

EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020**

	(Unaudited) 31-May-20 RM'000	(Audited) 31-May-19 RM'000
ASSETS		
Property, plant and equipment	18,943	20,585
Right of use asset	467	-
Total non-current assets	19,410	20,585
Inventories	16,007	16,487
Trade and other receivables	3,177	5,005
Tax recoverable	102	138
Other investments	6,808	4,902
Cash and cash equivalents	7,736	8,425
Total current assets	33,830	34,957
TOTAL ASSETS	53,240	55,542
EQUITY		
Share capital	52,796	52,796
Reserves	(12,467)	(9,976)
Total equity attributable to owners of the Company	40,329	42,820
LIABILITIES		
Provision for gratuity benefit	2,633	2,437
Borrowings	119	184
Lease liabilities	196	-
Deferred tax liabilities	294	-
Total non-current liabilities	3,242	2,621
Borrowings	1,323	1,471
Lease liabilities	282	-
Trade and other payables	8,064	8,630
Total current liabilities	9,669	10,101
Total liabilities	12,911	12,722
TOTAL EQUITY AND LIABILITIES	53,240	55,542
Net assets per share (sen)	90.79	96.40

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2019.)

(The notes set out on pages 5 to 11 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 YEAR ENDED 31 MAY 2020 (UNAUDITED)**

	Individual Quarter		Cumulative Quarters	
	3 months ended 31-May-20 RM'000	3 months ended 31-May-19 RM'000	12 months ended 31-May-20 RM'000	12 months ended 31-May-19 RM'000
Continuing operations				
Revenue	4,503	10,846	47,051	48,077
Cost of sales	(4,920)	(10,392)	(39,592)	(40,983)
Gross profit	(417)	454	7,459	7,094
Selling and distribution expenses	39	(400)	(1,319)	(2,260)
Administrative expenses	(1,734)	(1,940)	(8,121)	(8,744)
Finance costs	(33)	(47)	(215)	(195)
Other operating expenses	(731)	(341)	(571)	(354)
Other incomes	147	74	589	356
Loss before tax	(2,729)	(2,200)	(2,178)	(4,103)
Taxation	233	(87)	(313)	148
Loss after tax for the year	(2,496)	(2,287)	(2,491)	(3,955)
Other comprehensive income for the year	-	107	-	-
Total comprehensive loss for the year	<u>(2,496)</u>	<u>(2,180)</u>	<u>(2,491)</u>	<u>(3,955)</u>
Loss after tax attributable to :				
Owners of the Parent	(2,496)	(2,287)	(2,491)	(3,955)
Non controlling interest	-	-	-	-
Loss after tax for the year	<u>(2,496)</u>	<u>(2,287)</u>	<u>(2,491)</u>	<u>(3,955)</u>
Total comprehensive loss attributable to :				
Owners of the Parent	(2,496)	(2,180)	(2,491)	(3,955)
Non controlling interest	-	-	-	-
Total comprehensive loss for the year	<u>(2,496)</u>	<u>(2,180)</u>	<u>(2,491)</u>	<u>(3,955)</u>
Basic loss per ordinary share (sen)	(5.62)	(5.15)	(5.61)	(8.90)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2019.)

(The notes set out on pages 5 to 11 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 CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (UNAUDITED)**

	<u>Non Distributable</u>					
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 June 2018	52,796	-	-	68	(6,089)	46,775
Adjustment on initial application of MFRS 9	-	-	-	(68)	68	-
Total comprehensive loss for the year	-	-	-	-	(3,955)	(3,955)
Balance as at 31 May 2019	52,796	-	-	-	(9,976)	42,820
Balance as at 1 June 2019	52,796	-	-	-	(9,976)	42,820
Total comprehensive loss for the year	-	-	-	-	(2,491)	(2,491)
Balance as at 31 May 2020	52,796	-	-	-	(12,467)	40,329

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2019.)

(The notes set out on pages 5 to 11 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 CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (UNAUDITED)**

	Cumulative Quarters	
	31-May-20	31-May-19
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(2,178)	(4,103)
Adjustments for :		
Bad debts	-	11
Depreciation	2,139	1,947
Fair value loss on derivatives	683	406
Fair value loss on other investment	116	45
Loss on disposal of property, plant and equipment	-	24
Impairment loss	209	-
Interest expense	72	41
Interest income	(481)	(308)
Provision for gratuity benefit	196	962
Gain on foreign exchange - unrealised	(436)	(348)
Operating profit/(loss) before working capital changes	<u>320</u>	<u>(1,323)</u>
Decrease/(increase) in inventories	480	(4,694)
Decrease in receivables	1,906	4,610
Decrease in payables	<u>(1,233)</u>	<u>(114)</u>
Cash generated from/(used in) operations	1,473	(1,521)
Income tax paid	(83)	(71)
Income tax refunded	99	388
Interest paid	(72)	(41)
Interest received	<u>481</u>	<u>308</u>
Net cash generated from/(used in) operating activities	<u>1,898</u>	<u>(937)</u>
Cash flows from investing activities		
Acquisition of other investments	(2,587)	(500)
Purchase of property, plant and equipment	(426)	(1,091)
Proceeds from disposal of other investment	566	2,925
Proceeds from disposal of property, plant & equipment	-	16
Net cash (used in)/generated from investing activities	<u>(2,447)</u>	<u>1,350</u>
Cash flows from financing activities		
Short term borrowing (repayment)/drawdown	(214)	863
Net repayment of hire purchase payables	(63)	(66)
Net repayment of lease liabilities	<u>(269)</u>	<u>-</u>
Net cash flows (used in)/generated from financing activities	<u>(546)</u>	<u>797</u>
Net (decrease)/increase in cash and cash equivalents	(1,095)	1,210
Effects of changes in exchange rates	406	290
Cash and cash equivalents at beginning of the year	8,425	6,925
Cash and cash equivalents at end of the year	<u>7,736</u>	<u>8,425</u>
Cash and cash equivalents at end of the year consist of :		
Short term funds	2,158	3,054
Cash and bank balances	<u>5,578</u>	<u>5,371</u>
	<u>7,736</u>	<u>8,425</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2019.)

(The notes set out on pages 5 to 11 form an integral part of, and, should be read in conjunction with, this interim financial report.)

EUROSPAN HOLDINGS BERHAD (351927-M)

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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 2019. 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 2019.

(A) Adoption of Amendments/Improvements to MFRS

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

IC Int 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

MFRS 16 – Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model of lessees. A lessee recognizes a right-of-use assets representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

As allowed by the transitional provision, the Group applies MFRS 16 with effect from 1 June 2019, using the modified retrospective approach, with no restatement of comparative information and the cumulative effect of adopting MFRS 16 is recognized as an adjustment to the opening balance at 1 June 2019.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

PART A: REQUIREMENTS OF MFRS 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation (Cont'd)

(B) Standards Issued But Not Yet Effective

The Group and the Company have not applied the following standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group and for the Company:

Effective for annual periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

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 existing MFRS 4 and Amendments to MFRS 4 will be withdrawn upon the adoption of the new MFRS 17 which will take effect on or after 1 January 2021.

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.

A2. Qualification of Financial Statements

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

A3. Seasonal or Cyclical Factors

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

A4. Exceptional and Extraordinary Items

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

A5. Changes in Estimates

There were no major changes in estimates from those of the prior financial year which have a material effect in the current financial year ended 31 May 2020.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

PART A: REQUIREMENTS OF MFRS 134 INTERIM FINANCIAL REPORTING

A6. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share-buy-backs, share-cancellations, shares held as treasury shares and resale of treasury shares during the current financial year ended 31 May 2020.

A7. Dividends Paid

No dividends were paid during the current financial year ended 31 May 2020.

A8. Segmental Information

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

A9. Material Events Subsequent to the Balance Sheet Date

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

A10. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial year ended 31 May 2020.

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 YEAR ENDED 31 MAY 2020

PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED MAIN MARKET LISTING REQUIREMENT

B1. Review of Performance

Current Quarter

The Group recorded revenue of RM4.50 million for the current financial quarter ended 31 May 2020 compared to the revenue of RM10.85 million in the preceding year corresponding financial quarter ended 31 May 2019. The Group registered a loss before tax of RM2.73 million compared to a loss before tax of RM2.20 million in the preceding year corresponding financial quarter ended 31 May 2019. The loss before tax was mainly due to coronavirus disease, known as COVID-19 which has adverse effects on the Group's sales, operation and supply chains.

Financial year-to-date

The Group recorded revenue of RM47.05 million for the current financial year ended 31 May 2020 compared to the revenue of RM48.08 million in the preceding year corresponding financial period. The Group registered a loss before tax of RM2.18 million compared to a loss before tax of RM4.10 million in the preceding year corresponding financial period. The loss before tax was mainly due to product mix and impact of COVID-19 pandemic.

B2. Comparison with Preceding Quarter's Results

	Current Quarter 31-May-2020 RM'000	Immediate Preceding Quarter 29-Feb-2020 RM'000	Changes Amount RM'000
Revenue	4,503	11,651	(7,148)
Loss before tax	(2,729)	(562)	(2,167)
Basic loss per ordinary share (sen)	(5.62)	(1.74)	(3.88)

The Group recorded revenue of RM4.50 million for the current financial quarter ended 31 May 2020 compared to the revenue of RM11.65 million in the immediate preceding quarter ended 29 February 2020. The Group registered a loss before tax of RM2.73 million compared to a loss before tax of RM0.56 million in the immediate preceding quarter. The higher loss before tax was due to COVID-19 movement restriction order imposed by the government authority starting middle of March 2020 which mandated the Group to stop all production, hence affected its ability to fulfill sales orders.

B3. Current Year Prospects

The Group will continue to be cautious on the challenges ahead. However, with the reduce demand in export and local market and the weak prices, the prospect is very challenging especially with the Covid-19 pandemic impact. The management will continue its effort in mitigating the impact on its operating results for the next financial year ending 31 May 2021.

B4. Profit Forecast

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

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AND ITS SUBSIDIARIES**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020****PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED MAIN
MARKET LISTING REQUIREMENT****B5. Tax Expense**

	Individual Quarter		Cumulative Quarters	
	3 months Ended 31-May-20 RM'000	3 months Ended 31-May-19 RM'000	12 months Ended 31-May-20 RM'000	12 months Ended 31-May-19 RM'000
Current tax expense				
Malaysia – current	14	2	19	7
– prior	-	(2)	-	-
Deferred tax expense/(credit)				
Malaysia – current	(247)	24	294	(218)
– prior	-	63	-	63
	<u>(233)</u>	<u>87</u>	<u>313</u>	<u>(148)</u>

The tax credit and expense for current quarter and financial year were due to the deferred tax reversal provision respectively.

B6. Status of Corporate Proposal Announced

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

B7. Group Borrowings and Debt Securities

The Group borrowings and debt securities were as follows:

	31-May-20 RM'000	31-May-19 RM'000
Short term borrowings – unsecured		
Hire Purchase Payables	71	69
Trust receipts	<u>1,252</u>	<u>1,402</u>
	<u>1,323</u>	<u>1,471</u>
Long term borrowings – unsecured		
Hire Purchase Payables	<u>119</u>	<u>184</u>

Hire purchase payables are denominated in Ringgit Malaysia (RM) and trust receipts are denominated in EURO currency.

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FOR THE FINANCIAL YEAR ENDED 31 MAY 2020****PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED MAIN
MARKET LISTING REQUIREMENT****B8. Derivative Financial Liabilities**

Details of outstanding derivative financial instruments as at 31 May 2020:

Foreign Exchange Forward Contracts: Within 1 year	Value RM'000	Fair Value RM'000	Loss RM'000
- Used to hedge trade receivables	14,823	15,506	683

Forward foreign exchange contracts are entered into with licensed banks to hedge part of the Group's sales and purchases from exchange rate movements.

B9. Changes in Material Litigation

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

B10. Dividends

The directors do not recommend the payment of any dividend for the current financial year ended 31 May 2020.

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-May-20 RM'000	3 months Ended 31-May-19 RM'000	12 months Ended 31-May-20 RM'000	12 months Ended 31-May-19 RM'000
Loss attributable to owners of the parents	<u>(2,496)</u>	<u>(2,287)</u>	<u>(2,491)</u>	<u>(3,955)</u>
Weighted average number of ordinary share in issue ('000)	<u>44,421</u>	<u>44,421</u>	<u>44,421</u>	<u>44,421</u>
Basic loss per share (sen)	<u>(5.62)</u>	<u>(5.15)</u>	<u>(5.61)</u>	<u>(8.90)</u>

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AND ITS SUBSIDIARIES**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020****PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED MAIN
MARKET LISTING REQUIREMENT****B12. Additional Disclosures**

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

	Individual Quarter		Cumulative Quarters	
	3 months Ended 31-May-20 RM'000	3 months Ended 31-May-19 RM'000	12 months Ended 31-May-20 RM'000	12 months Ended 31-May-19 RM'000
Bad debts	-	11	-	11
Depreciation	473	495	2,139	1,947
Fair value loss on derivatives	402	380	683	406
Fair value loss on other investment	239	45	116	45
Net gain on foreign exchange - unrealised	(118)	(618)	(436)	(348)
Net (gain)/loss on foreign exchange – realized	(38)	465	(30)	217
Interest expense	10	22	72	41
Interest income	(50)	(68)	(481)	(308)
Loss on disposal of property, plant and equipment	-	-	-	24
Gain on disposal of other investment	-	-	-	(22)
Rental income	(6)	(6)	(26)	(26)

BY ORDER OF THE BOARD

Lim Kim Teck (MAICSA 7010844)
Secretary
Penang
29 July 2020