

EUROSPAN HOLDINGS BERHAD (351927-M)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2016

	(Unaudited) 31-May-16 RM'000	(Audited) 31-May-15 RM'000
ASSETS		
Property, plant and equipment	23,541	22,720
Other investments	5,654	8,827
Total non-current assets	<u>29,195</u>	<u>31,547</u>
Inventories	13,348	12,128
Trade and other receivables	5,671	4,038
Current tax assets	261	171
Cash and cash equivalents	10,421	11,823
Total current assets	<u>29,701</u>	<u>28,160</u>
TOTAL ASSETS	<u><u>58,896</u></u>	<u><u>59,707</u></u>
EQUITY		
Share capital	44,421	44,421
Reserves	2,777	2,734
Total equity attributable to owners of the Company	<u>47,198</u>	<u>47,155</u>
LIABILITIES		
Provision for gratuity benefit	1,243	1,139
Deferred tax liabilities	423	307
Total non-current liabilities	<u>1,666</u>	<u>1,446</u>
Borrowings	2,926	3,408
Trade and other payables	7,106	7,698
Total current liabilities	<u>10,032</u>	<u>11,106</u>
Total liabilities	<u>11,698</u>	<u>12,552</u>
TOTAL EQUITY AND LIABILITIES	<u><u>58,896</u></u>	<u><u>59,707</u></u>
Net assets per share (sen)	106.25	106.15

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015.)

(The notes set out on pages 5 to 10 form an integral part of, and, should be read in conjunction with, this interim financial report.)

EUROSPAN HOLDINGS BERHAD (351927-M)
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31-May-16 RM'000	3 months ended 31-May-15 RM'000	12 months ended 31-May-16 RM'000	12 months ended 31-May-15 RM'000
Continuing operations				
Revenue	12,064	11,542	53,429	52,708
Cost of sales	<u>(10,551)</u>	<u>(10,213)</u>	<u>(43,966)</u>	<u>(44,994)</u>
Gross profit	1,513	1,329	9,463	7,714
Selling and distribution expenses	(446)	(367)	(2,081)	(1,745)
Administrative expenses	(1,830)	(2,099)	(6,894)	(7,314)
Finance costs	(111)	(191)	(297)	(64)
Other operating expenses	(336)	121	(705)	(699)
Other incomes	<u>491</u>	<u>450</u>	<u>855</u>	<u>970</u>
(Loss)/Profit before tax	<u>(719)</u>	<u>(757)</u>	<u>341</u>	<u>(1,138)</u>
Income tax expense	<u>101</u>	<u>175</u>	<u>(130)</u>	<u>308</u>
(Loss)/Profit for the period/year	<u>(618)</u>	<u>(582)</u>	<u>211</u>	<u>(830)</u>
Other comprehensive (loss)/income for the period/year	<u>(168)</u>	<u>234</u>	<u>(168)</u>	<u>234</u>
Total comprehensive loss for the period/year	<u><u>(786)</u></u>	<u><u>(348)</u></u>	<u><u>43</u></u>	<u><u>(596)</u></u>
(Loss)/Profit attributable to :				
Owners of the Parent	(618)	(582)	211	(830)
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss)/Profit for the period/year	<u><u>(618)</u></u>	<u><u>(582)</u></u>	<u><u>211</u></u>	<u><u>(830)</u></u>
Total comprehensive loss attributable to :				
Owners of the Parent	(786)	(348)	43	(596)
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss for the period/year	<u><u>(786)</u></u>	<u><u>(348)</u></u>	<u><u>43</u></u>	<u><u>(596)</u></u>
Basic (loss)/earnings per ordinary share (sen)	(1.39)	(1.31)	0.48	(1.87)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015.)

(The notes set out on pages 5 to 10 form an integral part of, and, should be read in conjunction with, this interim financial report.)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (UNAUDITED)**

	Non Distributable				Retained profits/ losses) RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000		
Balance as at 1 June 2014	44,421	8,375	70	-	(5,115)	47,751
Total comprehensive income/(loss) for the year	-	-	-	234	(830)	(596)
Share option expired/lapsed	-	-	(70)	-	70	-
Balance as at 31 May 2015	44,421	8,375	-	234	(5,875)	47,155
Balance as at 1 June 2015	44,421	8,375	-	234	(5,875)	47,155
Total comprehensive income/(loss) for the year	-	-	-	(168)	211	43
Balance as at 31 May 2016	44,421	8,375	-	66	(5,664)	47,198

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015.)

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EUROSPAN HOLDINGS BERHAD (351927-M)
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (UNAUDITED)**

	Cumulative Quarters 12 months ended	
	31-May-16 RM'000	31-May-15 RM'000
Cash flows from operating activities		
Profit/(loss) before tax	341	(1,138)
Adjustments for :		
Depreciation on property, plant and equipment	1,641	1,606
Property, plant and equipment written-off	-	25
(Gain)/loss on disposal of property, plant and equipment	(16)	19
Interest income	(739)	(553)
Interest expense	64	64
Fair value loss on derivatives	236	362
Provision for gratuity benefit	104	1,139
Loss on disposal of other investment	78	-
Gain on foreign exchange - unrealised	(320)	(24)
Operating profit before changes in working capital	<u>1,389</u>	<u>1,500</u>
Changes in working capital :		
Increase in inventories	(1,220)	(170)
Decrease/(increase) in receivables	(1,432)	546
Decrease in payables	(853)	(2,278)
Cash flows used in operations	<u>(2,116)</u>	<u>(402)</u>
Tax paid	(103)	(682)
Interest paid	(64)	(64)
Interest received	739	553
Net cash flows used in operating activities	<u>(1,544)</u>	<u>(595)</u>
Cash flows from investing activities		
Acquisition of other investment	(99)	(4,093)
Proceeds from disposal of other investments	3,026	-
Purchase of property, plant and equipment	(2,462)	(2,532)
Proceeds from disposal of property, plant & equipment	16	221
Net cash flows generated from/(used in) investing activities	<u>481</u>	<u>(6,404)</u>
Cash flows from financing activities		
Short term borrowing repayment	(762)	(22)
Net cash flows used in financing activities	<u>(762)</u>	<u>(22)</u>
Net decrease in cash and cash equivalents	(1,825)	(7,021)
Effects of changes in exchange rates	423	236
Cash and cash equivalents at beginning of the year	<u>11,823</u>	<u>18,608</u>
Cash and cash equivalents at end of the year	<u><u>10,421</u></u>	<u><u>11,823</u></u>
Cash and cash equivalents at end of the year consist of :		
Short term funds	5,345	5,321
Cash and bank balances	5,076	6,502
	<u><u>10,421</u></u>	<u><u>11,823</u></u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015.)

(The notes set out on pages 5 to 10 form an integral part of, and, should be read in conjunction with, this interim financial report.)

EUROSPAN HOLDINGS BERHAD (351927-M)

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MAY 2016

PART A: REQUIREMENTS OF MFRS 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with MFRS 134, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements of Bursa Malaysia Securities.

This interim financial report should be read in conjunction with the Group's annual audited financial statements for the year ended 31 May 2015. These explanation notes attached to the interim financial report provides an explanation of events and transactions that are significant for an understanding of the financial position and performance of the Group since the financial year ended 31 May 2015.

The accounting policies and methods of computation adopted for the interim financial report is consistent with those adopted by the Group in the audited financial statements for the year ended 31 May 2015, except for the adoption of the following standards that are mandatory for the current financial year :

Effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 119 Defined Benefit Plans : Employee Contributions
- Annual improvements to MFRS 2010-2012 Cycle
- Annual improvements to MFRS 2011-2013 Cycle

Initial application of the above standards did not have any material impact to the financial statements of the Company.

At the date of authorization of these interim financial statements, the Group and the company have not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Company :

Effective for annual periods beginning on or after 1 January 2016

- *MFRS 14 Regulatory Deferral Accounts*
- *Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception*
- *Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations*
- *Amendments to MFRS 101 Disclosure Initiative*
- *Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation*
- *Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants*
- *Amendments to MFRS 127 Equity Method in Separate Financial Statements*
- *Annual improvements to MFRS 2012-2014 Cycle*

Effective for annual periods beginning on or after 1 January 2017

- *Amendments to MFRS 107 Disclosure Initiative*
- *Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses*

Effective for annual periods beginning on or after 1 January 2018

- *MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)*
- *MFRS 15 Revenue from Contracts with Customers*
- *Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures*

Effective for annual periods beginning on or after 1 January 2019

- *MFRS 16 Leases*

Effective date yet to be confirmed

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

The initial application of the above standards is not expected to have any material impact to the financial statements of the Company upon adoption except as mentioned below:

MFRS 15 Revenue from Contracts with Customers

- *MFRS 15* replaces the guidance in *MFRS 111 Construction Contracts*, *MFRS 118 Revenue*, *IC Int 13 Customer Loyalty Programmes*, *IC Int 15 Agreements for Construction of Real Estate*, *IC Int 18 Transfers of Assets from Customers* and *IC Int 131 Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of *MFRS 15*, it is expected that the timing of revenue recognition might be different as compared with the current practices.

MFRS 9 Financial Instruments

- *MFRS 9* replaces the guidance in *MFRS 139, Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of *MFRS 9*, financial assets will be measured at either fair value or amortised cost.

A2. Qualification of Financial Statements

The auditors' report of the preceding annual financial statements was not qualified.

A3. Seasonal or Cyclical Factors

The principal business of the Group was not significantly affected by any seasonal or cyclical factors in the current quarter.

A4. Exceptional and Extraordinary Items

There were no material items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

A5. Changes in Estimates

There were no major changes in estimates from those of the prior financial year which have a material effect in the current financial year ended 31 May 2016.

A6. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share-buy-backs, share-cancellations, shares held as treasury shares and resale of treasury shares during the current financial year ended 31 May 2016.

A7. Dividends Paid

No dividends were paid during the current financial year ended 31 May 2016.

A8. Segmental Information

The Group is principally engaged in the manufacturing and trading of furniture and wood-based products. Segmental information has therefore not been prepared as the Group's revenue and operating profit are mainly confined to one business segment.

A9. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the balance sheet date up to the date of this report.

A10. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial year ended 31 May 2016.

A11. Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at the date of this report.

A12. Capital Commitment

	As at 31-May-16 RM'000
Plant and equipment	
- contracted but not provided for	<u><u>37</u></u>

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016**

**PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED
LISTING REQUIREMENTS**

B1. Review of Performance

Current Quarter

The Group recorded revenue of RM12.06 million for the current quarter ended 31 May 2016 as compared to RM11.54 million in the preceding year corresponding quarter ended 31 May 2015. The Group recorded a loss before tax of RM0.72 million as compared to the loss before tax of RM0.76 million in the preceding year corresponding quarter.

Financial period-to-date

The Group recorded revenue of RM53.4 million for the current financial year ended 31 May 2016 reflecting an increase of RM0.7 million or 1.3% compared to the revenue of RM52.7 million in the preceding financial year. The Group registered a profit before tax of RM0.3 million compared to the loss before tax of RM1.1 million in the preceding financial year. The result was mainly due to strengthening of US Dollar against Ringgit Malaysia.

B2. Variation of Results against Preceding Quarter

The Group recorded revenue of RM12.1 million for the current financial quarter ended 31 May 2016 reflecting an increase of RM0.3 million or 2.5% compared to the revenue of RM11.8 million in the preceding quarter ended 28 February 2016. The Group registered a loss before tax of RM0.72 million compared to the profit before tax of RM0.1 million in the preceding quarter. The result was mainly due to lower selling price in the current financial quarter.

B3. Current Year Prospects

Barring any unforeseen changes in the global economic climate and market conditions, the Group will continue to be cautious on the challenge ahead. The management will continue its effort in improving its operating results.

B4. Profit Forecast

Not applicable as the Company did not provide any profit forecast.

B5. Tax Expense

	Individual Quarter		Cumulative Quarters	
	3 months ended 31-May-16 RM'000	3 months ended 31-May-15 RM'000	12 months ended 31-May-16 RM'000	12 months ended 31-May-15 RM'000
Current tax expense				
Malaysian - Current	3	(32)	13	10
- Prior years	-	(12)	-	(12)
Deferred tax expense				
Malaysian - Current	(115)	(131)	106	(305)
- Prior years	11	-	11	-
	<u>(101)</u>	<u>(175)</u>	<u>130</u>	<u>(307)</u>

The effective tax rate of the Group was higher than the statutory income tax rate for the current financial year due to deferred tax asset was not recognized by a subsidiary company. However, the effective tax rate of the Group was lower than the statutory income tax rate for the current financial quarter due to the reversal of deferred tax expenses.

B6. Status of Corporate Proposal Announced

There were no corporate proposals as at the date of this report.

B7. Group Borrowings and Debt Securities

The group borrowings and debt securities were as follows:

	31-May-16 RM'000	31-May-15 RM'000
Short term borrowings - unsecured Trust receipt	<u>2,926</u>	<u>3,408</u>

Borrowings are denominated in US Dollars.

B8. Derivative Financial Liabilities

Details of outstanding derivative financial instruments as at 31 May 2016:

Foreign Exchange Forward Contracts :	Value	Fair Value	Gain/(Loss)
Within 1 year	RM'000	RM'000	RM'000
- Used to hedge trade receivables	17,286	17,054	(232)
- Used to hedge trade payables	297	293	(4)
			<u>(236)</u>

Forward foreign exchange contracts are entered into with licensed banks to hedge part of the Group's sales and purchases from exchange rate movements. As the exchange rates are pre-determined under such contracts, the Group is not exposed to any market risk.

B9. Changes in Material Litigation

There were no material litigations pending as at the date of this report.

B10. Dividends

The directors do not recommend the payment of any dividend for the current financial year ended 31 May 2016.

B11. Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the period/year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period/year.

	Individual Quarter		Cumulative Quarters	
	3 months ended	3 months ended	12 months ended	12 months ended
	31-May-16	31-May-15	31-May-16	31-May-15
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to owners of the parent (RM'000)	(618)	(582)	211	(830)
Weighted average number of ordinary share in issue ('000)	44,421	44,421	44,421	44,421
Basic (loss)/earnings per share (sen)	(1.39)	(1.31)	0.48	(1.87)

No diluted earnings per share is disclosed as the Company does not have any dilutive potential ordinary shares (such as options or convertible instruments) in issue as at 31 May 2016.

B12. Additional Disclosures

Included in the condensed consolidated statement of comprehensive income for the period are the followings:

	3 months ended 31-May-16 RM'000	3 months ended 31-May-15 RM'000	12 months ended 31-May-16 RM'000	12 months ended 31-May-15 RM'000
Depreciation	357	405	1,641	1,606
Fair value loss/(gain) on derivatives	303	(432)	236	362
Net loss/(gain) on foreign exchange - unrealised	134	59	(320)	(24)
Net loss/(gain) on foreign exchange - realised	(228)	161	641	(369)
Interest expense	19	15	64	64
Interest income	(390)	(172)	(739)	(553)
Impairment on fair value of other investment	(37)	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(12)	(82)	(16)	19
Loss on disposal of other investment	78	-	78	-
Property, plant and equipment written off	-	-	-	25
Rental income	(6)	-	(17)	-
Gain on realisation of short term funds	(14)	-	(14)	(40)

B13. Realised and unrealised profits / (accumulated losses)

The breakdown of retained profits/(accumulated losses) of the Group as at the reporting date, into realised and unrealised profit / (accumulated losses) are as follows:

	As at 31-May-16 RM'000	As at 31-May-15 RM'000
The retained profits/(accumulated losses) of the Group		
- Realised	19,503	20,087
- Unrealised	133	(669)
	<u>19,636</u>	<u>19,418</u>
Less : Consolidation adjustments	<u>(25,300)</u>	<u>(25,293)</u>
	<u><u>(5,664)</u></u>	<u><u>(5,875)</u></u>

BY ORDER OF THE BOARD

Lim Kim Teck (MAICSA 7010844)
Secretary
Penang
25 July 2016