

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2016**

	(Unaudited) 31-Aug-16 RM'000	(Audited) 31-May-16 RM'000
ASSETS		
Property, plant and equipment	23,326	23,541
Other investments	5,759	5,654
Total non-current assets	<u>29,085</u>	<u>29,195</u>
Inventories	12,187	13,348
Trade and other receivables	6,274	5,671
Tax recoverable	361	261
Cash and cash equivalents	10,556	10,421
Total current assets	<u>29,378</u>	<u>29,701</u>
TOTAL ASSETS	<u><u>58,463</u></u>	<u><u>58,896</u></u>
EQUITY		
Share capital	44,421	44,421
Reserves	3,452	2,777
Total equity attributable to owners of the Company	<u>47,873</u>	<u>47,198</u>
LIABILITIES		
Provision for gratuity benefit	1,271	1,243
Deferred tax liabilities	481	423
Total non-current liabilities	<u>1,752</u>	<u>1,666</u>
Borrowings	2,781	2,926
Trade and other payables	6,057	7,106
Total current liabilities	<u>8,838</u>	<u>10,032</u>
Total liabilities	<u>10,590</u>	<u>11,698</u>
TOTAL EQUITY AND LIABILITIES	<u><u>58,463</u></u>	<u><u>58,896</u></u>
Net assets per share (sen)	107.77	106.25

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016.)

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

EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2016 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31-Aug-16 RM'000	3 months ended 31-Aug-15 RM'000	3 months ended 31-Aug-16 RM'000	3 months ended 31-Aug-15 RM'000
Continuing operations				
Revenue	13,093	15,534	13,093	15,534
Cost of sales	<u>(11,195)</u>	<u>(12,989)</u>	<u>(11,195)</u>	<u>(12,989)</u>
Gross profit	1,898	2,545	1,898	2,545
Selling and distribution expenses	(410)	(525)	(410)	(525)
Administrative expenses	(1,624)	(1,539)	(1,624)	(1,539)
Finance costs	(43)	(65)	(43)	(65)
Other operating expenses	(14)	(1,037)	(14)	(1,037)
Other incomes	<u>834</u>	<u>157</u>	<u>834</u>	<u>157</u>
(Loss)/Profit before tax	641	(464)	641	(464)
Taxation	<u>(62)</u>	<u>113</u>	<u>(62)</u>	<u>113</u>
(Loss)/Profit after tax for the period	579	(351)	579	(351)
Other comprehensive income/(loss) for the period	<u>96</u>	<u>(234)</u>	<u>96</u>	<u>(234)</u>
Total comprehensive (loss)/income for the period	<u>675</u>	<u>(585)</u>	<u>675</u>	<u>(585)</u>
Profit/(Loss) attributable to :				
Owners of the Parent	579	(351)	579	(351)
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(Loss) after tax for the period	<u>579</u>	<u>(351)</u>	<u>579</u>	<u>(351)</u>
Total comprehensive income/(loss) attributable to :				
Owners of the Parent	675	(585)	675	(585)
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the period	<u>675</u>	<u>(585)</u>	<u>675</u>	<u>(585)</u>
Basic earnings/(loss) per ordinary share (sen)	1.30	(0.79)	1.30	(0.79)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016.)

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

EUROSPAN HOLDINGS BERHAD (351927-M)
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2016
(UNAUDITED)**

	<u>Non Distributable</u>				Retained profits/ (Accumulated losses) RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000		
Balance as at 1 June 2015	44,421	8,375	-	234	(5,876)	47,154
Total comprehensive income/(loss) for the period	-	-	-	(234)	(351)	(585)
Balance as at 31 Aug 2015	44,421	8,375	-	-	(6,227)	46,569
Balance as at 1 June 2016	44,421	8,375	-	66	(5,664)	47,198
Total comprehensive income/(loss) for the period	-	-	-	96	579	675
Balance as at 31 Aug 2016	44,421	8,375	-	162	(5,085)	47,873

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016.)

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EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2016 (UNAUDITED)**

	Cumulative Quarters 3 months ended	
	31-Aug-16 RM'000	31-Aug-15 RM'000
Cash flows from operating activities		
(Loss)/profit before tax	641	(464)
Adjustments for :		
Depreciation	397	426
Fair value loss/(gain) on derivatives	(107)	1,175
Loss/(Gain) on disposal of property, plant and equipment	-	(4)
Interest expense	15	16
Interest income	(154)	(142)
Property, plant and equipment written off	14	-
Provision for gratuity benefit	28	26
Impairment of other investment	-	106
Gain on foreign exchange - unrealised	(383)	(245)
Operating profit before working capital changes	451	894
Decrease in inventories	1,161	1,397
(Increase)/Decrease in receivables	(589)	(766)
Decrease in payables	(956)	(1,178)
Cash (used in)/generated from operations	67	347
Income tax paid	(104)	(28)
Interest paid	(15)	(16)
Interest received	154	142
Net cash (used in)/from operating activities	102	445
Cash flows from investing activities		
Purchase of property, plant and equipment	(196)	(50)
Proceeds from disposal of other investments	(8)	-
Proceeds from disposal of property, plant & equipment	-	4
Net cash used in investing activities	(204)	(46)
Cash flows from financing activities		
Short term borrowing drawdown/(repayment)	(135)	(1,195)
Net cash flows used in financing activities	(135)	(1,195)
Net (decrease)/increase in cash and cash equivalents	(237)	(796)
Effects of changes in exchange rates	372	563
Cash and cash equivalents at beginning of the period	10,421	11,823
Cash and cash equivalents at end of the period	10,556	11,590
Cash and cash equivalents at end of the period consist of :		
Short term funds	5,385	5,358
Cash and bank balances	5,171	6,232
	10,556	11,590

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016.)

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

EUROSPAN HOLDINGS BERHAD (351927-M)
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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2016**

PART A: REQUIREMENTS OF MFRS 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

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

This interim financial report should be read in conjunction with the Group's annual audited financial statements for the year ended 31 May 2016. These explanation notes attached to the interim financial report provides an explanation of events and transactions that are significant for an understanding of the financial position and performance of the Group since the financial year ended 31 May 2016.

The accounting policies and methods of computation adopted for the interim financial report is consistent with those adopted by the Group in the audited financial statements for the year ended 31 May 2016, except for the followings :

Effective for annual periods beginning on or after 1 January 2016

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

Effective for annual periods beginning on or after 1 January 2017

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

Effective for annual periods beginning on or after 1 January 2018

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

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16 *Leases*

Effective date yet to be confirmed

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

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

MFRS 9 Financial Instruments

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

MFRS 15 Revenue from Contracts with Customers

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

The adoption of *MFRS 15* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 15*.

MFRS 16 Leases

The scope of *MFRS 16* includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *MFRS 117*. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (e.g., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (e.g., the lease liability) and an asset representing the right to use the underlying asset during the lease term (e.g., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today’s accounting under *MFRS 117*. Lessors will continue to classify all leases using the same classification principle in *MFRS 117* and distinguish between two types of leases: operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group and the Company are currently assessing the financial impact of adopting *MFRS 16*.

A2. Qualification of Financial Statements

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

A3. Seasonal or Cyclical Factors

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

A4. Exceptional and Extraordinary Items

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

A5. Changes in Estimates

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

A6. Debt and Equity Securities

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

A7. Dividends Paid

No dividends were paid during the current financial period ended 31 August 2016.

A8. Segmental Information

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

A9. Material Events Subsequent to the Balance Sheet Date

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

A10. Changes in the Composition of the Group

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

A11. Contingent Liabilities or Contingent Assets

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

A12. Capital Commitment

There was no capital commitment as at date of this announcement.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2016**

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

B1. Review of Performance

The Group recorded revenue of RM13.09 million for the current financial period ended 31 August 2016 reflecting a decrease of RM2.44 million or 15.71% compared to the revenue of RM15.53 million in the preceding year corresponding financial period. The Group registered a profit before tax of RM0.64 million compared to the loss before tax of RM0.46 million in the preceding year corresponding financial period. The result was mainly due to strengthening of US Dollar against Ringgit Malaysia.

B2. Variation of Results against Preceding Quarter

The Group recorded revenue of RM13.09 million for the current financial quarter ended 31 August 2016 reflecting an increase of RM1.03 million or 8.5% compared to the revenue of RM12.06 million in the preceding quarter ended 31 May 2016. The Group registered a profit before tax of RM0.64 million compared to the loss before tax of RM0.72 million in the preceding quarter. The result was mainly due to the increase in revenue and unrealized gain of foreign exchange of RM0.49 million in the current financial period.

B3. Current Year Prospects

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

B4. Profit Forecast

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

B5. Tax Expense

	Individual Quarter		Cumulative Quarters	
	3 months ended 31-Aug-16 RM'000	3 months ended 31-Aug-15 RM'000	3 months ended 31-Aug-16 RM'000	3 months ended 31-Aug-15 RM'000
Current tax expense				
Malaysian - Current	4	3	4	3
Deferred tax expense				
Malaysian - Current	58	(116)	58	(116)
	<u>62</u>	<u>(113)</u>	<u>62</u>	<u>(113)</u>

The effective tax rate was lower than the statutory tax rate due to availability of unabsorbed tax losses and unabsorbed capital allowance.

B6. Status of Corporate Proposal Announced

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

B7. Group Borrowings and Debt Securities

The group borrowings and debt securities were as follows:

	31-Aug-16 RM'000	31-Aug-15 RM'000
Short term borrowings - unsecured Trust receipt	2,781	2,532

Borrowings are denominated in US Dollars.

B8. Derivative Financial Liabilities

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

Foreign Exchange Forward Contracts : Within 1 year	Value RM'000	Fair Value RM'000	Gain/(Loss) RM'000
- Used to hedge trade receivables	12,643	12,747	104
- Used to hedge trade payables	544	541	3
			<u>107</u>

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

B9. Changes in Material Litigation

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

B10. Dividends

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

B11. Earnings Per Share

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

	Individual Quarter		Cumulative Quarters	
	3 months ended 31-Aug-16	3 months ended 31-Aug-15	3 months ended 31-Aug-16	3 months ended 31-Aug-15
(Loss)/Profit attributable to owners of the parent (RM'000)	579	(351)	579	(351)
Weighted average number of ordinary share in issue ('000)	44,421	44,421	44,421	44,421
Basic (loss)/earnings per share (sen)	1.30	(0.79)	1.30	(0.79)

B12. Additional Disclosures

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

	Individual Quarter		Cumulative Quarters	
	3 months ended 31-Aug-16 RM'000	3 months ended 31-Aug-15 RM'000	3 months ended 31-Aug-16 RM'000	3 months ended 31-Aug-15 RM'000
Depreciation	397	426	397	426
Fair value loss/(gain) on derivatives	(107)	1,175	(107)	1,175
Net loss/(gain) on foreign exchange - unrealised	(383)	(244)	(383)	(244)
Net loss/(gain) on foreign exchange - realised	(184)	(9)	(184)	(9)
Interest expense	15	16	15	16
Interest income	(154)	(142)	(154)	(142)
(Gain)/loss on disposal of property, plant and equipment	-	(4)	-	(4)
Property, plant and equipment written off	14	-	14	-
Rental income	(6)	-	(6)	-

B13. Realised and unrealised profits / (accumulated losses)

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

	As at 31-Aug-16 RM'000	As at 31-May-16 RM'000
The retained profits/(accumulated losses) of the Group		
- Realised	20,164	19,739
- Unrealised	8	(103)
	<u>20,172</u>	<u>19,636</u>
Less : Consolidation adjustments	<u>(25,257)</u>	<u>(25,300)</u>
	<u>(5,085)</u>	<u>(5,664)</u>

BY ORDER OF THE BOARD

Lim Kim Teck (MAICSA 7010844)
Secretary
Penang
28 October 2016