

EURO HOLDINGS BERHAD

(Company No. 646559-T)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.10 RM'000	Preceding Year Corresponding Quarter 30.06.09 RM'000	Current Year To Date 30.06.10 RM'000	Preceding Year Corresponding Period 30.06.09 RM'000
Continuing Operations:				
Revenue	20,744	15,385	43,680	27,784
Cost of sales	(17,460)	(11,929)	(37,249)	(22,104)
Gross Profit	<u>3,284</u>	<u>3,456</u>	<u>6,431</u>	<u>5,680</u>
Other Income	295	63	444	138
Operating expenses	(4,884)	(4,170)	(10,162)	(8,401)
Finance costs	(267)	(232)	(502)	(431)
Loss before taxation	<u>(1,572)</u>	<u>(883)</u>	<u>(3,789)</u>	<u>(3,014)</u>
Taxation	262	309	727	824
Loss for the period	<u>(1,310)</u>	<u>(574)</u>	<u>(3,062)</u>	<u>(2,190)</u>
Other Comprehensive Income ("OCI")	-	-	-	-
Total Comprehensive Loss for the period, attributable to Equity holders of the Company	<u>(1,310)</u>	<u>(574)</u>	<u>(3,062)</u>	<u>(2,190)</u>
Loss per share				
- Loss per share (sen)	<u>(1.62)</u>	<u>(0.71)</u>	<u>(3.78)</u>	<u>(2.70)</u>

Notes:

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

EURO HOLDINGS BERHAD

(Company No. 646559-T)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

(The figures have not been audited)

	(Unaudited) As At End of Current Quarter 30.06.10 RM'000	(Audited) As At End of Preceding Financial Year 31.12.09 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	66,274	66,518
Deferred tax asset	2,028	1,333
	<u>68,302</u>	<u>67,851</u>
Current assets		
Inventories	17,068	13,873
Trade receivables	24,624	24,208
Other receivables	1,884	1,009
Tax recoverable	1,085	782
Foreign currency forward contracts	49	-
Fixed deposit	234	232
Short term funds	551	841
Cash and cash at bank	5,939	4,728
	<u>51,434</u>	<u>45,673</u>
TOTAL ASSETS	<u>119,736</u>	<u>113,524</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	40,500	40,500
Share premium	3,844	3,844
Retained earnings	20,413	23,469
Shareholders' equity	<u>64,757</u>	<u>67,813</u>
Non-current liabilities		
Loans and borrowings	19,828	20,266
Current liabilities		
Trade payables	14,738	11,136
Other payables	9,547	6,698
Dividend payable	5	8
Amount due to directors	54	28
Provision for taxation	122	147
Short term borrowings	10,685	7,428
	<u>35,151</u>	<u>25,445</u>
Total liabilities	<u>54,979</u>	<u>45,711</u>
TOTAL EQUITY AND LIABILITIES	<u>119,736</u>	<u>113,524</u>
Net Assets Per Share (RM)	0.80	0.84

Notes:

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying

explanatory notes attached to the interim financial statements.

(Company No. 646559-T)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010
(The figures have not been audited)**

	Current Year Period ended 30.06.10 RM'000	Preceding Year Period ended 30.06.09 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(3,789)	(3,014)
Adjustments for :		
Non-cash items	2,243	2,387
Non-operating items	153	282
Operating loss before working capital changes	<u>(1,393)</u>	<u>(345)</u>
Inventories	(3,195)	1,501
Trade and other receivables	(1,341)	3,584
Trade and other payables	8,174	(4,332)
Cash generated from operations	<u>2,245</u>	<u>408</u>
Interest received	13	23
Interest paid	(347)	(306)
Tax refund	184	-
Tax paid	(480)	(627)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	<u>1,615</u>	<u>(502)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,678)	(12,411)
Proceeds from disposal of property, plant and equipment	537	
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,141)</u>	<u>(12,411)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Fixed deposit pledged	(2)	(4)
Repayment of hire purchase payables	(1,131)	(839)
Repayment of term loans	(299)	(602)
Drawdown of term loan	-	10,152
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u>(1,432)</u>	<u>8,707</u>
Net decrease in cash and cash equivalents	(958)	(4,206)
Cash and cash equivalents at beginning of the year	5,060	6,867
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD*	<u>4,102</u>	<u>2,661</u>

***Cash and cash equivalents at the end of the financial period comprised the following:**

Bank overdrafts	(2,388)	(2,234)
Cash and bank balances	5,939	3,142
Fixed deposits	234	231
Short term funds	551	1,753
	<u>4,336</u>	<u>2,892</u>
Less: Fixed deposit pledged to a bank for credit facilities	(234)	(231)
	<u>4,102</u>	<u>2,661</u>

Notes:

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the annual financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2010
(The figures have not been audited)

	<---Attributable to Equity Holders of the Company--->			Total Equity RM'000
	Share Capital RM'000	Non-distributable Share Premium RM'000	Distributable Retained Earnings RM'000	
At 1 January 2010	40,500	3,844	23,468	67,812
Effects of applying FRS 139	-	-	7	7
At 1 January 2010, as restated	40,500	3,844	23,475	67,819
Total comprehensive loss for the period	-	-	(3,062)	(3,062)
At 30 June 2010	40,500	3,844	20,413	64,757
At 1 January 2009	40,500	3,844	28,601	72,945
Total comprehensive loss for the period	-	-	(2,190)	(2,190)
At 30 June 2009	40,500	3,844	26,411	70,755

Notes:

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

EURO HOLDINGS BERHAD

(Company No. 646559-T)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - 2ND QUARTER ENDED 30 JUNE 2010

A1. Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134, Interim Financial Reporting and Paragraph 9.22 of the Main Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiary companies (hereinafter referred to as the "Group") since the financial year ended 31 December 2009. The condensed consolidated interim financial statements and notes thereon however do not include all of the information required for a full set of financial statements prepared in accordance with FRSs and should be read in conjunction with the annual consolidated financial statements of Euro Holdings Berhad ("EURO" or the "Company") for the financial year ended 31 December 2009.

A2. Significant Accounting Policies

The significant accounting policies, methods of computation and basis of consolidation applied in the unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual audited financial statements of the Group for the financial year ended 31 December 2009, except for the following:

Adoption of New and Revised FRSs, IC Interpretations and Amendments

In the current period ended 30 June 2010, the Group adopted the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC interpretations which are applicable to its financial statements and relevant operations:

FRSs, IC interpretations and Amendments to FRSs and IC Interpretations

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (Revised)	Presentation of Financial Statements
FRS 123 (Revised)	Borrowing Costs
FRS 132 (Revised)	Financial Instruments: Presentation
FRS 139 (Revised)	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Impairment and Interim Financial Reporting
Amendments to FRS 1 and FRS 127 :	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139 and FRS 7 :	Financial Instruments: Recognition and Measurement and Financial Instruments: Disclosures

Other than for the application of FRS 101, FRS 8 and FRS 139, the application of the above FRSs, IC interpretations and Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

a) FRS 101: Presentation of Financial Statements

Prior to the revised FRS 101, the components of the financial statements presented consisted of an income statement, a balance sheet, a cashflow statement, a statement on changes in equity and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of comprehensive income, a statement of financial position, a statement of cash flows, a statement of changes in equity and notes to the financial statements.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only impacts presentation and disclosure aspects, there is no impact on earnings per ordinary share.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - 2ND QUARTER ENDED 30 JUNE 2010

b) FRS 8: Operating Statements

Prior to the adoption of FRS 8, the Group did not provide any segmental reporting as the Group is involved in a single industry segment and conducted predominantly in Malaysia. FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate the segment and to assess its performance. The Group now presents its segment information based on its market segments, which is the basis of presenting its monthly management reports.

The comparatives of the preceding year corresponding period are re-presented to conform to the current period presentation, as disclosed in Note A9.

c) FRS 139: Financial Instruments - Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments.

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the statement of financial position were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when, the Group becomes a party to the contractual provisions of the instruments. The recognition, derecognition and measurement are applied prospectively from 1 January 2010.

d) FRS 7 Financial Instruments: Disclosures

Prior to the adoption of FRS 7, the disclosures for financial instruments were based on the requirements of the original FRS 132, Financial Instruments: Disclosures and Presentation. With the adoption of FRS 7, financial assets and financial liabilities are disclosed in the statement of financial position based on their respective classifications. Additional disclosures regarding fair value measurements are required in the year end financial statements.

A3. Auditors' Report

The auditors' report on the financial statements for the financial year ended 31 December 2009 was not qualified.

A4. Seasonal and Cyclical Factors

Sales have been historically higher in the second half of the year than the first due to increase in projects during that period.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and period ended 30 June 2010.

A6. Material Changes in Estimates of Amounts Reported

There were no material changes in accounting estimates that have a material effect in the current quarter results.

A7. Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayment of debts and equity securities for the current quarter and period ended 30 June 2010.

A8. Dividends Paid

No dividends were paid by the Company in the current quarter and period ended 30 June 2010.

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(Company No. 646559-T)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - 2ND QUARTER ENDED 30 JUNE 2010

EURO HOLDINGS BERHAD

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 2ND QUARTER ENDED 30 JUNE 2010**A9. Segmental Reporting**

Segment analysis for the current financial period ended 30 June 2010 is as follows:-

By Market Segments:

	Local	Exports	Total
	RM'000	RM'000	RM'000
Revenue	15,215	28,465	43,680
	35%	65%	
Results			
Segment Results	(2,060)	(1,479)	(3,539)
Unallocated corporate expenses			(250)
Loss before taxation			(3,789)

Segment analysis for the previous financial period ended 30 June 2009 was as follows:-

	Local	Exports	Total
	RM'000	RM'000	RM'000
Revenue	14,197	13,587	27,784
	51%	49%	
Results			
Segment Results	(233)	(2,437)	(2,670)
Unallocated corporate expenses			(344)
Loss before taxation			(3,014)

A10. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment in the quarter and period ended 30 June 2010. The valuation of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2009.

A11. Material Events Subsequent to the End of the Year

There were no material events between the end of the period and the date of this report that have not been reflected in the financial statements for the period.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period under review, except for the following:-

On 1 March 2010, the Company acquired the entire issued and paid up share capital of Eurosteel System Sdn Bhd ("ES") and Eurosteel Line Sdn Bhd (companies incorporated in Malaysia) for a cash consideration of RM 2 each. Both the companies became wholly owned subsidiaries of the Company with effect from that date. Subsequently, on 11 March 2010, ES increased its share capital from RM 2 to RM 250,000 by way of new allotment of 249,998 new ordinary shares of RM 1.00 each at par for cash consideration. There is no change to the shareholding structure subsequent to the event.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - 2ND QUARTER ENDED 30 JUNE 2010

A13. Contingent Liabilities and Contingent Assets

The Group has no material contingent liabilities and contingent assets since the quarter and financial period ended 30 June 2010 to 19 August 2010, being a date not earlier than 7 days from the date of this report, save for the following :

<u>Company</u>	As at 19.08.10 RM'000
<u>Contingent Liabilities (Unsecured)</u>	
- Corporate guarantees to financial institutions for credit facilities granted to subsidiary companies	<u>73,533</u>

A14. Capital Commitments

	As at 30.06.10 RM'000
Property, plant and machinery	
Contracted but not provided for	<u>1,820</u>

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(Company No. 646559-T)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - 2ND QUARTER ENDED 30 JUNE 2010**PART B : ADDITIONAL INFORMATION REQUIRED BY APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B1. Review of Performance**

	Current Quarter ended 30.06.10 RM'Million	Preceding Year Corresponding Quarter ended 30.06.09 RM'Million	Current Period ended 30.06.10 RM'Million	Preceding Year Corresponding Period ended 30.06.09 RM'Million
Revenue	20.7	15.4	43.7	27.8
Loss before taxation	(1.6)	(0.9)	(3.8)	(3.0)

The Group registered a revenue of RM 20.7 million for the quarter ended 30 June 2010 as compared to RM 15.4 million for the same corresponding quarter in 2009. More projects were secured, notably from overseas. However, the recovery process continued to be slow. Quarterly revenue had not reached the usual level achieved before the economy downturn in 2008.

The Group recorded a loss before taxation of RM 3.8 million for the period ended 30 June 2010 as compared to a loss of RM 3.0 million in the same corresponding period ended 30 June 2009, even though higher sales were recorded. Prices were affected as customers remained cost conscious due to the continued uncertainty of the current economy. This had resulted in lower margin which had adversely affected the Group's profitability.

B2. Variation of Results Against Preceding Quarter

	Current Quarter ended 30.06.10 RM'Million	Preceding Quarter ended 31.03.10 RM'Million
Revenue	20.7	22.9
Loss before taxation	(1.6)	(2.2)

The Group achieved a revenue of RM 20.7 million, decreased by 9.6% from RM 22.9 million posted in the previous quarter. The first quarter revenue was higher as some overseas projects secured in 2009 were only completed then due to delay by the customers. In spite of a lower revenue, loss for the quarter reduced as a result of better margin for certain projects as compared to the previous quarter.

B3. Current Year Prospects

With the uncertainties in the global world economic environment, the Group expects revenue to remain at the current level for the remainder part of the year. However, the Group will increase its marketing efforts to secure and develop new long term overseas customers. In addition, the Group will also focus on improving the product margin by taking appropriate measures in realignment of its production processes and increase its product simplification efforts.

B4. Variance of Actual and Forecast Profit

Not applicable as there is no profit forecast or profit guarantee issued.

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(Company No. 646559-T)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - 2ND QUARTER ENDED 30 JUNE 2010**B5. Corporate Proposal**

There were no corporate proposals announced but not completed as at 19 August 2010, being a date not earlier than 7 days from the date of this report.

B6. Taxation

	Current Year Quarter ended 30.06.10 RM'000	Preceding Year Corresponding Quarter ended 30.06.09 RM'000	Current Period ended 30.06.10 RM'000	Preceding Year Period ended 30.06.09 RM'000
Current taxation				
- current	5	351	78	479
- prior year	(110)	-	(110)	-
	<u>(105)</u>	<u>351</u>	<u>(32)</u>	<u>479</u>
Deferred taxation				
- current	(231)	(660)	(769)	(1,303)
- prior year	74	-	74	-
	<u>(157)</u>	<u>(660)</u>	<u>(695)</u>	<u>(1,303)</u>
Total	<u>(262)</u>	<u>(309)</u>	<u>(727)</u>	<u>(824)</u>

The effective tax rate for the current quarter and period ended 30 June 2010 were higher than the statutory income tax rate primarily due to non-allowable expenses.

B7. Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investments and/or properties for the current quarter and financial period ended 30 June 2010.

B8. Purchase or Disposal of Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter and financial period ended 30 June 2010.

B9. Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 2010 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<i>Secured</i>			
Overdrafts	2,388	-	2,388
Bills payables	6,325	-	6,325
Term loans	622	17,907	18,529
Hire purchase payables	1,350	1,921	3,271
	<u>10,685</u>	<u>19,828</u>	<u>30,513</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

EURO HOLDINGS BERHAD

(Company No. 646559-T)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - 2ND QUARTER ENDED 30 JUNE 2010**B10. Derivative Financial Instruments**

With the adoption of FRS 139, financial derivatives are recognised on their respective contract dates. The related accounting policies are disclosed in note A2(c) in the section on Notes to the Interim Financial Statements.

Details of the outstanding derivative financial instruments of the Group as at 30 June 2010 are as follows:

<u>Type of instruments</u>	<u>Contract/Notional</u>	<u>Value as at</u>	<u>Fair Value Gain</u>
	<u>Amount</u>	<u>31 March 2010</u>	
	RM'000	RM'000	RM'000
Foreign currency forward contracts			
- Less than 1 year	3,536	3,487	49

The currency forward contracts are transacted with the Group's bankers. Credit risk for non-performance by the counterparties in these instruments is low.

B11. Material Litigation

The Group does not have any material litigation as at the date of this report.

B12. Dividend

No dividend has been proposed or declared for the financial period ended 30 June 2010 (30 June 2009: Nil).

B13. Earnings Per Share

The basic earnings per share for the quarter ended 30 June 2010 is computed as follows:-

	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter ended	Corresponding	Period ended	Period ended
	30.06.10	Quarter ended	30.06.10	30.06.09
		30.06.10		
Loss for the year, attributable to ordinary shareholders of the Company (RM'000)	(1,310)	(574)	(3,062)	(2,190)
Weighted average number of shares of RM0.50 each in issue ('000)	81,000	81,000	81,000	81,000
Loss Per Share (sen)	(1.62)	(0.71)	(3.78)	(2.70)

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the financial period ended 30 June 2010.

By order of the Board
EURO HOLDINGS BERHAD

Tai Keat Chai

Company Secretary
(MIA 1688)

Date: 26 August 2010

EURO HOLDINGS BERHAD
(Company No. 646559-T)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - 2ND QUARTER ENDED 30 JUNE 2010