



LEADERSHIP
THROUGH
INNOVATION



EUROSPAN HOLDINGS BERHAD
(351927-M)

ANNUAL REPORT 2008

Our Vision

Leadership through Innovation

Our Mission

We will target niche market that appreciate our innovative design. Stress on continuous improvement and human capital development, thus satisfying all our stakeholders.

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of Eurospan Holdings Berhad will be held at Enggang Room, Ground Floor, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Wednesday, 29 October 2008 at 11.30 a.m. for the following purposes :-

AS ORDINARY BUSINESSES

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 May 2008 together with the Reports of the Directors and Auditors thereon. Resolution 1
2. To declare a final dividend of 4 sen per ordinary share less 25% tax and tax exempt dividend of 4 sen per ordinary share for the financial year ended 31 May 2008. Resolution 2
3. To approve the payment of Directors' fees of RM154,166.67 for the financial year ended 31 May 2008. Resolution 3
4. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution :-

"THAT Mr Diong Chin Teck, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." Resolution 4
5. To re-elect Dato' Noor Ahmad Mokhtar bin Haniff, who retires as a Director in accordance with Article 126 of the Company's Articles of Association and being eligible, offer himself for re-election. Resolution 5
6. To re-elect the following Directors who retire in accordance with Article 131 of the Company's Articles of Association and being eligible, offer themselves for re-election :-
 - a) Mr Guan Shaw Kee Resolution 6
 - b) Mr Guan Shaw Yin Resolution 7
7. To re-appoint Messrs KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 8

AS SPECIAL BUSINESSES

8. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions :-

Authority to Issue Shares

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time upon such terms and conditions and for such purposes and to such person or persons as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for 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 or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."

Resolution 9

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Proposed Renewal of Share Buy-Back Authority

"THAT, subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each ("Shares") in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company ("Share Buy-Back Authority") provided that :-

- (a) The aggregate number of Shares in the Company which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time subject to a restriction that the issued and paid-up share capital of the Company does not fall below the applicable minimum share capital requirements of the Listing Requirements of Bursa Securities and compliance with the public shareholding spread requirements as stipulated in Paragraph 8.15 of the Listing Requirements of Bursa Securities;
- (b) The maximum funds to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the Company's audited retained earnings and share premium accounts at any point in time;
- (c) The authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:-
 - (i) The conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - (ii) The expiration of the period within which the next AGM after that date is required by law to be held; or
 - (iii) Revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;whichever occurs first; and
- (d) Upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to retain the Shares so purchased as treasury shares for distribution as dividends to the shareholders of the Company and/or resale on Bursa Securities in accordance with the relevant rules of Bursa Securities, or to retain part of the Shares so purchased as treasury shares and cancel the remainder in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as they may consider necessary or expedient to implement and give effect to the Share Buy-Back Authority." Resolution 10

- 9. To consider any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the Thirteenth Annual General Meeting, a final dividend of 4 sen per ordinary share less 25% tax and tax exempt dividend of 4 sen per ordinary share in respect of the financial year ended 31 May 2008 will be paid on 5 December 2008 to depositors registered in the Records of Depositors on 21 November 2008.

A depositor shall qualify for entitlement only in respect of :-

- (a) Shares transferred into the depositor's securities account before 4.00 p.m. on 21 November 2008 in respect of transfers;
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By order of the Board

Lim Kim Teck
(MAICSA 7010844)
Secretary
Penang
Date : 7 October 2008

NOTES

1. Appointment of Proxy

- a) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- b) To be valid the proxy form must be duly completed and deposited at the registered office of the Company, 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty-eight (48) hours before the time for holding the meeting.
- c) A member may appoint more than two (2) proxies to attend and vote at the same meeting.
- d) Where a member appoints two (2) proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- e) If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

2. Explanatory Note on Special Businesses

Ordinary Resolution 9

The Ordinary Resolution if passed will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the period within which the next Annual General Meeting of the Company is required by law to be held whichever is the earlier.

Ordinary Resolution 10

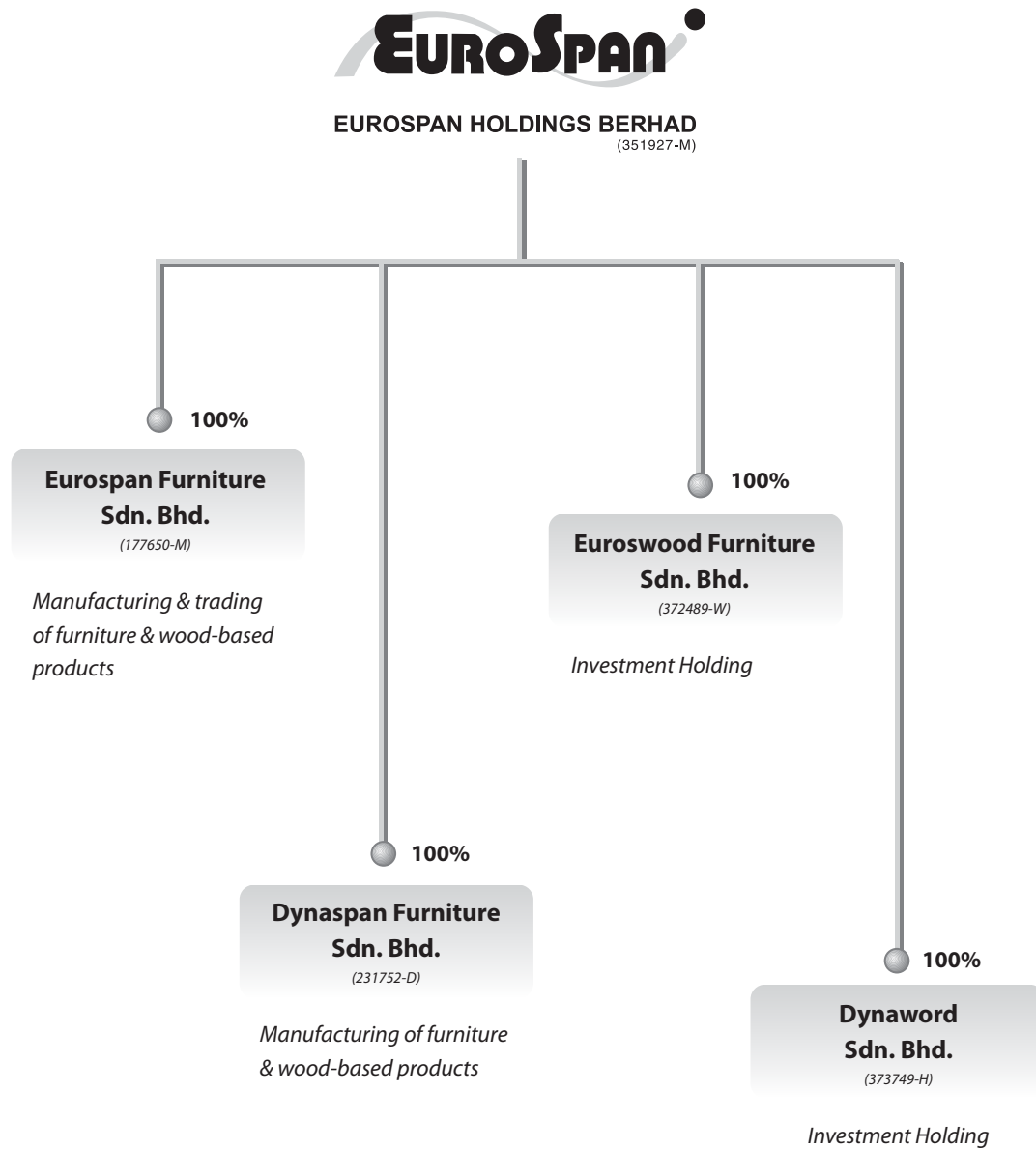
The Ordinary Resolution if passed will authorise the Company to purchase up to 10% of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the period within which the next Annual General Meeting of the Company is required by law to be held whichever is the earlier.

CORPORATE INFORMATION

Board of Directors	Guan Kok Beng Guan Shaw Kee Guan Shaw Yin Guan Kim Heng Guan Kim Loong Dato' Noor Ahmad Mokhtar Bin Haniff Diong Chin Teck	<i>Chairman/Managing Director</i> <i>Executive Director</i> <i>Executive Director</i> <i>Non Independent Non-Executive Director</i> <i>Non Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i>
Company Secretary	Lim Kim Teck (MAICSA 7010844)	
Registered Office	35, 1st Floor, Jalan Kelisa Emas 1 Taman Kelisa Emas 13700 Seberang Jaya, Penang Tel : 604-3976672 Fax: 604-3976675	
Share Registrar	Plantation Agencies Sdn Berhad 3rd Floor, Standard Chartered Bank Chambers Lebuh Pantai 10300 Penang Tel : 604-2625333 Fax: 604-2622018	
Auditors	KPMG 1st Floor, Wisma Penang Garden 42 Jalan Sultan Ahmad Shah 10050 Penang	
Principal Bankers	Standard Chartered Bank Malaysia Berhad Malayan Banking Berhad	
Stock Exchange Listing	Second Board of Bursa Malaysia Securities Berhad	

GROUP STRUCTURE

Eurospan Holdings Berhad was incorporated in Malaysia on 19 July 1995 under the Companies Act, 1965 as a public limited company. It has been listed on the Second Board of Bursa Malaysia Securities Berhad since 10 July 2000. The Company is an investment holding company and its wholly-owned subsidiary companies are Eurospan Furniture Sdn. Bhd., Dynaspan Furniture Sdn. Bhd., Eurospan Furniture Sdn. Bhd. and Dynaword Sdn. Bhd.



CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I am pleased to present the Annual Report of Eurospan Holdings Berhad and its subsidiaries ("the Group") for the financial year ended 31 May 2008.

Financial Review

In respect of the financial year ended 31 May 2008, the Group has achieved a revenue of RM73.8 million. The Group's profit before tax recorded at RM6.9 million. The Group's profit after tax stands at RM6.3 million. This translated to earnings per share of RM0.16.

The result from the higher revenue was principally eroded by the appreciation of Ringgit Malaysia against US Dollars and higher operating expenses for the current financial year under review.

Dividend

An interim tax exempt dividend of 3 sen per ordinary share totaling RM1,206,375 in respect of the financial year ended 31 May 2008 was paid on 17 March 2008.

The Board is pleased to recommend a final dividend of 4 sen per ordinary share less 25% tax and tax exempt dividend of 4 sen per ordinary share for the financial year ended 31 May 2008 for the shareholders' approval at the forthcoming Annual General Meeting. This proposed dividend if payable in respect of all outstanding ordinary shares in issue as at 31 May 2008 will involve a cash payment of RM2,814,875.

Operations Review

It had been a challenging year. The surging price of crude oil commodity coupled with the US subprime mortgage issues had threatened to dampen the world economies, whilst the appreciation of Ringgit Malaysia against US Dollars had threatened to erode the Group's sales margins and profitability. Nonetheless, the Group still managed to register a satisfactory performance through its constant emphasis on its research & development's focused differentiation strategy that had created innovative, differentiated and higher added-value products that not only enabled it to pass on the higher furniture prices to consumers but also to penetrate the non-traditional furniture markets for a widened customer base.

Pertinently, the Group's ongoing hedging of foreign currency, operational improvement and cost reduction exercises had reduced the impact of the appreciation of Ringgit Malaysia against US Dollars, improved efficiency and facilitated in containing operational costs to a manageable level.

Prospects

The Group remains optimistic of the long-term prospects of the global furniture industry and is fully committed to address issues that threatens its existing core business of an integrated wood-based furniture manufacturer for export markets.

Going forward, the Group will continue to implement its product differentiation strategy and position its products in the market segments by offering its customers an array of choices from a range of good quality and affordable wooden dining sets to a range of premium quality wooden dining sets. It will continue to improve its operational capabilities, strengthen its core competencies and enhance its responsiveness to market needs.

The Group will also continue to look for opportunities for expansion while maintaining prudent management by practicing good corporate governance to further enhance shareholders' value.

Barring further unforeseen circumstances, the Board is cautiously optimistic of a better performance in the new financial year ending May 2009.

CHAIRMAN'S MESSAGE CONTINUED

Appreciation

The Group had managed to remain resilient and profitable amidst the various challenges faced by the industry mainly due to the invaluable contributions from the various stakeholders. Therefore, I would like to record my sincere appreciation for your efforts that have contributed to another satisfactory year.

On behalf of the Board of Directors, I would like to welcome the new Executive Directors, Mr. Guan Shaw Kee and Mr. Guan Shaw Yin, who joined us in April 2008. I would like to take this opportunity to thank the Management and staff for their dedicated commitment in executing the Group's strategies and the hard work contributed. We thank our shareholders for their loyalty and confidence. We are grateful to our customers, subcontractors, suppliers, business associates, bankers and the authorities for their continuous cooperation and support.

Lastly, to my fellow Board members, my thanks and appreciation for your professional counsel for a more effective Board and your stewardship in facing all business challenges.

Guan Kok Beng

Chairman

Date : 7 October 2008

STATEMENT ON CORPORATE GOVERNANCE

The Directors of the Company appreciate the importance of adopting and inculcating pertinent standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts, namely transparency, accountability as well as corporate performance.

As such, the Board strives to adopt the substance and spirit behind corporate governance prescriptions and not merely the form. The Board is thus fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the Principles and Best Practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance (the 'Code') respectively.

The Board is pleased to provide the following statements, which outline the main corporate governance practices that were in place throughout the financial year, unless otherwise stated.

Principles Statement

The following statement sets out how the Company has applied the Principles in Part 1 of the Code. The Principles are dealt with under the headings of "Board of Directors", "Directors' Remuneration", "Shareholders" and "Accountability and Audit".

A Board of Directors

Board Responsibilities

The Group acknowledges the pivotal role played by the Board of Directors in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

Meetings

During the year ended 31 May 2008, the Board met on five (5) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, strategic decisions and the direction of the Group.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. All proceedings from the Board meetings are recorded and the minutes thereof signed by the Chairman of the meeting.

Details of the Director's meeting attendance during the financial year are as follows:-

Directors	Attendance
Guan Kok Beng	5/5
Guan Kim Heng	5/5
Guan Kim Loong	5/5
Dato' Noor Ahmad Mokhtar Bin Haniff	5/5
Diong Chin Teck	5/5
Guan Shaw Kee *	1/1
Guan Shaw Yin *	1/1

* Since the date of appointment on 28 April 2008.

Board Committees

The Board of Directors delegates certain responsibilities to the Board Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee and Employees' Share Option Scheme Committee in order to enhance business and operational efficiency as well as efficacy.

STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Board Committees (cont'd)

All Committees have written terms of reference and operating procedures and the Board receives reports of their proceedings and deliberations, where appropriate. The Chairman of the various committees will report to the Board the outcome of the Committee meetings and such reports are normally circulated to the Board.

Board Balance

As at the date of this statement, the Board consists of seven (7) members, comprising three (3) Executive Directors, two (2) Non-Executive Directors and two (2) Independent Non-Executive Directors. The Directors, with their different backgrounds and specialization, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. A brief profile of each Director is presented on pages 21 and 22 of this Annual Report.

Although the positions of Chairman and Managing Director are held by the same Director, the Board is of the opinion that no one individual has unfettered powers of decision as there is a strong independent element within the Board in the form of the two (2) Independent Non-Executive Directors, who provide a check and balance in the Board on decision-making. Moreover, it is the practice of the Chairman to encourage participation by all members during Board meetings.

The Board is satisfied that the Independent Non-Executive Directors in the current Board composition fairly reflects the investment of minority shareholders in the Company.

Supply of Information

The Chairman ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Every Director has also unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out his duties to ensure the effective functioning of the Board. The Articles of Association specifies that the removal of the secretary is a matter for the Board as a whole.

Prior to the meetings of the Board and the Board Committees, Board papers which include the agenda and reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, where circulated to all the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

The Directors review and approve all corporate announcements, including the announcement of the quarterly financial reports, prior to releasing them to the Bursa Malaysia Securities Berhad ('Bursa Securities').

The Board as a whole determines whether as a full board or in their individual capacity, to take independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties, at the Group's expense.

Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) pursuant to the requirement of Bursa Malaysia Securities Berhad.

During the financial year, all the directors have attended various programmes and seminars to enhance their expertise and knowledge. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

Nominating Committee

At the date of this statement, the Committee which was formed by the Board in November 2001, comprises the following:

- Dato' Noor Ahmad Mokhtar Bin Haniff - Chairman (Independent Non-Executive Director)
- Diong Chin Teck - Member (Independent Non-Executive Director)
- Guan Kim Loong (appointed on 28 July 2008) - Member (Non-Executive Director)

STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Nominating Committee (cont'd)

The Committee consists of three Non-Executive Directors, two of whom are independent. The Nominating Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations as to the appointment of new Directors, assess the effectiveness of the Board, its Committees and the contribution of each individual Director on an annual basis.

A Board of Directors

Nominating Committee

During the financial year ended 31 May 2008, the Committee met once and deliberated on the following matters:-

- (i) size of the Board and the impact of the number upon its effectiveness;
- (ii) balance of Executive and Non-Executive Directors (including independent Directors) with an aim of achieving a balance of views on the Board;
- (iii) required mix of skills and experience and other qualities, including core competencies of the members of the Board;
- (iv) contribution of each individual Director, the effectiveness of the Board as a whole and the committees of the Board; and
- (v) retirement and re-election/re-appointment of Directors.

Re-election

The Articles of Association provides that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election. An election of Directors shall take place each year. In addition, the Directors to retire by rotation shall be those who have been longest in office since their last appointment or re-appointment, but as between persons who became or were last re-appointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

The Company Secretary will ensure that all the necessary information is obtained, as well as all legal and regulatory obligations are met before the appointments are made.

The Employees' Share Option Scheme Committee

The Employees' Share Option Scheme ('ESOS') Committee was established in July 2004. The composition of the ESOS Committee is as follows:

- | | |
|--|---|
| • Dato' Noor Ahmad Mokhtar Bin Haniff | - Chairman (Independent Non-Executive Director) |
| • Guan Kim Heng (Resigned on 31 May 2008) | - Member (Executive Director) |
| • Guan Shaw Yin (Appointed on 28 April 2008) | - Member (Executive Director) |
| • Moy Ean Chung | - Member (Management staff) |
| • Chan Kin Lip | - Member (Management staff) |
| • Tan Ean Nee (Resigned on 31 October 2007) | - Member (Management staff) |
| • Kim Lee Ming | - Member (Management staff) |
| • Tan Sim Yong | - Member (Management staff) |

The ESOS Committee is responsible for the policies, governance and orderly administration of the ESOS. The Committee presides over all issues, complaints and appeals regarding ESOS and discharges its duties and responsibilities to the best interest of the Group and in accordance with the objectives and provisions contained in the ESOS By-laws.

The Committee oversees management's implementation of the scheme and decides, amongst others, on the offer, offer date, eligibility, basis of allotment, the exercise of options, the administration, modification to the scheme, dispute and termination issues in relation to the scheme.

STATEMENT ON CORPORATE GOVERNANCE CONTINUED

The Employees' Share Option Scheme Committee (cont'd)

During the financial year, the Committee met on two (2) occasions and approved a total of 477,000 options to eligible employees of Eurospan Group.

B Director's Remuneration

Remuneration Committee

The Remuneration Committee was established by the Board in November 2001. The composition of the Remuneration Committee is as follows:

- Dato' Noor Ahmad Mokhtar Bin Haniff - Chairman (Independent Non-Executive Director)
- Diong Chin Teck - Member (Independent Non-Executive Director)
- Guan Kok Beng - Member (Executive Director)

The Committee is responsible for recommending the remuneration framework for Directors as well as the remuneration packages of Executive Directors to the Board. During the financial year, the Committee met twice to discuss matters relating to the Directors' remuneration for recommendation to the Board of Directors for approval with individual Directors abstaining from decisions in respect of their individual remuneration.

The Company pays its Directors annual fee, which is approved annually by the shareholders.

Details of the nature and amount of each major element of the remuneration of the Directors of the Company, are as follows:

Directors	Salaries RM('000)	Fees RM('000)	Other emoluments RM('000)
Executive	999	166	321
Non-Executive	-	73	10

The number of Directors whose remuneration falls into the following bands, comprises:

Range of Remuneration RM	Executive	Non-Executive
50,000 and below	2	2
250,000 – 300,000	1	-
300,000 – 350,000	-	-
350,001 – 400,000	-	-
400,001 – 450,000	-	-
450,001 – 500,000	1	-
500,001 – 550,000	-	-
550,001 – 600,000	-	-
600,001 – 650,000	-	-
650,001 – 700,000	-	-
701,000 – 750,000	1	-

STATEMENT ON CORPORATE GOVERNANCE CONTINUED

C Shareholders

The Company recognizes the importance of communicating with its shareholders and does this through the Annual Report, Annual General Meeting (AGM), Extraordinary General Meetings (EGM) and, where appropriate, circulars to shareholders. The policy of the Company is to maintain a dialogue with its shareholders with the intention of giving shareholders as clear and complete a picture of the Company's performance and position as possible. It has also been the Company's practice to send the Notice of the AGM and related papers to shareholders at least twenty-one (21) clear days before the meeting. At the AGM and EGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general, as appropriate.

In addition, the Company makes various announcements through the Bursa Securities, in particular, the timely release of the quarterly results within two months from the close of a particular quarter. Members of the public can also obtain the full financial results and the Company's announcements from the Bursa Securities website.

D Accountability and Audit

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of the results to shareholders and the Chairman's statement, which incorporates a review of the operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

State of Internal Controls

The Directors recognizes their ultimate responsibility for the Group's system of internal controls and the need to review its effectiveness regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. To assist the Board, the Group has in place an adequately resourced internal audit division. As proper risk management is a significant component of a sound system of internal control, the Group has also put in place a structured risk management process to better identify, monitor and ensure the relevant and appropriate measures to manage the business risk affecting the Group. This system by its nature can only provide reasonable but not absolute assurance against misstatement, fraud or loss.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee's terms of reference as detailed on pages 15 to 19 of the Annual Report.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee Report on pages 17 to 18 of the Annual Report.

STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Compliance Statement

The Group has complied, throughout the financial year ended 31 May 2008, with all the Best Practices of corporate governance set out in Part 2 of the Code except for the following:

1. Appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed has not been made. The positions of Chairman and Managing Director are held by the same Director. The Directors are of the opinion that the current arrangement is expedient and adequate for the Company as the present Board has a strong independent element within it in the form of the Independent Non-Executive Directors. Moreover, the Chairman normally encourages all the Directors to participate actively during Board meetings.
2. The Board does not have a formal schedule of matters specifically reserved to it for decision but it has been the practice for the Board to deliberate on matters that involve overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and the review of the financial and operating performance of the Group. In addition, the information normally provided to Directors via Board papers is mainly financial and historical in nature. The Board is fully aware of this and will take the necessary measures to incorporate information that is non-financial in nature for Directors' attention and deliberation.
3. The Board does not have an agreed procedure for Directors, whether as a full Board or in their individual capacity, in furtherance of their duties, to take independent professional advice at the Company's expense. The Board is of the view that it is adequate for the matter to be brought before the whole Board for deliberation and decision whenever a need for independent professional advice arises.
4. The Company does not have a formal orientation and education program for new recruits to the Board. However, all its Directors have attended and successfully completed the MAP conducted by Bursatra Sdn Bhd in their quest to understand their duties and responsibilities towards the Company. To ensure that the Directors continuously enhance their knowledge so as to assist them in the discharge of their duties as Directors, the Directors continue to attend various programmes and seminars.

This statement is issued in accordance with a Directors' Resolution passed at a Board of Directors' Meeting held on 27 August 2008.

AUDIT COMMITTEE REPORT

The Audit Committee of the Company was established in 19 May 2000 comprising a majority of Independent Non-Executive Directors.

MEMBERS OF THE AUDIT COMMITTEE

Chairman

Dato' Noor Ahmad Mokhtar Bin Haniff
(Independent Non-Executive Director)

Members

Diong Chin Teck
(Independent Non-Executive Director)

Guan Kim Heng

(Non-Independent Non-executive Director)

TERMS OF REFERENCE

Members

- The Members shall be appointed by the Board of Directors and shall consist of not less than 3 Non-Executive Directors, of whom a majority shall comprise of Independent Directors of the Company. No Alternate Directors shall be appointed as members of the Committee.
- At least one member of the Audit Committee:-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

Quorum

- A quorum shall consist of two (2) Members and a majority of the Members present must be Independent Directors.

Chairman

- The Members of the Committee shall elect a Chairman from among their number who shall be an Independent Director.

Secretary

- The Secretary of the Audit Committee shall be the Company Secretary or any other person so appointed by the Audit Committee from time to time.

AUDIT COMMITTEE REPORT CONTINUED

TERMS OF REFERENCE (cont'd)

Meetings

- The Committee shall regulate its own proceedings. The Committee shall meet at least four (4) times a year. Upon the request of any of its Members, the Auditors or Company's Management, the Chairman shall convene a Meeting of the Committee to consider any matter the Auditors believe should be brought to the attention of the Directors or Shareholders.

Authority

- The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Terms of Office

- If a Member of the Committee for any reason ceases to be a Member of the Committee with the result that the number of Members is reduced to below three (3), the Board of Directors shall within three (3) months of that event, appoint such number of new Members as may be required to make up the minimum number of three (3) Members.

Functions and Responsibilities of the Audit Committee

The Committee is responsible to the Board of Directors for the following in its role to ensure proper management of assets, liabilities, revenues and expenses of the organization and compliance with statutory obligations:-

- To review with the Company's Management and Auditors, the audit plan, scope and general extent of the Auditors' audit examinations;
- To review with the Auditors, the evaluation of the system of internal controls;
- To review with the Company's Management and Auditors to ensure the suitability and adequacy of accounting policies and practices, its compliance with any regulatory or other external financial reporting controls and requirements;
- To review with the Company's Management and Auditors, the audit report and financial results for the year prior to their release to the public;
- To discuss with the Company's Management the scope and quality of accounting and financial reporting controls in effect;
- To review the assistance given by the Company's employees to the Auditor;
- To review the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on recommendations of the internal audit function;
- To review the quarterly results, balance sheet and profit and loss account, submitted to it by the Company or the Holding Company, and thereafter to submit them to the Directors of the Company or the Holding Company for approval;
- To recommend to the Board of Directors any appropriate extension of changes in the duties of the Committee;

AUDIT COMMITTEE REPORT CONTINUED

TERMS OF REFERENCE (cont'd)

Functions and Responsibilities of the Audit Committee (cont'd)

- To review and report any letter of resignation from the Auditors;
- To review whether there is reason to believe that the Auditor is not suitable for re-appointment;
- To nominate a person or persons as Auditors together with such other functions as may be agreed to by the Committee and the Board of Directors’;
- To review any related party transactions and conflict of interest situation that may arise within the Company or Group;
- To review and report the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- To verify the allocation of options to employees pursuant to the share option scheme complies with the allocation criteria;
- To consider and examine such other matters as the Committee considers appropriate.

AUDIT COMMITTEE MEETINGS

During the financial year ended 31 May 2008, a total of five (5) meetings were held and the attendances of the Members of the Audit Committee are as follows:-

	Attendance
(i) Dato’ Noor Ahmad Mokhtar Bin Haniff	5/5
(ii) Diong Chin Teck	5/5
(iii) Guan Kim Heng	5/5

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

The Audit Committee (‘the Committee’) assists the Board of Director (‘the Board’) in fulfilling its overseeing responsibilities. The Committee’s overall responsibilities encompass the processes of audit, corporate accounting, financial reporting, system of internal control, regulatory and legal compliances and risk management practices and procedures of the Group of Companies (‘the Group’). In carrying out its responsibilities, the Committee held scheduled meetings with the management, the internal and the external auditors or outside council of which their work, expertise and knowledge were relied upon.

During the year, the Committee discussed with the external auditors, the nature and scope of their audit. It discussed and reviewed the external auditors’ report to take note of their areas of concern in order to ensure that appropriate actions were taken to address the areas of concern. It reviewed the independence of the external auditors by discussing with the external auditors, their relationship with the Group and their audit and non-audit services rendered.

The Committee discussed the audited annual financial statements with the external auditors on their judgments regarding the suitability of the Company’s accounting policies and practices, the clarity of its financial reporting, the regulatory compliances with the Bursa Malaysia Securities Berhad (‘Bursa Securities’) and the adequacy of the disclosure requirements of the Financial Reporting Standards (‘FRS’). In addition, it discussed and reviewed with the external auditors the effects of any changes in accounting principles resulting from updates of new developments on accounting standards issued by the MASB. It then made recommendations for the audited financial statements to be submitted for the Board’s approval.

AUDIT COMMITTEE REPORT CONTINUED

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE (cont'd)

The Committee discussed and reviewed the unaudited quarterly financial statements with the management for the compliance with the Listing Requirements of the Bursa Securities and the applicable accounting standards issued by the FRS to ensure a fair and full presentation of the financial affairs of the Group. It discussed and reviewed the corporate announcements for compliance with the Listing Requirements of the Bursa Securities. It also discussed pertinent issues that had a significant impact on the results of the Group. It then made recommendations to the Board for its consideration and approval prior to their release to the Bursa Securities.

The Committee reviewed the scope, functions, competency and resources of the internal audit division for adequacy in carrying out the audits. It discussed the relevance and scope of the annual risk-based internal audit plan prior to approving it. It also reviewed the internal audit reports pertaining to the risk-based audits undertaken to ensure that appropriate actions were taken to address the areas of concern and that the instituted controls were appropriate and effectively applied to achieve acceptable risk exposure.

The Committee reviewed the statement on internal control pursuant to the Bursa Securities Listing Requirements after which, it then made a recommendation for the statement to be submitted for the Board's approval.

The Committee verified the allocation of options to employees pursuant to the Employees' Share Option Scheme ('ESOS') offered to ensure that the scheme complies with the allocation criteria.

Lastly, the Audit Committee reviewed the performance and fees of the external auditors prior to recommending their re-appointment to the Board.

INTERNAL AUDIT

The internal audit division ('IAD') constitutes an independent managerial control which carries out its assurance role by providing an independent and objective assurance to the Audit Committee ('the Committee') in discharging its responsibilities. The IAD assists the Committee in discharging its duties and responsibilities by providing reasonable assurance that the systems of internal control and risk management processes operate satisfactorily and effectively. The IAD is independent of the processes that it audits and reports directly to the Committee. Upon completion of each audit, an internal audit report is generated and reviewed at the Audit Committee meeting to ensure that the instituted controls are appropriate and effectively applied to achieve acceptable risk exposure. In doing so, it plays its role in promoting corporate governance processes to the Committee and the Board of Directors by inculcating the three concepts of transparency, accountability as well as corporate performance.

The IAD also assists management in improving the Group's operations by assisting management in inculcating a systematic, disciplined approach in evaluating and improving on the effectiveness of the internal control and risk management processes for a more effective control over the business operations. It performs audit activities to provide reasonable assurance that the business functions are carried out in compliance with the Group's internal policies, standard operating procedures and within the applicable law. It also provides reasonable assurance on the completeness and accuracy of both financial and non-financial reports and that the assets are safeguarded and are being effectively used. In doing so, it provides reasonable assurance to the management on the existence, adequacy and integrity of the internal controls, records and accounting policies.

During the year under review, the IAD presented the annual risk-based audit plan prioritized by the risk profile of the Group for the Committee's approval. It performed risk-based audits on certain business processes and functions of various business units within the Group in accordance with the approved annual risk-based internal audit plan. Any subsequent changes to the internal audit plan would be approved by the Audit Committee.

AUDIT COMMITTEE REPORT CONTINUED

INTERNAL AUDIT (cont'd)

It verified the existence and assessed the adequacy, integrity and effectiveness of the internal controls in place. It examined the supporting documents and records for completeness and accuracy in order to provide reasonable assurance on the integrity and reliability of both the financial and non-financial reporting. It also facilitates a systematic profiling of all risk areas by verifying the risk management system for adequacy and effectiveness and validating the results.

It verified and reported to the Committee, the allocation of options to eligible employees pursuant to the Employees' Share Option Scheme ('ESOS') offered to ensure that the scheme complies with the allocation criteria.

Upon completion of the audit, it reported its observations, findings and recommendations for improvements in the internal audit report for the Committee's deliberations. The IAD discussed with the management regarding improvements and instituted follow-up actions to remedy the weaknesses identified in the internal audit report.

STATEMENT BY THE AUDIT COMMITTEE IN RELATION TO ESOS ALLOCATION

The Company implemented an Employees' Share Option Scheme ('ESOS') on 30 December 2004.

Pursuant to Paragraph 8.21A of the Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee verified and confirmed that the allocation of options to eligible employees in the financial year ended 31 May 2008, has been made in accordance with the allocation criteria of the scheme.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements requires the Board of Directors of public listed companies to include in their annual report, a “statement about the state of internal control of the listed issuer as a group”. The Board of Directors (“Board”) is committed to maintaining a sound system of internal control throughout the Group, comprising the Company and all its subsidiaries, and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the year.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for the Group’s system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable not absolute assurance against material misstatement, loss, fraud or breaches of laws or regulations. The system of internal control covers, inter-alia, financial, organisational, operational and compliance controls.

The Board is aware of the publication of the “Statement on Internal Control – A guidance to Directors of Public Listed Companies” (The “Internal Control Guidance”), which provides guidance on the process of identifying, evaluating and managing significant risks faced by the Group. The Board has also adopted the Internal Control Guidance in its efforts to ensure the adequacy and integrity of the system of internal control of the Group.

INTERNAL AUDIT FUNCTION

The Group has in place an internal audit function, which provides the Board with independent assurance it requires regarding the adequacy and integrity of the system of internal control. The internal audit reviews the internal controls for the key activities of the Group’s operations based on the approved annual internal audit plan. The internal audit plan, prepared in accordance with a risk-based approach was essentially drawn up to review the key processes established within the operations of the Group.

For the financial year under review, management has acted upon the recommendations made by the internal audit function, as appropriate, in order to enhance the system of internal control.

ENTERPRISE RISK MANAGEMENT

The Group has established an enterprise risk management framework to identify, evaluate and manage the significant risks that may adversely affect the achievement of its business objectives.

OTHER CONTROL PROCESSES

The Board has put in place an organisational structure with defined lines of responsibility and delegation of authority. A hierarchical reporting system has been established which includes inter-alia, the establishment of limits of authority coupled with the issuance of policies on health and safety, training and development, staff performance and serious misconduct. These procedures provide continuous assurance to be given at increasingly higher levels of Management and, finally to the Board. The Group Managing Director also reports to the Board on significant changes in the business and external environment, which affects the operations of the Group at large.

The Group Finance Manager provides the Board with quarterly financial information, including pertinent explanations on the performance of the Group.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSS

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board, together with Management, continue to take measures to strengthen the control environment.

This statement is issued in accordance with a Directors’ Resolution passed at a Board of Directors’ Meeting held on 27 August 2008.

BOARD OF DIRECTORS

Guan Kok Beng *Chairman & Managing Director*

Mr. Guan Kok Beng, a Malaysian Citizen, aged 56, was appointed as a Director and Managing Director of the Company on 30 April 2000. On 19 May 2000 he was appointed as the Chairman of the Board of Directors. With over 30 years of experience in the furniture industry, he is responsible for strategic business development, providing direction and coordinating the overall marketing and production operations of the Group.

Between 1995 and 1998, he was the Advisor of the Penang Furniture Manufacturers and Dealers Association ("PFMDA") and from 1992 and 1995, he was the President. He was also a committee member of the Malaysian Furniture Industry Council from 1992 to 1995.

He serves as a member of the Remuneration Committee. He is the brother of Mr Guan Kim Heng and Mr Guan Kim Loong and is the father of Mr Guan Shaw Kee and Mr Guan Shaw Yin. He is a major shareholder of TBHL Holdings Sdn Bhd, which is a major shareholder of Eurospan.

Guan Shaw Kee *Executive Director*

Mr. Guan Shaw Kee, a Malaysian Citizen, aged 33, was appointed as an Executive Director of the Company on 28 April 2008 to be primarily involved in sales and marketing, research and development and production planning functions of the Group. He obtained his diploma in Computing & Information Technology from Alexander Institute of Technology in Australia and joined Eurospan since 2002.

He is a son of Mr. Guan Kok Beng, the brother of Mr. Guan Shaw Yin and is a nephew of Mr. Guan Kim Heng and Mr. Guan Kim Loong.

Guan Shaw Yin *Executive Director*

Mr. Guan Shaw Yin, a Malaysian Citizen, aged 31, was appointed as an Executive Director of the Company on 28 April 2008 to be primarily involved in purchasing, stores, finance and to provide direction for corporate planning functions of the Group. He holds a bachelor degree in Business Administration from Northwood University, USA. He was an Assistant Auditor in 2003. He then joined as a Sales Executive of a metal works factory in 2005 and joined Eurospan since 2006.

On 28 April 2008, he was appointed as a member of the ESOS Committee. He is a son of Mr. Guan Kok Beng, the brother of Mr. Guan Shaw Kee and is a nephew of Mr. Guan Kim Heng and Mr. Guan Kim Loong.

Guan Kim Heng *Non-Independent Non-Executive Director*

Mr. Guan Kim Heng, a Malaysian Citizen, aged 50, was appointed as an Executive Director of the Company on 30 April 2000. On 19 June 2008, he was re-designated to Non-Executive Director. Prior to this, he was primarily involved in corporate planning, providing direction and overseeing the financial, human resources and administrative functions of the Group.

He serves as a member of the Audit Committee. He is the brother of Mr. Guan Kok Beng and Mr. Guan Kim Loong and is uncle of Mr. Guan Shaw Kee and Mr. Guan Shaw Yin. He is a major shareholder of TBHL Holdings Sdn Bhd, which is a major shareholder of Eurospan.

BOARD OF DIRECTORS CONTINUED

Guan Kim Loong *Non-Independent Non-Executive Director*

Mr. Guan Kim Loong, a Malaysian Citizen, aged 44, was appointed as an Executive Director of the Company on 30 April 2000. On 28 April 2008, he was re-designated to Non-Executive Director. Prior to this, he was primarily involved in production and engineering, providing direction and overseeing the group's management information systems, strengthening manufacturing processes as well as the quality control and assurance procedures of the Group.

On 28 July 2008, he was appointed as a member of the Nominating Committee. He is the brother of Mr. Guan Kok Beng and Mr. Guan Kim Heng and is uncle of Mr. Guan Shaw Kee and Mr. Guan Shaw Yin. He is a major shareholder of TBHL Holdings Sdn Bhd, which is a major shareholder of Eurospan.

Dato' Noor Ahmad Mokhtar bin Haniff *Independent Non-Executive Director*

Dato' Mokhtar, a Malaysian Citizen, aged 69, was appointed as an Independent Non-Executive Director of the Company on 19 May 2000. Dato' Mokhtar graduated with a Bachelor of Arts Degree (Hons) in Economics in 1964 and obtained a post graduate Diploma in Education in 1965, both from Universiti Malaya. He also obtained a certificate in Top Management from the Asian Institute of Management in Manila in 1977. He joined Penang Development Corporation ("PDC") as the Principal Director of the Free Trade Zone in 1972 and was subsequently promoted to its Administration Manager in 1976 and Deputy General Manager in 1980. From 1991 to his retirement in 1997, he was the General Manager of PDC.

He serves as the Chairman of Audit Committee, Remuneration Committee, Nominating Committee and ESOS Committee. He does not have any family relationship with any director of the Company. He also sits on the Board of Yikon Corporation Bhd and Globetronics Technology Bhd.

Diong Chin Teck *Independent Non-Executive Director*

Mr Diong Chin Teck, a Malaysian Citizen, aged 75, was appointed as an Independent Non-Executive Director of the Company on 19 May 2000. He is a Fellow of the Institute of Chartered Accountants in Australia and a member of the Malaysian Institute of Accountants ("MIA"). In 1967, he joined KPMG, Chartered Accountants and was made a partner in 1971. He retired from the firm in 1988.

He serves as a member of Audit Committee, Remuneration Committee and Nominating Committee. He does not have any family relationship with any director of the Company. He is the Secretary of Oriental Holdings Berhad and its subsidiary companies. He also sits on the Board of Globetronics Technology Bhd, Asas Dunia Berhad and Zhulian Corporation Berhad.

Conflict of Interest

None of the Directors has any conflict of interest with the Company.

Conviction for Offences

None of the Directors has been convicted for offences within the past 10 years.

Material Contracts

There are no material contracts of the Company and its subsidiaries that involve the Directors' and major Shareholders' interests.

CORPORATE SOCIAL RESPONSIBILITY

We interpret corporate social responsibility ("CSR") to imply that the Group should become a responsible corporate citizen of the country that it operates in by conducting its business practices legally and within the ethical norms expected from the society and the environment. The Group CSR practices are focused on the following areas: -

- The Group is primarily a producer of dining sets furniture made from rubber wood sourced from rubber wood plantations in Malaysia and its neighboring countries. The rubber wood sourced from these countries is recognized as ecologically friendly as it is harvested, produced and transported in a way that protects wildlife, the environment and is sustainable for the needs of future generations. Hence the Group's products are environmentally friendly as its wooden components are ecologically friendly.
- The Group is in compliance with the environmental laws governing plant operations in areas relating to emission standards and plant effluents management.
- The Occupational Health and Safety Committee which comprises of management representatives work closely with management and employees to ensure that the Group's health and safety policy is effectively implemented. Employees are equipped with the necessary equipment and accessories at the various work sites and factory to promote safety.
- The Group encourages life long learning. A mini library is set up for books loan to employees. Various training is provided internally and externally to employees for performance enhancement. The Group also conducted visits to international trade fairs / exhibitions and manufacturing plants locally and overseas, to broaden the knowledgebase of the employees.
- During the year, the Group played its role as a socially responsible corporate citizen in the community through donations to the followings: -
 - ✓ The Group had donated to the Mount Miriam Hospital which is a non-profit organization that offers treatment and care for patients suffering from all types of cancer diseases.
 - ✓ The Group had also donated to the Myanmar Cyclone Disaster Relief to fund a joint recovery effort mobilized to help survivors of the Nargis Cyclone that hit Myanmar on May 2008 to alleviate their sufferings and to rebuild their communities and their lives.

OTHER INFORMATION

Utilization of proceeds raised from corporate proposal

Not applicable as none was proposed/granted.

Share buy-backs

The Company had not undertaken any share buy-back exercise for the financial year ended 31 May 2008. However, a proposal on share buy-back for the Company to purchase its own shares of up to 10% of the issued and paid up share capital of the Company was approved at the Company's Extraordinary General Meeting held on 31 October 2007. As at the reporting date, the Company has yet to implement the proposal.

Options, warrants or convertible securities

Except for the ESOS, the company did not issue/grant any options, warrants or convertible securities during the financial year ended 31 May 2008.

ADR or GDR Programme

The Company does not sponsor any ADR or GDR programme.

Sanctions and/or Penalties

There was no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

Shortfall in the profit achieved in the financial year as compared with the Profit Guarantee

Not applicable as none was given during the financial year ended 31 May 2008.

Non-Audit fees

The amount of non-audit fees paid by the Group to the external auditors during the financial year ended 31 May 2008 is approximately RM16,020.

DIRECTORS' REPORT

for the year ended 31 May 2008

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 May 2008.

Principal activities

The principal activities of the Company are the provision of management services and investment holding.

The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

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

Results

	Group RM	Company RM
Profit for the year	<u>6,329,491</u>	<u>4,380,416</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid :

- i) a first and final dividend of 8 sen per ordinary share less 26% tax totalling RM2,380,580 in respect of the year ended 31 May 2007 on 6 December 2007.
- ii) an interim tax exempt dividend of 3 sen per ordinary share totaling RM1,206,375 in respect of the year ended 31 May 2008 on 17 March 2008.

The Directors recommend a final dividend of 4 sen per ordinary share less 25% tax and tax exempt dividend of 4 sen per ordinary share in respect of the financial year ended 31 May 2008 which is subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

Directors of the Company

Directors who served since the date of the last report are :

Guan Kok Beng	- Chairman and Managing Director
Guan Kim Heng	
Guan Kim Loong	
Dato' Noor Ahmad Mokhtar Bin Haniff	
Diong Chin Teck	
Guan Shaw Kee	(Appointed on 24 April 2008)
Guan Shaw Yin	(Appointed on 24 April 2008)

DIRECTORS' REPORT CONTINUED

for the year ended 31 May 2008

Directors' interest in shares

The interests and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

Name of Directors	Number of ordinary shares of RM1 each			Balance at 31.5.2008
	Balance at 1.6.2007/ date of appointment	Bought	(Sold)	
The Company				
Direct interest				
Guan Kok Beng - own	1,906,124	-	-	1,906,124
Guan Kim Heng - own	1,113,036	-	-	1,113,036
Guan Kim Loong - own	838,576	-	-	838,576
Diong Chin Teck - own	15,000	-	-	15,000
Guan Shaw Yin - others*	14,000	-	-	14,000
Deemed interest				
Guan Kok Beng - own	18,138,800	372,400	-	18,511,200
Guan Kim Heng - own	18,138,800	372,400	-	18,511,200
Guan Kim Loong - own	18,138,800	372,400	-	18,511,200

The Company	Number of options over ordinary shares of RM1 each			Balance at 31.5.2008
	Balance at 1.6.2007/ date of appointment	Granted	(Exercised)/ (Lapsed)	
Guan Kok Beng - own	600,000	-	-	600,000
Guan Kim Heng - own	530,000	-	(530,000)	-
Guan Kim Loong - own	480,000	-	(480,000)	-
Guan Shaw Kee - own	30,000	-	-	30,000
Guan Shaw Yin - own	23,000	-	-	23,000

* These are shares held in the name of the spouse and are treated as interests of the respective Director in accordance with Section 134(12)(c) of the Companies Act, 1965, which came to effect on 15 August 2007.

By virtue of their interests of more than 15% in the shares of the Company, Messrs Guan Kok Beng, Guan Kim Heng and Guan Kim Loong are also deemed to have interests in the shares of all the subsidiaries during the financial year to the extent the Company has an interest.

Dato' Noor Ahmad Mokhtar Bin Haniff did not have any interest in the ordinary shares and options of the Company and of its related companies during the financial year.

DIRECTORS' REPORT CONTINUED

for the year ended 31 May 2008

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and 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 apart from the issue of the Employees' Share Option Scheme ("ESOS") of the Company.

Issue of shares and debentures

During the year the issued and paid-up share capital of the Company was increased from RM40,000,000 to RM40,212,500 through the issuance of 212,500 new ordinary shares of RM1.00 each at par for cash from the exercise of ESOS.

There were no other changes in the issued and paid-up capital of the Company during the financial year and no debentures were in issue during the 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 apart from the issue of options pursuant to the ESOS.

On 22 November 2004, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued share capital of the Company to eligible Directors and employees of the Group.

The options offered to take up unissued ordinary shares of RM1.00 each and the option prices are as follows :

Date of offers	Option price RM	Number of options over ordinary shares of RM1 each					Balance at 31.5.2008
		Balance at 1.6.2007	Granted	Exercised	Lapsed due to resignation		
24 January 2005	1.00	4,107,000	-	(140,000)	(1,140,500)	2,826,500	
9 February 2005	1.00	3,000	-	-	-	3,000	
10 April 2005	1.00	40,000	-	(30,000)	-	10,000	
10 May 2005	1.00	48,000	-	-	-	48,000	
10 July 2005	1.00	73,000	-	(30,000)	(3,000)	40,000	
10 August 2005	1.00	23,000	-	-	-	23,000	
10 October 2005	1.00	3,000	-	-	-	3,000	
10 November 2005	1.00	33,000	-	-	(3,000)	30,000	
10 December 2005	1.00	41,000	-	-	(26,000)	15,000	
10 January 2006	1.00	42,000	-	-	(30,000)	12,000	
10 February 2006	1.00	32,000	-	-	-	32,000	
10 March 2006	1.00	35,000	-	-	-	35,000	
10 April 2006	1.00	12,000	-	-	(6,000)	6,000	
10 May 2006	1.00	24,000	-	-	-	24,000	
10 June 2006	1.00	73,000	-	(6,000)	(34,000)	33,000	

DIRECTORS' REPORT CONTINUED

for the year ended 31 May 2008

Options granted over unissued shares (cont'd)

Date of offer	Option price RM	Number of options over ordinary shares of RM1 each				Balance at 31.5.2008
		Balance at 1.6.2007	Granted	Exercised	Lapsed due to resignation	
10 August 2006	1.00	60,000	-	-	(60,000)	-
10 September 2006	1.00	31,000	-	(2,500)	-	28,500
10 October 2006	1.00	6,000	-	-	-	6,000
10 November 2006	1.00	33,000	-	-	(30,000)	3,000
10 January 2007	1.00	48,000	-	-	(3,000)	45,000
10 February 2007	1.00	51,000	-	(2,000)	(31,000)	18,000
10 March 2007	1.00	38,000	-	-	(3,000)	35,000
10 April 2007	1.00	16,000	-	-	(3,000)	13,000
10 May 2007	1.00	44,000	-	(2,000)	(6,000)	36,000
10 June 2007	1.00	-	28,000	-	(3,000)	25,000
10 July 2007	1.00	-	12,000	-	-	12,000
10 August 2007	1.00	-	18,000	-	(3,000)	15,000
10 September 2007	1.00	-	36,000	-	(10,000)	26,000
10 October 2007	1.00	-	12,000	-	-	12,000
10 November 2007	1.07	-	36,000	-	-	36,000
10 December 2007	1.00	-	33,000	-	-	33,000
10 January 2008	1.00	-	62,000	-	-	62,000
10 February 2008	1.00	-	38,000	-	(3,000)	35,000
10 March 2008	1.00	-	64,000	-	-	64,000
10 April 2008	1.00	-	52,000	-	-	52,000
10 May 2008	1.00	-	86,000	-	-	86,000
		<u>4,916,000</u>	<u>477,000</u>	<u>(212,500)</u>	<u>(1,397,500)</u>	<u>3,783,000</u>

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the name of employees who have been granted options to subscribe for less than 30,000 ordinary shares of RM1 each and details of their holdings as required by Section 169(11) of the Companies Act 1965.

None of the employees have been granted with 30,000 options or more during the financial year. A total of 477,000 options were granted to 71 employees of the Group. The average number of options granted to individual employee is 6,718.

The salient features of the scheme are as follows :

- i) Eligible employees are those who have been confirmed in writing as employees of the Group on the date of offer and have been employed for a period of at least one (1) year prior to the date of offer.
- ii) The option is personal to the grantee and is non-assignable.
- iii) The option price shall be determined by the weighted average market price of the Company's ordinary shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five market days immediately preceding the respective dates of the offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher.

DIRECTORS' REPORT CONTINUED

for the year ended 31 May 2008

Options granted over unissued shares (cont'd)

- iv) The options granted may be exercised at any time within a period of five years from the date the ESOS comes into force or upon the date of expiry or termination of the ESOS as provided in the By-Law, whichever is the earlier.
- v) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 100 shares.

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- 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 this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT CONTINUED

for the year ended 31 May 2008

Other statutory information (cont'd)

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 May 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

.....
Guan Kok Beng

.....
Guan Shaw Yin

Penang,

Date : 27 August 2008

CONSOLIDATED BALANCE SHEET

at 31 May 2008

	Note	2008 RM	2007 RM (Restated)
Assets			
Property, plant and equipment	3	28,272,368	30,168,974
Prepaid lease payments	4	325,482	329,997
Other investments	6	6,706,337	1,500,000
Total non-current assets		<u>35,304,187</u>	<u>31,998,971</u>
Receivables, deposits and prepayments	7	6,163,382	4,287,111
Inventories	8	11,569,955	11,749,294
Current tax assets		130,241	83,042
Cash and cash equivalents	9	21,876,596	25,964,271
Total current assets		<u>39,740,174</u>	<u>42,083,718</u>
Total assets		<u>75,044,361</u>	<u>74,082,689</u>
Equity			
Share capital	10	40,212,500	40,000,000
Reserves	11	26,945,399	24,135,059
Total equity		<u>67,157,899</u>	<u>64,135,059</u>
Liabilities			
Deferred tax liabilities	12	2,100,632	2,297,456
Total non-current liabilities		<u>2,100,632</u>	<u>2,297,456</u>
Payables and accruals	14	5,785,830	7,215,748
Current tax liabilities		-	434,426
Total current liabilities		<u>5,785,830</u>	<u>7,650,174</u>
Total liabilities		<u>7,886,462</u>	<u>9,947,630</u>
Total equity and liabilities		<u>75,044,361</u>	<u>74,082,689</u>

The notes on pages 39 to 66 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 May 2008

	Note	2008 RM	2007 RM
Continuing operations			
Revenue	15	73,781,596	71,434,401
Cost of sales		(59,052,965)	(56,563,519)
Gross profit		14,728,631	14,870,882
Distribution costs		(1,682,707)	(1,558,238)
Administrative expenses		(6,387,592)	(5,631,803)
Other operating expenses		(470,930)	(712,896)
Other operating income		749,151	627,508
Profit before tax	16	6,936,553	7,595,453
Tax expense	19	(607,062)	(818,694)
Profit for the year		6,329,491	6,776,759
Basic earnings per ordinary share (sen)	20	15.75	16.94
Diluted earnings per ordinary share (sen)	20	15.67	16.94
Dividends per ordinary share - net (sen)	21	10.00	5.92

The notes on pages 39 to 66 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 May 2008

	Note	← Non-distributable →			Distributable	Total RM
		Share capital RM	Share premium RM	Share option reserve RM	Retained earnings RM	
At 1 June 2006		40,000,000	8,090,232	48,211	11,462,531	59,600,974
Profit for the year		-	-	-	6,776,759	6,776,759
Share-based payment under ESOS	13	-	-	61,326	-	61,326
Dividend	21	-	-	-	(2,304,000)	(2,304,000)
At 31 May 2007		40,000,000	8,090,232	109,537	15,935,290	64,135,059
Profit for the year		-	-	-	6,329,491	6,329,491
Issuance of new ordinary shares pursuant to ESOS	10	212,500	-	-	-	212,500
Share-based payment under ESOS	13	-	-	67,804	-	67,804
Transfer from share option reserve for share options exercised and lapsed		-	9,076	(29,142)	20,066	-
Dividends	21	-	-	-	(3,586,955)	(3,586,955)
At 31 May 2008		40,212,500	8,099,308	148,199	18,697,892	67,157,899

The notes on pages 39 to 66 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 May 2008

	Note	2008 RM	2007 RM (Restated)
Cash flows from operating activities			
Profit before tax from continuing operations		6,936,553	7,595,453
Adjustments for :			
Depreciation of property, plant and equipment	3	3,358,406	3,418,155
Amortisation of prepaid lease payments	4	4,515	4,515
Gain on disposal of plant and equipment	16	(20,743)	(27,200)
Gain on disposal of other investments	16	(83,467)	-
Plant and equipment written off	16	28,053	-
Interest income from unit trust funds	16	(6,337)	-
Interest income	16	(644,872)	(600,265)
Share-based payment	13	67,804	61,326
Operating profit before changes in working capital		9,639,912	10,451,984
Changes in working capital :			
Receivables, deposits and prepayments		(1,876,271)	(408,323)
Inventories		179,339	(3,093,211)
Payables and accruals		(1,429,918)	704,235
Cash generated from operations		6,513,062	7,654,685
Tax paid		(1,285,511)	(928,361)
Net cash generated from operating activities		5,227,551	6,726,324
Cash flows from investing activities			
Acquisition of other investments		(6,600,000)	(1,500,000)
Proceeds from disposal of other investments	6	1,483,467	-
Purchase of property, plant and equipment	3	(1,494,610)	(1,566,213)
Proceeds from disposal of plant and equipment		25,500	27,200
Interest received		644,872	600,265
Net cash used in investing activities		(5,940,771)	(2,438,748)
Cash flows from financing activities			
Dividend paid	21	(3,586,955)	(2,304,000)
Proceeds from shares issued under ESOS		212,500	-
Net cash used in financing activities		(3,374,455)	(2,304,000)
Net (decrease)/ increase in cash and cash equivalents		(4,087,675)	1,983,576
Cash and cash equivalents at 1 June		25,964,271	23,980,695
Cash and cash equivalents at 31 May	9	21,876,596	25,964,271

The notes on pages 39 to 66 are an integral part of these financial statements.

BALANCE SHEET

at 31 May 2008

	Note	2008 RM	2007 RM
Assets			
Investment in subsidiaries	5	30,591,280	30,523,476
Other investments	6	6,706,337	1,500,000
Amount due from subsidiaries	7	14,611,793	16,896,731
Total non-current assets		<u>51,909,410</u>	<u>48,920,207</u>
Other receivable	7	315	-
Current tax assets		52,865	83,042
Cash and cash equivalents	9	303,598	2,180,667
Total current assets		<u>356,778</u>	<u>2,263,709</u>
Total assets		<u>52,266,188</u>	<u>51,183,916</u>
Equity			
Share capital	10	40,212,500	40,000,000
Reserves	11	11,864,981	11,003,716
Total equity		<u>52,077,481</u>	<u>51,003,716</u>
Liability			
Payables and accruals	14	188,707	180,200
Total current liability		<u>188,707</u>	<u>180,200</u>
Total equity and liability		<u>52,266,188</u>	<u>51,183,916</u>

The notes on pages 39 to 66 are an integral part of these financial statements.

INCOME STATEMENT

for the year ended 31 May 2008

	Note	2008 RM	2007 RM
Continuing operations			
Revenue	15	4,549,491	3,879,345
Administrative expenses		(356,072)	(276,662)
Other operating expenses		(1,002)	(588)
Other operating income		187,999	64,223
Profit before tax	16	<u>4,380,416</u>	<u>3,666,318</u>
Tax expense	19	-	(971,881)
Profit for the year		<u><u>4,380,416</u></u>	<u><u>2,694,437</u></u>
Dividend per ordinary share - net (sen)	21	<u><u>10.00</u></u>	<u><u>5.92</u></u>

The notes on pages 39 to 66 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 May 2008

	Note	← Non-distributable →			Distributable	Total RM
		Share capital RM	Share premium RM	Share option reserve RM	Retained earnings RM	
At 1 June 2006		40,000,000	8,090,232	48,211	2,413,510	50,551,953
Profit for the year		-	-	-	2,694,437	2,694,437
Share-based payment under ESOS	13	-	-	61,326	-	61,326
Dividend	21	-	-	-	(2,304,000)	(2,304,000)
At 31 May 2007		40,000,000	8,090,232	109,537	2,803,947	51,003,716
Profit for the year		-	-	-	4,380,416	4,380,416
Share-based payment under ESOS	13	-	-	67,804	-	67,804
Issuance of new ordinary shares pursuant to ESOS	10	212,500	-	-	-	212,500
Transfer from share option reserve for share options exercised and lapsed		-	9,076	(29,142)	20,066	-
Dividends	21	-	-	-	(3,586,955)	(3,586,955)
At 31 May 2008		40,212,500	8,099,308	148,199	3,617,474	52,077,481

The notes on pages 39 to 66 are an integral part of these financial statements.

CASH FLOW STATEMENT

for the year ended 31 May 2008

	Note	2008 RM	2007 RM
Cash flows from operating activities			
Profit before tax from continuing operations		4,380,416	3,666,318
Adjustments for :			
Dividend income	16	(4,543,154)	(3,879,345)
Interest income	16	(104,463)	(64,180)
Gain on disposal of other investments	16	(83,467)	-
Interest income from unit trust fund		(6,337)	-
Operating loss before changes in working capital		(357,005)	(277,207)
Changes in working capital :			
Other receivables		(315)	-
Payables and accruals		8,507	-
Cash used in operations		(348,813)	(277,207)
Dividend received		4,543,154	2,831,922
Tax refunded/(paid)		30,177	(3,012)
Net cash generated from operating activities		4,224,518	2,551,703
Cash flows from investing activities			
Repayment from subsidiaries		2,284,938	773,155
Interest received		104,463	64,180
Acquisition of other investments		(6,600,000)	(1,500,000)
Proceeds from disposal of other investments	6	1,483,467	-
Net cash used in investing activities		(2,727,132)	(662,665)
Cash flows from financing activities			
Dividend paid	21	(3,586,955)	(2,304,000)
Proceeds from shares issued under ESOS		212,500	-
Net cash used in financing activities		(3,374,455)	(2,304,000)
Net decrease in cash and cash equivalents		(1,877,069)	(414,962)
Cash and cash equivalents at 1 June		2,180,667	2,595,629
Cash and cash equivalents at 31 May	9	303,598	2,180,667

The notes on pages 39 to 66 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Eurospan Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office

35, 1st Floor
Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya
Penang

Principal place of business

1168, Kampung Teluk
Sungai Dua
Kawasan Perusahaan Sungai Lokan
13800 Butterworth
Penang

The consolidated financial statements as at and for the year ended 31 May 2008 comprise the Company and its subsidiaries (together referred to as the Group).

The Company is principally engaged in the provision of management services and that of an investment holding while the other Group entities are primarily involved in the manufacture and trading of furniture and wood-based products and investment holding.

The financial statements were approved by the Board of Directors on 27 August 2008.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The MASB has also issued the following FRSs and Interpretations that are effective for annual periods beginning after 1 June 2007, and that have not been applied in preparing these financial statements :

FRSs/Interpretations	Effective date
FRS 107, Cash Flow Statements	1 July 2007
FRS 111, Construction Contracts	1 July 2007
FRS 112, Income Taxes	1 July 2007
FRS 118, Revenue	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

FRSs/Interpretations	Effective date
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139, Financial Instruments : Recognition and Measurement	1 January 2010
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year except for the adoption of FRS 117, Leases and FRS 124, Related Party Disclosures.

Other than the reclassification of leasehold land from property, plant and equipment to prepaid lease payments and additional disclosures, the adoption of FRS 117, Leases and FRS 124, Related Party Disclosures did not have any significant financial impact on the Group and the Company. The effect of adopting FRS 117, Leases in the financial year ended 31 May 2008 are set out in Note 26.

The Group and the Company plan to apply the rest of the above-mentioned FRSs and Interpretations for the annual period beginning 1 June 2008 except for those which are not applicable to the Group and the Company and FRS 139, Financial Instruments : Recognition and Measurement which the effective date is 1 January 2010.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs and Interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Basis of preparation (cont'd)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation (refer to Note 26 to the financial statements).

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting except for Eurospan Furniture Sdn. Bhd. which is accounted for using the pooling-of-interests method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under the pooling-of-interest method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components with Group equity.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) *Changes in Group composition*

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Changes in Group composition (cont'd)

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the purchase method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Transactions eliminated on consolidation

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

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

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies (cont'd)

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

(i) Recognition and measurement (cont'd)

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expenses" respectively in the income statements.

(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 its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iii) Depreciation

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The other assets are depreciated at the following annual rates for the current and comparative periods:

Buildings	2%
Plant, machinery and factory equipment	10% and 20%
Furniture, fittings, renovation and office equipment	10%
Motor vehicles	10% and 20%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(d) Lease assets

Operating lease

Leased assets are not recognised on the Group's balance sheet, except for property interest held under operating lease.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Prior to 1 July 2007, leasehold land were classified as property, plant and equipment and were stated at cost less accumulated depreciation. The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land are classified as prepaid lease payments and amortised on a straight-line basis over the remaining lease term of the land.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies (cont'd)

(e) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statements.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequent if events or changes in circumstances indicate that it might be impaired.

(f) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition :

- Investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value,
- All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio/individual investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(g) Impairment of assets

The carrying amounts of assets except for inventories and financial assets (other than investment in subsidiaries) are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs 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 assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies (cont'd)

(g) Impairment of assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

(h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sales.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(k) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies (cont'd)

(l) 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.

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 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.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(m) Share capital

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

(n) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(o) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(p) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

The Group's contributions to the statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies (cont'd)

(p) Employee benefits (cont'd)

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(q) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences :

- i) the initial recognition of goodwill
- ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss).

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference 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 benefit will be realised.

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per ordinary share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Property, plant and equipment - Group

	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings, renovation and office equipment RM	Motor vehicles RM	Capital expenditure- in-progress RM	Total RM
Cost								
At 1 June 2006, as previously stated	4,837,499	383,733	13,435,869	32,202,528	2,324,079	2,476,212	270,000	55,929,920
Effect of adopting FRS 117 (Note 4)	-	(383,733)	-	-	-	-	-	(383,733)
At 1 June 2006, restated	4,837,499	-	13,435,869	32,202,528	2,324,079	2,476,212	270,000	55,546,187
Additions	-	-	-	527,745	176,783	296,285	565,400	1,566,213
Disposals	-	-	-	(103,728)	-	(67,709)	-	(171,437)
Reclassification	-	-	-	-	15,000	-	(15,000)	-
At 31 May 2007/1 June 2007, restated	4,837,499	-	13,435,869	32,626,545	2,515,862	2,704,788	820,400	56,940,963
Additions	-	-	389,337	550,050	209,223	346,000	-	1,494,610
Disposals	-	-	-	(140,640)	-	(81,159)	-	(221,799)
Write-off	-	-	-	-	(300,659)	-	-	(300,659)
Reclassification	-	-	-	820,400	-	-	(820,400)	-
At 31 May 2008	4,837,499	-	13,825,206	33,856,355	2,424,426	2,969,629	-	57,913,115
Accumulated depreciation								
At 1 June 2006, as previously stated	-	49,221	2,114,660	18,872,214	1,414,592	1,123,805	-	23,574,492
Effect of adopting FRS 117 (Note 4)	-	(49,221)	-	-	-	-	-	(49,221)
At 1 June 2006, restated	-	-	2,114,660	18,872,214	1,414,592	1,123,805	-	23,525,271
Charge for the year	-	-	268,718	2,734,410	212,134	202,893	-	3,418,155
Disposals	-	-	-	(103,728)	-	(67,709)	-	(171,437)
At 31 May 2007/1 June 2007, restated	-	-	2,383,378	21,502,896	1,626,726	1,258,989	-	26,771,989
Charge for the year	-	-	272,087	2,630,920	207,713	247,686	-	3,358,406
Disposals	-	-	-	(135,883)	-	(81,159)	-	(217,042)
Write-off	-	-	-	-	(272,606)	-	-	(272,606)
At 31 May 2008	-	-	2,655,465	23,997,933	1,561,833	1,425,516	-	29,640,747
Carrying amounts								
At 1 June 2006, restated	4,837,499	-	11,321,209	13,330,314	909,487	1,352,407	270,000	32,020,916
At 31 May 2007/1 June 2007, restated	4,837,499	-	11,052,491	11,123,649	889,136	1,445,799	820,400	30,168,974
At 31 May 2008	4,837,499	-	11,169,741	9,858,422	862,593	1,544,113	-	28,272,368

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Prepaid lease payments

Group	Note	Unexpired period more than 50 years RM
Cost		
At 1 June 2006		-
Effect of adopting FRS 117	3	383,733
At 1 June 2006, restated		<u>383,733</u>
At 31 May 2007/1 June 2007, restated		<u>383,733</u>
At 31 May 2008		<u>383,733</u>
Amortisation		
At 1 June 2006		-
Effect of adopting FRS 117		49,221
At 1 June 2006, restated		<u>49,221</u>
Amortisation for the year		4,515
At 31 May 2007/1 June 2007, restated		<u>53,736</u>
Amortisation for the year		4,515
At 31 May 2008		<u>58,251</u>
Carrying amounts		
At 1 June 2006, restated		<u>334,512</u>
At 31 May 2007/1 June 2007, restated		<u>329,997</u>
At 31 May 2008		<u>325,482</u>

5. Investment in subsidiaries - Company

	2008 RM	2007 RM
Unquoted shares, at cost	30,413,939	30,413,939
Add : Share-based payment allocated to subsidiaries	177,341	109,537
	<u>30,591,280</u>	<u>30,523,476</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. Investment in subsidiaries - Company (cont'd)

Details of the subsidiaries are as follows :

Name of Company	Percentage of Equity Held		Principal Activities
	2008	2007	
	%	%	
Eurospan Furniture Sdn. Bhd.	100	100	Manufacture and trading of furniture and wood-based products
Dynaspan Furniture Sdn. Bhd.	100	100	Manufacture of furniture and wood-based products
Eurowood Furniture Sdn. Bhd.	100	100	Investment holding
Dynaword Sdn. Bhd.	100	100	Investment holding

All the above subsidiaries are incorporated in Malaysia and audited by KPMG.

6. Other investments - Group and Company

	2008 RM	2007 RM
At cost		
Unit trust funds	6,306,337	1,500,000
Structured investment products	400,000	-
	<u>6,706,337</u>	<u>1,500,000</u>
Market value		
Unit trust funds	6,317,374	1,473,800
Structured investment products	399,370	-
	<u>6,716,744</u>	<u>1,473,800</u>
Details of other investments disposed during the year are as follows :		
Proceeds from disposal	1,483,467	-
Carrying amount of other investments disposed	(1,400,000)	-
	<u>83,467</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Receivables, deposits and prepayments

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Current					
Trade					
Trade receivables	7.1	4,358,205	2,422,578	-	-
Non-trade					
Other receivables		925,204	856,728	315	-
Deposits		259,839	717,758	-	-
Prepayments		620,134	290,047	-	-
		1,805,177	1,864,533	315	-
		<u>6,163,382</u>	<u>4,287,111</u>	<u>315</u>	<u>-</u>
Non-current					
Amount due from subsidiaries	7.2	-	-	14,611,793	16,896,731

7.1 Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currency of the Group entities are as follows :

Foreign currency	Group	
	2008 RM	2007 RM
USD	4,346,176	2,296,663
Euro	-	90,298

7.2 Amount due from subsidiaries

The non-current amount due from subsidiaries is non-trade in nature, unsecured, interest-free and is not repayable within the next twelve months except in so far as such repayment by the subsidiaries will not adversely affect the ability of the respective subsidiaries to meet their liabilities when due.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. Inventories - Group

	2008 RM	2007 RM
At cost		
Raw materials	5,511,859	5,108,279
Work-in-progress	4,107,528	4,323,659
Manufactured inventories	1,950,568	2,317,356
	11,569,955	11,749,294

9. Cash and cash equivalents

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Short term funds	9.1	2,900,554	2,814,285	-	-
Deposits with licensed banks		8,831,002	20,530,081	-	2,110,000
Cash and bank balances	9.2	10,145,040	2,619,905	303,598	70,667
		21,876,596	25,964,271	303,598	2,180,667

9.1 Short term funds

Short term funds represent investment in fixed income trusts which can be redeemed within a period of less than 7 days.

9.2 Cash and bank balances

Cash and bank balances of the Group denominated in currencies other than the functional currency are RM3,992,882 (2007 : RM54,490) and RM2,937 (2007 : RM Nil) denominated in USD and Euro respectively.

10. Share capital - Group and Company

	2008		2007	
	RM	Number of shares	RM	Number of shares
Authorised :				
Ordinary shares of RM1 each	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid :				
Balance at 1 June				
Ordinary shares of RM1 each	40,000,000	40,000,000	40,000,000	40,000,000
Issued under ESOS, for cash at RM1 per share	212,500	212,500	-	-
Balance at 31 May	40,212,500	40,212,500	40,000,000	40,000,000

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Reserves

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Non-distributable				
Share premium	8,099,308	8,090,232	8,099,308	8,090,232
Share option reserve	148,199	109,537	148,199	109,537
	<u>8,247,507</u>	<u>8,199,769</u>	<u>8,247,507</u>	<u>8,199,769</u>
Distributable				
Retained earnings	18,697,892	15,935,290	3,617,474	2,803,947
	<u>26,945,399</u>	<u>24,135,059</u>	<u>11,864,981</u>	<u>11,003,716</u>

The share premium account arose from the public issue of the Company's shares and the issue of shares pursuant to the Company's ESOS and is presented net of share issue expenses.

The share option reserve comprises the cumulative value of employees service received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expired, the amount from the share option reserve is transferred to retained earnings.

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank/distribute approximately RM1,284,000 and RM4,093,000 respectively from its retained earnings at 31 May 2008 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

12. Deferred tax liabilities

The recognised deferred tax liabilities are as follows :

	Group	
	2008 RM	2007 RM
Property, plant and equipment - capital allowances	2,279,170	2,576,237
Provisions	(178,538)	(278,781)
	<u>2,100,632</u>	<u>2,297,456</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Deferred tax liabilities (cont'd)

The component and movement of deferred tax liabilities during the year are as follows:

	At 1 June 2006 RM	Recognised in the income statement (Note 19) RM	At 31 May 2007 RM	Recognised in the income statement (Note 19) RM	At 31 May 2008 RM
Property, Plant and equipment					
- Capital allowances	2,868,827	(292,590)	2,576,237	(297,067)	2,279,170
Provisions	(264,512)	(14,269)	(278,781)	100,243	(178,538)
	<u>2,604,315</u>	<u>(306,859)</u>	<u>2,297,456</u>	<u>(196,824)</u>	<u>2,100,632</u>

13. Share-based payment

The Company offers share options over ordinary shares to Directors and other employees of the Group with more than 1 year of service for Employees' Share Option Scheme ("ESOS"). The contractual life of ESOS is 5 years commencing from 30 December 2004.

Details of grants are as follows:

Grant date	Number of options
24 January 2005	4,248,000
9 February 2005	6,000
10 April 2005	50,000
10 May 2005	65,000
10 July 2005	76,000
10 August 2005	26,000
10 October 2005	26,000
10 November 2005	45,000
10 December 2005	54,000
10 January 2006	152,000
10 February 2006	38,000
10 March 2006	41,000
10 April 2006	12,000
10 May 2006	24,000
10 June 2006	73,000
10 August 2006	74,000
10 September 2006	71,000
10 October 2006	6,000
10 November 2006	33,000
10 January 2007	71,000
10 February 2007	51,000
10 March 2007	44,000
10 April 2007	16,000
10 May 2007	44,000
10 June 2007	28,000
10 July 2007	12,000

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Share-based payment (cont'd)

Grant date	Number of options
10 August 2007	18,000
10 September 2007	36,000
10 October 2007	12,000
10 November 2007	36,000
10 December 2007	33,000
10 January 2008	62,000
10 February 2008	38,000
10 March 2008	64,000
10 April 2008	52,000
10 May 2008	86,000

The number and weighted average exercise prices of share options are as follows :

	2008		2007	
	Weighted average exercise price RM	Number of options	Weighted average exercise price RM	Number of options
Outstanding at 1 June	1.00	4,916,000	1.00	4,807,000
Granted during the year	1.00	477,000	1.00	483,000
Lapsed due to resignation	1.00	(1,397,500)	1.00	(374,000)
Options exercised	1.00	(212,500)	-	-
Outstanding at 31 May	1.00	<u>3,783,000</u>	1.00	<u>4,916,000</u>
Exercisable at 31 May		<u>3,275,750</u>		<u>3,972,500</u>

The options outstanding at 31 May 2008 have an exercise price of RM1.00 and a weighted contractual life of 1.58 years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Share-based payments (Cont'd)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs :

Grant Date	Vesting conditions	Fair value at grant date	Weighted average share price	Exercise price	Expected volatility (weighted average volatility) %	Option life (expected weighted average life)	Expected dividends %	Risk-free interest rate (based on Malaysian government bonds) %
24 January 2005	On grant date 25% of the options granted vest immediately followed by 25% for the each subsequent year	0.08	0.73	1.00	35.96	4.92	5.76	3.56
9 February 2005		0.08	0.70	1.00	35.96	4.92	5.76	3.59
10 April 2005		0.11	0.82	1.00	35.96	4.75	5.76	3.61
10 May 2005		0.09	0.76	1.00	35.96	4.67	5.76	3.48
10 July 2005		0.08	0.74	1.00	35.96	4.50	5.76	3.28
10 August 2005		0.09	0.76	1.00	35.96	4.42	5.76	3.30
10 October 2005		0.08	0.75	1.00	35.96	4.25	5.76	3.31
10 November 2005		0.09	0.76	1.00	35.96	4.17	5.76	3.53
10 December 2005		0.07	0.70	1.00	35.96	4.08	5.76	3.59
10 January 2006		0.07	0.70	1.00	35.96	4.00	5.76	3.58
10 February 2006	On grant date 25% of the options granted vest immediately followed by 25% for the subsequent year and the remaining on 30 December 2008	0.08	0.74	1.00	35.96	3.92	5.76	3.71
10 March 2006		0.07	0.71	1.00	35.96	3.83	5.76	3.63
10 April 2006		0.08	0.72	1.00	35.96	3.75	5.76	3.76
10 May 2006		0.08	0.74	1.00	35.96	3.67	5.76	4.20
10 June 2006		0.07	0.68	1.00	35.96	3.58	5.76	4.45
10 August 2006		0.12	0.82	1.00	35.96	3.42	5.76	4.12
10 September 2006		0.15	0.88	1.00	34.97	3.33	5.76	3.92
10 October 2006		0.14	0.87	1.00	34.97	3.25	5.76	3.86
10 November 2006		0.18	0.96	1.00	34.97	3.17	5.76	3.67
10 January 2007		0.19	0.96	1.00	34.49	2.97	5.76	3.61
10 February 2007	On grant date 25% of the options granted vest immediately followed by 25% for the subsequent year and the remaining on 30 December 2008	0.16	0.94	1.00	34.56	2.88	5.76	3.64
10 March 2007		0.15	0.92	1.00	34.56	2.82	5.76	3.56
10 April 2007		0.20	1.03	1.00	34.56	2.72	5.76	3.41
10 May 2007		0.20	1.01	1.00	35.11	2.64	5.76	3.22
10 June 2007		0.26	1.11	1.00	35.11	2.56	4.32	4.03
10 July 2007		0.25	1.11	1.00	35.11	2.47	4.32	4.03
10 August 2007		0.25	1.11	1.00	35.11	2.39	4.32	4.03
10 September 2007		0.22	1.05	1.00	34.82	2.30	4.32	4.03
10 October 2007		0.25	1.10	1.00	34.82	2.22	4.32	4.03
10 November 2007		0.27	1.19	1.07	34.82	2.14	4.32	4.03
10 December 2007	0.21	1.07	1.00	34.85	2.05	4.32	4.03	
10 January 2008	0.22	1.09	1.00	34.85	1.97	4.32	4.03	
10 February 2008	0.17	1.01	1.00	34.85	1.88	4.32	4.03	
10 March 2008	0.11	0.90	1.00	34.61	1.81	4.32	4.03	
10 April 2008	0.11	0.91	1.00	34.61	1.72	4.32	4.03	
10 May 2008	0.11	0.91	1.00	34.61	1.64	4.32	4.03	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Share-based payments (Cont'd)

Value of employee services received for issue of share options

	2008 RM	2007 RM
Share options granted in 2005	7,568	26,440
Share options granted in 2006	2,856	8,613
Share options granted in 2007	15,457	26,273
Share options granted in 2008	41,923	-
Total expense recognised as share-based payments	<u>67,804</u>	<u>61,326</u>

14. Payables and accruals

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade				
Trade payables	3,500,389	4,631,992	-	-
Non-trade				
Other payables	787,437	1,155,892	-	-
Accrued expenses	1,498,004	1,427,864	188,707	180,200
	2,285,441	2,583,756	188,707	180,200
	<u>5,785,830</u>	<u>7,215,748</u>	<u>188,707</u>	<u>180,200</u>

15. Revenue

Group

Revenue represents the invoiced value of goods sold less discounts and returns.

Company

Revenue represents dividend income and interest income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. Profit before tax

Profit before tax is arrived at :

	Group		Company	
	2008 RM	2007 RM (Restated)	2008 RM	2007 RM
After charging :				
Auditors' remuneration				
Audit services				
- Current year	40,000	35,000	11,000	10,000
- Prior year	5,000	-	1,000	-
Other services by auditors of the Company and its affiliated firm	16,020	16,570	4,500	4,800
Depreciation of property, plant and equipment (Note 3)	3,358,406	3,418,155	-	-
Amortisation of prepaid lease payments (Note 4)	4,515	4,515	-	-
Plant and equipment written off	28,053	-	-	-
Directors' emoluments				
Directors of the Company				
- fees	239,167	240,000	154,167	150,000
- others	1,274,789	1,376,080	23,180	22,440
Other Directors				
- fees	45,000	45,000	-	-
- others	491,640	454,470	-	-
Research expenditure	901,112	1,014,544	-	-
Loss on foreign exchange				
- realised	276,256	360,537	-	-
- unrealised	-	92,638	-	-
and crediting :				
Dividend income from subsidiaries	-	-	4,543,154	3,879,345
Gain on disposal of plant and equipment	20,743	27,200	-	-
Gain on disposal of other investments (Note 6)	83,467	-	83,467	-
Interest income	644,872	600,265	104,463	64,180
Interest income from unit trust funds	6,337	-	6,337	-
Gain on foreign exchange - unrealised	23,026	-	-	-

The estimated monetary value of benefits receivable by executive Directors of the Group other than in cash amounted to RM85,602 (2007 : RM83,869).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. Key management personnel compensation

The key management personnel compensation is as follows :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors of the Company				
- Fees	239,167	240,000	154,167	150,000
- Remuneration	1,274,789	1,376,080	23,180	22,440
Other Directors				
- Fees	45,000	45,000	-	-
- Remuneration	491,640	454,470	-	-
	<u>2,050,596</u>	<u>2,115,550</u>	<u>177,347</u>	<u>172,440</u>

There are no other key management personnel apart from all Directors of the Group having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

18. Employee information

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Staff costs (excluding executive Directors)	<u>12,517,859</u>	<u>11,688,319</u>	<u>-</u>	<u>-</u>

Staff costs of the Group include contributions to the Employees' Provident Fund of RM908,177 (2007 : RM844,168) and share-based payment of RM67,804 (2007 : RM61,326).

19. Tax expense

Recognised in the income statement

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current tax expense				
- Based on results for the year	784,258	1,166,926	-	1,014,158
- Under/(Over) provision in prior years	19,628	(41,373)	-	(42,277)
Total current tax	<u>803,886</u>	<u>1,125,553</u>	<u>-</u>	<u>971,881</u>
Deferred tax expense				
- Current year	(198,621)	(271,276)	-	-
- Prior year	1,797	(35,583)	-	-
Total deferred tax	<u>(196,824)</u>	<u>(306,859)</u>	<u>-</u>	<u>-</u>
	<u>607,062</u>	<u>818,694</u>	<u>-</u>	<u>971,881</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. Tax expense (cont'd)

Reconciliation of effective tax expense

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit before tax	6,936,553	7,595,453	4,380,416	3,666,318
Tax using Malaysian tax rates at 26% (2007 : 27%)	1,803,504	2,050,772	1,138,908	989,906
Effect of lower tax rates for certain subsidiaries*	(59,786)	(67,895)	-	-
Effect of change in tax rates**	(86,947)	(89,694)	-	-
Non-deductible expenses	129,582	105,811	42,229	24,252
Tax exempt income	(40,083)	(51,806)	(1,181,220)	-
Tax incentives	(1,163,330)	(1,053,453)	-	-
Others	2,697	1,915	83	-
	585,637	895,650	-	1,014,158
Under/(Over) provision in prior years	21,425	(76,956)	-	(42,277)
	607,062	818,694	-	971,881

* With effect from year of assessment 2004, companies with paid up capital of RM2.5 million and below at beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

** The corporate tax rates are at 27% for year assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent year of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

20. Earnings per ordinary share - Group

Basic earnings per share

The basic earnings per ordinary share has been calculated based on the net profit attributable to shareholders for the year of RM6,329,491 (2007 : RM6,776,759) and on the weighted average number of ordinary shares of RM1 each in issue during the year of 40,191,042 (2007 : 40,000,000) calculated as follows :

	2008 RM	2007 RM
Issued ordinary shares at 1 June	40,000,000	40,000,000
Effect of shares issued during the year	191,042	-
Weighted average number of ordinary shares at 31 May	40,191,042	40,000,000

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Basic earnings per ordinary share (cont'd)

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the net profit attributable to the shareholders of RM6,329,491 (2007 : RM6,776,759) and on the weighted average number of ordinary shares of RM1 each outstanding during the year of 40,388,260 (2007 :40,000,000) calculated as follows :

	2008 RM	2007 RM
Weighted average number of ordinary shares at 31 May	40,191,042	40,000,000
Dilution impact of unexercised share options	197,218	-
	<u>40,388,260</u>	<u>40,000,000</u>

21. Dividends - Group and Company

	2008 RM	2007 RM
Paid		
First and final dividend of 8% less 26% tax (2007 : 8% less 28% tax) on 40,212,500 (2007 : RM 40,000,000) ordinary shares of RM1 each	2,380,580	2,304,000
Interim dividend of 3% tax exempt on 40,212,500 ordinary shares of RM1 each	1,206,375	-
	<u>3,586,955</u>	<u>2,304,000</u>

The first and final dividend of 8 sen per ordinary share less 26% tax totalling RM2,380,580 proposed in the last financial year was approved by the shareholders in the last Annual General Meeting and accordingly, the amount has been appropriated from the retained earnings in this financial year.

The proposed final dividend of 4 sen per ordinary share less 25% tax and tax exempt dividend of 4 sen per ordinary share in respect of the financial year ended 31 May 2008 has not been accounted for in the financial statements. The dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting. This dividend will be recognised in subsequent year financial statements upon approval by the shareholders.

The net dividend per ordinary share as disclosed in the Income Statement takes into account the proposed final dividend for the financial year ended 31 May 2008.

22. Contingent liability, unsecured - Company

	2008 RM	2007 RM
Corporate guarantee issued to licensed banks for banking facilities granted to subsidiaries	<u>21,200,000</u>	<u>21,200,000</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. Related parties

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

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

23.1 Identity of related parties

- i) The Group has a controlling related party relationship with its subsidiaries as disclosed in the financial statements.
- ii) The Group has a controlling related party relationship with the substantial shareholder of the Company, TBHL Holdings Sdn. Bhd. in which Messrs. Guan Kok Beng, Guan Kim Heng and Guan Kim Loong have substantial financial interests.
- iii) The Group also has a related party relationship with the key Directors and key management personnel of the Group:
 - Guan Kok Beng
 - Guan Kim Heng
 - Guan Kim Loong
 - Dato' Noor Ahmad Mokhtar Bin Haniff
 - Diong Chin Teck
 - Guan Shaw Kee
 - Guan Shaw Yin
 - Ting Hon Sum
 - Lim Beng Tek
 - Guan Cheng Muan

23.2 Significant transactions with related parties

There were no transactions with related parties during the financial year other than the following :

- i) Remuneration package paid to the Directors and key management personnel in accordance with the terms and conditions of their appointment as disclosed in Note 17.
- ii) Share options granted to Directors and key management personnel.
- iii) Dividends received from the subsidiaries.
- iv) Dividends paid to TBHL Holdings Sdn Bhd.

24. Segment reporting - Group

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Segment reporting - Group (cont'd)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group is principally engaged in the manufacturing and trading of furniture and wood-based products. Business segment information has therefore not been prepared as the Group's revenue, operating profit, assets employed, capital expenditure, depreciation and amortisation and non-cash expenses are mainly confined to one business segment.

Geographical segments

The business segment is managed in one principal location namely Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

	Malaysia RM	Asia RM	Europe RM	South America RM	Others RM	Consolidated RM
2008						
Revenue from external customers by location of customers	52,191	9,123,405	41,614,176	7,853,693	15,138,131	73,781,596
Segment assets by location of assets	74,914,120	-	-	-	-	74,914,120
Capital expenditure by location of assets	1,494,610	-	-	-	-	1,494,610
2007						
Revenue from external customers by location of customers	1,362,130	9,671,612	42,567,033	5,259,787	12,573,839	71,434,401
Segment assets by location of assets	73,999,647	-	-	-	-	73,999,647
Capital expenditure by location of assets	1,566,213	-	-	-	-	1,566,213

25. Financial instruments

Financial risk management and objectives

Exposure to credit, interest rate, foreign exchange risk and liquidity risk arises in the normal course of the Group's and the Company's business. The policies for controlling these risks when applicable, and the information on the related exposures are set out below :

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. Financial instruments (cont'd)

Credit risk

Exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new customers prior to the granting of credit terms.

The Group and the Company have no significant concentrations of credit risk at the balance sheet date other than amount due from subsidiaries (Note 7). The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

Interest rate risk

The Group does not incur any interest-bearing debts. Therefore, its exposure to interest rate risk is minimal.

The investments in financial assets are mainly short term in nature and are mostly placed in fixed deposits or occasionally, in short term deposits and short term funds which yield better returns than cash at bank.

Foreign exchange risk

The Group incurs foreign exchange risk mainly from its sales transactions denominated in currencies other than Ringgit Malaysia ("RM"). The currencies giving rise to this risk are primarily denominated in the United States Dollar ("USD") and Euro Dollar ("EURO").

The Group hedges at least 80 percent of its trade receivables denominated in foreign currency. At any point in time, the Group also hedges 80 percent of their estimated foreign currency exposure in respect of forecast sales over the following six months. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

Liquidity risk

The Group manages its liquidity risk by adopting a prudent approach to credit risk and cash flow management. The Group maintains a sufficient level of cash to meet its working capital requirements. It also has banking facilities available for its contingent funding requirement for working capital purposes.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM
Group				
2008				
Financial assets				
Short term funds	3.00	2,900,554	2,900,554	-
Deposits with licensed banks	2.77	8,831,002	8,831,002	-
2007				
Financial assets				
Short term funds	3.10	2,814,285	2,814,285	-
Deposits with licensed banks	2.74	20,530,081	20,530,081	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. Financial instruments (cont'd)

Company	Effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM
2008				
Financial asset				
Deposits with licensed banks	-	-	-	-
2007				
Financial asset				
Deposits with licensed banks	2.80	2,110,000	2,110,000	-

Fair values

Recognised financial instruments

In respect of cash and cash equivalents, receivables and payables, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the subsidiaries have yet to utilize the credit facilities granted.

The fair value of amount due from subsidiaries has not been determined as the timing of the expected cash flows of this balance cannot be reasonably determined due principally to a lack of fixed repayment terms entered into by the parties involved.

Unrecognised financial instruments

The contracted amount and fair value of financial instruments not recognised in the balance sheet date as at 31 May are as follows :

	Group	
	2008 RM'000	2007 RM'000
Forward foreign exchange sales contracts		
- Contracted value	15,420	11,740
- Unrealised gain	156	(13)
	15,576	11,727

The fair value of the above forward exchange contracts is based on foreign currency contracts translated at spot rates at year end. The foreign exchange contracts will all expire within a year from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Changes in accounting policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 May 2008.

The changes in accounting policies arising from the adoption of the following are summarised below :

FRS 117

Prepaid lease payments previously classified under property, plant and equipment is now disclosed as a separate line item on the face of the consolidated balance sheet within non-current assets. Comparatives have been reclassified accordingly.

This change does not have any impact on earnings per ordinary share.

27. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 26.

	Group	
	As restated RM	As previously reported RM
Balance Sheet		
Property, plant and equipment	30,168,974	30,498,971
Prepaid lease payments	329,997	-
Income statement and cash flow statement		
Depreciation of property, plant and equipment	3,418,155	3,422,670
Amortisation of prepaid lease payments	4,515	-

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements of the Group and of the Company set out on pages 31 to 66, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 May 2008 and of the results of their operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

.....

Guan Kok Beng

.....

Guan Shaw Yin

Penang,

Date : 27 August 2008

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, Moy Ean Chung, the officer primarily responsible for the financial management of Eurospan Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 66 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 Georgetown in the State of Penang on 27 August 2008.

.....

Moy Ean Chung

Before me :

Cheah Beng Sun (No. P103)

DJN, AMN, PKT, PJK, PJM, PK

Pesuruhjaya Sumpah

(Commissioner for Oaths)

Penang

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

of Eurospan Holdings Berhad

Report on the Financial Statements

We have audited the financial statements of Eurospan Holdings Berhad, which comprise the balance sheets as at 31 May 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 66.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS CONTINUED

of Eurospan Holdings Berhad

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

AF 0758

Chartered Accountants

Ooi Kok Seng

2432/05/09 (J)

Chartered Accountant

Date : 27 August 2008

Penang

ANALYSIS OF SHAREHOLDINGS

as at 29 August 2008

1. Authorised Share Capital : RM50,000,000.00
 Issued and Paid-up Share Capital : RM40,212,500.00
 Class of shares : Ordinary shares of RM1.00 each
 Voting Right : 1 vote per share

2. ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 29 AUGUST 2008

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100	5	0.25	200	0.00
100 to 1,000	1,037	51.39	1,024,700	2.55
1,001 to 10,000	782	38.75	3,252,300	8.09
10,001 to 100,000	162	8.03	4,969,100	12.36
100,001 to less than 5% of issued shares	30	1.48	12,455,000	30.97
5% and above of issued shares	2	0.10	18,511,200	46.03
TOTAL	2,018	100.00	40,212,500	100.00

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 29 AUGUST 2008

Name	No. of shares	% of total issued capital
1. TBHL Holdings Sdn. Bhd.	12,141,594	30.19
2. TBHL Holdings Sdn. Bhd.	6,369,606	15.84
3. Guan Kok Beng	1,451,624	3.61
4. Koperasi Pegawai-Pegawai Melayu Malaysia Berhad	1,289,200	3.21
5. Guan Kim Heng	1,084,036	2.70
6. Fong Ting Wong	804,200	2.00
7. Guan Kim Loong	742,576	1.85
8. Lembaga Tabung Angkatan Tentera	688,000	1.71
9. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pheim Asset Management Sdn Bhd For Employees Provident Fund)	673,600	1.68
10. Ting Hon Sum	660,764	1.64
11. Stable Level Sdn. Bhd.	498,000	1.24
12. Guan Kok Beng	454,500	1.13
13. Ooi Pey Wong	401,800	1.00
14. Yeoh Kean Hua	380,000	0.94
15. Amsec Nominees (Tempatan) Sdn Bhd (Amtrustee Berhad For Apex Dana Al-Sofi-I)	349,500	0.87
16. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account For Ng Ah Chai)	324,800	0.81
17. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account For Koek Tiang Kung)	300,800	0.75
18. Yong Ping	234,000	0.58
19. Hong Siew Siew	200,000	0.50
20. Cheng Mei Fung @ Chirn Mei Fung	195,200	0.49
21. Leong Shang Ming	185,000	0.46
22. Cimsec Nominees (Tempatan) Sdn Bhd (CIMB Bank For Ng Ah Chai)	181,700	0.45
23. Chan Beng Teik	179,000	0.45
24. Lim Yoke Lin	161,000	0.40
25. Mayban Nominees (Tempatan) Sdn Bhd (Mayban Trustees Berhad For Pheim Asia Ex-Japan Islamic Fund)	158,200	0.39
26. Lim Chun Thang	150,100	0.37
27. Oh Ee Hong	129,000	0.32
28. Ong Ju Seng	129,000	0.32
29. Chuah Tiong Hock @ Chua Teong Choo	125,400	0.31
30. Syarikat Lean Hong Chan Sdn. Bhd.	120,000	0.30

ANALYSIS OF SHAREHOLDINGS CONTINUED

as at 29 August 2008

4. SUBSTANTIAL SHAREHOLDERS AS AT 29 AUGUST 2008

Name	Direct interest		Deemed interest	
	No. of shares held	% of total issued capital	No. of shares held	% of total issued capital
1. TBHL Holdings Sdn. Bhd.	18,511,200	46.03	-	-
2. Guan Kok Beng	1,906,124	4.74	*18,511,200	46.03
3. Guan Kim Heng	1,113,036	2.77	*18,511,200	46.03
4. Guan Kim Loong	838,576	2.09	*18,511,200	46.03

* Deemed interest by virtue of their substantial shareholdings in TBHL Holdings Sdn. Bhd.

5. INTEREST OF DIRECTORS AS AT 29 AUGUST 2008

a) Interest in shares of the Company

Name	Direct interest		Deemed interest	
	No. of shares held	% of total issued capital	No. of shares held	% of total issued capital
Guan Kok Beng	1,906,124	4.74	*18,511,200	46.03
Guan Kim Heng	1,113,036	2.77	*18,511,200	46.03
Guan Kim Loong	838,576	2.09	*18,511,200	46.03
Dato' Noor Ahmad Mokhtar bin Haniff	-	-	-	-
Diong Chin Teck	15,000	0.04	-	-
Guan Shaw Kee	-	-	-	-
Guan Shaw Yin	-	-	**14,000	0.03

Note :

* Deemed interest by virtue of their substantial shareholdings in TBHL Holdings Sdn. Bhd.

** Interest held by spouse treated as interest of directors in accordance with Section 134(12)(c) of the Companies Act, 1965

b) Interest in shares of related corporations

By virtue of their interests of not less than 15% in the shares of the Company, Messrs Guan Kok Beng, Guan Kim Heng and Guan Kim Loong are also deemed to have interests in the shares of all the subsidiary companies to the extent that the Company has an interest as at 29 August 2008.

None of the other directors have any interest in the shares of related corporations as at 29 August 2008.

c) Share options granted under the Employees' Share Option Scheme ("ESOS") of the Company

Name	Number of options over ordinary shares of RM1.00 each	Option Price RM
Guan Kok Beng	600,000	1.00
Guan Kim Heng	-	-
Guan Kim Loong	-	-
Dato' Noor Ahmad Mokhtar bin Haniff	-	-
Diong Chin Teck	-	-
Guan Shaw Kee	30,000	1.00
Guan Shaw Yin	23,000	1.00

LIST OF PROPERTIES OF THE GROUP

as at 31 May 2008

	Address/Location	Date of Acquisition	Description	Use	Tenure	Approximate Age of Building	Total Land Area/ Approximate Built-up Area (Sq. ft.)	Net Book Value
1.	1168 Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth.	13-05-1995	3 storey office & 1 storey factory	Office, showroom & factory	Freehold	10.5 years	62,140 / 62,600	4,113,113
2.	1169 Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth.	7-11-1992	1 storey factory	Factory	Freehold	*15.5 years	69,589 / 40,947	1,713,948
3.	No. 14 & 16, Lorong Perusahaan Sungai Lokan 3, Taman Perindustrian Baru Butterworth, Sungai Dua, 13800 Butterworth.	27-12-1994	2 storey terrace light industrial building	Store	Freehold	11 years	4,368 / 6,218	573,773
4.	No. 15, Lorong Sungai Lokan 3/2, Sungai Dua, 13800 Butterworth.	7-4-1994	2 storey terrace light industrial building	Store	Freehold	12 years	1,920 / 2,880	236,390
5.	Lot 14, Jalan Perusahaan, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah.	22-3-1995	1 storey factory	Office & factory	Leasehold Expiry : 2080	*12.5 years	86,249 / 38,320	1,951,140
6.	No. 2 , Lorong Bakau 3, Kawasan Perusahaan Perabut Sungai Baong, 14200 Sungai Bakap, Seberang Perai Selatan.	24-4-1996	1 storey factory	Office & factory	Freehold	7.5 years	247,420 / 152,163	5,820,362
7.	Plot A9 & A10, Furniture Village, Sungai Baong, Seberang Perai Selatan.	24-4-1996	Industrial land	Vacant	Freehold	0	238,278	1,556,110
8.	No 26, Lorong Perusahaan Sungai Lokan 3, Taman Perindustrian Baru Butterworth, Sungai Dua, 13800 Butterworth.	12-11-2007	2 storey terrace light industrial building	Store	Freehold	11 years	2,842 / 3,919	367,889
	Total							16,332,723

Notes:

The Group does not have a formal revaluation policy for its landed properties.

Freehold lands are stated at cost and are not subject to depreciation.

Leasehold land and building are stated at cost less accumulated impairment losses and accumulated depreciation respectively.

* Based on the latest upgrading date of building

PROXY FORM

for the 13th Annual General Meeting



EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

No. of shares held	
--------------------	--

I/We _____
(Full Name in Block Letters)

of _____
(Address)

being a member/members of the above Company appoint _____
(Full Name in Block Letters)

of _____
(Address)

or failing him, _____
(Full Name in Block Letters)

of _____
(Address)

as my/our Proxy to vote in my/our name(s) on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held on Wednesday, 29 October, 2008 at 11.30 a.m. and at any adjournment thereof in the manner indicated below :-

Resolution		For	Against
To receive and adopt the Audited Financial Statements for the financial year ended 31 May 2008 together with the Reports of the Directors and Auditors thereon	Resolution 1		
To declare a final dividend of 4 sen per ordinary share less 25% tax and tax exempt dividend of 4 sen per ordinary share for the financial year ended 31 May 2008	Resolution 2		
To approve the payment of Directors' fees of RM154,166.67 for the financial year ended 31 May 2008	Resolution 3		
To re-appoint Mr Diong Chin Teck, who retires pursuant to Section 129 of the Companies Act, 1965 as a Director	Resolution 4		
To re-elect Dato' Noor Ahmad Mokhtar bin Haniff, who retires in accordance with Article 126 of the Company's Articles of Association as a Director	Resolution 5		
To re-elect the following Directors who retire in accordance with Article 131 of the Company's Articles of Association :- a) Mr Guan Shaw Kee b) Mr Guan Shaw Yin	Resolution 6 Resolution 7		
To re-appoint Messrs KPMG as the Company's Auditors	Resolution 8		
To empower the Directors to issue and allot shares up to 10% of the issued share capital of the Company	Resolution 9		
To renew the authority to purchase up to 10% of the issued and paid-up share capital of the Company	Resolution 10		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

Dated this _____ day of _____ 2008.

Signature of Shareholder

Notes :

- A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- To be valid the proxy form must be duly completed and deposited at the registered office of the Company, 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty-eight (48) hours before the time for holding the meeting.
- A member may appoint more than two (2) proxies to attend and vote at the same meeting.
- Where a member appoints two (2) proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

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Affix
Stamp

The Company Secretary

Eurospan Holdings Berhad (351927-M)

35, 1st Floor, Jalan Kelisa Emas 1,
Taman Kelisa Emas, 13700 Seberang Jaya,
Penang, Malaysia

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