

6. APPROVALS AND CONDITIONS

6.1 Conditions of Approvals

The Public Issue under the terms of this Prospectus was approved by the MITI on 29 May 2004 and 2 November 2004 and the SC (including FIC) on 13 September 2004 and 16 December 2004, subject to the conditions as set out below.

Bursa Securities had, vide its letter dated 18 October 2004, approved-in-principle the admission of EHB to the Official List of the Second Board of Bursa Securities and the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of EHB on the Second Board of Bursa Securities.

Authority	Details of conditions imposed	Status of compliance								
MITI 29.05.04	(i) EHB is required to obtain the approval of the SC for the listing scheme of EHB and to comply with the Guidelines on the Acquisition of Interest, Mergers and Take-overs.	Complied. The approval of the SC was obtained on 13 September 2004.								
	(ii) MITI has recognised the following as Bumiputera shareholder:	Noted and will be complied, if applicable.								
	<table border="1"> <thead> <tr> <th>Shareholder</th> <th>No. of EHB Shares held</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Dato' Mohd Haniff bin Abd Aziz</td> <td>24,300,000</td> <td>30</td> </tr> </tbody> </table> <p>In this regard, not more than 30% of the total shares held by the Bumiputera shareholder is allowed to be sold within three (3) months from the date of listing while the remaining 70% may be sold in stages subject to prior approval from the MITI.</p>	Shareholder	No. of EHB Shares held	%	Dato' Mohd Haniff bin Abd Aziz	24,300,000	30			
Shareholder	No. of EHB Shares held	%								
Dato' Mohd Haniff bin Abd Aziz	24,300,000	30								
	(iii) EHB is required to inform the MITI upon completion of the listing exercise of EHB.	Noted and will be complied.								
MITI 02.11.04	(i) MITI has recognised the following as Bumiputera shareholders:	Noted and will be complied, if applicable.								
	<table border="1"> <thead> <tr> <th>Shareholders</th> <th>No. of EHB Shares held</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Dato' Mohd Haniff bin Abd Aziz</td> <td>12,150,000</td> <td>15</td> </tr> <tr> <td>Nusa Abadi Sdn Bhd*</td> <td>12,150,000</td> <td>15</td> </tr> </tbody> </table> <p>* <i>NASB is a single purpose vehicle in which Dato' Mohd Haniff Bin Abd Aziz is a legal and beneficial owner, holding 99% equity interest.</i></p> <p>In this regard, not more than 30% of the total shares held by the Bumiputera shareholder is allowed to be sold within three (3) months from the date of listing while the remaining 70% may be sold in stages subject to prior approval from the MITI.</p>	Shareholders	No. of EHB Shares held	%	Dato' Mohd Haniff bin Abd Aziz	12,150,000	15	Nusa Abadi Sdn Bhd*	12,150,000	15
Shareholders	No. of EHB Shares held	%								
Dato' Mohd Haniff bin Abd Aziz	12,150,000	15								
Nusa Abadi Sdn Bhd*	12,150,000	15								
	(ii) All other conditions imposed as per the MITI's letter dated 29 May 2004 remains unchanged.	Noted and will be complied.								

6. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of conditions imposed	Status of compliance
SC 13.09.04	(i) EHB is to disclose the time frame for the utilisation of proceeds in the listing prospectus. Any extension of time for the completion of the utilisation of the proceeds from that determined earlier is to be approved by a clear resolution by the Board of Directors of EHB and fully disclosed to Bursa Securities.	Complied. Appropriate disclosure has been made in Section 2.6 of this Prospectus. EHB will comply with the requirements on the extension of time for the completion of the utilisation of proceeds, if applicable.
	(ii) EHB is to disclose the status of the utilisation of the listing proceeds in its quarterly and annual reports until the proceeds are fully utilised.	Noted and to be complied.
	(iii) The following conditions are imposed in relation to the trade debtors of the EHB Group:	
	(a) Full provision should be made for all overdue trade debtors which are in dispute or under legal action, or for amounts which have been outstanding for more than six (6) months; and	Full provision has been made for all overdue trade debtors as at 30 June 2004 which are in dispute or under legal action. The SC had, vide its letter dated 16 December 2004, waived the condition for full provision to be made for all overdue trade debtors as at 30 June 2004 which have been outstanding for more than six (6) months.
(b) The Directors of the EHB Group should confirm and submit a declaration that debts exceeding credit period are recoverable and that full provision has been made to the accounts / forecast / projections in accordance with paragraph (iii) (a) above.	Complied. The declaration by the Board was submitted to the SC on 5 November 2004.	
(iv) The following promoters will not be allowed to sell, transfer or assign their shareholding of 36,450,000 EHB shares (amounting to 45% of the enlarged issued and paid-up share capital of EHB of 81,000,000 shares) for one (1) year from the listing date of EHB:	To be complied.	

	Shareholdings under moratorium	
	No. of shares	% held
Lew Fatt Sin	14,558,851	17.97
Law Sim Shee	8,711,296	10.75
Dato' Mohd Haniff bin Abd Aziz	7,290,000	9.00
Teh Hock Toh	5,889,853	7.27
	<u>36,450,000</u>	<u>45.00</u>

6. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of conditions imposed	Status of compliance
	(v) The proposed / existing Directors and substantial shareholders who are involved in full-time capacity in the Group should not be involved in full-time capacity in their personal businesses.	To be complied. Written undertakings from the Directors and substantial shareholders of EHB were submitted to the SC on 28 October 2004.
	(vi) The promoters, proposed / existing Directors and substantial shareholders of EHB should not, in the future, carry out any businesses which will compete directly or indirectly and be in conflict with the business of the EHB Group.	To be complied. Written undertakings from the promoters, Directors and substantial shareholders of EHB were submitted to the SC on 28 October 2004.
	(vii) Hwang-DBS / EHB is required to disclose in the prospectus the term loan facility granted to ECS and the rationale for the repayment of the said term loan.	Hwang-DBS has sought the concurrence of the SC that this condition is no longer applicable in view that the term loan facility granted to ECS has been fully settled. The SC had, vide its letter dated 16 December 2004, concurred that this condition is no longer applicable.
	(viii) Hwang-DBS / EHB is required to inform the SC on the status of compliance with the National Development Policy requirement upon completion of the listing exercise of EHB.	To be complied.
	(ix) Hwang-DBS / EHB is to fully comply with all the relevant requirements, particularly with the requirements of Chapter 6 of the SC's Policies and Guidelines on Issue / Offer of Securities.	Complied / to be complied.
	(x) The equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in EHB would change arising from the implementation of the flotation proposal as follows:	Noted and to be complied.

	Before Proposal (%)	After Proposal (%)
Bumiputera	-	*30.00
Non-Bumiputera	100.00	70.00
Foreign	-	-
Total	100.00	100.00

* Excluding portion allocated to Bumiputera from the public issue of shares.

6. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of conditions imposed	Status of compliance
SC 16.12.04	The SC had waived the following conditions (as imposed by the SC vide its letter dated 13 September 2004):	
	(i) Full provision should be made for all overdue trade debtors as at 30 June 2004 which has been outstanding for more than six (6) months whereby the said debts have been settled after 30 June 2004. These include debts for Government related projects and debts which are classified as retention sums provided that the said retention sums are within the respective retention period as stated in the clients' contracts / agreements. In this regard, full provision must be made for the retention sums which have been outstanding for more than (6) months after the retention period. In addition, full provision should also be made for all retention sums which are in dispute.	Full provision has been made for all retention sums which have been outstanding for more than six (6) months after the retention period and which are in dispute. Further, certain Promoters and Executive Directors of EHB have irrevocably undertaken to settle in full, such amount of the trade debts as at 30 June 2004 of the EHB Group which remain outstanding, prior to the issuance of this Prospectus.
	(ii) Full disclosure in the prospectus the term loan facility granted to ECS in view that the term loan facility has been fully settled.	

6.2 Moratorium on the Sale of Shares

Pursuant to the SC Guidelines, a moratorium on the disposal of EHB Shares shall be imposed on 36,450,000 EHB Shares held by the following shareholders of EHB amounting to 45% of the enlarged issued and paid-up capital of the Company. The said shareholders shall not be allowed to sell, transfer or assign their shareholders within one (1) year from the date of admission of EHB to the Second Board of Bursa Securities.

Details of the moratorium imposed by the SC on the sale of EHB Shares by the following shareholders of EHB are as follows:

	Shareholdings after Public Issue		Shareholdings under moratorium	
	No. of Shares	%	No. of Shares	%
Lew Fatt Sin	18,019,812	22.25	14,558,851	17.97
Law Sim Shee	10,782,163	13.31	8,711,296	10.75
Dato' Mohd Haniff Bin Abd Aziz	12,150,000	15.00	7,290,000	9.00
Teh Hock Toh	7,290,001	9.00	5,889,853	7.27
	48,241,976	59.56	36,450,000	45.00

The moratorium has been fully accepted by the Promoters. The restriction is specifically endorsed on the share certificates representing the respective shareholdings of the aforesaid shareholders of EHB which are under moratorium to ensure that the Company's Registrar does not register any transfer which is not in compliance with the above restriction.

7. CONFLICT OF INTERESTS

7.1 Interest in Similar Business

None of the Directors or substantial shareholders of EHB and its subsidiaries has any interest, direct or indirect, in any business carrying on a similar trade as the Company or its subsidiaries.

7.2 Related Party Transactions

7.2.1 Transactions between the Group and Directors and/or Substantial Shareholders

Save as disclosed below and the transaction pursuant to the restructuring and listing exercise as disclosed in Section 4.3 of this Prospectus, there are no on-going or potential related party transactions and/or conflict of interests between the EHB Group and its Directors, substantial shareholders and/or persons connected with such a director or substantial shareholder, as defined under Section 122A of the Act:

Name of related party	Principal activities of related party	Nature of transaction	Nature of relationship
(a) Euro Chairs Holdings Sdn Bhd ("ECH")	Investment holding and investment in properties for rental	<p>On 16 April 2004, ECM entered into a sale and purchase agreement with ECH to acquire a parcel of an industrial land held under HS(D) 28271, PT 10343, Mukim of Rawang, District of Gombak with a total area of approximately 8,094 square metres ("Land") (but excluding building on the Land) for a cash consideration of RM2,000,000.</p> <p>The purchase consideration was arrived at after taking into consideration the open market value of the Land of the same amount based on a valuation carried out by JS Valuers Property Consultants Sdn Bhd, an independent firm of valuers</p> <p>The above acquisition was completed on 19 July 2004.</p>	ECH is a company in which Lew Fatt Sin and Law Sim Shee, who are the Directors of EHB, are also directors with shareholding of 50% and 20% in ECH respectively. Lew Hin, who is a Director of EHB, is also a substantial shareholder with a shareholding of 10% in ECH.
(b) ECH	Investment holding and investment in properties for rental	<p>ECM rented from ECH the Land, at a rental of RM15,000 per month and a Security Deposit of RM45,000 amounting to three (3) months' rental, for a term of one (1) year from 2 January 2004 to 1 January 2005.</p> <p>Following the completion of the acquisition of the Land mentioned in (a) above, ECM has since ceased renting the Land from ECH.</p>	ECH is a company in which Lew Fatt Sin and Law Sim Shee, who are the Directors of EHB, are also directors with shareholding of 50% and 20% in ECH respectively. Lew Hin, who is a Director of EHB, is also a substantial shareholder with a shareholding of 10% in ECH.

7. CONFLICT OF INTERESTS (Cont'd)

Name of related party	Principal activities of related party	Nature of transaction	Nature of relationship
(c) Law Sim Shee	-	Rental of staff accommodation, an apartment unit with a built-up area of 84.82 square metres located at Sri Mutiara, Sungai Besi, paid by ESS to Law Sim Shee amounting to RM600 per month.	Law Sim Shee is an Executive Director of EHB.
(d) Kenmart Marketing Sdn Bhd ("Kenmart")	Importer and wholesaler of leather fabrics and castors for chairs, tooling maintenance and tooling fabrication	Purchase of moulds by ECS and ECM from Kenmart and upkeep of moulds charged by Kenmart for the financial year ended 31 December 2003 amounted to RM412,500. No purchase was made for the period ended 30 June 2004.	The directors and shareholders of Kenmart are Lew Fa and Lew Yok Thai, who are the brother and sister of Lew Fatt Sin, the Group Managing Director of EHB.
(e) Lew Chee Lung	-	Subcontract works performed on the upholstery of partitions and cushion of office chairs. The total amount of subcontract fees charged by Lew Chee Lung for the financial year ended 31 December 2003 and period ended 30 June 2004 amounted to approximately RM129,000 and RM93,000 respectively.	Lew Chee Lung is the son of Lew Hin, an Executive Director of EHB.
(f) ECH	Investment holding and investment in properties for rental	Rental of staff accommodation from ECH comprising three (3) double-storey houses at Taman Rawang Perdana, Rawang with a built-up area of 1,400 sq. ft. at a rental of RM500 per month per unit and a security deposit of RM1,000 amounting to two (2) months' rental per unit. The Group anticipates that the rental of staff accommodation from ECH will commence by the first quarter of 2005.	ECH is a company in which Lew Fatt Sin and Law Sim Shee, who are the Directors of EHB, are also directors with shareholding of 50% and 20% in ECH respectively. Lew Hin, who is a Director of EHB, is also a substantial shareholder with a shareholding of 10% in ECH.

The Directors of EHB are of the opinion that the transactions above had been entered into based on commercial term and at arm's length basis.

7.2.2 Transactions between the Group and Key Management Personnel

There is no related party transaction between the EHB Group and its key management personnel.

7.2.3 Promotion of Assets

Save as disclosed in Sections 4.3 and 7.2.1 of this Prospectus, none of the Directors or substantial shareholders has any interest, direct or indirect, in the promotion of any material assets acquired or proposed to be acquired or material assets disposed of or proposed to be disposed of by the Company or its subsidiaries within the two (2) years preceding the date of this Prospectus.

7. CONFLICT OF INTERESTS *(Cont'd)*

7.3 Declaration by Experts

ECS had in June 2004 obtained a term loan facility amounting to RM6 million from HDM Capital Sdn Bhd, a wholly-owned subsidiary of Hwang-DBS (Malaysia) Berhad, which in turn is the holding company of Hwang-DBS. This facility was intended to be repaid using the proceeds from the Public Issue. Hwang-DBS as the Adviser, Underwriter and Placement Agent was of the view that the term loan facility granted to ECS would not give rise to a conflict of interest in its advisory capacity to EHB as the amount of the term loan represented approximately 1% of the consolidated shareholders' funds of Hwang-DBS (Malaysia) Berhad as at 31 December 2003 and immaterial to Hwang-DBS (Malaysia) Berhad group of companies as a whole. ECS had utilised RM1 million of the said term loan facility and in September 2004, repaid the term loan fully.

Messrs Teh & Lee is not aware of any existing or potential interest or any circumstances which would give rise to a conflict of interest in its capacity as the Solicitors to EHB in respect of the Public Issue.

Messrs HALS & Associates is not aware of any existing or potential interest or any circumstances which would give rise to a conflict of interest in its capacity as Auditors and Reporting Accountants to EHB in respect of the Public Issue.

Infocredit D&B (Malaysia) Sdn Bhd is not aware of any existing or potential interest or any circumstances which would give rise to a conflict of interest in its capacity as the Independent Market Researcher to EHB in respect of the Public Issue.

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8. OTHER INFORMATION CONCERNING THE GROUP

8.1 Licenses and Permits

The licenses and permits held by the Group required for the purposes of conducting its business are listed below:

Licenses	Authority	Date of issue	Validity period	Salient Conditions	Company	Status of Compliance
Manufacturing license	MITI	03.08.2000	-	<ol style="list-style-type: none"> The company has been exempted from complying with any equity conditions. MIDA should be informed when the company's shareholders' funds reach RM2.5 million. The composition of the Board of Directors of company should reflect the equity structure of the company. MIDA should be informed of subsequent new appointments/changes to the Board of Directors. The company must employ and train Malaysian citizens in order to reflect the composition of the multi-racial residents for all levels of position. Written approval of MIDA must be obtained prior to the execution of any agreements for technology transfer with foreign parties. Such agreements include joint venture agreements, technical assistance and know-how agreements, license agreements, trademark and patent agreements, turnkey contract agreements and management agreements. The company should, as far as possible, appoint companies owned by Malaysian citizens to distribute its products and appoint Bumiputera distributors to distribute at least 30% of its sales in Malaysia. The appointment of foreign companies as distributors is subject to prior approval of MIDA. 	ESI	Complied
						Complied
						Complied
						Complied
						Not applicable

8. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

8.1 Licenses and Permits (Cont'd)	Licenses	Authority	Date of issue	Validity period	Salient Conditions	Company	Status of Compliance
	Manufacturer's license	Royal Customs & Excise Malaysia	01.10.2001	-	None	ECM	Not applicable
	Registration of Contractor	CIDB Lembaga Pambangunan Industri Pambinaan Malaysia	02.05.2002	02.05.2002 to 01.05.2005	None	ECS	Not applicable
	Registration of Contractor	Ministry of Finance	05.11.2003	05.11.2003 to 04.11.2006	None	ECS	Not applicable
	Manufacturer's license	Royal Customs & Excise Malaysia	20.05.2002	-	None	ESI	Not applicable
	Registration of Contractor	CIDB Lembaga Pambangunan Industri Pambinaan Malaysia	03.07.2002	03.07.2002 to 02.07.2005	None	ESS	Not applicable
	Registration of Contractor	Ministry of Finance	21.11.2003	21.11.2003 to 20.11.2006	None	ESS	Not applicable

8. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

8.2 Properties

The details of the properties of the EHB Group as at the date of this Prospectus are set out below:

Name of registered owner/ Location	Description/ Existing use	Land area (sq. ft.)	Built- up area (sq. ft.)	Date of certificate of fitness	Approximate age of building/ Tenure	Condition/ Restriction in interest	Encumbrances on property	Audited net book value as at 30 June 2004 (RM'000)
ECM								
Bearing postal address: Lot 11, Jalan Perusahaan Satu Kawasan Perindustrian Batu 20 Jalan Rawang 48000 Rawang Selangor Darul Ehsan^	Vacant industrial land	122,407	N/A	N/A	Leasehold for 99 years from the date of individual land title to be issued	Not available	Charged to Hong Leong Bank Berhad	2,446
H.S.(D) 28271, P.T. No. 10343 Mukim Rawang, Daerah Gombak Selangor Darul Ehsan*	Industrial land with factory and office building erected thereon#	87,121	94,500	20.12.1993	11 years/ Freehold	The property must be used for industrial purpose only	Charged to United Overseas Bank (Malaysia) Bhd	4,688
Bearing postal address: Lot 21, Jalan RP3 Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan								

8. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

8.2 Properties (Cont'd)

Name of registered owner/ Location	Description/ Existing use	Land area (sq. ft.)	Built- up area (sq. ft.)	Date of certificate of fitness	Approximate age of building/ Tenure	Condition/ Restriction in interest	Encumbrances on property	Audited net book value as at 30 June 2004 (RM'000)
ESI								
H.S.(D) 28285, P.T. No. 10357 Mukim Rawang, Daerah Gombak Selangor Darul Ehsan	Industrial land with factory and office building erected thereon [#]	82,657	63,938	13.11.1997	7 years/ Freehold	The property must be used for industrial purpose only	Charged to United Overseas Bank (Malaysia) Bhd	5,954
Bearing postal address: Lot 15, Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan								

Notes:

[^] The master title of the land has not been sub-divided yet.

* ECM is the owner of the building erected on the land. On 16 April 2004, ECM entered into a sale and purchase agreement with ECH to acquire the land (on which the building was erected) for a cash consideration of RM2,000,000. The acquisition of the land was completed on 19 July 2004 and the net book value as at 30 June 2004 reflects the building cost only.

These properties have temporary extensions which do not have the relevant approval. EHB had, on 18 October 2004, provided an undertaking letter to the SC to obtain temporary permits from the relevant authority(ies) for the extensions to these properties within six (6) months from the date of listing of the Company and to ensure that such temporary permits remain valid until the extensions are dismantled. In the event that such permits are not procured from the relevant authority(ies) within the stipulated time, EHB will dismantle the aforementioned extensions immediately.

9. FINANCIAL INFORMATION

9.1 Historical Financial Information

The following is a summary of the proforma consolidated results of EHB for the past five (5) financial years ended 31 December 1999 to 2003 and the six (6)-month period ended 30 June 2004, and are provided for illustration purposes based on the audited financial statements of the subsidiaries of EHB, prepared on the assumption that the existing group structure of EHB had been in existence throughout the financial years/period under review:

	<----- Years ended 31 December----->					6 months
	1999	2000	2001	2002	2003	ended 30 June 2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	24,494	31,775	28,435	40,372	52,922	28,379
EBITDA	6,200	5,966	5,993	7,475	9,575	4,896
Finance cost	(1,381)	(1,469)	(1,236)	(1,177)	(1,080)	(429)
Depreciation	(1,512)	(1,602)	(1,667)	(1,847)	(2,259)	(1,363)
Amortisation	-	-	-	-	-	-
PBT	3,307	2,895	3,090	4,451	6,236	3,104
Taxation	(94)	(721)	(624)	(1,291)	(1,609)	(417)
PAT	3,213	2,174	2,466	3,160	4,627	2,687
No. of ordinary shares in issue ('000) ^	60,750	60,750	60,750	60,750	60,750	60,750
Gross EPS (sen) #	5.4	4.8	5.1	7.3	10.3	*10.2
Net EPS (sen) #	5.3	3.6	4.1	5.2	7.6	*8.8
Net dividend rate (%)	-	-	-	-	-	-

Notes:

* *Annualised.*

^ *Based on the number of ordinary shares assumed in issue after the Acquisitions and Rights Issue but before the Public Issue.*

The gross and net EPS have been calculated by dividing PBT and PAT respectively for the financial years/period by the number of ordinary shares assumed in issue.

1. *There were no exceptional or extraordinary items, share of profits/losses from associated company and joint ventures and minority interest during the financial years/period under review.*
2. *Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation. The change in accounting policy has been applied retrospectively and comparatives have been restated.*

Further details on the Group's historical performance are set out in Section 10 of this Prospectus.

9. FINANCIAL INFORMATION *(Cont'd)*

9.2 Segmental Analysis of Financial Information

	←----- Years ended 31 December ----->					6 months
	1999	2000	2001	2002	2003	ended 30 June
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
<i>Revenue</i>						
<i>Local</i>						
▪ Project	17,822	21,807	17,540	25,457	27,345	9,774
▪ Others	2,257	2,959	3,334	3,287	3,766	2,334
	20,079	24,766	20,874	28,744	31,111	12,108
<i>Export</i>						
▪ Project	1,298	2,924	4,795	7,725	17,744	13,029
▪ Others	3,117	4,085	2,766	3,903	4,067	3,242
	4,415	7,009	7,561	11,628	21,811	16,271
Total	24,494	31,775	28,435	40,372	52,922	28,379

The Group's revenue increased in 2000 by 30% to RM31.8 million mainly due to the securing of the major contracts supplying mainly open plan system for Putrajaya offices. Notwithstanding a higher revenue generated during the year, gross margin decreased mainly attributed to sale of lower margin products during the year and consequently, the Group showed an overall lower pre-tax profit of RM2.9 million for the year.

In 2001, revenue decreased to RM28.4 million from RM31.8 million achieved in the previous year as a result of lower revenue from project sales. Despite the decrease in revenue, the Group registered an increase in the pre-tax profit to RM3.1 million due to lower operating expenses incurred during the year.

Revenue increased to RM40.4 million in 2002 mainly attributed to contribution from the local market as the Group secured major contracts to supply and install system furniture and chairs. In addition, export sales also increased as the Group made inroads to overseas market. In tandem with the higher revenue, pre-tax profit increased to RM4.5 million.

Revenue for the financial year ended 31 December 2003 continued to grow on the back of the growing demand from export market where the Group has established itself as one of the main high end suppliers for system furniture and chairs. The growing demand from the local projects which the Group had managed to secure further contributed to the increase in revenue during the year. On the back of higher revenue and gross margins, the pre-tax profit increased to RM 6.2 million in 2003.

Revenue for the six (6)-month period ended 30 June 2004 increased by 7% on an annualised basis, as compared to that achieved in the previous year. The increase is in line with the growing demand from the established export market mainly from India, Singapore and the region of South East Asia.

The lower effective tax rate for the financial years/period under review as compared to the statutory tax rate was due to the utilisation of investment tax allowances, reinvestment allowances, unabsorbed tax losses and capital allowances.

9. FINANCIAL INFORMATION *(Cont'd)*

9.3 Factors Affecting Financial Performance, Position and Operations of the Group

Save as disclosed in Section 3 of this Prospectus, the financial performance, position and operations of the Group are not materially affected by any of the following:

- (i) Known trends, demands, commitments, events or uncertainties that have had, will result in or are reasonably likely to have a material favourable or unfavourable impact on financial performance, position and operations of the Group;
- (ii) Material commitments for capital expenditure;
- (iii) Unusual or infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Group;
- (iv) Substantial increase in revenue attributed to prices, volume, or the introduction of new products services; and
- (v) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical statements not indicative of future financial performance and position.

9.4 Working Capital, Borrowings, Material Litigation, Contingent Liabilities and Material Capital Commitments

(i) Working Capital

The Directors of the Company are of the opinion that after taking into account the cash flow position including the proceeds from the Rights Issue and Public Issue and the banking facilities available, the EHB Group has adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(ii) Borrowings

As at 6 December 2004, the total bank borrowings of the Group comprising term loans, overdraft and other banking facilities, all of which are domestic borrowings and are interest bearing, are as follows:

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Bills payable*	1,483	-	1,483
Bank overdraft*	295	-	295
Hire purchase	1,132	1,291	2,423
Term loan	545	98	643
	3,455	1,389	4,844

* *Approximately RM3.5 million have been repaid via proceeds from the Rights Issue.*

Save as disclosed above, the Group does not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding, convertible debt outstanding, guarantees or other borrowings on that date.

9. FINANCIAL INFORMATION (Cont'd)

There have been no default on payments of either interest and/or principal sums in respect of any borrowings throughout the past financial year ended 31 December 2003 or the subsequent financial period thereof, immediately preceding the date of this Prospectus.

(iii) Material Litigation

As at 6 December 2004, neither EHB nor its subsidiaries is engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors of the Company have no knowledge of any proceedings pending or threatened against the Company and its subsidiaries or any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company and its subsidiaries.

(iv) Contingent Liabilities

As at 6 December 2004, the Directors of EHB are not aware of any contingent liabilities, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

(v) Material Capital Commitments

Save as disclosed below, as at 6 December 2004, the Group has not contracted any capital commitments, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group:

Purchase of fixed assets comprising machinery and equipment	RM'000 <u>1,661</u>
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9.5 Consolidated Profit Estimate and Forecast and Assumptions

The Directors of EHB forecast that, barring unforeseen circumstances, the consolidated profit before and after taxation of the Group for the financial years ending 31 December 2004 and 31 December 2005 will be as follows:

Years ending 31 December	Estimate 2004 RM'000	Forecast 2005 RM'000
Consolidated profit before tax	7,985	9,657
Taxation	(2,111)	(2,830)
Consolidated profit after tax	5,874	6,827
Pre-acquisition profit ¹	(3,698)	-
Consolidated profit after tax and pre-acquisition profit	<u>2,176</u>	<u>6,827</u>
Weighted average number of shares assumed in issue ² ('000)	18,677	79,313
Net EPS (sen)	11.65	8.61

Notes:

1. The Acquisitions were completed on 1 October 2004 and the pre-acquisition profit relates to profit generated for the period from 1 January 2004 to 30 September 2004.
2. On the assumption that the Public Issue is completed at the end of January 2005.

9. FINANCIAL INFORMATION (Cont'd)

The principal bases and assumptions upon which the consolidated profit estimate and forecast have been made are as follows:

1. There will be no significant changes in the prevailing political conditions in Malaysia and elsewhere that may affect the Malaysian economy which in turn may directly or indirectly affect the activities or performance of the Group and the business of the Group's major customers and suppliers.
2. There will be no significant changes in the present legislation or government regulations, rates and bases of duties, levies and taxes which will adversely affect the activities of the Group or the market in which the Group operates.
3. There will be no significant changes in the cost of raw materials, labour and overheads.
4. There will be no major breakdown or disruption of manufacturing facilities, major industrial disputes or any abnormal factors of changes, both domestic and abroad, which will affect the Group's operations.
5. There will be no significant delays in projects implementation as all projects will be implemented as scheduled.
6. There will be no significant changes in the structure and principal activities of the Group.
7. There will be no significant changes in the present management structure, operating and accounting policies adopted by the Group.
8. The estimate and forecast sales volume will be achieved and there will be no significant changes in the margins for the trading activities and collections will be received in accordance to the estimate and forecast.
9. The estimate and forecast capital expenditure will not deviate materially from the original plan.
10. Financing facilities will be available to the Group at the prevailing interest rates as and when required.
11. The fluctuations of the foreign currencies will have minimal impact on the operations of the Group as RM has been pegged at RM3.80 against USD1.00.

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9. FINANCIAL INFORMATION *(Cont'd)*

9.6 Reporting Accountants' Letter on the Consolidated Profit Estimate and Forecast

(Prepared for inclusion in this Prospectus)



HALS & Associates

(AF 0755)

Chartered Accountants

20 DEC 2004

The Board of Directors
Euro Holdings Berhad
Suite 1603, 16th Floor
Wisma Lim Foo Yong
86 Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs

EURO HOLDINGS BERHAD CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2004 AND 2005

We have reviewed the consolidated profit estimate and forecast of Euro Holdings Berhad ("the Company") and its subsidiary companies ("the Group") for the years ending 31 December 2004 and 2005 as set out in Section 9.5 of this Prospectus in accordance with the standard applicable to the review of forecasts. The estimate and forecast have been prepared for inclusion in the Prospectus in connection with the public issue and subsequent listing of and quotation for the entire issued and paid up share capital of the Company on the Second Board of the Bursa Malaysia Securities Berhad and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the estimate and forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the period ended 30 June 2004. The Directors of the Company are solely responsible for the preparation and presentation of the estimate and forecast and the assumptions on which the estimate and forecast are based.

Estimate and Forecasts, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and forecast since anticipated events frequently do not occur as expected and the variation could be material.

Suite 1602, 16th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur
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Tel: 03-2732 0322 Fax: 03-2142 3116


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9. FINANCIAL INFORMATION (Cont'd)


Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in Section 9.5 of this Prospectus, do not provide a reasonable basis for the preparation of the consolidated profit estimate and forecast; and
- (ii) in our opinion, the profit estimate and forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Company in its audited financial statements for the period ended 30 June 2004.

Yours faithfully



HALS & ASSOCIATES
A.F. 0758
CHARTERED ACCOUNTANTS



SUBRAMANIAM SANKAR
Bil 925/02/06 (J/PH)
Partner

9. FINANCIAL INFORMATION *(Cont'd)*

9.7 Directors' Commentary on Profit Estimate and Forecast

For the financial year ending 31 December 2004, the EHB Group is estimated to achieve a revenue of RM70.7 million. This represents an increase of approximately 34% over the total revenue achieved in the previous year of approximately RM52.9 million.

The Directors envisage that the increase in the Group's revenue for financial year ending 31 December 2004 will mostly be contributed by the local sales, estimated at RM39.0 million. This represents an increase of RM7.9 million or approximately 25%. For the period ended 30 June 2004, the Group has submitted tenders for projects with total contract values of RM53.0 million. Meanwhile, projects which are secured in the previous financial year and are currently on-going are expected to contribute RM6.8 million to current year revenue.

Export sales are estimated to increase by 45% or RM9.9 million to RM31.7 million. The Group anticipates that India will be the largest contributing market in its international sales division, with sales estimated at RM11 million. For the six (6) months ended 30 June 2004, the Group has secured contracts from customers in India totalling approximately RM5.9 million.

On the back of higher revenue and gross profit, the Directors estimated a consolidated PBT of approximately RM8.0 million for the financial year ending 31 December 2004, representing an increase of 28% or RM1.7 million over that achieved in 2003. Consequently, PAT is expected to improve from RM4.6 million in 2003 to RM5.9 million. The effective tax rate for the Group during the year is estimated to be lower than the statutory rate due to the availability of reinvestment allowances.

For the financial year ending 31 December 2005, the EHB Group is forecast to achieve a revenue of RM82.5 million, representing an increase of approximately 17% over that estimated for 2004. The majority of the forecast revenue is anticipated to be contributed by local sales, forecast at RM43.0 million, whilst export sales are forecast to increase to RM39.5 million. The Directors envisage that India will continue to be a major contributing market to the Group's export sales. Revenue growth is in line with the Group's strategy to strengthen its presence in its existing export markets in Asia Pacific and broaden its earnings by penetrating into newer markets such as North America, South and Central America, the African region and Europe. In tandem with the higher revenue, the Directors forecast a consolidated PBT and PAT of approximately RM9.7 million and RM6.8 million respectively for the financial year ending 31 December 2005.

The Directors have reviewed the consolidated profit estimate and forecast of EHB for the financial year ending 31 December 2004 and 31 December 2005, respectively, based on the assumptions referred to in Section 9.5 of this Prospectus. The Directors are of the opinion, after due and careful enquiry, that the consolidated profit estimate and forecast of EHB is fair and reasonable in light of the prospects of the furniture industry in which it operates and the future plans and prospects of Group as set out in Section 4.9 of this Prospectus. Due to the subjective judgements and inherent uncertainties of the consolidated profit estimate and forecast and as events and circumstances frequently do not occur as expected, there can be no assurance that the consolidated profit estimate and forecast contained herein will be realised and actual results may be materially different from the estimate and forecast.

9. FINANCIAL INFORMATION (Cont'd)

9.8 Sensitivity Analysis

The following sensitivity analysis is prepared based on the estimate and forecast assumptions as set out in Section 9.5 of this Prospectus and attempts to show the impact on the estimate and forecast consolidated profits assuming all other things remain unchanged except for 5% and 10% upward and downward variations in the selling price and cost of raw materials. Notwithstanding the impact of the variations in revenue and cost of raw materials, there may exist other factors which have not been taken into account, which variations may have a significant impact, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows:

(a) Variation in selling price

Financial years ending 31 December	2004		2005	
	PBT RM'000	PAT RM'000	PBT RM'000	PAT RM'000
As estimated / forecasted	7,985	5,874	9,657	6,827
Increase by 5%	11,520	8,419	13,782	9,797
Increase by 10%	15,055	10,964	17,907	12,767
Decrease by 5%	4,450	3,329	5,532	3,857
Decrease by 10%	915	784	1,407	887

(b) Variation in cost of raw materials

Financial years ending 31 December	2004		2005	
	PBT RM'000	PAT RM'000	PBT RM'000	PAT RM'000
As estimated / forecasted	7,985	5,874	9,657	6,827
Increase by 5%	6,062	4,489	7,417	5,214
Increase by 10%	4,139	3,105	5,176	3,601
Decrease by 5%	9,908	7,259	11,897	8,440
Decrease by 10%	11,831	8,643	14,138	10,053

The Directors have assessed the sensitivity of the profit estimate and forecast of the EHB Group taking into consideration the fluctuation in major variables as mentioned above. The Directors are of the view that the sensitivity analysis on the Group's profit estimate and forecast is fair and reasonable.

9.9 Dividend Estimate and Forecast

The Directors of EHB intend to pursue a dividend policy in line with its profitability which would allow shareholders to participate in the profits of the Group while at the same time leaving sufficient reserves for the future growth of the Group.

The Directors are of the opinion that it would be more beneficial for the EHB Group to conserve excess cash flow for the expansion of the Group and accordingly, do not intend to declare any dividends for the financial years ending 31 December 2004 and 31 December 2005.

9. FINANCIAL INFORMATION (Cont'd)

9.10 Proforma Consolidated Balance Sheets

The proforma consolidated balance sheets of EHB as at 30 June 2004, assuming that the Public Issue had been completed as at that date, together with the detailed assumptions underlying its preparation are set out in the Accountants' Report in Section 10 of this Prospectus. The following table shows a summary of the proforma consolidated balance sheets of EHB made up to 30 June 2004:

	Audited as at 30 June 2004 RM'000	Proforma (I) RM'000	Proforma (II) RM'000	Proforma (III) RM'000	Proforma (IV) RM'000
Fixed Assets	-	21,551	21,551	21,551	29,551
CURRENT ASSETS					
Stocks	-	7,020	7,020	7,020	7,020
Trade debtors	-	18,153	18,153	18,153	18,153
Other debtors	412	2,640	2,640	2,640	2,640
Amount due from directors	-	882	882	882	882
Tax recoverable	-	228	228	228	228
Fixed deposits	-	200	200	200	200
Cash and bank balances	~	579	7,659	22,847	5,247
	412	29,702	36,782	51,970	34,370
CURRENT LIABILITIES					
Trade creditors	-	7,334	7,334	7,334	7,334
Other creditors and accruals	4	2,843	2,843	2,843	2,843
Amount due to related company	415	-	-	-	-
Hire purchase creditors	-	1,133	1,133	1,133	1,133
Bank borrowings	-	11,685	11,685	11,685	3,685
Provision for taxation	-	128	128	128	128
	419	23,123	23,123	23,123	15,123
NET CURRENT (LIABILITIES) / ASSETS	(7)	6,579	13,659	28,847	19,247
	(7)	28,130	35,210	50,398	48,798
Financed By:					
SHARE CAPITAL	*	23,295	30,375	40,500	40,500
RESERVE ON CONSOLIDATION		2,682	2,682	2,682	2,682
SHARE PREMIUM	-	403	403	5,466	3,866
ACCUMULATED LOSSES	(7)	(7)	(7)	(7)	(7)
SHAREHOLDERS' FUNDS	(7)	26,373	33,453	48,641	47,041
Hire purchase creditors	-	1,098	1,098	1,098	1,098
Term loans	-	215	215	215	215
Deferred taxation	-	444	444	444	444
	(7)	28,130	35,210	50,398	48,798
(Net liabilities) / NTA (RM)	(7)	26,373	33,453	48,641	47,041
(Net liabilities) / NTA per Share (RM)	(1,750)	0.57	0.55	0.60	0.58

~ Negligible.

* The share capital was RM2 comprising four (4) shares of RM0.50 each.

9. FINANCIAL INFORMATION (Cont'd)

Proforma I	:	Incorporates the Acquisitions
Proforma II	:	After Proforma I and Rights Issue
Proforma III	:	After Proforma II and Public Issue
Proforma IV	:	After Proforma III and utilisation of proceeds

Notes to the Proforma Consolidate Balance Sheets

The proforma consolidated balance sheets of the Company have been prepared solely to illustrate the proforma effects of the restructuring scheme on the audited consolidated balance sheets of the Company as at 30 June 2004.

1. Proforma (I)

Proforma (I) incorporates the Acquisitions which entails the following:

- (a) acquisition of 800,048 ordinary shares of RM1.00 each representing the entire equity interest in ECM for a purchase consideration of RM1,820,235 which was fully satisfied by the issuance of 3,578,620 new EHB Shares at approximately RM0.51 per Share;
- (b) acquisition of 660,012 ordinary shares of RM1.00 each representing the entire equity interest in ECS for a purchase consideration of RM10,080,899 which was fully satisfied by the issuance of 19,819,259 new EHB Shares at approximately RM0.51 per Share;
- (c) acquisition of 2,000,000 ordinary shares of RM1.00 each representing the entire equity interest in ESI for a purchase consideration of RM6,462,501 which was fully satisfied by the issuance of 12,705,413 new EHB Shares at approximately RM0.51 per Share;
- (d) acquisition of 200,000 ordinary shares of RM1.00 each representing the entire equity interest in ESS for a purchase consideration of RM5,334,373 which was fully satisfied by the issuance of 10,487,489 new EHB Shares at approximately RM0.51 per Share; and
- (e) acquisition of 2 ordinary shares of RM1.00 each representing the entire equity interest in ECSB for a cash consideration of RM2.

The total purchase consideration of RM23,698,010 for the Acquisitions was arrived at based on the aggregate audited NTA of the acquiree companies as at 31 December 2003.

Proforma (II)

Proforma (II) incorporates Proforma (I) and the renounceable rights issue of 14,159,215 new EHB Shares at par.

Proforma (III)

Proforma (III) incorporates Proforma (I) and (II) and the proposed public issue of 20,250,000 new EHB Shares at an issue price of RM0.75 per Share.

9. FINANCIAL INFORMATION (Cont'd)

Proforma (IV)

Proforma (IV) incorporates Proforma (I) to (III) and the utilisation of the gross proceeds of RM22,267,107 as follows:

Utilisation	RM'000
Construction of new plant	5,000
Purchase of machinery, moulds and tools	3,000
Repayment of borrowings	8,000
Working capital	4,667
Estimated listing expenses	1,600
	<u>22,267</u>

The estimated listing expenses of RM1.6 million have been set off against share premium account.

2. Share Capital

	RM'000
Share capital as at 30 June 2004	*
Issued pursuant to the Acquisitions	23,295
Issued pursuant to the Rights Issue	7,080
Proforma (II)	30,375
Proposed Public Issue	10,125
Proforma (III) and (IV)	<u>40,500</u>

* *The share capital was RM2 comprising 4 shares of RM0.50 each*

3. Share Premium

	RM'000
As at 30 June 2004	-
Arising from the Acquisitions	403
Arising from the Proposed Public Issue	5,063
Proforma (III)	5,466
Estimated listing expenses	(1,600)
Proforma (IV)	<u>3,866</u>

4. The proforma consolidated balance sheets have been prepared on the accounting principles and bases consistent with those normally adopted in the preparation of audited consolidated financial statements of the Group.

9. FINANCIAL INFORMATION *(Cont'd)*

9.11 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets

(Prepared for inclusion in this Prospectus)



20 DEC 2004

The Board of Directors
Euro Holdings Berhad
Suite 1603, 16th Floor
Wisma Lim Foo Yong
86 Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs

EURO HOLDINGS BERHAD PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004

We have reviewed the presentation of the proforma consolidated balance sheets of Euro Holdings Berhad ("the Company") and its subsidiary companies ("the Group") as at 30 June 2004, together with the notes thereto, for which the Directors are solely responsible, as set out in Section 9.10 of this Prospectus, in connection with the public issue and subsequent listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of Bursa Malaysia Securities Berhad.

In our opinion,

- (i) the proforma consolidated balance sheets, which are prepared for illustrative purposes only, have been properly compiled on the bases as set out in the notes to the proforma consolidated balance sheets;
- (ii) the bases are consistent with the accounting policies normally adopted by the Group; and
- (iii) the adjustments are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully

HALS & ASSOCIATES
AF 0755
Chartered Accountants

SUBRAMANIAM SANKAR
No 925/02/06 (J/PH)
Partner

Suite 1603, 16th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur
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