of Shareholders' Mandate for the Company to Purchase 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 8**

"THAT subject to compliance with the Companies Act 2016("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 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) 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."

9. Proposed retention of Datuk Dr Syed Muhamad Bin Syed Abdul Kadir as Independent Non-Executive Director. **Ordinary Resolution 9**

"THAT, in accordance with the Malaysian Code on Corporate Governance ("MCCG"), 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."

10. Proposed retention of Mdm Tan Poh Ling as Independent Non-Executive Director. **Ordinary Resolution 10**

"THAT, in accordance with the MCCG, Mdm Tan Poh Ling 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."

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (continued)

11. Proposed Adoption of the New Constitution of the Company. **Ordinary Resolution 11**

    "THAT approval be and is hereby given for the Company to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Circular to Shareholders dated 27 April 2018 accompanying the Company's Annual Report 2017 for the financial year ended 31 December 2017 be and is hereby adopted as the Constitution of the Company AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing".

12. 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: 27 April 2018

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 Fourteenth AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 18 June 2018. Only a depositor whose name appears on the Record of the Depositor as at 18 June 2018 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.

<u>Explanatory Notes to Ordinary Business:</u>

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 Chairman of the Board for the period from the 14th AGM up to the 15th AGM of the Company. The benefits comprise petrol allowance of RM800.00 per month and RM600.00 monthly taxable amount on benefit in kind of a company driver.

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (continued)

Explanatory Notes to Special Business:

a. The proposed Ordinary Resolution 7 is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 15 June 2017 ("the previous mandate"). The previous mandate was utilised for private placement exercise on 22 August 2017. Detailed information is disclosed on page 27 of the Company's Annual Report 2017. 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 8 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 Share Buy-Back Statement which is dispatched together with the Company's Annual Report 2017.

c. The proposed Ordinary Resolutions 9 & 10, in observing the recommendation in relation to the tenure of an Independent director as prescribed by MCCG, the Board, after having assessed the independence of Datuk Dr Syed Muhamad Bin Syed Abdul Kadir and Mdm Tan Poh Ling, considers them to be independent and recommends that they be retained as Independent Non-Executive Director of the Company. The details of the Board assessment and justifications are contained in the Corporate Governance Overview Statement of the Company's Annual Report 2017.

d. The proposed Special Resolution 11, if passed, will ensure the Company's Constitution be consistent with the new Companies Act, 2016. The proposed new Constitution is set out in the Circular to Shareholders dated 27 April 2018.

ANALYSIS OF SHAREHOLDINGS
As at 23rd March 2018

The total number of issued shares of the Company stands at 267,300,000 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	5	0.24	18	0.00
100 - 1,000	998	47.55	317,545	0.12
1,001 - 10,000	404	19.25	2,583,453	0.97
10,001 - 100,000	547	26.06	20,962,284	7.84
100,001 - 12,149,999	140	6.67	138,836,700	51.94
12,150,000 and above	5	0.24	104,600,000	39.13
Total	2,099	100.01	267,300,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	Direct Interest	Indirect Interest	No. of Shares held %
1	Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	30,727,100	-	11.50
2	Dato' Tong Yun Mong	30,000,000	-	11.22
3	Jingzeng Holdings Sdn Bhd	26,000,000	-	9.73
4	Tee Wee Sien	15,000,000	-	5.61
5	Ching Chiat Kwong	15,000,000	-	5.61
6	Liew Fook Meng	8,610,000	26,000,000*	12.95
7	Tan Sri Dato' Sri Koh Kin Lip	-	26,000,000*	9.73
8	Chow Dai Ying	4,860,000	26,000,000*	11.55

* *Deem interested due to his/ her shares held in Jingzeng Holdings Sdn Bhd pursuant to Section 8 of the Act*

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	9,298,000	3.48
2	Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	30,727,100	11.50
3	Dato' Tong Yun Mong	30,000,000	11.22

ANALYSIS OF SHAREHOLDINGS
As at 23rd March 2018 (continued)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	%
1	Jingzeng Holdings Sdn Bhd	26,000,000	9.73
2	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	24,300,000	9.09
3	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Dato' Tong Yun Mong	24,300,000	9.09
4	Amsec Nominees (Asing) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Tee Wee Sien (Zheng Weixian)	15,000,000	5.61
5	Maybank Nominees (Asing) Sdn Bhd Maybank Private Wealth Management for Ching Chiat Kwong	15,000,000	5.61
6	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Doa Huat Holdings Sdn Bhd	10,525,000	3.94
7	Liew Fook Meng	8,610,000	3.22
8	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Sri Mohd Haniff Bin Abd Aziz	6,867,000	2.57
9	Teo Kwee Hock	5,877,600	2.20
10	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Dato' Tong Yun Mong	5,700,000	2.13
11	M & A Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chow Dai Ying	4,860,000	1.82
12	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	4,628,000	1.73
13	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	4,300,000	1.61
14	Lau Pak Lam	4,000,000	1.50
15	Tew Boo Sing	3,700,000	1.38
16	Khong Saw Keng	3,045,600	1.14
17	Open Road Asia Sdn Bhd	2,782,200	1.04
18	NLY Development Sdn Bhd	2,660,400	1.00
19	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Sri Mohd Haniff Bin Abd Aziz	2,431,000	0.91
20	Chua Heok Wee	2,170,000	0.81
21	Dato' Sri Choong Yuen Keong @ Tong Yuen Keong	2,127,100	0.80
22	Ng Lee Ling	2,000,000	0.75
23	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Sow Ngoh	1,914,000	0.72
24	Tee Yeow	1,900,000	0.71
25	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chok Chew Lan	1,893,200	0.71
26	Chan Wei Kin	1,880,000	0.70
27	Eugene Goh Jet Shen	1,864,300	0.70
28	Open Road Asia Sdn Bhd	1,770,000	0.66
29	Fg Global Capital Sdn Bhd	1,640,000	0.61
30	Lim Hock Sing	1,630,000	0.61
		195,375,400	**73.10**

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	21 years/Freehold	20 years/Freehold	11 years/ Freehold 7 years /Freehold	Freehold
NET BOOK VALUE AS AT 31 DEC 2017 (RM'000)	5,321	4,829	30,663	83,464
YEAR OF ACQUISITION/ CONSTRUCTION/ REVALUATION	1996 2004#	1997*	2006 2010	2011

* Revalued
\# The building was constructed in 1996 whereas the land was acquired in 2014.

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 Fourteenth 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 Monday, 25 June 2018 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 Datuk Dr Syed Muhammad Bin Syed Abdul Kadir who retires in accordance with Article 73 of the Company's Articles of Association		
RESOLUTION 2	To re-elect Mdm Tan Poh Ling who retires in accordance with Article 73 of the Company's Articles of Association		
RESOLUTION 3	To approve the payment of Non-Executive Directors' Fees of RM222,000.00 per annum for the period from the 14th AGM up to the 15th AGM of the Company		
RESOLUTION 4	To approve an amount of up to RM16,800 as benefits payable to the Non-Executive Chairman for the period from the 14th AGM up to the 15th AGM of the Company		
RESOLUTION 5	To approve the payment of meeting allowance of RM500 per meeting for each Director with effect from 14th AGM up to the 15th AGM of the Company		
RESOLUTION 6	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 7	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
RESOLUTION 8	Proposed Renewal of Shareholders' Mandate for the Company to Purchase its Own Shares		
RESOLUTION 9	To approve the retention of Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir as Independent Director		
RESOLUTION 10	To approve the retention of Mdm Tan Poh Ling as Independent Director		
RESOLUTION 11	To approve the adoption of the new Constitution of the Company		

Signed this________ day of _______________ 2018

____
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.
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Fold this flap for sealing

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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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EURO Holdings Berhad (646559-T)

Wisma Euro
Lot 21, Jalan RP3
Rawang Industrial Estate
48000 Rawang, Selangor Darul Ehsan
T : (603) 6092 6666
F : (603) 6092 3000

www.euroholdings.com.my
www.eurochairs.com
www.eurosteelline.com
www.euroland.com.my