EURO Holdings Berhad
[200401008055 (646559-T)]

ANNUAL REPORT 2020

MISSION

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

VISION

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

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 Lim Teck Boon
Group Managing Director

Datuk Lim Sze Way
Group Deputy Managing Director

Tong Sian Teng
Executive Director

Tan Poh Ling
Independent Non-Executive Director

Chan Yok Peng
Independent Non-Executive Director

Lim Kam Choy
Independent Non-Executive Director
(Appointed on 11 December 2020)

AUDIT COMMITTEE

Chairperson
Tan Poh Ling
Member
Lim Kam Choy
Chan Yok Peng

REMUNERATION COMMITTEE

Chairman
Chan Yok Peng
Member
Tan Poh Ling
Lim Kam Choy

NOMINATION COMMITTEE

Chairperson
Tan Poh Ling
Member
Lim Kam Choy
Chan Yok Peng

COMPANY SECRETARY

Tan Tong Lang
(MAICSA 7045482 /
SSM PC No. 201908002253)

REGISTERED OFFICE

Level 5, Block B
Dataran PHB, Saujana Resort
Section U2
40150 Shah Alam
Selangor Darul Ehsan
Tel : (603) 7890 0638
Fax : (603) 7890 1032
Email Address:
boardroom@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 Address:
corporate@eurochairs.com
Website:
www.euroholdings.com.my

AUDITORS

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(LLP0000963-LCA & AF002096)
Unit 3.3A, 3rd Floor, Surian Tower
No. 1 Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7728 1800
Fax : (603) 7728 9800

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

EHB

EURO Holdings Berhad
200401008055 (646559-T)

100% — ECM
Euro Chairs Manufacturer (M) Sdn Bhd
198701006250 (164921-X)

100% — ESI
Euro Space Industries (M) Sdn Bhd
198301010110 (105420-W)

100% — ECS
Euro Chairs System Sdn Bhd
198401009392 (121935-M)

100% — ESS
Euro Space System Sdn Bhd
199601005874 (378220-D)

100% — ECSB
Euro Chairs (M) Sdn Bhd
199001012928 (204498-V)

100% — ESL
Eurosteel Line Sdn Bhd
201001005669 (890287-M)

75.76% — ES
Eurosteel System Sdn Bhd
201001000954 (885526-M)

100% — Euroland
Euroland & Development Sdn Bhd
201101008390 (936529-K)

DIRECTORS' PROFILES

Dato' Sri Lim Teck Boon

Group Managing Director

Malaysian

Male

Aged 38

Dato' Sri Lim Teck Boon ("Dato' Sri Lim") was appointed as the Group Managing Director of EURO on 27 May 2020.

Dato' Sri Lim has more than 21 years of experience in the manufacturing and supplying of steel related products, mainly to the automotive and construction industries. He is currently the shareholder and director of several private limited companies which are principally involved in the manufacturing and supplying of automotive parts including but not limited to exhaust systems, mufflers, disc brakes and safety bars. Further, such companies are also involved in other businesses, such as trading of scaffolding, production of engine lubricants as well as wholesale and trading of various auto-parts.

Dato' Sri Lim has also in recent years ventured into business relating to property development and has successfully completed the development of, inter alia, industrial factories as well as commercial shop lots and a hotel, namely Supreme Hotel in Melaka. He has been actively involved in the management and operations of such private limited companies and steered the growth of these companies.

Dato' Sri Lim is not a Director of any other public listed company. He is the major shareholder of EURO and sibling of Datuk Lim Sze Way who is the Group Deputy Managing Director of EURO.

Datuk Lim Sze Way

Group Deputy
Managing Director

Malaysian

Female

Aged 40

Datuk Lim Sze Way ("Datuk Lim") was appointed as the Group Deputy Managing Director of EURO on 27 May 2020.

Datuk Lim started her banking career in 2003 with Malayan Banking Berhad as Account Officer at Maybank Business Centre, Melaka where she was responsible for business development with customers to drive growth and maintaining customer relationships.

In 2008, Datuk Lim joined Bank of China, Kuala Lumpur as Relationship Manager where her business development portfolio was extended to cover large local and China-based corporate customers.

Datuk Lim is also Personal Assistant to Managing Director of a group of private limited companies principally involved in manufacture and trading of automotive parts, lubricants and property development.

Datuk Lim is not a Director of any other public listed company. She is the sibling of Dato' Sri Lim Teck Boon who is the Group Managing Director and major shareholder of EURO.

Tong Sian Teng

Executive Director

Malaysian

Male

Aged 58

Mr. Tong Sian Teng ("Mr. Tong") was appointed as an Executive Director of EURO on 15 November 2018.

Mr. Tong is a qualified accountant who has held senior financial positions at various companies in Malaysia and Indonesia.

He has more than 31 years of experience in corporate finance, general and management accounting, administration, auditing, budgeting & forecasting, financial management, setting ERP, business intelligence and internal control systems. Mr. Tong is not a Director of any other public listed company.

Tan Poh Ling

Independent
Non-Executive Director

Malaysian

Female

Aged 50

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

Madam 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.

Madam Tan has more than 21 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.

DIRECTORS' PROFILES

(cont'd)

Chan Yok Peng

Independent
Non-Executive Director

Malaysian

Male

Aged 68

Mr. Chan Yok Peng ("James Chan") was appointed as a Non-Independent Non-Executive Director of EURO on 15 October 2018. He was subsequently re-designated Non-Executive Director on 27 May 2020. He is the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee.

James Chan graduated as a Mechanical Engineer from the University of Malaya in 1977. He also holds a Certified Diploma in Accounting and Finance from ACCA, United Kingdom. He is a Fellow Member of the Institution of Engineers Malaysia and is a Registered Professional Engineer with the Board of Engineers Malaysia.

In 1977, James Chan joined Jurong Engineering Pte Ltd as a Project Engineer and was involved in the construction and maintenance work for Mamut copper mine (Ranau, Sabah) and Baturaja Cement Plant (Indonesia). In 1979, James Chan joined FELDA as an Assistant Mill Manager for Air Tawar Palm Oil Mill (Johore). In 1980 James Chan joined Esso Production Malaysia Inc. Offshore Division as a Project Supervisor and was assigned as the Company Representative for the Tapis offshore submarine pipeline and the Terengganu Crude Oil Terminal (Kerteh) Project. In 1984, James Chan joined Tenaga Waja Sdn Bhd (a subsidiary of Singapore Wah Chang Group of Companies) as its General Manager to oversee its engineering and construction business for Petronas, Shell and other oil companies in Malaysia. In 1985, James Chan founded Sumatec Corporation Sdn Bhd (Sumatec) which is a Licensed Contractor for upstream and downstream engineering and construction works for Petronas and other oil and gas companies. Sumatec was listed on the Bursa Malaysia in 2003 as Sumatec Resources Berhad with business ranging from Turnkey Construction, Mining and shipping. James Chan was the Group Managing Director of Sumatec Resources Berhad from 2003 to 2013 and 2015 to 2016. James Chan is not a Director of any other public listed company.

Lim Kam Choy

Independent
Non-Executive Director

Malaysian

Male

Aged 54

Mr Lim Kam Choy was appointed as an Independent Non-Executive Director of EURO on 11 December 2020, and he is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

He holds a professional qualification in accounting (MICPA) and an MBA from University of South Australia and is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He served his CPA articleship with PriceWaterhouse (now known as PricewaterhouseCoopers) and has over 31 years of working experience, the first 12 years with two Big 4 audit firms - PriceWaterhouse and Ernst & Young, followed by 20 years in public listed companies holding senior management positions. He does not hold any other directorship in 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020 ("FY2020") was RM64.3 million, a decrease of RM2.1 million or 3% as compared to RM66.4 million (restated) of the previous year. The lower Group revenue was attributable to lower revenue of Manufacturing Division decreasing by RM13.8 million mainly due to lower demand in office furniture due to imposition of Movement Control Order in Malaysia and country lockdowns in export markets. However, revenue recognised by the Property Division increased by RM11.7 million resulting from higher percentage of completion and more units sold as compared to previous year.

COST AND EXPENSES

Total cost and expenses before finance cost for FY2020 amounted to RM68.1 million, a decrease of RM9.0 million as compared to RM77.1 million (restated) of the previous year. The decrease was mainly attributable to the following items:

(a) Cost of sales decreased by RM6.9 million to RM53.0 million as compared to RM59.9 million (restated) reported in the previous year, the lower cost was in tandem with lower revenue while gross profit margin increased from 9.8% to 17.6% due to measures taken to reduce operating costs.

(b) Administrative expenses decreased by RM1.4 million to RM7.6 million as compared to RM9.0 million (restated) reported in the previous year. The decrease was mainly due lower depreciation charges and reversal of provision for slow moving inventories in current year.

(c) Selling and distribution expenses decreased by RM0.7 million to RM7.5 million as compared to RM8.2 million (restated) reported in the previous year, mainly due to reduction in carriage outwards cost as a result of lower sales.

OTHER INCOME

Other income for FY2020 was RM8.0 million, an increase of RM4.8 million as compared to RM3.2 million (restated) reported in the previous year mainly attributable to higher gain on disposal of plant and equipment of RM6.8 million.

FINANCE COST

Interest expense and other finance costs for FY2020 was RM1.9 million as compared to RM2.2 million (restated) as reported in the previous year, a reduction of RM0.3 million due to lower borrowing cost.

TAXATION

The Group's tax expense for FY2020 was RM0.8 million as compared to RM0.9 million (restated) reported in the previous year. The taxation was lower mainly due to increased utilisation of previously unrecognised deferred tax assets and increased tax effect on non-deductible expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

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

The profit attributable to equity holders of the company for FY2020 was RM1.5 million as compared to a loss of RM10.5 million (restated) of the previous year, the profit being mainly due to higher other income.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalent of the Group increased by RM2.2 million, from negative RM8.3 million as at 31 December 2019 to negative RM10.5 million as at 31 December 2020. The increase was mainly attributable to the following:

(a) Net cash generated from operating activities of RM23.6 million.
(b) Net cash used in financing activities of RM25.9 million mainly related to repayment of borrowings and lease liabilities paid during the year.

GEARING

The gearing ratio of the Group as at 31 December 2020 was 33% as compared to 70% (restated) as at 31 December 2019, the decrease was mainly due to repayment of borrowings. The gearing ratio is calculated as net debt divided by total equity. Net debt, which is calculated as total borrowings less deposits, short term funds, cash and bank balances.

ASSETS

Total assets of the Group as at 31 December 2020 was RM126.8 million as compared to RM145.7 million (restated) as at end of last year. The decrease of RM18.9 million was mainly attributable to the movement of the following assets:

(a) Inventories decreased by RM22.0 million mainly due to more property units sold as compared to previous year.
(b) Property, plant and equipment decreased by RM2.2 million mainly due to current year depreciation.
(c) Trade receivables decreased by RM4.6 million mainly due to decrease in trade receivables of manufacturing division.
(d) Other receivables increased by RM7.0 million mainly due to disposal of property, plant and machinery in the manufacturing division.
(e) Contract assets increased by RM3.9 million due to work completed on property development but not yet billed.
(f) Cash and bank balances decreased by RM0.8 million mainly due to funds for operations and repayment of borrowings.

LIABILITIES

Total liabilities of the Group as at 31 December 2020 was RM58.8 million as compared to RM79.1 million (restated) as at end of last year. The decrease of RM20.3 million was mainly due to reduction in borrowings of RM24.4 million and increase in other payables of RM4.4 million.

OPERATION REVIEW

The Group's profit before interest and tax for FY2020 was RM4.2 million as compared to a loss of RM7.4 million (restated) of the previous year.

Manufacturing Division

Manufacturing Division's profit before interest and tax of FY2020 was at RM7.0 million, an increase of RM2.1 million as compared to RM4.9 million (restated) reported in the previous year mainly due to decrease in cost and expenses as explained previously.

Property Division

Property Division recorded a loss before interest and tax of RM2.2 million as compared to RM13.2 million (restated) of the previous year. The lower loss was mainly attributable to higher percentage of completion and more units sold as compared to previous year.

LOOKING FORWARD

The Group's prospects for the financial year ending 31 December 2021 is expected to be challenging but manageable despite the COVID-19 pandemic. The Group will manage these challenges by constantly reviewing its financial performance and exercising prudence in its decisions. Management will continue to implement strategies to increase revenue and adopt cost saving initiatives to sustain growth in the Group's business.

Euro will continue to leverage on its strong base of export clientele and explore new countries to diversify its market base as a growth strategy and managing its business risk. Its extensive range of high quality products will ensure the long-term sustainability growth of the business.

The United States of America ("USA")-China trade war has opened up opportunities for furniture businesses in USA that Euro could capitalise on. To this end, the Group has entered into a Memorandum of Understanding with Elite Stone & Cabinet Inc in February 2021 to develop and expand its distribution network in the US where demands remain healthy.

Management is also working on the use of E-commerce and other digital platforms to market Euro's products so as to provide alternative sources of revenue to mitigate the impact of COVID-19 on Group's business activities. These activities have been directly impacted by the cautious slow resumption of the construction industry and the delayed decision making for many of the Group's on-going project orders locally.

Euro will continue to strengthen its role as Original Design Manufacturer or Original Equipment Manufacturer ("ODM/OEM") programme with its existing and new customers. The ODM/OEM business has been a consistent contributor to its revenue that is expected to continue in 2021.

Rising raw material cost and higher fixed overheads continue to put pressure on production cost of the Manufacturing Division as there is a global shortage of raw materials. The Division is therefore mindful of the challenges of these costs and shall continue to improve productivity and optimise operational efficiencies.

In regards to Property Division, Damai Vista Condominium Project is striving to achieved the Certificate of Completion and Compliance ("CCC") in 2021. The Division will adopt suitable marketing strategies for the sale of unsold completed units.

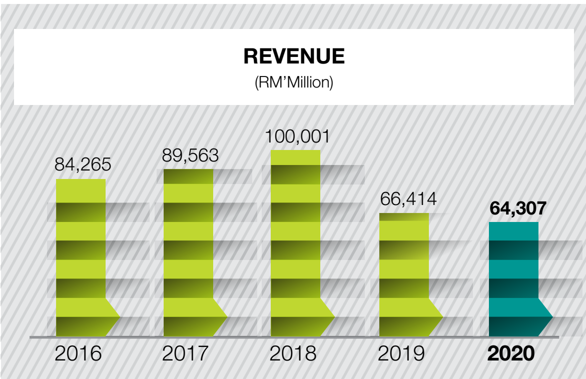
GROUP FINANCIAL HIGHLIGHTS

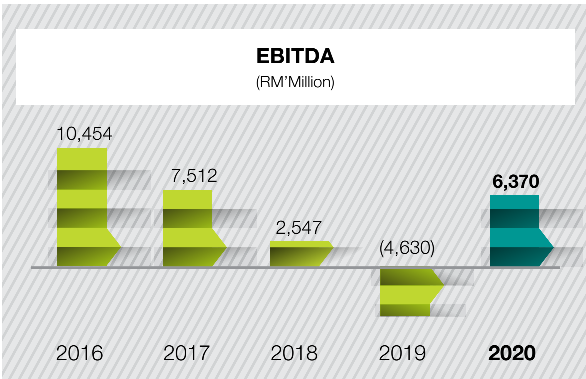
	Financial Year Ended				
	2020	Restated 2019	Restated 2018	2017	2016
Operating Results (RM'000)					
Revenue	64,307	66,414	100,001	89,563	84,265
EBITDA	6,370	(4,630)	2,547	7,512	10,454
(Loss)/profit before taxation	2,255	(9,635)	(3,188)	1,801	3,838
(Loss)/profit after taxation	1,480	(10,507)	(4,246)	(882)	3,812
Net (loss)/profit attributable to equity holders	1,452	(10,508)	(4,271)	(959)	3,412
Key Data of Statement on Financial Position (RM'000)					
Total assets	126,794	145,683	148,836	159,388	157,329
Net borrowings	22,216	45,965	35,162	39,318	39,840
Shareholders' equity	67,143	65,691	76,199	78,968	74,012
Share Information & Key Financial Ratios					
Return on equity (%)	2.20	(15.99)	(5.57)	(1.12)	5.15
Return on total assets (%)	1.17	(7.21)	(2.85)	(0.55)	2.42
Gearing ratio (times)	0.33	0.70	0.46	0.50	0.54
Interest cover (times)	2.18	(3.38)	(0.52)	2.26	3.24
Number of Ordinary Shares In Issue ('000)^	801,900	801,900	801,900	801,900	777,600
PE ratio (times)	1,601.59	(12.59)	(24.41)	(133.79)	46.72
(Loss)/earnings per share attributable to equity holders (sen) #	0.18	(1.31)	(0.53)	(0.38)	0.44
Net asset per share (sen)	8.37	8.19	9.50	9.85	9.52
Share price as at financial year end (sen)	290	16.5	13.0	16.0	20.5

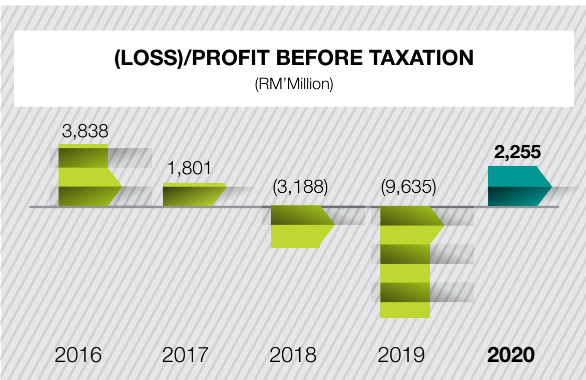
NOTES

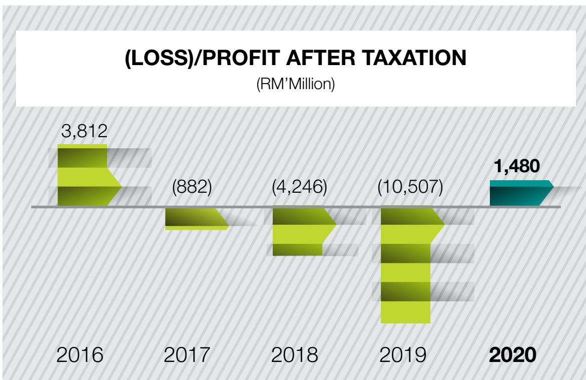
\# The (Loss)/ Earnings Per Share is arrived at by dividing the Group's (loss)/profit attributable to equity holders by the number of ordinary shares in issue during the year.

^ Restated for FYE 2017 to FYE 2019 to reflect the retrospective adjustment arising from the bonus issue completed in FYE 2020









Sustainability Statement

INTRODUCTION

The Board of Directors ("Board") of Euro Holdings Berhad ("Euro" or the "Company") views sustainability as an integral part of business in creating long term value for the stakeholders of Euro and its subsidiaries (the "Group"). We understand that our business choices today may have an impact on our stakeholders, hence it is imperative for our business to carry out our activities responsibly.

In line with the sustainability disclosure requirements of Bursa Malaysia Securities Berhad ("Bursa"), the Board of Euro presents this detailed Sustainability Statement ("Statement") which discusses the Group's sustainability risks and opportunities in the thematic categories of economic, environmental and social ("EES").

This Statement is prepared in accordance with Paragraph 29, Part A of Appendix 9C and Practice Note 9 of the Main Market Listing Requirements ("Listing Requirements") of Bursa and has considered the Sustainability Reporting Guide – 2nd Edition, and its accompanying Toolkits, issued by Bursa, as well as international sustainability reporting better practices.

The scope of this Statement focuses on the Group's key business division, namely the Manufacturing Segment, which contributes close to 55% of the Group's revenue.

The Group's Property Segment contributes to approximately 45% of the Group's revenue. The Group's current project, i.e. Damai Vista Condominium, represents the Group's inaugural property development project. As the Group is focusing its resources in this segment on the successful delivery of its maiden project, hence, the Group's sustainability management and reporting process has yet to scope-in the Property Segment. That said, the Group has put in place controls to ensure relevant environmental and social laws and regulations are complied with.

Moving forward, the Group will consider including its future property development projects in the scope of its sustainability management and reporting process.

GOVERNANCE STRUCTURE

In embedding sustainability considerations in the Group's business, we leveraged on the enterprise risk management governance process and enhanced the roles of the Board, the Audit Committee, Chief Financial Officer and Senior Management, including Heads of Department, to account for, lead and monitor sustainability strategies and considerations in the Group's businesses.

The Board brings leadership by setting the corporate strategy for the Company and adopting a strategic plan which supports long-term value creation, including strategies on EES considerations underpinning sustainability. The Board is assisted by the Audit Committee in the review of Group's sustainability strategies and material sustainability matters, including monitoring the management of the matters identified on an annual basis.

At the Senior Management level, the Chief Financial Officer ensures a sustainability process is in place to identify, assess, prioritise, manage and report on the Group's material sustainability matters. The Chief Financial Officer oversees the implementation of the Group's material sustainability matters, including ensuring policies, measures and indicators guiding the management of these matters are in place and reviewing the performance of these matters

SUSTAINABILITY STATEMENT
(cont'd)

MATERIALITY PROCESS

The Group has undertaken a stakeholder review process to systematically identify and assess the Group's stakeholder groups. These stakeholder groups include, but not limited to, the following, in no particular order:

- government agencies, regulators and authorities;
- shareholders and investors;
- customers;
- suppliers;
- employees;
- communities;
- distributors and agents; and
- financial institutions and lenders.

The Group's Senior Management performed a materiality assessment on the Group's EES matters to identify, assess and prioritise sustainability matters material to the Group. The assessment considers:

(i) matters which reflect the Group's significant EES impact; and
(ii) matters which substantively influence the assessments and decisions of stakeholders.

The Group's Material Sustainability Matters are discussed in detail in the following section.

MATERIAL SUSTAINABILITY MATTERS

Product Safety, Quality and Design

The Group distinguishes itself in the market with the safety and quality of its products. In a market where consumers are increasingly concerned about the potential health effects of products, the Group aims to provide quality products meeting industry standards on safety level for volatile organic compound ("VOC") emission levels.

In the furniture manufacturing business, the use of adhesives commonly poses a health risk due to possible emission of VOC. In this regard, the Group is careful in the selection of adhesive used in its manufacturing process.

The Group's products have obtained GREENGUARD Certification which serves as a third-party verification for healthier and more sustainable products. In the process of obtaining certification, Euro's products undergo product chemical emission testing which uses dynamic environmental chamber technology to detect chemical emission levels.

In addition, the Group's products have also obtained Business + Institutional Furniture Manufacturers Association ("BIFMA") Certification which provides credibility for the comfort, safety and durability of products. BIFMA Certified products promote a healthy work environment which can increase productivity and decrease work related injuries.

Euro Group adopts international standards, i.e. ISO 9001:2015 – Quality Management Systems, in its processes to ensure systematic procedures are in place to produce quality goods. For the financial year under review, the Group has successfully renewed its ISO 9001:2015 certification.

To ensure its products and services are keeping up with market and industry trend, Euro Group also has a team of professional designers providing design solutions to customers and develop new products for the Group from time to time. The Group also conducts market research and participates in business matching through Malaysia Furniture Council to keep abreast of latest trend and technology in the industry.

SUSTAINABILITY STATEMENT

(cont'd)

Business Practices and Ethics

In an ever-increasingly competitive business environment, it is important that ethical business practices must not be compromised in the pursuit of performance. The Group believes in conducting business in an honest and fair business environment, where integrity is the Group's long-term asset.

Euro is committed to a high standard of integrity, openness and accountability in the conduct of businesses and operations in an ethical, responsible and transparent manner. It does not condone the conduct of unethical business practices for obtaining unfair business advantage.

As such, the Group has made clear provisions guiding ethical business behaviours by employees in the Group's Code of Ethics for employees, which is required to be signed and acknowledged by all onboarding employees.

Directors are governed by a separate set of Code of Conduct which requires Directors to act with integrity, professionalism and in good faith, in addition to restrictions on improper use of information and power for personal gain. Directors are also required to declare any conflict of interest situations to ensure such situations are made known to the Board and managed properly in the business decision-making process.

The Group's employees, as well as its Directors, work with an open and transparent business environment, where reasonable questioning and reasoning is encouraged so as to instil a culture of personal accountability and professional integrity.

The Group has established a whistleblowing mechanism accessible to the Group's employees as well as the general public to raise any genuine concerns pertaining to unethical business practices of the Group or its employees, amongst other concerns. In order to ensure the independence of the process, the mechanism also provides alternative channels to independent parties including the Audit Committee Chairman and external corporate secretarial service provider. The Group's whistleblowing mechanism also provides for confidentiality and protection of the whistleblower to encourage concerns being raised without the fear of retaliation.

For the financial year under review, there were no whistleblowing cases recorded as far as unethical business practices is concerned.

In addition, with the Malaysian government currently putting in intensive efforts building a corrupt-free nation, the Group is receptive of the introduction of the corporate liability provision in the amendments to the Malaysia Anti-Corruption Commission Act, 2009, and will consider reviewing its current controls to ensure necessary adequate procedures are in place to prevent corrupt practices in the Group's businesses.

Wastewater Management

As the manufacturing of Euro's products involves surface treatment of metal sheets, the wastewater generated from the washing of processed metal sheets will have metal content that is hazardous if disposed directly to the watercourse. Substances such as zinc, manganese, iron and sulphide, even at a low concentration, are toxic to aquatic life and if present in watercourse may render the watercourse unsuitable as a source for public water supply.

The Group is uncompromising in ensuring these hazardous contents do not affect the public water system and has built an industrial effluent treatment system ("IETS") for its metal sheet surface treatment process. The IETS is designed to treat such wastewater and ensure the water discharged after treatment is maintained at a safe level, which also complies with the discharge standards set by the Department of Environment ("DoE").

To ensure the performance of IETS, the Group engages with qualified contractor to perform periodic maintenance and servicing of the IETS system. In addition, the Group also conducts periodic laboratory testing of its discharged water to monitor the water quality, considering, amongst others, acidity, temperature, chemical oxygen demand ("COD"), biological oxygen demand ("BOD"), total suspended solid, as well as concentration levels of zinc, manganese, iron and sulphide.

For the financial year under review, the Group did not receive any fines from the authorities, i.e. DoE.

Furthermore, the Group has adopted, and obtained certification for, ISO 14001:2015 – Environmental Management Systems, which was successfully renewed during the financial year under review.

SUSTAINABILITY STATEMENT
(cont'd)

Occupational Safety and Health

In the Group's manufacturing segment, employees may be required to perform work which may carry certain safety and health concerns. For example, exposure to fumes from the welding process may lead to nausea, dizziness, eye, nose and throat irritation, and even cancer if under prolonged exposure. Another example is employees working with machinery, equipment or sharp tools are exposed to greater risk of physical injury such as cuts or crush injury.

The Group views employees' safety and health as a significant business concern and has put in place tight processes and controls to manage this risk. The Group's aims to not have any serious injury or fatality, as an objective of the management of its occupational safety and health risk.

Guided by international standards of the BS OHSAS 18001:2007 – Occupational Health and Safety Management Systems, the Group conducts and periodically reviews its Hazard Identification and Risk Assessment to identify high risk areas pertaining to health and safety in its operations. Accordingly, controls are put in place, or enhanced where required, and embedded in the Standard Operating Procedures ("SOP") by which employees are guided when performing their work.

For employees exposed to health and safety hazards, such as welders and employees working with machinery, equipment and sharp tools, personal protection equipment ("PPE") such as respirator, face shield, safety shoes, safety gloves, is provided at the cost of the Group, etc. In addition, PPE trainings are also provided to employees to ensure proper usage.

Working zones for machinery are fenced off by safety fencing and the Group ensures safety stoppers and emergency stop buttons are well functioning in case of any emergency. All new employees receive trainings, including safety trainings, before performing the job and on the job training. Employees are also trained to use fire extinguishers to cater for any emergency fire situations.

The Group's injury and fatality records for the financial year under review is summarised below:

	FY 2020	FY 2019
Number of lost time accidents	0	0
Fatality	0	0

The Group has adopted, and obtained certification for, BS OHSAS 18001:2007 – Occupational Health and Safety Management Systems, which was successfully renewed during the financial year under review. Subsequent to the publication of ISO 45001:2018 which replaces BS OHSAS 18001:2007, the Group has prepared the adoption of ISO 45001:2018. The external audit for the transition from BS OHSAS 18001:2007 to ISO 45001:2018 had taken place in March 2020.

Human Capital Management and Development

The Group views human capital management development as an important aspect of its business. Proper management and development of human capital does not only optimise input of resources in the business value chain, but also helps generate positive value for the society.

While the Group employs a mixture of domestic and foreign employees, it accords equal treatment and respect to all employees without discrimination, regardless of their individual background, race, religion, orientation, etc.

Basic human rights for all employees is respected and accorded in the Group's labour practices. For example, the Group does not take custody of their foreign workers' passports or personal identification documents. The Group complies with the provisions of Labour law and good labour practices such a forty-eight hour working week and any extra hours worked are paid overtime commensurate with their basic salaries. In addition, the Group ensures that necessary amenities, such as hostels, canteen, clinics, etc., are provided for its foreign workers.

A training plan is developed for the Group's employees each financial year and the implementation of the training plan is monitored to ensure the planned trainings are provided to the Group's employees. The Group has set a target to achieve 90% implementation rate of its training plan.

For the FY2020, the Group has achieved a 100% implementation rate for its training plan, maintaining the same implementation rate in FY2019.

In addition to the trainings mentioned in other Sections of this Statement, trainings provided for the financial year under review includes, but not limited to, the following subject matters:

- Safety Health and Environment Induction/Awareness;
- Sanitizing & Disinfection Process training;
- Forklift training, and
- Working During and Post Movement Control Order training.

All new employees who joined the Group are scheduled to be provided with induction trainings to facilitate better orientation and enhanced contribution in their respective job positions.

CONCLUSION

Pursuant to its aim of delivering sustainable performance, Euro will continue adopting practical measures and initiatives as part of its corporate strategy towards addressing business sustainability, including consideration of the business' economic, environmental and social aspects, on an ongoing basis.

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 in 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-term 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.

SECTION 1: THE BOARD OF DIRECTORS (CONT'D)

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 of 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 a Group Managing Director, a Group Deputy Managing Director, one (1) Executive Director, and three (3) Independent Non-Executive Directors. The Company complies with the criteria of the MMLR of Bursa Securities, of having at least one third or two of the Board members as Independent Non-Executive Directors. The profile of each Director is presented on page 4 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 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 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.

Madam Tan Poh Ling ("Madam Tan") was appointed as Independent Non-Executive Director since 21 January 2009. Pursuant to Practice 4.2 of MCCG, she has served as an Independent Director of EURO for a cumulative period of more than 12 years, therefore, shareholders' approval will be sought on her retention as Independent Non-Executive Director 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 Madam Tan possesses the attributes necessary in discharging her role and functions as Independent Director of the Company and that her independence has not been compromised or impaired in any way after having noted that during her tenure in office:

- Madam Tan exercises due care in all undertakings of the Group and in her fiduciary duties in the interest of the Company and minority shareholders;
- Madam Tan has not developed, established or maintained any significant relationship which would impair her independence as Independent Director with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level, consistent and expected of her to carry out her duties as Independent Non-Executive Director, Chairperson or member of the Board's Committees;
- Madam Tan has never transacted or entered 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
- Madam Tan has not been granted any options by the Company, other than Director's fees and allowances paid which has been an industry norm and within acceptable market rates, duly disclosed in the Annual Reports. No other incentives or benefits of whatsoever nature had been paid to her by the Company.

SECTION 1: THE BOARD OF DIRECTORS (CONT'D)

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 Seven (7) 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 Lim Teck Boon (1)	5/5	100%
Datuk Lim Sze Way (2)	5/5	100%
Mr Tong Sian Teng	7/7	100%
Madam Tan Poh Ling	7/7	100%
Mr Chan Yok Peng (3)	7/7	100%
Mr Lim Kam Choy (4)	–	–
Dato' Sri Mohd Haniff Bin Abd Aziz (5)	5/5	100%
Dato' Tong Yun Mong (6)	4/4	100%
Dato' Sri Choong Yuen Keong@Tong Yuen Keong (7)	4/4	100%

Note:
(1) Appointed w.e.f. 27 May 2020
(2) Appointed w.e.f. 27 May 2020
(3) Re-designated w.e.f. 27 May 2020
(4) Appointed w.e.f. 11 December 2020
(5) Resigned w.e.f. 5 October 2020
(6) Resigned w.e.f. 1 July 2020
(7) Resigned w.e.f. 1 July 2020

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 Constitution 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 Constitution 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.

SECTION 1: THE BOARD OF DIRECTORS (CONT'D)

Remuneration

The Company's remuneration practice 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 2020 are disclosed in Note 6(i) to the financial statements on page 77 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 2020, are as follows:

Range of Remuneration RM	Name of Top Senior Management
200,000 – 250,000	Poo Shea Choon - Chief Financial Officer

* resigned w.e.f. 1 February 2021

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 2020 are as follows:

Seminar / Conference / Workshop	Details of Programme
Corporate Governance	• MACC 17A Corporate liability • AGM, Accounts, Annual Returns under Companies Act 2016
Roles of an Effective Board	• Resolving boardroom and shareholders disputes
Management	• Cessation of companies & limited liabilities partnership • Listed Entity Director 1- Essential
Accounting and Economics	• MIA Webinar Series A Comprehensive Review of Latest Developments in MFRS • MIA Webinar Series Curating In- Demand Board Profile For Your Board Journey • MIA Webinar Series: SMP Forum 2020 • MPERS E-Book and Latest Developments

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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 24 to 26 of this Annual Report.

Nomination Committee

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

The NC and the Board acknowledged the boardroom gender diversity as published in the MCCG and endeavour 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 and gender of the candidate.

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

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

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

- Mr Chan Yok Peng
  Member, Independent Non-Executive Director
  (appointed w.e.f. 10 June 2020)

- Mr Lim Kam Choy
  Member, Independent Non-Executive Director
  (appointed w.e.f. 11 December 2020)

- Dato' Sri Mohd Haniff Bin Abd Aziz
  Member, Independent Non-Executive Chairman
  (resigned w.e.f. 5 October 2020)

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

SECTION 2: COMMITTEES OF THE BOARD (CONT'D)

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

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

- **Mr Chan Yok Peng**
  Chairman, Independent Non-Executive Director
  (Re-designated w.e.f. 11 December 2020)

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

- **Mr Lim Kam Choy**
  Member, Independent Non-Executive Director
  (Appointment w.e.f. 11 December 2020)

- **Dato' Sri Mohd Haniff Bin Abd Aziz**
  Chairman, Independent Non-Executive Chairman
  (resigned w.e.f. 5 October 2020)

- **Dato' Tong Yun Mong**
  Member, Executive Director
  (resigned w.e.f. 1 July 2020)

- **Dato' Sri Choong Yuen Keong @ Tong Yuen Keong**
  Member, Executive Director
  (resigned w.e.f. 1 July 2020)

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

REMUNERATION POLICY

The RC is authorised by the Board to establish a formal and transparent procedure for developing policy on remuneration and for fixing the remuneration packages of individual Directors and senior management. The Remuneration Policy is accessible through the Company's website at www.euroholdings.com.my.

SECTION 3: SHAREHOLDERS

Investor Relations and Shareholders Communication

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

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

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 16th AGM held in 2020. 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.

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 2020 can be found on page 31 to 135 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 27 to 29 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 Director and Management. The role of Audit Committee in relation to the auditors is described in the Audit Committee Report set out on page 24 to 26 of this Annual Report.

SECTION 4: ACCOUNTABILITY AND AUDIT (CONT'D)

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 2020, the Board has:

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

The Directors have ensured that the Group and Company keep proper accounting and other records that will disclose with reasonable accuracy at any time the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the 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.

ADDITIONAL COMPLIANCE INFORMATION

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

Utilization of Proceeds

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2020.

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 2020 amounted to RM192,000 and RM43,000, respectively. The non-audit fees payable amounted to RM18,000.

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.

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 2020 are disclosed in Note 28 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 2020.

This Statement is made in accordance with a resolution of the Board of Directors dated 30 March 2021.

AUDIT COMMITTEE REPORT

The Board of Directors of EURO Holdings Berhad is pleased to present the Audit Committee ("AC") Report of the Company for the financial year ended 31 December 2020 ("FY2020").

COMPOSITION

Madam Tan Poh Ling
Chairperson, Independent Non-Executive Director
(Re-designated w.e.f. 25 February 2020)

Mr Chan Yok Peng
Member, Independent Non-Executive Director
(appointed w.e.f. 25 February 2020)

Mr Lim Kam Choy
Member, Independent Non-Executive Director
(appointed w.e.f. 11 December 2020)

Dato' Sri Mohd Haniff Bin Abd Aziz
Member, Independent Non-Executive Chairman
(resigned w.e.f. 5 October 2020)

MEETINGS AND ATTENDANCE

The AC had met Six (6) times during the FY2020. The composition and the attendance record of AC members are as follows:

Name and designation of Audit Committee	Attendance	Percentage of Attendance
Tan Poh Ling	6/6	100%
Chan Yok Peng	6/6	100%
Lim Kam Choy	–	–
Dato' Sri Mohd Haniff Bin Abd Aziz	4/4	100%

Independence of the Audit Committee

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 are 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.

Financial Literacy of the Audit Committee Members

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 4 to 6 of this Annual Report. During the financial year ended 31 December 2020, members of the Audit Committee had undertaken the relevant training programs 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.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms of reference of the AC, the following activities were carried out by the AC during the FY2020 in the discharge of their duties.

i. Reviewed the quarterly financial results announcements for each quarter of the Group to ensure the Company's compliance with the MMLR, applicable approved accounting standards and other legal and regulatory requirements, prior to recommending them for the Board of Director's consideration and approval;

ii. Reviewed the external auditors' fees, scope of work and audit strategy and plans for the financial year prior to the commencement of audit and evaluated the performance of the external auditors and recommending the appointment at the Annual General Meeting;

iii. Reviewed and discussed the annual audited financial statements of the Group and the Company with the external auditors and management prior to submission to the Board of Directors for their approval;

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

v. Discussed significant audit findings in respect of the financial statements and accounting principles and standards that were applied and their judgments of the items that may affect the financial statements of the Group with the external auditors;

vi. Reviewed with the external auditors, their audit report and management's response;

vii. Reviewed the internal audit scope, programmes and plans to ensure adequate scope and comprehensive coverage of the activities of the Group and to determine the internal auditors' fees for the financial year under review;

viii. Reviewed the effectiveness of the audit process for the year and assessed the performance of the internal audit functions;

ix. Reviewed the internal auditor's reports which were tabled during the year, on the state of the internal control of the Group, the audit recommendations made and management's response to these recommendations. Where appropriate, the AC has directed management to rectify and improve control and workflow procedures based on the internal auditors' recommendations and suggestions for improvement;

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

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.

AUDIT COMMITTEE REPORT

(cont'd)

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 YYC 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 audit based on the annual audit plan.

- Issued internal audit report to the AC on risk management, internal control and governance issues identified from the risk-based audit 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 2020.

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, Executives Directors 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

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.

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 2020, reviews on various areas involving operations of Manufacturing Division of the Group were conducted. Key coverage was process review of inventory stores and warehouse of two (2) manufacturing plants.

Report from the internal audit review 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 RM34,000.

INFORMATION, COMMUNICATION AND MONITORING

While the Management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to request for information and clarification from the Management as well as to seek inputs from the Audit Committee, external and internal auditors and other experts at the expense of the Group.

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

- On a quarterly basis, Management updates the Board on the Group's actual financial performance. Specific transactions, projects opportunities are also discussed with the Board as and when required. This allows the Board to raise potential new risks that could arise and request Management to mitigate them accordingly.

- The Key Management Staff and HOD are delegated with the responsibility of identifying and managing risks related to their functions and departments. At the periodic Management meetings, such risk identified and related internal controls are communicated to the Senior Management. In addition, significant risks identified are cascaded to the Board at their scheduled meetings.

RISK MANAGEMENT

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

An Executive Director and 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.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The details and principal activities of its subsidiaries are set out in Note 10 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	1,480	17,304
Attributable to:		
Owners of the Company	1,452	
Non-controlling interests	28	
	1,480	

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There was no material transfer to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUANCE OF SHARES OR DEBENTURES

During the financial year, the Company has increased its issued ordinary shares from 267,300,000 units to 801,900,000 units by way of bonus issue of 534,600,000 new ordinary shares on the basis of two (2) bonus shares for every one (1) existing ordinary share held.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year to the date of this report are: -

Dato' Sri Lim Teck Boon *	Appointed on 27 May 2020
Datuk Lim Sze Way	Appointed on 27 May 2020
Tan Poh Ling	
Chan Yok Peng	
Tong Sian Teng	
Lim Kam Choy	Appointed on 11 December 2020
Dato' Sri Choong Yuen Keong @ Tong Yuen Keong *	Resigned on 1 July 2020
Dato' Tong Yun Mong *	Resigned on 1 July 2020
Dato' Sri Mohd Haniff Bin Abdul Aziz	Resigned on 5 October 2020

* *These Directors are also Directors of subsidiaries included in the financial statements of the Group for the financial year.*

DIRECTOR OF THE SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act 2016, the Director who served in the subsidiaries (excluding Directors who are also Directors of the Company) since the beginning of the financial year to the date of this report is as follows:

Dato' Lim Chaw Teng	Appointed on 1 July 2020

DIRECTORS' INTERESTS

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

	Number of ordinary shares				
	At 01.01.2020 Unit'000	Bought Unit'000	Bonus issue Unit'000	Sold Unit'000	At 31.12.2020 Unit'000
Name of Directors:					
Ordinary shares in the Company					
Direct interest:					
- Dato' Sri Lim Teck Boon	-	21,330	42,661	-	63,991
- Chan Yok Peng	28,000	-	-	(28,000)	-
Indirect interest:					
- Dato' Sri Lim Teck Boon *	-	169,861	339,722	-	509,583

* *Indirect interest pursuant to Section 8(4) of the Companies Act 2016 via S.P.A Furniture (M) Sdn. Bhd.*

DIRECTORS' INTERESTS (cont'd)

Dato' Sri Lim Teck Boon is deemed to have interest in the shares by the Company in its subsidiaries by virtue of his substantial interest in shares of the Company

The other Directors in office at the end of the financial year did not have any interest in the shares of the Company or of its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

The amounts of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company and its subsidiaries for their services to the Company and its subsidiaries were as follows:

	Company RM'000	Subsidiaries RM'000
Fees	150	-
Salaries, bonus and other emoluments	47	631
Contributions to defined contribution plan	-	54
Social security contributions	-	1
Total fees and other benefits	197	686

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in Note 6(i) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation 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, other than those as disclosed in Note 28 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (cont’d)

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

(i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate to any substantial extent;

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

(iii) 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

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

(c) At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable, or 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 as and when they fall due;

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

(c) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company and its subsidiaries are set out as below:

	Company RM'000	**Subsidiaries RM'000**
Audit fee	43	149
Other services	18	-
Total auditors' remuneration	61	149

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiaries by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Group and of the Company.

DIRECTORS' REPORT

(cont'd)

HOLDING COMPANY

The Directors regard S.P.A Furniture (M) Sdn. Bhd., a company incorporated in Malaysia as the holding company.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 36 to the financial statements.

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

Details of significant events subsequent to the end of financial year are disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 30 March 2021.

DATO' SRI LIM TECK BOON

DATUK LIM SZE WAY

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 42 to 135 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 2020 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 March 2021.

DATO' SRI LIM TECK BOON

DATUK LIM SZE WAY

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, TONG SIAN TENG, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that that the financial statements as set out on pages 42 to 135 are to the best of my knowledge and belief, 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
at Kuala Lumpur in the Federal Territory
on 30 March 2021

TONG SIAN TENG

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 2020 and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 135.

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 2020, and of their financial performance and their cash flows for the financial 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.

Emphasis of Matter

We draw attention to Note 29(b) to the financial statements, which described the numerous ongoing litigations faced by the Group and the Company which have been disclosed as contingent liabilities due to the uncertainty of the outcome. Our opinion is not modified in respect of this matter.

Independence and Other Ethical Requirements

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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter was 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 the matter.

INDEPENDENT AUDITORS' REPORT
(cont'd)

Key Audit Matter (cont'd)

Revenue recognition

Revenue from property development activity recognised during the year as disclosed in Note 4 to the financial statements amounted to RM29,190,000.

Property development revenue is recognised over the period of the project by reference to the progress towards complete satisfaction of the performance obligation. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (i.e., by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the project).

Judgement is required in determining the progress of property development towards the complete satisfaction of the performance obligation and the estimation of liquidated ascertained damages ("LAD") on project where the estimated completion date is beyond the contractual completion date. The management's estimates and judgements affect the cost-based input method computations and the amount of revenue and profit recognised during the year.

We focused on this area because of the magnitude of the revenue and the costs recognised by the Group from these activities, which are based on significant estimates and judgements.

Our audit performed and responses thereon

In addressing the matters above, we have performed the following audit procedures to assess the revenue recognition: -

- Agreeing to the contracted selling price of the property development units and multiplied with their respective stage of completion;
- Verified the costs incurred against underlying supporting documents such as the sub-contractors' claim certificates and invoices from vendors;
- Discussed with management on their basis for recognising LAD and tested management's estimates of the LAD;
- Performed site-visit for the on-going project to arrive at an overall assessment towards stage of completion;
- Checked reasonableness of the stage of completion based on actual costs incurred to date over the estimated total property development costs with architect certificates;
- Performed reasonableness test on accrued contractor costs to be incurred by the Group of which invoice/progress claim has yet to be received;
- Performed re-computation of the percentage of completion and percentage of sales; and
- Examined material non-standard journal entries and other adjustments posted to revenue and cost of sales accounts.

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

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 Annual Report 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 Annual Report 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 the Annual Report, 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 also 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.

INDEPENDENT AUDITORS' REPORT

(cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

(a) 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.

(b) 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 of the Company's internal control.

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

(d) 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 and 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 and the Company to cease to continue as a going concern.

(e) 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 represent the underlying transactions and events in a manner that achieves fair presentation.

(f) 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.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

1. 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 contents of this report.

2. The comparative figures were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on 10 June 2020.

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

LO KUAN CHE
03016/11/2022 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 30 March 2021

STATEMENTS OF
COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
			Restated		
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	4	64,307	66,414	-	-
Cost of sales	5	(53,020)	(59,918)	-	-
Gross profit		11,287	6,496	-	-
Other income		7,953	3,244	18,806	2,334
Administrative expenses		(7,560)	(8,992)	(1,044)	(22,203)
Selling and distribution expenses		(7,511)	(8,185)	-	-
Profit/(loss) from operations		4,169	(7,437)	17,762	(19,869)
Finance costs		(1,914)	(2,198)	(298)	(234)
Profit/(loss) before tax	6	2,255	(9,635)	17,464	(20,103)
Income tax expense	7	(775)	(872)	(160)	(411)
Profit/(loss) net of tax, representing total comprehensive income for the financial year		1,480	(10,507)	17,304	(20,514)
Total comprehensive income attributable to :-					
Owners of the Company		1,452	(10,508)		
Non-controlling interests		28	1		
		1,480	(10,507)		
Earnings/(loss) per ordinary share attributable to Owners of the Company (sen): -					
- Basic	8	0.18	(1.31)		

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		Group			Company	
			Restated	Restated		
	Note	31.12.2020 RM'000	31.12.2019 RM'000	01.01.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	9	40,280	42,510	45,082	15	19
Investments in subsidiaries	10	-	-	-	21,874	36,622
Other investment	11	-	-	-	33,324	-
		40,280	42,510	45,082	55,213	36,641
Current assets						
Inventories	12	45,680	67,736	66,364	-	-
Trade receivables	13	7,582	12,227	14,429	-	-
Other receivables	14	8,938	1,930	4,039	6	7
Contract assets	15	15,640	11,733	6,925	-	-
Forward exchange contracts	16	-	16	54	-	-
Tax recoverable		35	102	712	21	-
Short term investments	17	-	-	65	-	-
Fixed deposits with a licensed bank	18	6,952	6,984	6,000	-	-
Cash and bank balances	19	1,687	2,445	5,166	62	34
		86,514	103,173	103,754	89	41
TOTAL ASSETS		126,794	145,683	148,836	55,302	36,682

STATEMENTS OF FINANCIAL POSITION

(cont'd)

	Note	Group 31.12.2020 RM'000	Group Restated 31.12.2019 RM'000	Group Restated 01.01.2019 RM'000	Company 31.12.2020 RM'000	Company 31.12.2019 RM'000
EQUITY AND LIABILITIES						
Equity						
Share capital	20	48,402	48,402	48,402	48,402	48,402
Retained earnings/(accumulated loss)		18,741	17,289	27,797	1,422	(15,882)
Total equity attributable to Owners of the Company		67,143	65,691	76,199	49,824	32,520
Non-controlling interests	10	887	859	858	-	-
TOTAL EQUITY		68,030	66,550	77,057	49,824	32,520
Non-current liabilities						
Borrowings	21	9,218	10,712	13,888	-	-
Lease liabilities	22	3	52	40	-	-
Deferred tax liabilities	23	287	44	44	2	2
		9,508	10,808	13,972	2	2

STATEMENTS OF FINANCIAL POSITION

(cont'd)

		Group			Company	
	Note	31.12.2020 RM'000	Restated 31.12.2019 RM'000	Restated 01.01.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Current liabilities						
Trade payables	24	13,210	13,818	15,053	-	-
Other payables	25	14,297	9,858	10,347	512	46
Foreign exchange contracts	16	4	-	-	-	-
Amounts due to subsidiaries	26	-	-	-	4,902	3,975
Amounts due to Directors and former Directors	27	111	19	7	62	-
Borrowings	21	21,579	44,513	32,352	-	-
Lease liabilities	22	55	117	48	-	-
Tax payable		-	-	-	-	139
		49,256	68,325	57,807	5,476	4,160
TOTAL LIABILITIES		58,764	79,133	71,779	5,478	4,162
TOTAL EQUITY AND LIABILITIES		126,794	145,683	148,836	55,302	36,682

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Share capital RM'000	Distributable Retained earnings RM'000	Equity attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group						
At 1 January 2019, as previously reported		48,402	26,295	74,697	858	75,555
Prior year adjustment	35(ii)(c)	-	1,502	1,502	-	1,502
At 1 January 2019, as restated		48,402	27,797	76,199	858	77,057
Loss for the financial year, as previously reported		-	(12,740)	(12,740)	1	(12,739)
Prior year adjustments	35(ii)(c)	-	2,232	2,232	-	2,232
Loss for the financial year, as restated, representing total comprehensive income for the financial year		-	(10,508)	(10,508)	1	(10,507)
At 31 December 2019, as restated		48,402	17,289	65,691	859	66,550
At 1 January 2020, as restated		48,402	17,289	65,691	859	66,550
Profit for the financial year, representing total comprehensive income for the financial year		-	1,452	1,452	28	1,480
At 31 December 2020		48,402	18,741	67,143	887	68,030

STATEMENTS OF CHANGES IN EQUITY

(cont'd)

	Share capital RM'000	(Accumulated loss)/ Distributable retained earnings RM'000	Total equity RM'000
Company			
At 1 January 2019	48,402	4,632	53,034
Loss for the financial year, representing total comprehensive income for the financial year	-	(20,514)	(20,514)
At 31 December 2019	48,402	(15,882)	32,520
At 1 January 2020	48,402	(15,882)	32,520
Profit for the financial year, representing total comprehensive income for the financial year	-	17,304	17,304
At 31 December 2020	48,402	1,422	49,824

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

STATEMENTS OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
			Restated		Restated
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities					
Profit/(loss) before tax		2,255	(9,635)	17,464	(20,103)
Adjustments for: -					
Depreciation of property, plant and equipment		2,201	2,807	4	4
Gain on disposal of property, plant and equipment		(6,890)	(311)	-	-
Unrealised (gain)/loss on foreign exchange		(63)	33	-	-
Net additions/(reversal) of impairment loss on:					
- trade receivables		393	(1,485)	-	-
- investments in subsidiaries		-	-	(17,526)	21,647
Interest expense		1,914	2,198	298	234
Interest income		(142)	(335)	(1,280)	(2,334)
Late payment interest income		(345)	(32)	-	-
Loss on foreign exchange contracts		19	39	-	-
Property, plant and equipment written off		15	-	-	-
(Reversal)/provision for slow moving inventories		(986)	37	-	-
Operating loss before changes in working capital		(1,629)	(6,684)	(1,040)	(552)
Changes in working capital:					
Inventories		23,042	(1,409)	-	-
Receivables		4,527	5,753	1	6
Contract assets		(3,907)	(4,808)	-	-
Payables		3,831	(1,724)	466	(14)
		27,493	(2,188)	467	(8)
Cash generated from/(used in) operations/Balance carried forward		25,864	(8,872)	(573)	(560)

STATEMENTS OF CASH FLOWS

(cont'd)

		Group		Company	
			Restated		Restated
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Balance brought forward		25,864	(8,872)	(573)	(560)
Interest paid		(1,914)	(2,198)	-	-
Interest received		142	335	57	58
Tax paid		(465)	(997)	(320)	(437)
Tax refunded		-	735	-	-
Net cash from/(used in) operating activities		23,627	(10,997)	(836)	(939)
Cash Flows from Investing Activities					
Purchase of property, plant and equipment	9(b)	(116)	(428)	-	-
Proceeds from disposal of property, plant and equipment		130	691	-	-
Net cash from investing activities		14	263	-	-
Cash Flows from Financing Activities					
Advances from Directors and former Directors		92	12	62	-
Advances from subsidiaries		-	-	802	905
(Repayment)/drawdown of borrowings	(iii)	(25,875)	8,341	-	-
Uplift/(placement) of fixed deposits pledged		32	(984)	-	-
Repayment of lease liabilities	(ii)(iii)	(111)	(106)	-	-
Net cash (used in)/from financing activities		(25,862)	7,263	864	905
Net (decrease)/increase in cash and cash equivalents		(2,221)	(3,471)	28	(34)
Effects of foreign currency difference		16	41	-	-
Cash and cash equivalents at the beginning of the financial year		(8,312)	(4,882)	34	68
Cash and cash equivalents at the end of the financial year	(i)	(10,517)	(8,312)	62	34

Note:

(i) Cash and cash equivalents comprise of the following: -

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Fixed deposits with a licensed bank		6,952	6,984	-	-
Cash and bank balances		1,687	2,445	62	34
Total cash and cash equivalents		8,639	9,429	62	34
Less: Fixed deposits pledged	18	(6,952)	(6,984)	-	-
Bank overdraft	21	(12,204)	(10,757)	-	-
		(10,517)	(8,312)	62	34

(ii) Cash outflows for leases as a lessee: -

	Group	
	2020	2019
	RM'000	RM'000
Included in net cash from operating activities:		
Interest paid in relation to lease liabilities	5	13
Payment related to short term leases	743	388
Included in net cash from financing activities:		
Payment for the principal portion of lease liabilities	111	106
	859	507

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

STATEMENTS OF CASH FLOWS
(cont'd)

Note: (cont'd)

(iii) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Group	
	Borrowings * RM'000	**Lease liabilities RM'000**
2020		
At the beginning of the financial year	44,468	169
Repayment to, representing net changes in cash flow from financing activities	(25,875)	(111)
At the end of the financial year	18,593	58
2019		
At the beginning of the financial year	36,127	88
Acquisition of new leases	-	187
Drawdown	12,000	-
Repayment to	(3,659)	(106)
Net changes in cash flow from financing activities	8,341	(106)
At the end of the financial year	44,468	169

* For reconciliation of liabilities arising from financing activities purpose, the bank overdraft has been excluded from the borrowings as it is part of the cash and cash equivalents.

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

NOTES TO
THE FINANCIAL STATEMENTS
– 31 DECEMBER 2020

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor.

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

The Company is principally engaged in the business of investment holding. The details and principal activities of its subsidiaries are set out in Note 10. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

The Directors regard S.P.A. Furniture (M) Sdn. Bhd., a company incorporated in Malaysia as the holding company.

The financial statements were authorised for issue in accordance with Board of Directors' resolution dated 30 March 2021.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The Group and the Company have considered the new accounting pronouncements in the preparation of the financial statements.

(i) Accounting pronouncements that are effective and adopted during the financial year

The Group and the Company have adopted the following new accounting pronouncements that are mandatory for the current financial year:

Amendments to MFRS 3	Definition of Business
Amendments to MFRS 9 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above accounting pronouncements did not have any significant effect on the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted

The Group and the Company have not adopted the following accounting pronouncements that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and for the Company: -

Effective for financial periods beginning on or after 1 June 2020

Amendments to MFRS 16	Covid-19-Related Rent Concessions

Effective for financial periods beginning on or after 1 July 2020

<u>Agenda Decision on MFRS 123 Borrowing Costs relating to over time transfer of constructed goods</u>

In March 2019, IFRS Interpretation Committee ("IFRIC") published an agenda decision on borrowing costs confirming receivables, contract assets and inventories for which revenue is recognised over time are non-qualifying assets. On 20 March 2019, the Malaysian Accounting Standards Board ("MASB") decided that an entity shall apply the change in accounting policy as a result of the IFRIC Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

Effective for financial periods beginning on or after 1 January 2021

Amendments to MFRS 9, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2

Effective for financial periods beginning on or after 1 April 2021

Amendments to MFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRSs 2018 - 2020	

Effective for financial periods beginning on or after 1 January 2023

Amendments to MFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)
MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted

The Group and the Company have not adopted the following accounting pronouncements that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and for the Company: - (cont'd)

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will adopt the above accounting pronouncements when they become effective in the respective financial periods. These accounting pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency and rounded to the nearest thousand (RM'000), except when otherwise indicated.

(d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(i) Property development revenue

Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's effort or input to the satisfaction of the performance obligation (i.e., by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract). In making the estimate, management relies on opinion/service of experts, past experience and a continuous monitoring mechanism.

(ii) Impairment of financial assets – Expected Credit Loss model ("ECL")

The policy for allowance for impairment loss of the Group is based on the expected credit loss model as required by MFRS 9. Significant estimate is required in determining the impairment of financial asset. Impairment loss is measured based on ECL model is based on assumptions on the risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL based on past collection records, existing market conditions as well as forward looking estimates as of the end of the reporting period.

(iii) Contingent liabilities

Recognition and measurement for contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group and the Company, for matters in the ordinary course of business.

(iv) Provision for potential claims

The Group determines whether a present obligation from potential claims that may exist at the reporting date by taking into account all available evidence. Management and external legal counsel have studied the potential claims and believe that adequate provision has been made to cover any material exposure arising from the potential claims as disclosed in notes to the financial statements.

(v) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

(vi) Provision for slow moving inventories

Reviews are made periodically by management on slow moving inventories. These reviews required judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

(a) Basis of consolidation

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant power activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to Owners of the Company.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Non-controlling Interests

Non-controlling interests represents the equity in subsidiaries not attributable directly or indirectly, to Owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated financial position, separately from equity attributable to Owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Owners of the Company.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Subsidiaries

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions between subsidiaries in the Group, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue and other income recognition

(i) Revenue from contracts with customers

The Group is in the business of property development, manufacturing and trading of office furniture.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met: -

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Property development revenue

The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (i.e., by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Revenue and other income recognition (cont'd)

(i) Revenue from contracts with customers (cont'd)

Manufacturing and sale of furniture

Revenue from sales of furniture is recognised upon delivery of goods where the control of the goods has been transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods, net of indirect taxes and discounts.

Incremental costs of obtaining a contract with a customer

The Group pays sales commissions to external sales agent and employees as an incentive for sales of each unit of on-going property development to the customers. Sales commissions have been determined to be an incremental cost of obtaining a contract and are capitalised as contract costs when the Group expects these costs to be recovered over a period of more than one year.

Contract costs are amortised over the revenue recognition by reference to the progress towards complete satisfaction of the performance obligation. For contract costs with an amortisation period of less than one year, the Group has elected to apply the practical expedient to recognise as an expense when incurred. Amortisation of contract costs are included as part of selling and distribution expenses in the profit or loss, based on the nature of commission costs, and not under amortisation expenses.

Contract assets and contract liabilities

Contract asset is the right to consideration in exchange for goods or services transferred to the customers. The Group's contract asset is the excess of cumulative revenue earned over the billings to-date.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. The Group's contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities are recognised as revenue when the Group performs its obligation under the contract.

(ii) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on asset.

(iii) Rental income

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Revenue and other income recognition (cont'd)

(iv) Other income

Late payment interest income is recognised on an accrual basis using the effective interest method.

(c) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial 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 absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(d) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Interest incurred on borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset related to property development activities or construction of assets are capitalised as part of the cost of the asset during the period of time require to complete and prepare the asset for its intended use. Capitalisation of borrowing costs ceased when the assets are ready for their intended use or sale whereby the assets are no longer qualifying asset.

(e) Income taxes

<u>Current tax</u>

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Income taxes (cont'd)

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises 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 nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(f) Leases

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are presented within property, plant and equipment and lease liabilities are presented as a separate line in the statements of financial position.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3(l)(ii).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Leases (cont'd)

As a lessee (cont'd)

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

The Group applies the short-term lease recognition exemption to its short-term leases of properties, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value (i.e., less than RM20,000 each when purchased new). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(g) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and to the Company and their cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(g) Property, plant and equipment (cont'd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment as follows:

Factory buildings	50 years
Furniture and fittings	6 to 10 years
Office equipment	2 to 10 years
Plant and machinery	10 years
Moulds	5 years
Electrical installation	6 years
Computers	5 to 8 years
Renovation	6 years
Signboards	10 years
Motor vehicles	5 years
Leased equipment	3 to 4 years, or over the lease term, if shorter

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

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The inventories of the Group are made up of relevant cost of development expenditure and office furniture.

<u>Property development costs</u>

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Inventories (cont'd)

Property development costs (cont'd)

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

Office furniture

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:
- cost of raw materials and packaging materials comprise cost of purchase and are stated on a weighted average cost or standard cost basis (which approximates average actual cost).
- cost of finished goods includes raw materials, labour and an appropriate proportion of production overheads.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, short term fund and fixed deposits placed with licensed banks that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(j) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(j) **Financial instruments** (cont'd)

(ii) **Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(l)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income ("FVOCI")

(i) Debt instrument

FVOCI category comprises debt instrument where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt instruments, and its contractual terms give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt instrument is not designated as fair value through profit or loss (FVTPL"). Interest income calculated using effective interest method, foreign exchange gains and losses and impairment loss are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective rate to the gross amount except for credit impaired financial assets (see Note 3(l)(i)) where the effective interest rate is applied to the amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(b) Fair value through other comprehensive income ("FVOCI") (cont'd)

(ii) Equity instrument

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under *MFRS 132 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group and the Company elected to classify irrevocably its non-listed equity investments under this category.

(c) Fair value through profit or loss ("FVTPL")

All financial assets not measured at amortised cost or FVOCI are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets that are equity instruments comprise mainly of investments in equity securities. Subsequent to initial recognition, all equity investments are measured at fair value. Changes in the FVTPL equity investments are recognised in profit and loss.

All financial assets, except for those measured at FVTPL and FVOCI, are subject to impairment assessment (Note 3(l)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

<u>Financial liabilities</u> (cont'd)

(b) Fair value through profit or loss ("FVTPL")

FVTPL category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at FVTPL:

(i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(ii) a group of financial liabilities or assets and 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 group is provided internally on that basis to the Group's key management personnel; or
(iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as FVTPL are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in profit or loss.

For financial liabilities where it is designated as FVTPL upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Company currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realise the asset and liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial instruments (cont'd)

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Financial guarantees contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are recognised initially at fair value plus transaction costs and thereafter, at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amounts initially recognised less cumulative amortisation recognised.

(k) Derivative financial instruments

The Group uses derivative financial instruments, such as forward exchange contracts, to hedge its foreign currency risks. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses ("ECLs") on financial assets and contract assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses.

Loss allowance of the Group and of the Company are measured on either of the following bases:

(a) 12-month ECLs - represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(b) Lifetime ECLs - represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

<u>Simplified approach - trade receivables and contract assets</u>

The Group and the Company apply the simplified approach to provide ECLs for all trade receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

<u>General approach - other financial instruments and financial guarantee contracts</u>

The Group and the Company apply the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets (cont'd)

(i) Financial assets (cont'd)

General approach - other financial instruments and financial guarantee contracts (cont'd)

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- The financial asset is more than 1 year past due.

The Group and the Company consider a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors in full, without recourse by the Group and the Company to action such as realising security (if any is held). The Group and the Company only apply a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Credit impaired financial assets

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:
- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event (e.g being more than 30 days or 180 days past due);
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due. Any recoveries made are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets (cont'd)

(ii) Non-financial assets

The carrying amounts of non-financial assets (other than inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus of the assets to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flow that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less cost to sell. 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 assessment of time value of money and the risks specific to the asset.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exist. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for assets in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities.

Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Operating segments

Operating segments are defined as components of the Group that:

(a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.

(b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount of:
   (i) the combined reported profit of all operating segments that did not report a loss; and
   (ii) the combined reported loss of all operating segments that reported a loss.

(c) its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Operating segments (cont'd)

Total external revenue reported by operating segments shall constitute at least 75% of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

(p) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

When measuring the fair value of an asset or a liability, the Group and the Company used observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(q) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Foreign currency transactions

Foreign currency translations and balances

Transactions in foreign currencies are converted into the functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into the functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rates as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4. REVENUE

		Group	
			Restated
		2020	2019
	Note	RM'000	RM'000
Revenue from contracts with customers			
Property development revenue	(i)	29,190	17,489
Sale of furniture	(ii)	35,117	48,925
		64,307	66,414
Timing of revenue recognition:			
Over time		29,190	17,489
Point in time		35,117	48,925
		64,307	66,414

(i) Property development revenue

Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from property development revenue.

	Group	
	2020	2019
	RM'000	RM'000
Total contracted revenue, gross	150,007	119,310
Less: Cumulative property development revenue recognised	(138,233)	(106,806)
	11,774	12,504
Less: Liquidated ascertained damages ("LAD") (Note 15)	(7,925)	(5,688)
Aggregate amount of the transaction price allocated to property development revenue that are partially or fully unsatisfied as at 31 December	3,849	6,816

4. REVENUE (cont'd)

(i) Property development revenue (cont'd)

Unsatisfied long-term contracts (cont'd)

The remaining unsatisfied performance obligations are expected to be recognised as below:

	Group 2020 RM'000	Group 2019 RM'000
Within 1 year	3,849	3,738
Between 1 and 3 years	-	3,078
	3,849	6,816

(ii) Sale of furniture

The Group is principally engaged in manufacturing and marketing of furniture products to local and overseas customers. Geographical locations of the customers are mainly from Malaysia, India and Philippines.

Performance obligation ("PO")

POs include delivery of end products which are distinct and are able to be performed separately. However, the delivery charges of end products were immaterial to be considered as separate PO. Hence, contracts with respective customers are considered as a single PO. The PO is satisfied upon delivery of the goods. Payment is generally due within 30 - 180 days from the date when PO is satisfied.

Timing of recognition

Revenue is recognised when control over the goods have been transferred to the customer upon completion of delivery process. The revenue is recognised at a point in time when customers have acknowledged the receipt of goods sold.

5. COST OF SALES

	Note	Group 2020 RM'000	Group Restated 2019 RM'000
Property development costs	12(i)	26,115	25,709
Manufacturing and sale of furniture		26,905	34,209
		53,020	59,918

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is derived after charging/(crediting):

		Group		Company	
			Restated		
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:					
- current year		192	166	43	43
- other services		18	-	18	-
- underprovision in prior year		-	22	-	7
Depreciation of property, plant and equipment		2,201	2,807	4	4
Employee benefits expense	(i)	13,548	16,309	197	301
Gain on:					
- disposal of property, plant and equipment		(6,890)	(311)	-	-
Realised gain on foreign exchange		(121)	(408)	-	-
Unrealised (gain)/loss on foreign exchange		(63)	33	-	-
Loss on foreign exchange contracts		19	39	-	-
Net additions/(reversal) of impairment loss on:					
- trade receivables		393	(1,485)	-	-
- investments in subsidiaries		-	-	(17,526)	21,647
Interest expense:					
- bank overdrafts		893	733	-	-
- bankers' acceptance		137	157	-	-
- commitment fee		12	181	-	-
- lease liabilities		5	13	-	-
- letter of credit		14	9	-	-
- term loans		853	1,105	-	-
- inter-company		-	-	298	234
Interest income		(142)	(335)	(1,280)	(2,334)
Late payment interest income		(345)	(32)	-	-
Property, plant and equipment written off		15	-	-	-
Rental income		(33)	(50)	-	-
(Reversal)/provision for slow moving inventories		(986)	37	-	-
Short-term lease of:					
- equipment		230	242	-	-
- license		49	53	-	-
- premises		464	93	-	-

6. PROFIT/(LOSS) BEFORE TAX (cont'd)

(i) Employee benefits expense

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Staff costs:				
Salaries, bonus and other emoluments	10,926	13,026	-	-
Contributions to defined contribution plan	912	902	-	-
Social security contributions	158	161	-	-
Others	669	882	-	-
	12,665	14,971	-	-
Directors' remuneration:				
Fees	150	272	150	272
Salaries, bonus and other emoluments	678	979	47	29
Contributions to defined contribution plan	54	86	-	-
Social security contributions	1	1	-	-
	883	1,338	197	301
Total	13,548	16,309	197	301

The estimated monetary value of benefit-in-kind received by Directors of the Company otherwise than in cash from the Group amounted to RM Nil (2019: RM74,000).

7. INCOME TAX EXPENSE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income tax:				
- Current year	534	856	160	409
- (Over)/underprovision in prior year	(2)	16	-	2
	532	872	160	411
Deferred tax (Note 23):				
- Origination and reversal of temporary differences	119	-	-	-
- Underprovision in prior year	124	-	-	-
	243	-	-	-
	775	872	160	411

7. INCOME TAX EXPENSE (cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year.

The reconciliations from the tax amount at statutory income tax rate to the Group's and to the Company's tax expense are as follows:

	Group		Company	
		Restated		
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax	2,255	(9,635)	17,464	(20,103)
Tax at the Malaysian statutory income tax rate of 24%	541	(2,312)	4,191	(4,825)
Income not subject tax	(327)	(109)	(4,206)	-
Tax effect on non-deductible expenses	1,036	533	175	5,234
Deferred tax assets not recognised	490	2,845	-	-
Tax incentives from double tax dedcution	-	(28)	-	-
Utilisation of previously unrecognised deferred tax assets	(1,087)	(73)	-	-
Underprovision of deferred tax in prior year	124	-	-	-
(Over)/underprovision of income tax in prior year	(2)	16	-	2
	775	872	160	411

The Group has the following estimated items available for set-off against future taxable profits: -

	Group	
	2020	2019
	RM'000	RM'000
Unutilised tax losses	14,338	12,860
Unabsorbed capital allowances	1,595	2,001
Unutilised reinvestment allowance	9,738	13,835
	25,671	28,696

The comparative figures have been restated to reflect the actual unutilised tax losses, unabsorbed capital allowances and unutilised reinvestment allowance carried forward available to the Group.

The availability of the unutilised tax losses will be subject to Inland Revenue Board discretion and approval to offset against future taxable profit.

With effect from Year of Assessment ("YA") 2019, the unutilised tax losses in a year of assessment of the Group can only be carried forward for a maximum period of 7 consecutive YAs to be utilised against income from any business source, whilst the unabsorbed capital allowances and unutilised reinvestment allowance may still be carried forward indefinitely.

8. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share for the financial year is calculated by dividing the profit after tax attributable to Owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	31.12.2020	31.12.2019
Profit/(loss) after tax attributable to the Owners of the Company (RM'000): -	1,452	(10,508)
Number of ordinary shares at 1 January ('000 unit)	267,300	267,300
Effects of bonus issue *	534,600	534,600
Weighted average number of ordinary shares in issue ('000 unit)	801,900	801,900
Basic earnings/(loss) per share (sen)	0.18	(1.31)

* Comparative figures for the weighted average number of ordinary shares in issue for the basic earnings per ordinary share computations have been restated to reflect the adjustments arising from the bonus issue, which was completed on 26 November 2020.

Diluted earnings/(loss) per ordinary share is not applicable for the current and previous financial year as there is no dilutive potential convertible equity instruments that would give a diluted effect to the basic earnings/(loss) per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Factory buildings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Plant and machinery RM'000	Moulds RM'000	Electrical installation RM'000	Balance carried forward RM'000
Group								
2020								
At cost								
At 1 January 2020	9,204	40,747	1,847	1,062	30,959	11,953	527	96,299
Additions	-	-	-	5	55	8	-	68
Disposal	-	-	-	-	(77)	-	-	(77)
Written off	-	-	(194)	(6)	-	-	-	(200)
At 31 December 2020	9,204	40,747	1,653	1,061	30,937	11,961	527	96,090
Accumulated Depreciation								
At 1 January 2020	-	10,768	1,769	874	28,690	11,640	447	54,188
Charge for the financial year	-	815	28	42	945	152	24	2,006
Disposal	-	-	-	-	(8)	-	-	(8)
Written off	-	-	(183)	(2)	-	-	-	(185)
At 31 December 2020	-	11,583	1,614	914	29,627	11,792	471	56,001
Net Carrying Amount								
At 31 December 2020	9,204	29,164	39	147	1,310	169	56	40,089

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Balance brought forward RM'000	Computers RM'000	Renovation RM'000	Signboards RM'000	Motor vehicles RM'000	Leased equipment RM'000	Total RM'000
Group							
2020							
At cost							
At 1 January 2020	96,299	3,542	263	57	3,453	187	103,801
Additions	68	48	-	-	-	-	116
Disposal	(77)	-	-	-	(1,298)	-	(1,375)
Written off	(200)	-	(15)	-	-	-	(215)
At 31 December 2020	96,090	3,590	248	57	2,155	187	102,327
Accumulated Depreciation							
At 1 January 2020	54,188	3,416	255	35	3,328	69	61,291
Charge for the financial year	2,006	63	3	4	55	70	2,201
Disposal	(8)	-	-	-	(1,237)	-	(1,245)
Written off	(185)	-	(15)	-	-	-	(200)
At 31 December 2020	56,001	3,479	243	39	2,146	139	62,047
Net Carrying Amount							
At 31 December 2020	40,089	111	5	18	9	48	40,280

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM'000	Factory buildings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Plant and machinery RM'000	Moulds RM'000	Electrical installation RM'000	Balance carried forward RM'000
Group								
2019								
At cost								
At 1 January 2019	9,204	40,747	1,847	1,062	33,982	11,947	527	99,316
Additions	-	-	-	-	366	6	-	372
Disposal	-	-	-	-	(3,389)	-	-	(3,389)
At 31 December 2019	9,204	40,747	1,847	1,062	30,959	11,953	527	96,299
Accumulated Depreciation								
At 1 January 2019	-	9,953	1,741	831	30,750	11,277	419	54,971
Charge for the financial year	-	815	28	43	1,060	363	28	2,337
Disposal	-	-	-	-	(3,120)	-	-	(3,120)
At 31 December 2019	-	10,768	1,769	874	28,690	11,640	447	54,188
Net Carrying Amount								
At 31 December 2019	9,204	29,979	78	188	2,269	313	80	42,111
At 1 January 2019	9,204	30,794	106	231	3,232	670	108	44,345

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Balance brought forward RM'000	Computers RM'000	Renovation RM'000	Signboards RM'000	Motor vehicles RM'000	Leased equipment RM'000	Total RM'000
Group							
2019							
At cost							
At 1 January 2019	99,316	3,487	263	57	4,601	-	107,724
Additions	372	56	-	-	-	187	615
Disposal	(3,389)	(1)	-	-	(1,148)	-	(4,538)
At 31 December 2019	96,299	3,542	263	57	3,453	187	103,801
Accumulated Depreciation							
At 1 January 2019	54,971	3,229	246	31	4,165	-	62,642
Charge for the financial year	2,337	188	9	4	200	69	2,807
Disposal	(3,120)	(1)	-	-	(1,037)	-	(4,158)
At 31 December 2019	54,188	3,416	255	35	3,328	69	61,291
Net Carrying Amount							
At 31 December 2019	42,111	126	8	22	125	118	42,510
At 1 January 2019	44,345	258	17	26	436	-	45,082

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Signboard RM '000
Company	
2020	
Cost	
At 1 January/31 December 2020	35
Accumulated Depreciation	
At 1 January 2020	16
Charge for the financial year	4
At 31 December 2020	20
Net Carrying Amount	
At 31 December 2020	15
2019	
Cost	
At 1 January/31 December 2019	35
Accumulated Depreciation	
At 1 January 2019	12
Charge for the financial year	4
At 31 December 2019	16
Net Carrying Amount	
At 31 December 2019	19

(a) Assets pledged as security

Freehold land and buildings with a total carrying amount of RM38,368,000 (31.12.2019: RM39,183,000; 01.01.2019: RM39,998,000) have been pledged to licensed bank as security for credit facilities granted to the Group as disclosed in Note 21.

(b) Acquisition of property, plant and equipment

	Group	
	2020 RM'000	**2019 RM'000**
Cash purchase	116	428
Acquisition through lease arrangement	-	187
Total acquisition of property, plant and equipment	116	615

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(c) Assets classified as right-of-use assets

	Motor vehicles RM'000	Leased equipment RM'000	Total RM'000
Group			
2020			
Cost			
At 1 January/31 December 2020	184	187	371
Accumulated depreciation			
At 1 January 2020	136	69	205
Charge for the year	37	70	107
At 31 December 2020	173	139	312
Net carrying amount			
At 31 December 2020	11	48	59
2019			
Cost			
At 1 January 2019	184	-	184
Additions	-	187	187
At 31 December 2019	184	187	371
Accumulated depreciation			
At 1 January 2019	102	-	102
Charge for the year	34	69	103
At 31 December 2019	136	69	205
Net carrying amount			
At 31 December 2019	48	118	166
At 1 January 2019	82	-	82

The expenses charged to profit or loss during the financial year are as follows:

	Group 2020 RM'000	Group 2019 RM'000
Depreciation of right-of-use assets	107	103
Interest expenses of lease liabilities	5	13
	112	116

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

10. INVESTMENTS IN SUBSIDIARIES

	Company 2020 RM'000	Company 2019 RM'000
Unquoted equity shares, at cost		
Gross amount	24,448	24,448
Less: Allowance for impairment loss	(3,795)	(3,795)
Net amount	20,653	20,653
Amounts due from subsidiaries *		
Gross amount	3,345	35,619
Less: Allowance on impairment loss	(2,124)	(19,650)
Net amount	1,221	15,969
	21,874	36,622

* These amounts are non-trade in nature, unsecured advances which are collectible on demand and bear interest at 7.90% (2019: 7.90%) per annum. The settlement of the amounts are neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the entity's net investment in the subsidiaries, they are stated at cost less accumulated impairment losses.

Movement in allowance for impairment loss on unquoted equity shares is as below:

	Company 2020 RM'000	Company 2019 RM'000
At 1 January	3,795	-
Addition	-	3,795
At 31 December	3,795	3,795

Movement in the allowance for impairment loss on amounts due from subsidiaries is as below:

	Company 2020 RM'000	Company 2019 RM'000
At 1 January	19,650	1,798
(Reversal)/addition	(17,526)	17,852
At 31 December	2,124	19,650

10. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of subsidiary	Principal Activity	Effective Equity Interest 2020	Effective Equity Interest 2019
Euro Space Industries (M) Sdn. Bhd. ("ESI")	Manufacturing and trading of office furniture, partitions, chairs and panels	100.00%	100.00%
Euro Chairs Manufacturer (M) Sdn. Bhd. ("ECM")	Manufacturing and marketing of furniture	100.00%	100.00%
Euro Chairs System Sdn. Bhd. ("ECS")	Trading of furniture, furnishing fabric materials and other furniture components	100.00%	100.00%
Euro Space System Sdn. Bhd. ("ESS")	Trading of office furniture	100.00%	100.00%
Eurosteel System Sdn. Bhd. ("ES")	Trading of storages and steel furniture	75.76%	75.76%
Eurosteel Line Sdn. Bhd. ("ESL")	Manufacturing and trading of steel furniture	100.00%	100.00%
Euro Chairs (M) Sdn. Bhd. ("ECSB")	Holds the industrial designs and trademarks of the Group	100.00%	100.00%
Euroland & Development Sdn. Bhd. ("ELD")	Property development	100.00%	100.00%

<u>The subsidiary of the Group that has non-controlling interests ("NCI")</u>

	ES	
	2020 RM'000	2019 RM'000
NCI percentage of ownership and voting interest	24.24%	24.24%
Carrying amount of NCI	887	859
Profit for the year allocated to NCI	28	1

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

10. INVESTMENTS IN SUBSIDIARIES (cont'd)

The summarised financial information (before intra-group elimination) of the Group's subsidiary that has NCI

	ES	
	2020 RM'000	2019 RM'000
Assets and liabilities		
Non-current assets	6,567	6
Current assets	227	8,006
Current liabilities	(3,133)	(4,467)
Net assets	3,661	3,545
Results		
Revenue	3,143	10,596
Profit for the year	116	5
Cash flows from:		
- Operating activities	803	517
- Investing activities	5	-
- Financing activities	(1,696)	(248)

11. OTHER INVESTMENT

	Company	
	2020 RM'000	2019 RM'000
Redeemable convertible preference shares ("RCPS"), at fair value through other comprehensive income		
At 1 January	-	-
Additions	33,324	-
At 31 December	33,324	-

On 31 December 2020, the Company has subscribed for 33,323,939 new RCPS of ELD at an issue price of RM1.00 per RCPS, as the settlement of RM33,323,939 owing by a subsidiary, ELD.

The fair value of RCPS has been carried at cost because the issuance and allotment has been carried out only at the end of the financial year.

11. OTHER INVESTMENT (cont'd)

The salient terms of the RCPS are as follows:

(a) Conversion

The RCPS issuer may convert the RCPS into new ordinary shares at any time during the tenure of 5 years commencing from and inclusive the date of issuance. Any outstanding unconverted RCPS at the end of the tenure shall be mandatorily converted into new ordinary shares of the subsidiary at the conversion ratio of 1 new ordinary share for every 1 RCPS.

(b) Rights

The RCPS holders shall be entitled to receive notice of and to attend general meetings of the subsidiary and the right on a poll at any such general meeting to one (1) vote for each RCPS:

(i) upon any resolution which varies or is deemed to vary the rights attached to the RCPS; and
(ii) upon any resolution for the winding up of the subsidiary.

But shall otherwise have no rights to vote at a general meeting of the subsidiary.

(c) Transferability

The RCPS are transferable according to the same provisions for transfer of shares set out in the subsidiary's articles of association.

(d) Redemption

The issuer of the RCPS shall have the right to redeem all or any of the RCPS issued at any time after the issue date at the 100% of the issue price. The RCPS which have been redeemed will be cancelled and cannot be reissued.

12. INVENTORIES

		Group		
			Restated	Restated
		31.12.2020	31.12.2019	01.01.2019
	Note	RM'000	RM'000	RM'000
At cost:				
Property development costs	(i)	32,944	55,345	51,231
Furniture				
Raw materials		10,444	10,358	11,548
Work-in-progress		1,474	1,625	2,509
Finished goods		818	1,394	2,025
		12,736	13,377	16,082
Less: Provision for slow moving inventories	(ii)	-	(986)	(949)
		12,736	12,391	15,133
		45,680	67,736	66,364

The Group recognised inventories as cost of sales amounted to RM16,963,000 (2019: RM21,678,000).

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

12. INVENTORIES (cont'd)

(i) Property development costs

	Group 2020 RM'000	Restated 2019 RM'000
Cumulative property development costs		
At 1 January		
Land costs	7,000	7,000
Development costs	150,493	120,670
	157,493	127,670
Cost incurred during the financial year		
Development costs	3,714	29,823
	161,207	157,493
Cumulative costs recognised in statement of comprehensive income		
At 1 January	(102,148)	(76,439)
Recognised during the financial year (Note 5)	(26,115)	(25,709)
At 31 December	(128,263)	(102,148)
Property development costs at 31 December	32,944	55,345

Borrowing costs capitalised in property development costs are as below:

	Group 2020 RM'000	Restated 2019 RM'000
Borrowing costs capitalised:		
At 1 January	9,888	9,735
Addition	994	153
At 31 December	10,882	9,888

(ii) Provision for slow moving inventories

	Group 2020 RM'000	Restated 2019 RM'000
At 1 January	986	949
(Reversal)/addition	(986)	37
At 31 December	-	986

12. INVENTORIES (cont'd)

(ii) Provision for slow moving inventories (cont'd)

The Group recognised a reversal of provision for slow moving inventories during the financial year based on the management's update on estimation for provision of slow-moving inventories.

13. TRADE RECEIVABLES

	Group		
		Restated	Restated
	31.12.2020	31.12.2019	01.01.2019
	RM'000	RM'000	RM'000
Trade receivables, gross	12,437	16,689	20,376
Less: Allowance for impairment loss	(4,855)	(4,462)	(5,947)
Trade receivables, net	7,582	12,227	14,429

Movement in the allowance for impairment loss is as below:

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
At 1 January	4,462	5,947
Additions/(reversal)	393	(1,485)
At 31 December	4,855	4,462

The normal credit terms of trade receivables are 30 to 180 days (31.12.2019: 30 to 180 days; 01.01.2019: 30 to 180 days).

14. OTHER RECEIVABLES

		Group		
			Restated	Restated
		31.12.2020	31.12.2019	01.01.2019
	Note	RM'000	RM'000	RM'000
Other receivables:				
- third parties	(i)	7,517	184	675
Contract costs	(ii)	302	669	2,457
Deposits		698	423	412
Prepayments		421	654	495
		8,938	1,930	4,039

	Company	
	31.12.2020	31.12.2019
	RM'000	RM'000
Prepayments	6	7

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

14. OTHER RECEIVABLES (cont'd)

(i) Included in the other receivables at the current reporting date is outstanding proceeds from disposal of property, plant and equipment of RM6.8 million with a credit term granted of 180 days. As at the reporting date, the outstanding proceeds are still within the credit term granted by the Group.

(ii) Contract costs represent capitalised sales commissions to external sales agent and employees for obtaining property sales. These costs are subsequently expensed off as selling and marketing expenses by reference to the performance completed to date, consistent with the revenue recognition.

During the financial year, the total costs to obtain contracts recognised by the Group as selling and marketing expenses in profit or loss amounted to RM465,824 (31.12.2019: RM527,987).

15. CONTRACT ASSETS/(LIABILITIES)

		Group		
			Restated	Restated
	Note	31.12.2020 RM'000	31.12.2019 RM'000	01.01.2019 RM'000
Contract assets/(liabilities):				
- Property development	(i)	15,867	12,383	6,925
- Sale of furniture	(ii)	(227)	(650)	-
		15,640	11,733	6,925

(i) Property development

Contract assets primarily relate to the Group's right to consideration for work completed on property development but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 60 days.

	Note	31.12.2020 RM'000	Restated 31.12.2019 RM'000
At 1 January		12,383	6,925
Revenue recognised during the year (Note 4)		29,190	17,489
		41,573	24,414
Provision for LAD	(a)	(7,925)	(5,688)
Advances from unit purchasers	(b)	(7,079)	(2,101)
Progress billings during the year		(10,702)	(4,242)
At 31 December		15,867	12,383

(a) Included in the contract asset is a provision for LAD up to May 2021 with regard to the delay in the delivery of vacant possession. During the year, the Group has obtained an extension of time ("EOT") for the period from 18 March 2020 to 31 August 2020 under the Temporary Measures For Reducing The Impact Of Coronavirus Disease 2019 (Covid-19) Act 2020 ("Covid-19 Act"), of which the LAD did not include the EOT period. Provision for LAD has been presented net of the LAD receivable from the Group's main contractor in view of the failure to deliver vacant possession to the Group within the stipulated time as per the letter of award.

15. CONTRACT ASSETS/(LIABILITIES) (cont'd)

(i) Property development costs (cont'd)

(b) In relation to unsatisfied performance obligation which have yet to be billed arising from the settlement of borrowings through contra units arrangement with suppliers and vendors through property units.

(ii) Sale of furniture

This relates to deferred income in respect of cash received in advance from customers of which the performance obligation has yet to be satisfied. The remaining unsatisfied performance obligations are expected to be recognised within next 1 year.

16. FORWARD EXCHANGE CONTRACTS

	Group		
	31.12.2020 RM'000	**31.12.2019 RM'000**	**01.01.2019 RM'000**
Non-hedging derivatives			
Current asset/(liabilities):			
Forward exchange contracts	(4)	16	54
Contract notional amount	559	795	3,777

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.

Foreign exchange contracts are used to hedge the Group's sales and purchases denominated in USD and EURO for which firm commitments existed at the reporting date, extending to January 2021 (31.12.2019: June 2020; 01.01.2019: June 2019).

During the financial year, the Company recognised loss of RM18,638 (31.12.2019: RM38,664; 01.01.2019: RM16,933) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

17. SHORT TERM INVESTMENTS

This refers to investments in short to medium-term fixed income funds of which the funds will be invested in money market investments and short to medium-term fixed income instruments. The distribution income from these funds are tax exempted and being treated as interest income by the Group.

18. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits placed with a licensed bank by the Group carry interest rates ranging from 1.60% to 3.00% (31.12.2019: 2.55% to 3.15%, 01.01.2019: 2.55% to 3.15%) per annum, and had maturity period of 1 to 12 months (31.12.2019: 1 to 12 months, 01.01.2019: 1 to 12 months).

The fixed deposits are pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. CASH AND BANK BALANCES

Included in the bank balances is an amount of RM5,773 (31.12.2019: RM16,711; 01.01.2019: RM95,725) placed in Housing Development Accounts ("HDA") in accordance with Section 7(A) of the Housing Development (Control and Licensing) Act, 1966 (Amended 2002). This HDA account, which consists of monies received from purchasers, are for the payment of property development costs incurred. The surplus monies in these accounts, if any, will be released to the Group in accordance with the provisions of the Act.

20. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	31.12.2020 Unit'000	31.12.2019 Unit'000	31.12.2020 RM'000	31.12.2019 RM'000
Issued and fully paid:				
At beginning of the financial year	267,300	267,300	48,402	48,402
Issuance of ordinary shares pursuant to:				
- bonus issue	534,600	-	-	-
At end of the financial year	801,900	267,300	48,402	48,402

During the financial year, the Company increased its issued and paid-up ordinary shares from 267,300,000 units to 801,900,000 units by way of bonus issue of 534,600,000 new ordinary shares on the basis of two (2) bonus shares for every one (1) existing ordinary share held.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

21. BORROWINGS

		Group		
			Restated	Restated
		31.12.2020	31.12.2019	01.01.2019
	Note	RM'000	RM'000	RM'000
Non-current liabilities				
Term loans (secured)	(i)	9,218	10,712	13,888
Current liabilities				
Term loans (secured)	(i)	3,032	3,177	2,974
Bank overdrafts (secured)		12,204	10,757	10,113
Bankers' acceptance (secured)		1,643	3,453	3,639
Third parties (secured)	(ii)	500	6,126	5,626
Third parties (unsecured)		4,200	11,700	10,000
Shareholders (unsecured)	(iii)	-	9,300	-
		21,579	44,513	32,352
Total borrowings				
Term loans (secured)	(i)	12,250	13,889	16,862
Bank overdrafts (secured)		12,204	10,757	10,113
Bankers' acceptance (secured)		1,643	3,453	3,639
Third parties (secured)	(ii)	500	6,126	5,626
Third parties (unsecured)		4,200	11,700	10,000
Shareholders (unsecured)	(iii)	-	9,300	-
		30,797	55,225	46,240

The effective interest/profit rates per annum on the borrowings of the Group is as follows:

	Group		
	31.12.2020	31.12.2019	01.01.2019
	%	%	%
Term loans	5.5% - 7.5%	5.5% - 7.9%	5.5% - 7.9%
Bank overdrafts	5.2% - 7.0%	5.4% - 6.6%	5.4% - 6.6%
Bankers' acceptance	3.3% - 4.5%	3.3% - 4.8%	3.3% - 4.8%
Third parties*	36.0% - 42.0%	18.0% - 42.0%	18.0% - 42.0%
Shareholders	-	24.0%	-

* Included in third parties' borrowings are option fees being imposed to repurchase the pledged inventories at an agreed price at 3% and 3.5% per month which translated into annual interest rates of 36% and 42% per annum. The option agreements have lapsed during the year without further extension being made.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

21. BORROWINGS (cont'd)

(i) Term loans

	Group		
		Restated	Restated
	31.12.2020	31.12.2019	01.01.2019
	RM'000	RM'000	RM'000
Repayable:			
On demand or within 1 year	3,032	3,177	2,974
Between 1 and 5 years	9,218	10,712	13,888
	12,250	13,889	16,862

(ii) Included in third parties' borrowings (secured) is an amount RM Nil (31.12.2019: RM5,626,000; 01.01.2019: RM5,626,000) secured by a corporate guarantee of the Company and RM500,000 (31.12.2019: RM500,000; 01.01.2019: RM Nil) secured by 2 former Directors, Dato' Sri Choong Yuen Keong @ Tong Yuen Keong and Dato Tong Yun Mong.

There is a profit guarantee arrangement of RM Nil (31.12.2019: RM2,400,000; 01.01.2019: RM2,400,000) on the third parties' borrowing, which amounted to RM Nil (31.12.2019: RM5,626,000; 01.01.2019: RM5,626,000).

(iii) Included in shareholders' borrowings is an amount RM Nil (31.12.2019: RM7,300,000; 01.01.2019: RM Nil), which is unsecured, interest free advances which is repayable on demand.

The term loans, bank overdraft and bankers' acceptance of the Group are secured by the following:

(i) Land and buildings of the Group, as disclosed in Note 9;

(ii) All monies facility agreements;

(iii) Corporate guarantee of the Company;

(iv) Fixed deposits placed with a licensed bank as disclosed in Note 18; and

(v) Personal guarantee and indemnity by 2 former Directors, Dato' Sri Choong Yuen Keong @ Tong Yuen Keong and Dato Tong Yun Mong.

22. LEASE LIABILITIES

	Group		
		Restated	Restated
	31.12.2020	31.12.2019	01.01.2019
	RM'000	RM'000	RM'000
Future minimum lease payments:			
Repayable within 1 year	55	122	52
Repayable between 1 and 2 years	3	52	41
	58	174	93
Less: Future finance charges	- *	(5)	(5)
	58	169	88
Present value of lease payables:			
Repayable within 1 year	55	117	48
Repayable between 1 and 2 years	3	52	40
	58	169	88
Representing:			
Current liabilities	55	117	48
Non-current liabilities	3	52	40
	58	169	88

** Represent RM196*

The lease liabilities of the Group bear effective interest rates ranging from 3.12% to 8.14% (31.12.2019: 3.12% to 8.14%; 01.01.2019: 3.12% to 8.14%) per annum.

Included in lease liabilities of the Group are finance lease liabilities granted by financial institutions amounting to RM Nil (31.12.2019: RM39,666; 01.01.2019: RM87,932).

23. DEFERRED TAX LIABILITIES

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
At beginning of the financial year	44	44
Recognised in profit or loss (Note 7)	243	-
At end of the financial year	287	44

	Company	
	31.12.2020	31.12.2019
	RM'000	RM'000
At beginning/end of the financial year	2	2

23. DEFERRED TAX LIABILITIES (cont'd)

The recognised deferred tax liabilities/(assets) before offsetting are as follows:

	Property, plant and equipment RM'000	Unabsorbed capital allowances RM'000	Unutilised tax losses RM'000	Unutilised reinvestment allowance RM'000	Other deductible temporary differences RM'000	Total RM'000
Group						
Deferred tax assets/(liabilities)						
2020						
At 1 January	2,485	-	(73)	(1,681)	(687)	44
Recognised in profit or loss (Note 7)	1,227	(365)	(200)	(656)	237	243
At 31 December	3,712	(365)	(273)	(2,337)	(450)	287
2019						
At 1 January	2,486	-	(182)	(1,624)	(636)	44
Recognised in profit or loss (Note 7)	(1)	-	109	(57)	(51)	-
At 31 December	2,485	-	(73)	(1,681)	(687)	44

23. DEFERRED TAX LIABILITIES (cont'd)

The recognised deferred tax liabilities/(assets) before offsetting are as follows: (cont'd)

	Property, plant and equipment RM'000
Company	
Deferred tax liabilities	
2020	
At 1 January/31 December	2
2019	
At 1 January/31 December	2

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows (stated at gross):

	Group	
	2020 RM'000	Restated 2019 RM'000
Unutilised tax losses	13,200	11,527
Unabsorbed capital allowances	74	923
Unutilised reinvestment allowance	-	3,627
Other temporary differences	2,869	2,555
	16,143	18,632

24. TRADE PAYABLES

		Group		
	Note	31.12.2020 RM'000	31.12.2019 RM'000	01.01.2019 RM'000
Trade payables:				
- third parties	(i)	9,136	9,744	11,431
Retention sum	(ii)	4,074	4,074	3,622
		13,210	13,818	15,053

(i) The normal credit terms granted to the Group range from 30 to 180 days (31.12.2019: 30 to 90 days; 01.01.2019: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

(ii) Retention sum held by the Group are due upon expiry of retention periods of 24 months after issuance of Certificate of Completion and Compliance and Certificate of Practical Completion.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. OTHER PAYABLES

		Group		
			Restated	Restated
		31.12.2020	31.12.2019	01.01.2019
	Note	RM'000	RM'000	RM'000
Other payables:				
- former Directors' related company	(i)	39	60	12
- third parties		2,666	3,168	2,513
Accruals	(ii)	10,357	6,630	7,822
Provision for legal claim	30	1,235	-	-
		14,297	9,858	10,347

	Company	
	31.12.2020	31.12.2019
	RM'000	RM'000
Other payables:		
- third parties	436	-
Accruals	76	46
	512	46

(i) These amounts are non-trade, unsecured, interest free advances which are repayable on demand.

(ii) Included in accruals of the Group is an amount of RM4,724,397 (31.12.2019: RM2,963,142, 01.01.2019: RM1,152,235) being construction costs, of which the Group has yet to receive suppliers' invoices as at the reporting date.

26. AMOUNTS DUE TO SUBSIDIARIES

These amounts are non-trade in nature, unsecured advances which are repayable on demand and bear interest at 7.90% (31.12.2019: 7.90%; 01.01.2019: 7.90%) per annum.

27. AMOUNTS DUE TO DIRECTORS AND FORMER DIRECTORS

These amounts are non-trade in nature, unsecured, interest free advances which are repayable on demand.

28. RELATED PARTY DISCLOSURES

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and to the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

28. RELATED PARTY DISCLOSURE (cont'd)

Identity of related parties (cont'd)

The Group and the Company have related party relationships with its subsidiaries, Directors, Directors' related companies, former Directors' related companies and key management personnel. Directors' related companies refer to companies in which certain Directors of the Company have substantial financial interests and/or are also Directors of the companies.

Significant related party transactions

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors' related company:				
Rental	-	98	-	-
Subsidiaries:				
Advances (to)/from	-	-	(440)	539
Interest income	-	-	(1,223)	(2,276)
Interest expense	-	-	298	234
Repayment from	-	-	190	366
Subscription of redeemable convertible preference shares	-	-	33,324	-
Directors and former Directors:				
Advances from	92	12	62	-

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in Notes 10, 11, 25, 26 and 27 respectively.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel refer to all the Directors of the Group and of the Company.

The remuneration of the Directors of the Company is disclosed in Note 6(i).

29. CONTINGENT LIABILITIES

(a) Guarantees

	Group		
		Restated	Restated
	31.12.2020	31.12.2019	01.01.2019
	RM'000	RM'000	RM'000
Corporate guarantees granted to main contractor's suppliers for extension of credit	4,661	7,858	10,417

	Company	
		Restated
	2020	2019
	RM'000	RM'000
Financial guarantee granted to licensed banks in respect of banking facilities held by subsidiaries	26,097	28,099
Corporate guarantees granted to main contractor's suppliers for extension of credit	2,446	5,417
	28,543	33,516

(b) Litigations

Potential contingent liabilities may arise from the on-going litigations as further disclosed below:

(i) *Kuala Lumpur High Court ("High Court") Case No. WA-22NCVC-340-05/2019. Chia Wooi Chiew ("CWC") v. Euroland & Development Sdn. Bhd. ("ELD")*

Putrajaya Court of Appeal Case No. W-02(IM)(NCVC)-1345-09/2020. ELD v. CWC

On 11 May 2019, ELD had been served with a sealed Writ and Statement of Claim dated 2 May 2019 and 29 April 2019 respectively, by CWC for, amongst others, specific performance of alleged Sale and Purchase Agreements involving four (4) units of residential properties to be developed by ELD and/or a total sum of RM2,800,000 as damages in lieu of specific performance.

ELD's solicitors have filed a defence averring that there is no record of the alleged Sale and Purchase Agreements and sales of the said 4 units to CWC. On 18 November 2019, the High Court granted Plaintiff's application for Suit 288 under Note 29(b)(ii) to be consolidated into this case. The consolidated case was on trial from 28th to 30th September 2020 but was vacated due to Conditional Movement Control Order. Subsequent to that, the High Court has fixed a further case management date on 13 April 2021 to enable the parties to fix further trial dates.

29. CONTINGENT LIABILITIES (cont'd)

(b) Litigations (cont'd)

(i) *Kuala Lumpur High Court ("High Court") Case No. WA-22NCVC-340-05/2019. Chia Wooi Chiew ("CWC") v. Euroland & Development Sdn. Bhd. ("ELD") (cont'd)*

Putrajaya Court of Appeal Case No. W-02(IM)(NCVC)-1345-09/2020. ELD v. CWC (cont'd)

Further to that, ELD has filed an application to stay the proceedings of the High Court, namely, to stay the trial in the High Court from proceeding further pending disposal of the appeal in the Court of Appeal against the High Court's decision to dismiss ELD's amendment application. The Court of Appeal has fixed the next case management on 8 April 2021.

As the legal proceedings are still ongoing, solicitors of the Group are of the opinion that the case is arguable and the amendment application to have merit, hence the possibility of an outflow in settlement is uncertain.

(ii) *Kuala Lumpur High Court ("High Court") Case No. WA-22NCVC-288-05/2019. Goh Bee Ling ("GBL") v. Euroland & Development Sdn. Bhd. ("ELD")*

Putrajaya Court of Appeal Case No. W-02(IM)(NCVC)-1341-09/2020. ELD ("the Plaintiff") v. GBL

On 30 May 2019, ELD had been served with a sealed Writ and Statement of Claim dated 21 May 2019 and 20 May 2019 respectively, by GBL for, amongst others, specific performance of alleged Sale and Purchase Agreements involving four (4) units of residential properties to be developed by ELD and/or a total sum of RM2,800,000 as damages in lieu of specific performance.

ELD's solicitors have filed a defence averring that there is no record of the alleged Sale and Purchase Agreements and sales of the said 4 units to GBL. On 18 November 2019, the High Court granted the application disclosed in Note 29(b)(i) to consolidate Suit 340 and this case. The High Court has fixed a further case management date on 13 April 2021 to enable the parties to fix further trial dates.

Further to that, ELD has filed an application to stay the proceedings of the High Court, namely, to stay the trial in the High Court from proceeding further pending disposal of the appeal in the Court of Appeal against the High Court's decision to dismiss ELD's amendment application. ELD's stay of proceedings application is fixed for hearing on 8 April 2021.

As a consolidated case under Note 29(b)(i), the legal proceedings are still ongoing, solicitors of the Group are of the opinion that the case is arguable and the amendment application to have merit, hence the possibility of an outflow in settlement is uncertain.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

29. CONTINGENT LIABILITIES (cont'd)

(b) Litigations (cont'd)

(iii) *Kuala Lumpur Session Court ("Session Court") Case No. WA-B52NCC-102-03/2019. Bina-Pile Industries Sdn. Bhd. ("Bina-Pile or the Plaintiff") v. All Ways Builder Sdn Bhd ("AWB" or "1st Defendant") and Euroland & Development Sdn. Bhd. ("ELD" or "2nd Defendant")*

Kuala Lumpur High Court ("High Court") Case No. WA-12BNCC-16-07/2020. Bina-Pile Industries Sdn. Bhd. ("Bina-Pile or the Plaintiff") v. ELD

The Plaintiff claimed for RM996,205.51 against the debts due and owing by AWB where ELD acted as corporate guarantor. AWB is the main contractor of a project to be developed by ELD and has provided corporate guarantee to the Plaintiff for materials supplied to AWB for the said project.

The Plaintiff has obtained a judgement in default against AWB. A summary judgement application filed by the Plaintiff against ELD was dismissed by the court on 22 July 2020, where the parties have been directed to proceed with the full trial. The trial of the case was concluded and the Session Court has dismissed the Plaintiff's claim against ELD with the cost of RM10,000.

The Plaintiff has appealed against the decision in the High Court (High court case: WA-12BNCC-16-07/2020), the hearing of the appeal has been postponed to 12 April 2021.

Solicitors of the Group are of the opinion that ELD will have a good arguable case in the High Court. Hence, the Directors are of the opinion that the outcome remains uncertain at this juncture to recognise any provisions.

(iv) *Kuala Lumpur High Court Case No. WA-22NCVC-890-12/2019. Tan Kim Swat ("the Plaintiff") v. Euroland & Development Sdn. Bhd. ("ELD"), Choong Yuen Keong @ Tong Yuen Keong, Tong Yun Mong, Tong Kah Hoe, Ong Kar Voi, Alex Boon Thai Woo, Chin Jing Shen, Veronica a/p Steeven and Messrs K.V. Ong, Chua & Partners ("& 8 others")*

ELD had been served with an amended sealed Writ and amended Statement of Claim dated 2 December 2019, by Tan Kim Swat for, amongst others, a total sum of RM1,552,118 as damages of alleged Sale and Purchase Agreements involving two (2) units of residential properties to be developed by ELD and/or general damages.

The Group brought a counter claim against Tan Kim Swat and Tong Kah Hoe for conspiracy to defraud. The Court has fixed the case for trial from 7th to 10th February 2022.

As the trial is ongoing and the outcome of the case remain uncertain, hence the Directors are of the opinion that liability from legal claims remain uncertain at this juncture.

29. CONTINGENT LIABILITIES (cont'd)

(b) Litigations (cont'd)

(v) *Kuala Lumpur High Court Case No. WA-22NCC-22NCC-246-06/2020. ADY Marketing Sdn Bhd ("Plaintiff") v Euroland & Development Sdn Bhd ("ELD") & Euro Holdings Berhad ("EHB")*

Kuala Lumpur High Court Case No. WA-22NCC-632-12/2020 (previously known as BA-B52NCC-133-07/2020). ADY Marketing Sdn Bhd ("Plaintiff") v All Ways Builder Sdn Bhd ("1st Defendant"), Euro Holdings Berhad ("EHB or 2nd Defendant"), Wong Kin Sing ("3rd Defendant") and Chia Chiw Hoon ("4th Defendant")

The Plaintiff has through a Credit Form Application agreed with 1st Defendant to supply goods via credit to the 1st Defendant. Plaintiff has supplied steel products to the 1st Defendant for Project Damai Vista, Cheras, Kuala Lumpur and the 2nd Defendant has guaranteed the payment for the goods supplied to the 1st Defendant vide a Letter of Guarantee and Indemnity.

The Plaintiff claims for the following from the Defendants:

a. A total principal sum of RM493,634.03;
b. Interest accrued as of 16 September 2019 amounting to RM137,746.74;
c. Interest accrued as of 17 September 2019 amounting to RM62,387.03; (against 1st, 2nd and 4th Defendant)
d. Interest on the principal sum of RM493,634.03 at the rate of 1.5% per annum from 1 June 2020 until full settlement;
e. Costs; and
f. Such further or other relief as the court deems fit and proper.

The matter has been consolidated with WA-B52NCC-41-01/2021 under Note 29(b)(vii) and the next case management falls on 19 April 2021

As the court proceedings are still ongoing, the outcome of the case remains uncertain, the Directors are of the view that the legal claims to be uncertain at this juncture.

(vi) *Kuala Lumpur High Court Case No. WA-22NCVC-856-12/2020. Yap Yih Tze ("Plaintiff") v Euroland & Development Sdn Bhd ("ELD")*

ELD has been served with a Writ and Statement of Claim dated 29 December 2020, by Yap Yih Tze ("YYT") for, amongst others, specific performance of alleged Sale and Purchase Agreements involving two (2) units of residential properties to be developed by ELD and/or a total sum of RM600,000 as damages in lieu of specific performance.

ELD denies the Plaintiff's allegations against the Defendant based on the following grounds:

a. The Plaintiff failed to provide the details of the party who offered the 2 condominium units to the Plaintiff;
b. Plaintiff has conspired with Tong Kah Hoe with intent to deceive and/or defraud ELD;
c. Tong Kah Hoe is a former Chief Group Operating Officer of ELD who was terminated in September 2018 and Tong Kah Hoe is no longer an employee and/or representative of ELD; and
d. ELD did not receive any money from the Plaintiff.

The next case management is fixed on 10 February 2022.

As the court proceeding is still ongoing, the Directors are of the opinion that the outcome remains uncertain at this juncture to recognise any provisions.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

29. CONTINGENT LIABILITIES (cont'd)

(b) Litigations (cont'd)

(vii) *Kuala Lumpur Sessions Court Case no. WA-B52NCC-41-01/2021. M South Marketing Sdn Bhd ("Plaintiff") v All Ways Builder Sdn Bhd ("1st Defendant") and Euro Holdings Berhad ("EHB or 2nd Defendant")*

EHB has been served with a Writ of Summons and Statement of Claim on 20 January 2021. The Plaintiff has claimed a total sum of RM315,880.27 and late payment interest as agreed in the sum of RM121,076.52, for alleged goods delivered to 1st Defendant and alleged corporate guarantee given by the 2nd Defendant.

The 2nd Defendant denies the aforementioned claims and claims that the Plaintiff has in fact involved in conspiracy relationship with the former Directors of EHB to defraud the 2nd Defendant.

The matter has been consolidated with WA-22NCC-246-06/2020 and WA-22NCC-632-12/2020 under Note 29(b)(v) and the next case management falls on 19 April 2021.

As the court proceedings are still ongoing, the outcome of the case remains uncertain, the Directors are of the view that the legal claims to be uncertain at this juncture.

(viii) *Shah Alam Sessions Court ("Sessions Court") Case no. BA-A52NCVC-25-01/2021. Ban Hee Metal Sdn Bhd ("Plaintiff") v All Ways Builder Sdn Bhd ("1st Defendant") and Euroland & Development Sdn Bhd ("2nd Defendant")*

2nd Defendant has been served with a Writ of Summons and Statement of Claim on 13 January 2021. The Plaintiff has claimed a total sum of RM90,284.46 and late payment interest as agreed in the sum of RM50,655.38 as at 30 November 2019, for alleged goods delivered to 1st Defendant and alleged corporate guarantee given by the 2nd Defendant.

However, the 2nd Defendant denies the aforementioned claims by disputing the 3 outstanding invoices dated 3 May 2018, 5 May 2018 and 31 May 2018 amounting to RM90,284.46 as the said invoices are supposed to be paid by the 1st Defendant. The 2nd Defendant has filed counterclaim against the Plaintiff and the 1st Defendant.

The summary judgement filed by the Plaintiff has been fixed for decision on 7 May 2021. However, the solicitors of the Group are unable to estimate outcome of the case and it remains uncertain at the date of this report. Hence, the Directors are of the view that no provisions needed at this juncture.

(ix) *Shah Alam Sessions Court ("Sessions Court") Case no. BA-22NCVC-447-10/2020. Tan Chee Who, Phan York Kei and Bestphone Trading ("the Plaintiffs") v Tong Kah Hoe, Tong Yun Mong ("Defendants") and Euroland & Development Sdn Bhd ("ELD") ("3rd Defendants)"*

Defendants had been served with a sealed Writ and Statement of Claim dated 28.10.2020, by the Plaintiffs, amongst others, for specific performance of alleged Sale and Purchase Agreements involving twelve (12) units of residential properties to be developed by 3rd Defendant and/or a total sum of RM2,500,000 as damages in lieu of specific performance.

As the case is going through the early stages, the Directors are of the opinion that the legal claims to be uncertain at this juncture.

30. MATERIAL LITIGATION

Putrajaya Court of Appeal ("Court of Appeal") Case No. W-02(NCVC)(W)-1248-09/2020. Euroland & Development Sdn. Bhd. ("ELD" or "the Plaintiff") v. Supreme Code Land Sdn. Bhd. ("SCL" or "the Defendant")

On 14 March 2019, ELD had been served with a sealed Writ and Statement of Claim both dated 7 March 2019 by SCL for, amongst others, specific performance of alleged Sale and Purchase Agreements involving four (4) units of residential properties to be developed by ELD and/or a total sum of RM3,062,284 as damages in lieu of specific performance.

The Kuala Lumpur High Court, on 10 August 2020, granted:
1. An order for the sum of RM1,200,000 to be paid by ELD to SCL.
2. An order for costs of RM35,000 to be paid by ELD to SCL.

ELD then proceed to file an appeal in the Court of Appeal to appeal against the Kuala Lumpur High Court's decision on 25 February 2021. The hearing of the appeal is fixed on 6 October 2021. ELD's lawyers are of the view that an appeal after a full trial and the Court of Appeal will not easily interfere with the decision of the Sessions Court's Judge if it is not a decision which is plainly wrong. In the said circumstances, it will be an arguable case in the hearing of the appeal.

With reference to Note 25, provision amounting to RM1,235,000 has been made for the legal claims.

31. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those can be allocated on a reasonable basis.

For management purposes, the Group is organised into the following three (3) operating segments:

(i) Property development

(ii) Manufacturing and trading of furniture

(iii) Others made up of investment holding and dormant companies

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated statement of comprehensive income. Group income taxes are managed on a group basis and are not allocated to operating segments.

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Operating Decision Maker. Hence, no disclosure is made on segment liability.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

31. SEGMENT INFORMATION (cont'd)

	Property development RM'000	Manufacturing and trading RM'000	Others RM'000	Sub-total RM'000	Elimination RM'000	Total RM'000
2020						
Revenue						
Sales to external customers						
- Local	29,190	9,867	-	39,057	-	39,057
- Export	-	25,250	-	25,250	-	25,250
Inter-segment revenue	-	12,037	-	12,037	(12,037)	-
Total revenue	29,190	47,154	-	76,344	(12,037)	64,307
Segment (loss)/profit before tax	(2,242)	4,870	17,440	20,068	(17,813)	2,255
Included in the measure of segment (loss)/profit are:						
Interest income	82	1,001	1,280	2,363	(2,221)	142
Interest expense	-	(2,124)	(316)	(2,440)	526	(1,914)
Depreciation of property, plant and equipment	(27)	(2,170)	(4)	(2,201)	-	(2,201)
Net addition/(reversal) of impairment loss on:						
- Receivables	-	393	-	393	-	393
- Investments in subsidiaries	-	(1,569)	(17,526)	(19,095)	19,095	-
Segment assets	60,415	100,725	55,282	216,422	(89,663)	126,759

31. SEGMENT INFORMATION (cont'd)

	Property development RM'000	Manufacturing and trading RM'000	Others RM'000	Sub-total RM'000	Elimination RM'000	Total RM'000
2019 (Restated)						
Revenue						
Sales to external customers						
- Local	17,489	6,233	-	23,722	-	23,722
- Export	-	42,692	-	42,692	-	42,692
Inter-segment revenue	-	20,404	-	20,404	(20,404)	-
Total revenue	17,489	69,329	-	86,818	(20,404)	66,414
Segment (loss)/profit before tax	(13,170)	2,444	(20,126)	(30,852)	21,217	(9,635)
Included in the measure of segment (loss)/profit are:						
Interest income	122	1,650	2,334	4,106	(3,771)	335
Interest expense	(6)	(2,423)	(251)	(2,680)	482	(2,198)
Depreciation of property, plant and equipment	(37)	(2,766)	(4)	(2,807)	-	(2,807)
Net addition/(reversal) of impairment loss on:						
- Receivables	-	(1,485)	-	(1,485)	-	(1,485)
- Investments in subsidiaries	-	278	21,647	21,925	(21,925)	-
Segment assets	79,679	100,128	36,683	216,490	(70,909)	145,581

31. SEGMENT INFORMATION (cont'd)

Reconciliations of Group's reportable segment profit or loss and assets are presented as below:

	Group	
	31.12.2020 RM'000	31.12.2019 RM'000
Segment profit	20,068	(30,852)
(Reversal)/additions on impairment loss	(19,095)	21,925
Inter-segment profit	(12,037)	(20,404)
Interest income	(2,221)	(3,771)
Interest expenses	526	482
Other non-reportable segments	15,014	22,985
Profit/(loss) before tax	2,255	(9,635)

Reconciliations of assets:

	Group	
	31.12.2020 RM'000	31.12.2019 RM'000
Segment assets	216,422	216,490
Tax recoverable	35	102
Elimination of inter-segment transactions *	(2,617)	(3,897)
Inter-segment balances	(87,046)	(67,012)
Total assets	126,794	145,683

** Mainly consist of inter-segment interests eliminated*

Geographical information

Revenue information based on the geographical location of customers is as follows:

	Group	
	31.12.2020 RM'000	31.12.2019 RM'000
Domestic	49,059	37,556
Cambodia	771	721
Canada	783	651
Central America	294	2,102
Europe	134	133
Hong Kong	4,688	4,054
India	1,401	4,999
Indonesia	-	1,370
Japan	714	1,254
Middle East	3,287	3,751
Philippines	644	3,853
Singapore	464	1,418
Thailand	552	1,094
Others	1,516	3,458
	64,307	66,414

31. SEGMENT INFORMATION (cont'd)

<u>**Major customers**</u>

There is no major customer with revenue equal or more than 10% of the Group's total revenue.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group's and the Company's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 3(j) describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

Other investment (Note 11) is categorised at fair value through other comprehensive income and forward exchange contracts (Note 16) are categorised at fair value through profit or loss. All other financial assets and financial liabilities are measured at amortised costs.

Financial Risk Management Objectives and Policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, interest rate risk and liquidity risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables (which consist of trade receivables and other receivables) and contract assets. The Company's exposure to credit risk arises principally from amounts due from subsidiaries. There are no significant changes as compared to prior year.

Trade receivables and contract assets

<u>Risk management objectives, policies and processes for managing the risk</u>

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's associations to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

There are no significant changes as compared to previous year.

<u>Exposure to credit risk, credit quality and collateral</u>

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

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Concentration of credit risk

The Group determines concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

As at 31 December 2020, the Group has significant concentration of credit risk arising from the amount owing from 4 customers (31.12.2019: 7 customers) constituting 44% (31.12.2019: 49%) of gross trade receivables of the Group contributed from manufacturing and trading segment.

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

	Group	
	31.12.2020 RM'000	31.12.2019 RM'000
Domestic	6,908	9,713
India	198	1,125
Philippines	73	74
Middle East	2	179
Singapore	126	376
Hong Kong	63	180
Europe	-	67
Indonesia	2	64
Japan	5	305
Others	205	144
	7,582	12,227

Recognition and measurement of impairment loss

Trade receivables and contract assets from property development segment ("Collateralised receivables")

The Group recognises a loss allowance for expected credit losses on a financial asset that is measured as receivable and a contract asset if the credit risk on that financial instrument has increased significantly since initial recognition. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition as the trade receivable and contract assets are determined to have low credit risk at the reporting date.

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Recognition and measurement of impairment loss (cont'd)

Trade receivables and contract assets from property development segment ("Collateralised receivables") (cont'd)

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately by the Group. The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable (i.e., the estimate of expected cash flows considers the probability of a foreclosure and the cash flows that would result from it).

The Group has possession of the legal rights to the properties sold and property developed by its subsidiary and this had served as a collateral and in the event of defaults by the purchaser, the expected cash shortfall from selling the collateral less the cost of obtaining and selling the collateral is immaterial.

Trade receivables from manufacturing and trading segment ("Non-collateralised receivables")

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances and to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Any receivables having significant balances past due more than 180 days, which are deemed to have higher credit risk, are monitored individually.

The Group assesses impairment of trade receivables on individual and collective basis.

For individual assessment, it is due to different risk characteristics, the number of debtors is minimal and these debtors can be individually managed by the Group in an effective and efficient manner. The Group has reasonable and supportable information available to assess the impairment individually. All these customers have low risk of default.

For collective assessment, the Group uses an allowance matrix to measure ECL of collective assessed receivables as they are grouped based on shared credit risk characteristics, the days past due and similar types of contracts which have similar risk characteristics.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable or group of receivables progressing through successive stages of delinquency.

Loss rates are based on actual credit loss experienced over the prior years. The Group also consider differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Recognition and measurement of impairment loss (cont'd)

Trade receivables from manufacturing and trading segment ("Non-collateralised receivables") (cont'd)

Any receivables having significant balances past due more than the period of 180 days from different customer profiles are deemed to have higher credit risk. The Group has subsequently recognised a loss allowance of 100% against all receivables after 180 days (credit-impaired) because historical experience has indicated that these receivables are generally not recoverable.

Impairment losses

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at the reporting date which are grouped together as they are expected to have similar risk nature.

	Group		
		Restated	**Restated**
	31.12.2020	**31.12.2019**	**01.01.2019**
	RM'000	**RM'000**	**RM'000**
Collateralised receivables			
Trade receivables			
Not past due	-	-	807
Past due but not impaired:			
1 day to 60 days	-	-	842
61 days to 120 days	699	-	355
More than 120 days	3,341	2,560	3,066
	4,040	2,560	4,263
Less: Impairment loss	-	(12)	-
	4,040	2,548	5,070
Contract assets	15,867	12,383	6,925
	19,907	14,931	11,995

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Impairment losses (cont'd)

	Group		
		Restated	Restated
	31.12.2020	31.12.2019	01.01.2019
	RM'000	RM'000	RM'000
Non-collateralised receivables			
Trade receivables			
Not past due	1,561	6,364	4,737
Past due but not impaired:			
1 day to 30 days	1,521	1,825	1,729
31 days to 60 days	641	1,039	1,118
61 days to 120 days	1,067	1,192	1,051
121 days to 180 days	133	194	833
More than 180 days	3,474	3,515	5,838
	6,836	7,765	10,569
Less: Impairment loss	(4,855)	(4,450)	(5,947)
	3,542	9,679	9,359
	23,449	24,610	21,354

Credit impaired

Manufacturing and trading segment
Trade receivables that are determined to be impaired at the reporting date relate to debtors that have defaulted on payments subsequent to 180 days past due. These receivables are not secured by any collateral or credit enhancements.

Receivables that are neither past due nor impaired

Property development segment
Trade receivables that are neither past due nor impaired comprise property purchasers mostly with end financing facilities from reputable end-financiers whilst the others are creditworthy debtors with good payment records.

Manufacturing and trading segment
Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Receivables that are past due but not impaired

Property development segment
Trade receivables that are past due but not impaired are secured in nature. The Directors are of the opinion that these debts should be realisable in full without material losses in the ordinary course of business.

Manufacturing and trading segment
The Group has not provided for impairment for these trade receivables as there has been no significant changes in their credit quality and the amounts are still considered recoverable. The Group has generally set the past due period of 180 days after trade receivables have passed its credit term granted. These trade receivables relate mostly to customers with slower repayment patterns, for whom there is no history of default and settled within observation period. The Group does not hold any collateral or other credit enhancement over these balances.

Amounts due from subsidiaries

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the financial year, the maximum exposure to credit risk arising from amounts due from subsidiaries are represented by the carrying amount in the statements of financial position. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Amounts due from subsidiaries are repayable on demand. For receivables that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the receivables is demanded at the reporting date.

Generally, the Company considers receivables from subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when the subsidiaries' financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries when they are payable, the Company considers subsidiaries' receivables to be credit impaired when the subsidiaries are unlikely to repay the receivables to the Company in full given insufficient highly liquid resources when the receivable is demanded.

The Company determines the probability of default for these receivables individually using internal information available.

As at year end, there were no indications of impairment loss in respect of amounts due from subsidiaries.

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Financial guarantees

The Group and the Company provides financial guarantees to financial institutions and main contractor's suppliers in respect of banking facilities and credit limit granted to its subsidiaries. The Group and the Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries to financial institution and to the main contractor.

(a) Licensed banks

The Company's maximum exposure to credit risk amounts to RM26,097,000 (31.12.2019: RM28,099,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. The financial guarantees are provided as credit enhancements to the subsidiaries' bank facilities.

The Company has issued financial guarantees to licensed banks for borrowings to its subsidiaries. These guarantees are subject to the impairment requirement under MFRS 9. The Company assessed that its subsidiaries' borrowings are secured by assets and hence, does not expect significant credit losses arising from these guarantees.

(b) Main contractor's suppliers

The maximum amount of the Group and of the Company could be obliged to settle under the Letter of Guarantee and Indemnity if the outstanding guaranteed amount is claimed by the counterparties amounting to RM4,661,000 (31.12.2019: RM7,858,000) and RM2,446,000 (31.12.2019: RM5,417,000) respectively. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement as disclosed in Note 29 where most of the guarantees are going through legal proceedings where the outcome remains uncertain. These estimates are subject to change depending on the probability of the counterparties claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparties which are guaranteed suffer credit losses.

Other receivables and deposits

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses which reflects the low credit risk of the exposures. There is no allowance for doubtful debts arising from these outstanding balances as the expected credit losses are not material.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		
		Restated	Restated
	31.12.2020	31.12.2019	01.01.2019
	RM'000	RM'000	RM'000
Fixed rate instrument:			
- Borrowings	(4,700)	(27,126)	(15,626)
- Lease liabilities	(58)	(169)	(88)
	(4,758)	(27,295)	(15,714)
Floating rate instrument:			
- Fixed deposits with a licensed bank	6,952	6,984	6,000
- Borrowings	(26,097)	(28,099)	(30,614)
	(19,145)	(21,115)	(24,614)

The Group is exposed to interest rate risk through the impact of rate changes in floating rate fixed deposits, short term funds and borrowings. The interest rates of fixed deposits and borrowings are disclosed in Note 18 and Note 21 respectively.

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:

	Group	
	31.12.2020	31.12.2019
	Increase/(Decrease)	
	RM'000	RM'000
Effects on results after tax		
Increase of 100 basis points	(146)	(160)
Decrease of 100 basis points	146	160

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulties in meeting financial obligations associated with financial liabilities. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintain sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

All of the Company's liabilities at the reporting date mature within one year or repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(c) Liquidity risk (cont'd)

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

	Carrying amount RM'000	Contractual cash flows RM'000	<----Contractual Cash Flows----> On demand or within one year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	More than 5 years RM'000
Group						
31.12.2020						
Trade payables	13,210	13,210	13,210	-	-	-
Other payables	14,297	14,297	14,297	-	-	-
Borrowings	30,797	33,166	22,209	1,316	5,265	4,376
Lease liabilities	58	58	55	3	-	-
Foreign exchange contracts	4	4	4	-	-	-
Financial guarantees *	-	30,758	30,758	-	-	-
	58,366	91,493	80,533	1,319	5,265	4,376
31.12.2019						
Trade payables	13,818	13,818	13,818	-	-	-
Other payables	9,858	9,858	9,858	-	-	-
Borrowings	55,225	58,445	45,383	1,672	6,686	4,704
Lease liabilities	169	174	122	52	-	-
Financial guarantees *	-	35,957	35,957	-	-	-
	79,070	118,252	105,138	1,724	6,686	4,704

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(c) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligations: (cont'd)

	Carrying amount RM'000	Contractual cash flows RM'000	<------Contractual Cash Flows------> On demand or within one year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	More than 5 years RM'000
Group (cont'd)						
01.01.2019						
Trade payables	15,053	15,053	15,053	-	-	-
Other payables	10,347	10,347	10,347	-	-	-
Borrowings	46,240	56,272	31,679	18,864	5,729	-
Lease liabilities	88	93	52	41	-	-
Financial guarantees *	-	41,031	41,031	-	-	-
	71,728	122,796	98,162	18,905	5,729	-

* This liquidity risk exposure is included for illustration purpose only as the related financial guarantees have not crystalised.

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than functional currency of the respective entities. The currencies giving rise to this risk are primarily United States Dollar (''USD''), Euro ("EURO"), Singapore Dollar ("SGD") and British Pound ("GBP").

Foreign exchange exposures in transactional currency other than functional currency of the Group is kept to an acceptable level.

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(d) Foreign currency risk (cont'd)

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than functional currency of the Group) risk, based on carrying amounts as at end of the reporting period was:

	Denominated in GBP RM'000	Denominated in SGD RM'000	Denominated in EURO RM'000	Denominated in USD RM'000	Total RM'000
31.12.2020					
Trade receivables	-	126	-	548	674
Cash and bank balances	-	-	7	710	717
Trade payables	-	-	(526)	(195)	(721)
Other payables	-	-	-	(380)	(380)
Foreign exchange contracts	-	-	(4)	-	(4)
	-	126	(523)	683	286
31.12.2019					
Trade receivables	-	366	67	2,081	2,514
Foreign exchange contracts	-	-	-	16	16
Cash and bank balances	-	-	6	553	559
Trade payables	-	-	-	(23)	(23)
Other payables	-	-	(107)	(1,727)	(1,834)
	-	366	(34)	900	1,232

32. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(d) Foreign currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

The Group's significant exposure to foreign currency (a currency which is other than functional currency of the Group) risk, based on carrying amounts as at end of the reporting period was: (cont'd)

	Denominated in GBP RM'000	Denominated in SGD RM'000	Denominated in EURO RM'000	Denominated in USD RM'000	Total RM'000
01.01.2019					
Trade receivables	71	440	158	4,256	4,925
Foreign exchange contracts	-	1	-	53	54
Cash and bank balances	-	-	3	469	472
Trade payables	-	-	-	487	487
Other payables	-	-	96	2,867	2,963
	71	441	257	8,132	8,901

A 5% strengthening/weakening of the RM against the above-mentioned foreign currencies at the end of the reporting period would have immaterial impact on profit/(loss) after tax and equity of the Group. This assumes that all other variables remain constant.

33. FAIR VALUES INFORMATION

Financial instrument at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2020					
Group					
Liabilities					
Foreign exchange contracts	-	4	-	4	4
Company					
Assets					
Other investment*	-	-	33,324	33,324	33,324
2019					
Group					
Assets					
Foreign exchange contracts	-	16	-	16	16

Level 1:
The fair value of other investment at fair value through profit or loss is determined by reference to their quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2:
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e prices) or indirectly (i.e derived from prices).

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Level 3:
The fair value is determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period.

** At cost as further explained in Note 11*

There were no material transfer between Level 1, Level 2 and Level 3 during the financial year.

Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values

The carrying amounts of the financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments and insignificant impact of discounting.

The carrying amount of long-term floating rate loans approximates their fair value as the loans will be re-priced to market interest rate on or near reporting date.

34. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern. The Group monitors and maintains an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group monitors capital using net debt-to-equity ratio which is the net debt divided by total equity. Net debt includes lease liabilities and borrowings, less cash and cash equivalents whilst total equity is equity attributable to Owners of the Company.

The Company manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory requirements. As the Company has no external borrowings, the debt-to-equity ratio is not presented as it does not provide a meaningful indicator of the risk of borrowings.

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

	Group		
	31.12.2020 RM'000	**31.12.2019 RM'000**	**01.01.2019 RM'000**
Lease liabilities	58	169	88
Borrowings	30,797	55,225	46,240
Less: Cash and bank balances	(1,687)	(2,445)	(5,166)
Fixed deposits with licensed banks	(6,952)	(6,984)	(6,000)
Short term investments	-	-	(65)
Net debts	22,216	45,965	35,097
Total equity attributable to Owners of the Company	67,143	65,691	76,199
Debt-to-equity ratio (%)	33%	70%	46%

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company are in compliance with all externally imposed capital requirements.

35. COMPARATIVE FIGURES

(i) The financial statements of the Company for the financial year ended 31 December 2019 were audited by a firm of chartered accountants other than Moore Stephens Associates PLT who expressed an unmodified opinion on those financial statements on 10 June 2020.

(ii) The following are changes in comparative figures due to changes in prior year adjustments and reclassification.

(a) Prior year adjustments

The external auditors had conducted a review of the opening balances in accordance with International Standards of Auditing 510 – Initial Audit Engagements – Opening Balances. Based on the findings of the review, the following areas were re-assessed by the Directors and the adjustments arising therefrom have been adjusted as prior period adjustments in accordance with the requirements of MFRS 108 - Accounting Policies, Changes in Accounting Estimates and Errors.

35. COMPARATIVE FIGURES (cont'd)

(ii) The following are changes in comparative figures due to changes in prior year adjustments and reclassification. (cont'd)

(a) Prior year adjustments

Elimination of interest income and interest expense within intragroup transactions

A re-assessment conducted by the Directors found that interest income and interest expense arising from the intragroup transactions were not being eliminated properly through consolidation adjustment for the financial years ended 31 December 2018 and 31 December 2019 respectively, which had resulted in the following adjustments to be reflected retrospectively:

(i) The cost of sales for the financial years ended 31 December 2018 and 31 December 2019 decreased by RM2,718,000 and RM2,759,000 respectively; and
(ii) The carrying amount of inventories (property development costs) as at 31 December 2018 and 31 December 2019 increased by RM2,718,000 and RM2,759,000 respectively.

Measurement of incremental costs to obtain a contract with customers

Based on the re-assessment conducted by the Directors, it was discovered that sales commission was erroneously charged to profit or loss based on percentage of sales of the project. Accordingly, the Directors retrospectively effected the following adjustments:

(i) The cost of sales for the financial years ended 31 December 2018 and 31 December 2019 increased by RM1,216,000 and RM527,000 respectively.
(ii) The carrying amount of inventories (property development costs) as at 31 December 2018 and 31 December 2019 decreased by RM1,216,000 and RM527,000 respectively.

(b) Reclassification

Certain comparative figures are reclassified to conform with the current year's presentation.

35. COMPARATIVE FIGURES (cont'd)

(ii) The following are changes in comparative figures due to changes in prior year adjustments and reclassification. (cont'd)

(c) Reconciliation

	As previously reported RM'000	Prior year adjustment RM'000	Reclassification RM'000	As restated RM'000
Group				
31.12.2019				
Statement of Comprehensive Income				
Revenue	71,093	-	(4,679)	66,414
Cost of sales	(62,677)	2,232	527	(59,918)
Other income	1,162	-	2,082	3,244
Administrative expenses	(6,894)	-	(2,098)	(8,992)
Selling and distribution expenses	(12,336)	-	4,151	(8,185)
Finance costs	(2,215)	-	17	(2,198)
Statement of Financial Position				
Non-current assets				
Property, plant and equipment	42,392	-	118	42,510
Right-of-use assets	118	-	(118)	-
Current assets				
Property development costs	52,280	3,734	(56,014)	-
Inventories	12,391	-	55,345	67,736
Trade receivables	32,399	-	(20,172)	12,227
Other receivables	1,261	-	669	1,930
Contract assets	-	-	11,733	11,733
Equity				
Retained earnings	13,555	3,734	-	17,289

35. **COMPARATIVE FIGURES** (cont'd)

(ii) The following are changes in comparative figures due to changes in prior year adjustments and reclassification. (cont'd)

(c) Reconciliation (cont'd)

	As previously reported RM'000	Prior year adjustment RM'000	Reclassification RM'000	As restated RM'000
Group (cont'd)				
31.12.2019 (cont'd)				
Statement of Financial Position (cont'd)				
Current liabilities				
Other payables	18,316	-	(8,458)	9,858
Amounts due to Directors and former Directors	-	-	19	19
Borrowings	44,553	-	(40)	44,513
Lease liabilities	77	-	40	117
Statement of Cash Flows				
Cash Flows from Operating Activities				
Loss before tax	(11,867)	2,232	-	(9,635)
Adjustments for: -				
Allowance for doubtful debts and ECL	719	-	(719)	-
Reversal of allowance for doubtful debts	(1,583)	-	1,583	-
Reversal of ECL allowance on trade receivables	(621)	-	621	-
Depreciation of property, plant and equipment	2,738	-	69	2,807
Depreciation of right-of-use assets	69	-	(69)	-
Gain on disposal of property, plant and equipment	(312)	-	1	(311)
Interest expense	2,107	-	91	2,198
Interest income	(278)	-	(57)	(335)
Rental income	(50)	-	50	-
Unrealised foreign exchange loss/(gain)	35	-	(2)	33

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

35. COMPARATIVE FIGURES (cont'd)

(ii) The following are changes in comparative figures due to changes in prior year adjustments and reclassification. (cont'd)

(c) Reconciliation (cont'd)

	As previously reported RM'000	Prior year adjustment RM'000	Reclassification RM'000	As restated RM'000
Group (cont'd)				
31.12.2019 (cont'd)				
Statement of Cash Flows (cont'd)				
Cash Flows from Operating Activities (cont'd)				
Adjustments for: - (cont'd)				
Late payment interest income	-	-	(32)	(32)
Impairment loss on trade receivables	-	-	(1,485)	(1,485)
Provision for slow moving stock	-	-	37	37
Changes in working capital:				
Changes in inventories	2,742	-	(2,742)	-
Changes in trade and other receivables	(5,685)	-	5,685	-
Changes in trade and other payables	3,070	-	(3,070)	-
Inventories	-	(3,734)	2,325	(1,409)
Receivables	-	-	5,753	5,753
Contract assets	-	-	(4,808)	(4,808)
Payables	-	-	(1,724)	(1,724)
Cash used in operations				
Changes in property development cost (net)	(94)	-	94	-
Interest paid	(989)	-	(1,209)	(2,198)
Interest received	-	-	335	335

35. COMPARATIVE FIGURES (cont'd)

(ii) The following are changes in comparative figures due to changes in prior year adjustments and reclassification. (cont'd)

(c) Reconciliation (cont'd)

	As previously reported RM'000	Prior year adjustment RM'000	Reclassification RM'000	As restated RM'000
Group (cont'd)				
31.12.2019 (cont'd)				
Statement of Cash Flows (cont'd)				
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(158)	-	(270)	(428)
Proceeds from disposal of property, plant and equipment	422	-	269	691
Interest received	278	-	(278)	-
Rental received	50	-	(50)	-
Cash Flows from Financing Activities				
Repayment of lease liabilities	(59)	-	(47)	(106)
Lease liabilities interest paid	(9)	-	9	-
Repayment of loan	(3,632)	-	3,632	-
Term loan interest paid	(1,105)	-	1,105	-
Hire purchase payables interest paid	(4)	-	4	-
Repayment of hire purchase payables	(48)	-	48	-
Advance proceed from sale of property development units treated as financing arrangements	12,000	-	(12,000)	-
Advances from Directors and former Directors	-	-	12	12
Drawdown of borrowings	-	-	8,341	8,341

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

35. COMPARATIVE FIGURES (cont'd)

(ii) The following are changes in comparative figures due to changes in prior year adjustments and reclassification. (cont'd)

(c) Reconciliation (cont'd)

	As previously reported RM'000	Prior year adjustment RM'000	Reclassification RM'000	As restated RM'000
Group (cont'd)				
01.01.2019 (cont'd)				
Statement of Financial Position (cont'd)				
Current assets				
Property development costs	52,186	1,502	(53,688)	-
Inventories	15,133	-	51,231	66,364
Trade receivables	24,876	-	(10,447)	14,429
Other receivables	1,582	-	2,457	4,039
Contract assets	-	-	6,925	6,925
Equity				
Retained earnings	26,295	1,502	-	27,797
Non-current liabilities				
Borrowings	19,928	-	(6,040)	13,888
Lease liabilities	-	-	40	40
Current liabilities				
Other payables	13,876	-	(3,529)	10,347
Amounts due to Directors and former Directors	-	-	7	7
Borrowings	26,400	-	5,952	32,352
Lease liabilities	-	-	48	48

35. **COMPARATIVE FIGURES** (cont'd)

(ii) The following are changes in comparative figures due to changes in prior year adjustments and reclassification. (cont'd)

(c) **Reconciliation** (cont'd)

	As previously reported RM'000	Prior year adjustment RM'000	Reclassification RM'000	As restated RM'000
Company				
31.12.2019				
Statement of Financial Position				
Current liabilities				
Other payables	4,021	-	(3,975)	46
Amounts due to subsidiaries	-	-	3,975	3,975
Statement of Cash Flows				
Cash Flows from Operating Activities				
Adjustment for: -				
Allowance for doubtful debts and ECL	17,852	-	(17,852)	-
Impairment of investment in subsidiaries	3,795	-	(3,795)	-
Impairment loss on:				
- investment in subsidiaries	-	-	21,647	21,647
Changes in working capital:				
Changes in trade and other receivables	(3,840)	-	3,840	-
Changes in trade and other payables	2,695	-	(2,695)	-
Receivables	-	-	6	6
Payables	-	-	(14)	(14)
Cash used in operations				
Interest paid	(234)	-	234	-
Interest received	2,334	-	(2,276)	58
Cash Flows from Financing Activities				
Advances from subsidiaries	-	-	905	905

36. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Coronavirus (Covid-19) outbreak

The Coronavirus (Covid-19) outbreak was identified in Wuhan, China in December 2019. The World Health Organisation ("WHO") has declared the outbreak a Public Health Emergency of International Concern on 30 January 2020 and subsequently WHO declared the Covid-19 outbreak as global pandemic on 11 March 2020.

Following the WHO's declaration, Malaysia Government has on 16 March 2020 imposed the Movement Control Order ("MCO") starting from 18 March 2020 to restrain the spread of Covid-19 outbreak in Malaysia. The emergence of the Covid-19 outbreak since early 2020 has brought economic uncertainties in Malaysia and markets in which the Group operates.

Property development activities
During the period from the commencement of the Movement Control Order ("MCO") on 18 March 2020 till 3 May 2020, construction works were severely affected, which had slowed down the development progress during the MCO.

Since the conditional MCO which came into force on 4 May 2020, construction works have slowly picked-up and time taken for preparation in obtaining Certificate of Completion and Compliance ("CCC"). Barring any unforeseen circumstances, the Group expects the said development project to be completed in the second quarter of the financial year ending 2021.

Manufacturing and sale of furniture
Since the commencement of the MCO from 18 March 2020 till 3 May 2020, the Group's business operations were severely affected as the business premises were temporarily closed down. In view of this, the Group's sales of furniture declined significantly during the MCO.

Since the conditional MCO which came into force on 4 May 2020, the Group's business operations have slowly picked-up and time taken for preparation prior to the re-opening of business operations of the Group, to ensure the sales to get back to normal. Barring any unforeseen circumstances, the Group expects the said operations to resume to pre-MCO levels at the end of the financial year ending 2021.

37. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Memorandum of Understanding

On 26 February 2021, the Company had entered into Memorandum of Understanding ("MOU") with Elite Stone & Cabinet INC ("ES&C") in relation to developing and expanding the distribution network.

The purpose of the MOU are as below:
(i) ES&C will allow the Group to utilise ES&C's distribution channels in expanding and diversify the Group's business into the United States market;
(ii) With the grant of distributorship of the Group's office furniture will enable ES&C to enhance its existing products range and services;
(iii) The collaboration will further strengthen ES&C and the Group's brand awareness with diversified and modernised products lines; and
(iv) The Group will collaborate with ES&C to facilitate the import, warehousing and distribution of the Group's products in the United States.

37. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (cont'd)

Bonus Issue

On 24 March 2021, the Board of Directors had announced the Company's intention to undertake a proposed Bonus Issue of up to 3,207,600,000 new ordinary shares on the basis of four (4) Bonus Shares for every one (1) existing ordinary share of the Company held on an entitlement date to be determined and announced later. As at the date of this report, the proposed Bonus Issue is yet to be completed.

ANALYSIS OF
SHAREHOLDINGS
As at 3rd May 2021

The total number of issued shares of the Company stands at 801,900,000 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	9	0.30	147	0.00
100 - 1,000	1,375	45.71	1,115,101	0.14
1,001 - 10,000	1,159	38.53	4,630,200	0.58
10,001 - 100,000	345	11.47	10,295,952	1.28
100,001 - 13,364,999	119	3.96	276,275,900	34.45
13,365,000 and above	1	0.03	509,582,700	63.55
Total	3,008	100.00	801,900,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	Direct Interest	Indirect Interest	No. of Shares held %
1	S. P. A. Furniture (M) Sdn Bhd	509,582,700	–	63.55
2	Dato' Sri Lim Teck Boon	56,791,200	509,582,700*	70.63
3	Dato' Lim Chaw Teng	–	509,582,700*	63.55

* *Deem interested due to his shares held in S. P. A. Furniture (M) Sdn Bhd pursuant to Section 8 of the Companies Act, 2016*

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Shareholders	Direct Interest	Indirect Interest	No. of Shares held %
1	Dato' Sri Lim Teck Boon	56,791,200	509,582,700*	70.63

* *Deem interested due to his shares held in S. P. A. Furniture (M) Sdn Bhd pursuant to Section 8 of the Companies Act, 2016*

ANALYSIS OF SHAREHOLDINGS
(cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	%
1.	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account - Ambank (M) Berhad For S.P.A Furniture (M) Sdn.Bhd.*	509,582,700	63.55
2.	Doris Liaw Mei Kin	40,017,300	4.99
3.	Dato' Sri Lim Teck Boon	26,184,200	3.27
4.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Teck Boon	16,500,000	2.06
5.	Wong Fu Zhen	14,536,700	1.81
6.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An For OCBC Securities Private Limited (Client A/C-R Es)*	14,000,000	1.75
7.	Lee Siew Kim	13,080,000	1.63
8.	Khoo Wei Kee	12,611,900	1.57
9.	Gan Pei Yee	12,024,700	1.50
10.	Goh Eng Chuan	11,307,900	1.41
11.	Khoo Wei Kee	8,554,600	1.07
12.	Ong Kah Hon	8,188,000	1.02
13.	Tan Kai Lee	7,092,500	0.88
14.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An For OCBC Securities Private Limited (Client A/C-NR)*	6,280,000	0.78
15.	Ong Kah Hon	6,030,500	0.75
16.	Wong Fu Zhen	6,000,000	0.75
17.	Wong Fu Zhen	6,000,000	0.75
18.	Khoo Wei Kee	5,367,900	0.67
19.	Khoo Wei Kee	4,190,700	0.52
20.	PQY Enterprise Sdn.Bhd.	3,878,300	0.48
21.	Wong Fu Zhen	3,805,300	0.47
22.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Wong Fu Zhen*	3,074,000	0.38
23.	Lim Lay Ching	3,000,000	0.37
24.	Wong Fu Zhen	2,738,100	0.34
25.	Amanahraya Trustees Berhad *PMB Shariah Aggressive Fund*	2,486,700	0.31
26.	Lim Hann Boon	2,165,400	0.27
27.	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Noriani Binti Ibrahim*	1,770,500	0.22
28.	Teh Ah Choo	1,657,800	0.21
29.	Goh Eng Chuan	1,600,000	0.20
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Yong Swee Koon*	*1,372,700*	*0.17*
		755,098,400	**94.16**

GROUP
PROPERTIES

Registered/ Beneficial Owner	Location	Description/ Existing Use	Land area (sq. ft.)	Built-up area (sq. ft.)	Approximate Age of Building (Years)	Net book value as at 31 Dec 2020 (RM'000)	Year of acquisition/ construction/ revaluation
ECM	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	Industrial land with factory and office building erected thereon	87,123	91,385	24 years/ Freehold	4,976	1996 2004#
ESI	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	Industrial land with factory and office building erected thereon	82,602	69,259	23 years/ Freehold	4,579	1997*
ESI	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	Industrial land with factory and office building erected thereon	210,101	108,116 149,406	14 years/ Freehold 10 years / Freehold	28,812	2006 2010
Euroland	GM 974 Lot 2223 Mukim Cheras Daerah Hulu Langat Selangor Darul Ehsan	Development land	175,602		Freehold	46,650	2011

* Revalued

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

NOTICE OF SEVENTEENTH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth ("**17th**") Annual General Meeting ("**AGM**") of the Company will be held and conducted by way of virtual meeting entirely through live streaming via Remote Participation and Voting ("**RPV**") Facilities from the broadcast venue at Wisma Euro, Lot 21, Jalan RP3, Rawang Industrial Estate, 48000 Rawang, Selangor Darul Ehsan on Thursday, 3 June 2021 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 2020 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following Director who retire in accordance with Clause 105 of the Constitution of the Company and being eligible, has offered herself for re-election: -

   a) Datuk Lim Sze Way — **Ordinary Resolution 1**

3. To re-elect the following Director who retire in accordance with Clause 114 of the Constitution of the Company and being eligible, has offered himself for re-election:-

   a) Mr Lim Kam Choy — **Ordinary Resolution 2**

4. To approve the Directors' fees totaling RM90,000 per annum to the Non-Executive Directors of the Company for the period from the 17th AGM up to the Eighteenth ("18th") AGM of the Company. — **Ordinary Resolution 3**

5. To approve the payment of Directors' meeting allowances of RM500 per meeting for each Director with effect from 17th AGM up to the 18th AGM of the Company. — **Ordinary Resolution 4**

6. To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 5**

B SPECIAL BUSINESS

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

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

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 April 2020 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 20% of the total number of issued shares of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from 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"

8. **Proposed retention of Madam Tan Poh Ling as Independent Non-Executive Director** **Ordinary Resolution 7**

   "THAT, in accordance with the Malaysian Code on Corporate Governance, Madam 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."

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

BY ORDER OF THE BOARD

TAN TONG LANG (MAICSA 7045482 / SSM PC No. 201908002253)
Company Secretary

Selangor Darul Ehsan

Date: 12 May 2021

NOTES:

<u>Participation and Appointment of Proxy</u>

1. Please refer to the Administrative Guide for the procedures to register, participate and vote remotely at this virtual 17th AGM using RPV Facilities provided by Agmo Digital Solutions Sdn Bhd via its Vote2U online website at https://web.vote2u.app.

2. A member entitled to participate and vote at this virtual meeting is entitled to appoint a proxy/proxies to participate 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 participate and vote at the virtual Meeting shall have the same rights as the member to speak at the virtual Meeting.

3. 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.

4. 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.

5. For the purpose of determining a member who shall be entitled to participate the virtual 17th AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 28 May 2021. Only a depositor whose name appears on the Record of the Depositor as at 28 May 2021 shall be entitled to participate the virtual meeting or appoint proxies to participate and/or vote on his/her behalf.

6. To be valid, the proxy form duly completed and signed must be deposited at the registered office, at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the virtual meeting or any adjournment thereof.

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

(cont'd)

Explanatory Notes to Ordinary Business:

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

b. Clause 105 of the Company' Constitution states that one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

   Mr Tong Sian Teng who is retiring pursuant to Clause 105 of the Company's Constitution, has expressed his intention not to seek re-election at this 17th AGM of the Company. Hence, he shall cease to be a Director of the Company at the conclusion of the 17th AGM.

Explanatory Notes to Special Business:

a. The Proposed Ordinary Resolution 6, if passed, is a renewal of mandate to empower the Directors to issue and allot shares up to an amount not exceeding 20% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

   This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

   Bursa Malaysia Securities Berhad has via their letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company for the time being ("20% General Mandate"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 ("Extended Utilisation Period") and thereafter, the 10% general mandate will be reinstated.

   Having considered the current economic climate arising from the global Covid-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Companies Act, 2016 from its shareholders at the forthcoming 17th AGM of the Company.

   The 20% General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/ or acquisitions.

   The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

   The previous mandate was not utilised and accordingly no proceeds were raised.

b. The proposed Ordinary Resolution 7, in observing the recommendation in relation to the tenure of an Independent Director as prescribed by MCCG, the Board of Directors of the Company ("the Board"), after having assessed the independence of Madam Tan Poh Ling, considers her to be independent and recommends that she be retained as Independent Non-Executive Director of the Company. The voting process for the Ordinary Resolution 7 will be carried out through a two-tier voting process in line with the recommendation of MCCG. The details of the Board assessment and justifications are contained in the Statement of Corporate Governance of the Company's Annual Report 2020.

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EURO Holdings Berhad

EURO HOLDINGS BERHAD
[Registration No. 200401008055 (646559-T)]

FORM OF PROXY

Number of Shares held	
CDS Account No.	

I/We____NRIC/Passport/Company No. __________________
(Full name in block letters)

of ____
(Full address)

#Contact No. ____________________________ and # email address__________________________

being a member of **EURO HOLDINGS BERHAD** do hereby appoint (Proxy 1) ____________________________

I.C. No. __________________ of ____
(Full address)

#Contact No. ____________________________ and # email address__________________________

______________________________________ *or failing him/ her (Proxy 2)* ____________________

I.C. No. __________________ of ____
(Full address)

#Contact No. ________________ and # email address ______________________________________

 # You are required to fill in the contact no. and email address in order to participate the Seventeenth ("17th") Annual General Meeting ("AGM"), otherwise, we are unable to register you as the participant of the meeting.

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 17th AGM of the Company will be held and conducted by way of virtual meeting entirely through live streaming via Remote Participation and Voting ("RPV") Facilities from the broadcast venue at Wisma Euro, Lot 21, Jalan RP3, Rawang Industrial Estate, 48000 Rawang, Selangor Darul Ehsan on Thursday, 3 June 2021 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 Lim Sze Way who retires in accordance with Clause 105 of the Constitution of the Company		
RESOLUTION 2	To re-elect Mr Lim Kam Choy who retires in accordance with Clause 114 of the Constitution of the Company		
RESOLUTION 3	To approve the Directors' fees totaling RM90,000 per annum to the Non-Executive Directors of the Company for the period from the 17th AGM up to the Eighteenth ("18") AGM of the Company.		
RESOLUTION 4	To approve the payment of Directors' meeting allowances of RM500 per meeting for each Director with effect from 17th AGM up to the 18th AGM of the Company.		
RESOLUTION 5	To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
RESOLUTION 6	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
RESOLUTION 7	To approve the retention of Ms Tan Poh Ling as Independent Director		

Signed this _______ day of ______________ 2021.

____
Signature/ Common Seal of Member(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:

Participation and Appointment of Proxy

1. *Please refer to the Administrative Guide for the procedures to register, participate and vote remotely at this virtual 17th AGM using RPV facilities provided by Agmo Digital Solutions Sdn Bhd via its Vote2U online website at https://web.vote2u.app.*
2. *A member entitled to participate and vote at this virtual meeting is entitled to appoint a proxy/proxies to participate 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 participate and vote at the virtual Meeting shall have the same rights as the member to speak at the Virtual Meeting.*
3. *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.*
4. *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.*
5. *For the purpose of determining a member who shall be entitled to participate the virtual 17th AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 28 May 2021. Only a depositor whose name appears on the Record of the Depositor as at 28 May 2021 shall be entitled to participate the virtual meeting or appoint proxies to participate and/or vote on his/her behalf.*
6. *To be valid, the proxy form duly completed and signed must be deposited at the registered office, at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the virtual meeting or any adjournment thereof.*

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AFFIX
STAMP

THE COMPANY SECRETARY

EURO HOLDINGS BERHAD

[Registration No. 200401008055 (646559-T)]
Level 5, Block B,Dataran PHB
Saujana Resort, Section U2
40150 Shah Alam
Selangor Darul Ehsan

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Fold This Flap For Sealing

EURO Holdings Berhad
200401008055 (646559-T)

ANNUAL REPORT 2020