ANNUAL REPORT **2011**

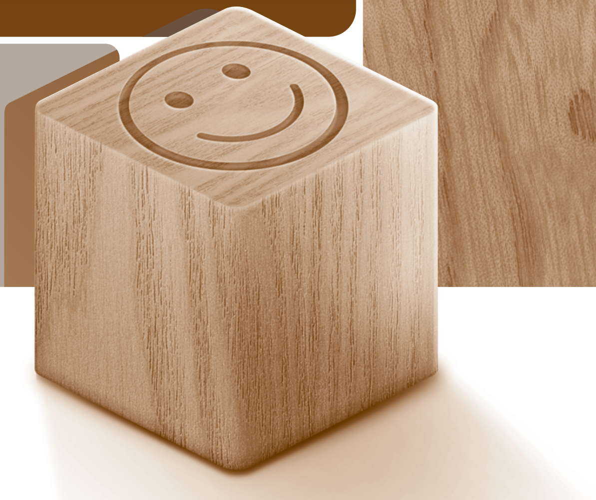
EUROSPAN HOLDINGS BERHAD (351927-M)

OUR
VISION

Leadership through Innovation

OUR
MISSION

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



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Corporate Information

BOARD OF DIRECTORS

Guan Kok Beng	*Chairman and Managing Director*
Guan Shaw Kee	*Executive Director*
Guan Shaw Yin	*Executive Director*
Guan Kim Heng	*Non Independent Non-Executive Director*
Dato' Noor Ahmad Mokhtar Bin Haniff	*Independent Non-Executive Director*
Diong Chin Teck	*Independent Non-Executive Director*

COMPANY SECRETARY

Lim Kim Teck *(MAICSA 7010844)*

REGISTERED OFFICE

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

Tel : 604-397 6672
Fax : 604-397 6675

SHARE REGISTRAR

Plantation Agencies Sdn Berhad
3rd Floor, Standard Chartered Bank Chambers
Lebuh Pantai, 10300 Penang

Tel : 604-262 5333
Fax : 604-262 2018

EXTERNAL AUDITORS

KPMG
1st Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang

INTERNAL AUDITORS

Tan Yen Yeow & Company
First Floor, No. 1, Lebuh Kurau 5
Chai Leng Park
13700 Prai, Penang

PRINCIPAL BANKERS

Standard Chartered Bank Malaysia Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Bhd

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector : Consumer Products
Stock Name : EUROSP
Stock Code : 7094

www.eurospan.com.my

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 Main Market 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., Euroswood Furniture Sdn. Bhd. and Dynaword Sdn. Bhd.

100%
EUROSPAN FURNITURE SDN BHD (177650-M)
Manufacturing & trading of furniture & wood-based products

100%
DYNASPAN FURNITURE SDN BHD (231752-D)
Manufacturing of furniture & wood-based products

EUROSPAN HOLDINGS BERHAD (351927-M)
(Incorporated in Malaysia)

100%
EUROSWOOD FURNITURE SDN BHD (372489-W)
Investment Holding

100%
DYNAWORD SDN BHD (373749-H)
Investment Holding

Chairman's Message

On behalf of the Board of Directors, I hereby present the Annual Report and Accounts for Eurospan Holdings Berhad and its subsidiaries ("the Group") for the financial year ended 31 May 2011.

GROUP RESULTS

Year 2011 was the toughest year for the Group in the last decade. The U.S. financial crisis and subsequently the European financial downturn had badly affected the Group's exports, where Europe is our biggest customer. Our exports to Europe plunged to 41.24% of our total sales from 48.81% recorded in the previous year. The Group managed to achieve commendable revenue of RM62,536,490 as compared to previous year's recorded revenue of RM62,127,811 with the expedition into new markets in Asia.

The Group recorded a loss before tax of RM5,356,480 for the financial year ended 31 May 2011 as compared to a profit before tax of RM204,364 in the previous year. This steep fall is mainly due to the appreciation of Ringgit Malaysia against the US Dollar of approximately 8.8% during the year. The overall increase in the raw material cost and operating expenses had further eroded the margin.

OUTLOOK AND PROSPECT

The outlook for the coming year will continue to be challenging as the global economy remains uncertain coupled with the appreciation of Ringgit Malaysia. Thus, the Group has to pass the increase in cost to the consumers taking into account that consumers' demand is expected to remain low as consumer confidence was severely affected and spending curtailed in most countries.

On our part, we will continue to be vigilant of the market changes and redefine our business strategies to incorporate measures that will allow us to focus on our core competencies. Every effort must be made to mitigate risks and further increase our operational efficiency to better position our core businesses for growth opportunities while creating and enhancing shareholder's value.

After the rain there's a rainbow, after a storm there's calm. Going forward, our Group strengthen to further improve our financial performance, barring any unforeseen circumstances.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of my colleagues on the Board, I wish to express my sincere appreciation to all of our employees who have remained loyal and dedicated to the Group and continue to persevere throughout the year in review. In particular, I would like to extend the Board's appreciation to the Management Team for their dedication and determination to steer the Group out of its financial difficulties.

My deepest appreciation also goes to my fellow Board members who have been instrumental in providing guidance and valuable insights to the Management throughout the year.

To our business associates, partners and shareholders, we sincerely thank you for your unwavering confidence and continued support in seeing us through one of the most challenging period of our business. We have built our business strategies with you in mind and will continue building value for shareholders with customers moving forward.

ACKNOWLEDGEMENT AND APPRECIATION (Continued)

I am confident that with your continuing support in the exciting times ahead, we shall succeed in our concerted effort to return the Group to better profit and grow ourselves to be the leading furniture manufacturer.

Guan Kok Beng
Chairman
Date: 7 October 2011

Board of Directors

Guan Kok Beng
Chairman & Managing Director

Mr. Guan Kok Beng, a Malaysian Citizen, aged 59, 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. He was the President of the Penang Furniture Manufacturers and Dealers Association ("PFMDA") from 1992 to 1995 and subsequently appointed as the Advisor since 1996. 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. His brother, Guan Kim Heng and his sons, Guan Shaw Kee and Guan Shaw Yin, are also members of the Board. 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 35, was appointed as an Executive Director of the Company on 28 April 2008 to be primarily involved in sales and marketing and research and development of the Group. He obtained his diploma in Computing & Information Technology from Alexander Institute of Technology in Australia and joined Eurospan since 2002.

His father, Guan Kok Beng, his uncle, Guan Kim Heng and his brother, Guan Shaw Yin, are also members of the Board.

Guan Shaw Yin
Executive Director

Mr. Guan Shaw Yin, a Malaysian Citizen, aged 33, was appointed as an Executive Director of the Company on 28 April 2008 to be primarily involved in manufacturing, logistic, finance as well as the quality control and assurance procedures 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 a metal works factory in 2005 as a Sales Executive and joined Eurospan since 2006.

He serves as a member of the ESOS Committee. His father, Guan Kok Beng, his uncle, Guan Kim Heng and his brother Guan Shaw Kee, are also members of the Board.

Guan Kim Heng
Non-Independent Non-Executive Director

Mr. Guan Kim Heng, a Malaysian Citizen, aged 53, 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 and the Nomination Committee. His brother, Guan Kok Beng and his nephews, Guan Shaw Kee and Guan Shaw Yin, are also members of the Board. 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 72, 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 the Audit Committee, Remuneration Committee, Nomination Committee and ESOS Committee. He does not have any family relationship with any director of the Company. He also sits on the Board of Globetronics Technology Bhd.

Diong Chin Teck

Independent Non-Executive Director

Mr. Diong Chin Teck, a Malaysian Citizen, aged 78, 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 the Audit Committee, Remuneration Committee and Nomination Committee. He does not have any family relationship with any director of the Company. 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.

Statement on Corporate Governance

The Board of Directors is supportive of the adoption of principles and best practices as enshrined in the Malaysian Code on Corporate Governance throughout the Group, for the protection and enhancement of stakeholders' value and the performance of the Group.

The Board of Directors is pleased to disclose below the manners in which it has applied the principles of good corporate governance and considered that it had complied with the best practices provisions except as stated otherwise.

A. BOARD OF DIRECTORS

The Board of Directors has the overall responsibility for corporate governance, strategic direction and operations of the Group.

1.0 Board Meetings

The Board of Directors met on five (5) occasions during the financial year and the attendance of each member of the Board is as follows:

Name of Directors	Attendance
Guan Kok Beng	5/5
Dato' Noor Ahmad Mokhtar Bin Haniff	5/5
Diong Chin Teck	5/5
Guan Kim Heng	5/5
Guan Shaw Kee	5/5
Guan Shaw Yin	5/5
Guan Kim Loong (Resigned on 1 June 2011)	5/5

Board meetings are scheduled in advance at the beginning of each calendar year to enable Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention given to the Board agenda.

During the course of a meeting, the Board deliberated and considered on matters including the Group's financial performance, business review, operating performance to-date against the annual budget and the business strategies. The Audit Committee also reports the outcome of committee meetings to the Board and such reports are incorporated as part of the minutes of the Board meetings.

Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision making process.

2.0 Board Balance and Independence

The Board consists of six (6) members, comprising three (3) Executive Directors, one (1) Non-Executive Director 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 marketing, operations, finance and corporate affairs. A brief profile of each Director is presented on pages 6 and 7 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.

2.0 Board Balance and Independence (Continued)

The appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed has not been made, given that the Board is open for full deliberation of all matters submitted to the Board and Shareholders' meetings. In addition, the Board has strong independent elements within the Board in the form of the Independent Non-Executive Directors. Thus, the Board does not consider it necessary at this juncture to identify a Senior Independent Non-Executive Director.

3.0 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, were circulated to all the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

The Board reviews and approves 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.

4.0 Appointment to the Board

The Group has implemented procedures for the nomination and election of Directors via the Nomination Committee. The Nomination Committee is responsible for identifying and recommending to the Board a suitable candidate for appointment to the Board and Board Committees, and also performance appraisal of the Directors.

The Nomination Committee was established in November 2001. The Nomination Committee formulates the nomination and selection policies for the Board, and reviews candidates for appointment as Directors based on criteria such as their qualifications, skills, functional knowledge, experience, character, integrity, professionalism and background.

5.0 Re-election of Directors

In accordance with the Company's Articles of Association, all Directors shall retire from office at least once in each three (3) years and a retiring Director is eligible for re-election and the election of each Director is voted on separately. This re-election process provides an opportunity for the shareholders to renew their mandates. In order to assist the shareholders in their decision, sufficient information such as personal profiles, meeting attendance and their shareholdings in the Company for each Director is furnished in the Annual Report.

The Articles further provide that all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment.

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.

5.0 Re-election of Directors (Continued)

The Nomination Committee met on 25 April 2011 to review the re-election of the retiring directors as well as the annual appraisal on the Company's Directors pursuant to the Code. The Committee is satisfied that the size of the Board is optimum and that there is appropriate mix of knowledge, skills, attributes and core competencies in the composition of the Board. The Nomination Committee is satisfied that all the Members of the Board are suitably qualified to hold their positions as Directors of Eurospan Holdings Berhad in view of their academic and professional qualifications, experience and qualities.

6.0 Directors' Training

The Board has empowered the Directors of the Company to determine their own training requirements as they consider necessary or deem fit and expedient to enhance their knowledge in new rules and regulations as well as understanding of the Group's business and operations and to keep abreast with current developments in the market place.

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

There were also briefings by the Internal and External Auditors and the Company Secretary on the relevant updates on statutory and regulatory requirements from time to time during the Board meetings and Audit Committee meetings.

In addition, members of the Board are well informed of various development programmes and encouraged to attend these programmes to keep abreast with the development in the industry and relevant regulatory updates in furtherance of their duties. However, due to their busy schedule, certain Directors did not attend any training for the financial year ended 31 May 2011. The Directors will endeavour to fulfill their training requirements for the financial year ending 31 May 2012.

B. DIRECTORS' REMUNERATION

The Remuneration Committee was established by the Board in November 2001. The Remuneration Committee carries out the annual review of the overall remuneration policy for Directors whereupon recommendations are submitted to the Board for approval. The Remuneration Committee ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors are sufficiently attractive to draw in and to retain persons of high calibre.

The Remuneration Committee met on 25 April 2011 to review the report of remuneration of the Executive Directors for the financial year 2011, the proposed salary adjustment for 2012 and other matters of concern in the remuneration of Executive Directors.

The Executive Directors will abstain from deliberating on matters affecting their own remuneration. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole. The Non-Executive Directors are also to abstain from discussing their own remuneration. In accordance with the Company's Articles of Association, the Directors' fee is subject to the shareholders' approval.

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	744	190	285
Non-Executive	-	140	9

B. DIRECTORS' REMUNERATION (Continued)

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

Range of Remuneration RM	Executive	Non-Executive
50,000 and below	-	4
100,001 – 200,000	-	-
200,001 – 250,000	2	-
700,001 – 750,000	1	-

Individual remuneration of each Director is not disclosed as the Directors are of the view that the disclosure by bands above provides sufficient information.

C. BOARD COMMITTEES

The Board has set up four (4) Board Committees, i.e. Audit, Nomination, Remuneration and Employees' Share Option Scheme ('ESOS') Committees, to delegate specific powers and responsibilities to support the role of the Board to provide assurance and accountability to its shareholders, all of which have their own terms of reference.

The composition of the Board Committees and the attendance of Members at Board Committees meetings held in the financial year ended 31 May 2011 are reflected as follows:

Audit Committee	Attendance
Dato' Noor Ahmad Mokhtar Bin Haniff -Chairman *(Independent Non-Executive Director)*	**5/5**
Diong Chin Teck *(Independent Non-Executive Director)*	**5/5**
Guan Kim Heng *(Non-Independent Non-Executive Director)*	**5/5**
Nomination Committee	**Attendance**
Dato' Noor Ahmad Mokhtar Bin Haniff -Chairman *(Independent Non-Executive Director)*	**1/1**
Diong Chin Teck *(Independent Non-Executive Director)*	**1/1**
Guan Kim Loong *(Non-Independent Non-Executive Director)*	**1/1**
Remuneration Committee	**Attendance**
Dato' Noor Ahmad Mokhtar Bin Haniff -Chairman *(Independent Non-Executive Director)*	**1/1**
Diong Chin Teck *(Independent Non-Executive Director)*	**1/1**
Guan Kok Beng *(Executive Director)*	**1/1**

C. BOARD COMMITTEES (Continued)

ESOS Committee	Attendance
Dato' Noor Ahmad Mokhtar Bin Haniff -Chairman *(Independent Non-Executive Director)*	**2/2**
Guan Shaw Yin *(Executive Director)*	**2/2**
Moy Ean Chung *(Management Staff)*	**2/2**
Lui Mei Yih (Resigned on 2 June 2011) *(Management Staff)*	**2/2**

The ESOS Committee was established in July 2004. 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 it 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.

Further details on the other Board Committees are contained in the Statement on Corporate Governance and Audit Committee Report.

D. SHAREHOLDERS

The Group is fully aware of the importance of effective and timely communication with shareholders and investors and the Board endeavors to make timely release of annual reports, press release, quarterly reports and any announcements in material corporate exercises which are the primary mode of disseminating information on Group's business activities and financial performance.

The Annual General Meeting represents the principal communication channel and dialogue with the shareholders and the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general, as appropriate. The external auditors attend Annual General Meetings upon invitation and to provide their professional and independent clarification on issues raised by the shareholders.

Each item of the ordinary and special business in the Notice of the Annual General Meeting would be accompanied with a full explanation of the effects of the proposed resolution.

The results of all the resolutions as set out in the Notice of the Annual General Meeting would be announced on the same date as the Annual General Meeting via Bursa Link, which is accessible on Bursa Malaysia Securities Berhad's website.

A press conference is normally held immediately after the meeting to facilitate media queries on the Group's financial performance and operations.

The Company also maintains a website ***(www.eurospan.com.my)*** through which shareholders and the general public can obtain up-to-date information.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. Any information that may be regarded as undisclosed material information about the Group will not be given to any single shareholder or shareholder group.

Where Extraordinary General Meetings are held to obtain shareholder's approval on certain business or corporate proposals, comprehensive circulars to shareholders would be sent within prescribed deadlines in accordance with the statutory and regulatory requirements.

E. ACCOUNTABILITY AND AUDIT

1.0 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.

2.0 Retained Earnings

The retained earnings as at the end of the reporting period consists of:

	Group 2011 RM'000	Company 2011 RM'000
Realised	9,053	134
Unrealised	(777)	0
	8,276	134
Less: Consolidation adjustment	(18,558)	0
	(10,282)	134

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

3.0 Transition to International Financial Reporting Standards (IFRS)

The Group currently prepares its financial statements in accordance with Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (MASB). Following the announcement made by the MASB on 1 August 2008, the Group and the Company will be required to prepare their financial statements in accordance with IFRS framework from 1 June 2012 onwards.

4.0 Convergence with International Financial Reporting Standards (IFRS)

The first reported results under IFRS, including restated comparatives, will be the Group's interim financial report for the period ending 31 August 2012. The Group's annual report for the year 2013 will be prepared in accordance with IFRS. It will also provide restated comparative financial information for the financial year ended 31 May 2012, including opening balances as at 1 June 2011.

An IFRS implementation programme with working groups has been set up in 2011 to assess the impact of the IFRSs in force and the principal changes present in the proposals for the revision of those finalised standards. Many standards included in IFRS framework are similar to FRS and are already applied by the Group. IFRS and their interpretations change over time. At this juncture, the Group believes that the adoption of IFRS would not have significant effect on its financial position and performance. Nevertheless, changes required to accounting treatments and financial reporting processes have been communicated to those charged with governance, the Board of Directors and all level of management as part of an extensive Group-wide training and awareness programme.

5.0 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.

In addition, the Directors have general responsibilities to maintain a reliable system to reasonably safeguard the assets and investments of the shareholders of the Group, and to prevent and detect fraud and other irregularities.

6.0 Internal Controls

The Board acknowledges its overall responsibilities in ensuing that a sound system of internal control is maintained throughout the Group and the need to review its effectiveness regularly to safeguard the Group's assets. The Board recognises that risks cannot be totally eliminated and the system of internal control instituted can only provide reasonable but not absolute assurance against loss.

A Statement of Internal Control is separately set out on page 15 to 16 of the Annual Report.

7.0 Relationship with the External Auditors

Key features underlying the relationship of the Audit Committee with the external auditor are included in the Audit Committee's terms of reference as detailed on pages 17 to 20 of the Annual Report.

The Company maintains a close and transparent relationship with its external auditor in seeking professional advice and ensuing that the financial statements are prepared in accordance with approved accounting standards.

8.0 Compliance Statement

Save and except where stated otherwise, the Board is pleased to state that the Group has substantially complied with the best practices of the Code throughout the financial year.

This statement is issued in accordance with a Directors' Resolution passed at a Board of Directors' Meeting held on 26 September 2011.

Statement on Internal Control

Paragraph 15.26(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 the internal control of the Group during the year.

BOARD'S RESPONSIBILITY

The Board is responsible to ensure that an adequate and effective internal control system is in place to manage the Group's operations. The internal control system of the Group has been designed to achieve the following objectives:

1. safeguarding shareholders' interest and the Group's assets;
2. identifying and managing operational and financial risks affecting the Group;
3. achieving operational objectives; and
4. complying with statutory and regulatory requirements

Whilst the system of internal control is designed to enhance the achievement of the Group's objectives, it should be appreciated that it can only provide reasonable but not absolute assurance against material errors and irregularities, as it is not designed to totally eliminate risks.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board, in consultation with the Executive Directors who are running the active subsidiaries, confirms that there was an ongoing process throughout the financial year under review to identify, evaluate and manage principle risks associated to the businesses of the Group.

The Executive Directors reviewed the key business risks affecting the Group's businesses with the key management staff to formulate business strategies and plans to address those risks. The resulted business strategies and business plans were discussed at the Board level on a regular basis.

The Group's internal control system which has been designed with the aim of managing key principal risks, to which the Group is exposed to, contains the following features:

1. The board is briefed on the financial performance of the Group and the future business plan of the Group on a quarterly basis.
2. There is a well defined management structure with clear line of responsibilities and reporting structure.
3. Proper segregation of key responsibilities.
4. Internal control procedures are well documented and all staff members are properly briefed.
5. Regular meetings are held between the Executive Directors and department heads to discuss corporate, operational, financial and key management issues.
6. The Internal Auditors review the internal control system within the Group and report their findings independently to the Audit Committee.

INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit function to an independent firm of professionals. The internal audit function reports independently and directly to the Audit Committee.

The Audit Committee reviews and approves the internal audit plan on an annual basis. The internal audit plan is designed to evaluate and assess the existing internal controls and to identify controls and areas that need improvement. The Internal Auditors carry out independent review on internal control and activities within the Group according to the Internal Audit Plan. They then report their key findings, recommendations and progress of areas audited in the Audit Committee Meetings.

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.

Statement on Internal Control (Continued)

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, continues to take measures to strengthen the control environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Internal Control in accordance with Auditing Technical Release 5, Guidance for Auditors on the Review of Directors' Statement on Internal Control for the inclusion in the annual report for the year ended 31 May 2011 in compliance with Paragraph 15.23 of Bursa Securities Listing Requirement.

This statement is issued in accordance with a Directors' Resolution passed at a Board of Directors' Meeting held on 26 September 2011.

Audit Committee Report

The primary objective of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices and to ensure the adequacy and effectiveness of the Group's system of internal control.

A. MEMBERSHIP AND MEETINGS

The Audit Committee met on five (5) occasions during the financial year and the attendance of each member of the Audit Committee is as follows:

	Composition of the Audit Committee	Attendance
Chairman	**Dato' Noor Ahmad Mokhtar Bin Haniff** *(Independent Non-Executive Director)*	**5/5**
Members	**Diong Chin Teck** *(Independent Non-Executive Director)*	**5/5**
	Guan Kim Heng *(Non-Independent Non-Executive Director)*	**5/5**

B. TERMS OF REFERENCE OF AUDIT COMMITTEE

1.0 Membership

1.1 The Committee shall be appointed by the Board of Directors and consist of not less than three (3) members, all members must be non-executive directors, with a majority of whom should be Independent Directors.

1.2 At least one (1) member of the Audit Committee:

(a) must be a member of Malaysian Institute of Accountants; or

(b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience and:

(i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967;

(ii) 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; or

(c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

1.3 The Board of Directors must ensure that no alternate director is appointed as a member of the Audit Committee.

1.4 The members of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director.

1.5 In the event of any vacancy in the Committee resulting in the number of members being reduced to below three (3), the Board of Directors must fill the vacancy within three (3) months.

2.0 Authority

2.1 The Committee shall in accordance with a procedure to be determined:

(a) have authority to investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties;

(c) have full and unrestricted access to any information pertaining to the Company;

(d) have direct communication channels with the external auditors and internal auditors;

(e) be able to obtain independent professional or other advice; and

(f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

B. TERMS OF REFERENCE OF AUDIT COMMITTEE (Continued)

3.0 Functions

3.1 The duties of the Committee include:

3.1.1 to review the following and report the same to the Board of Directors of the Company:

(a) with the external auditors, the audit plan, including the scope of work to ascertain that it will meet the needs of the Board, the shareholders and regulatory authorities;

(b) with the external auditors, the evaluation of the system of internal accounting controls;

(c) with the external auditors, the audit report, including the management's response, to discuss problems and observations arising from the final audits and any matters the external auditors may wish to discuss (in the absence of management where necessary);

(d) the assistance given by the employees of the Company to the external auditors;

(e) the adequacy of the scope, functions, competency and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;

(f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken in accordance to the recommendations of the Internal Audit Department and urgent response to the major findings of internal investigations;

(g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
   (i) changes in or implementation of major accounting policy changes and practices;
   (ii) significant and unusual events;
   (iii) compliance with accounting standards and other legal requirements and the going concern assumptions; and
   (iv) significant adjustments arising from the audit;

(h) any related party transaction and conflict of interest situation that may arise with the Company or Group including any transaction, procedure or course that raises questions on management integrity;

(i) any letter of resignation from external auditors of the Company; and

(j) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.

3.1.2 to consider the appointment or termination of a person or persons as external auditors and their remuneration.

3.1.3 To review any appraisal or assessment of the performance of internal audit staff and consider the appointment or termination of internal audit staff and their remuneration.

3.1.4 To take cognizance of resignation of senior internal audit staff member and to provide an opportunity to submit the reasons for resigning.

3.1.5 To promptly report to Bursa Malaysia Securities Berhad any matter reported by the Committee to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

3.1.6 To verify the allocation of options to employees pursuant to the share option scheme complies with the allocation criteria.

3.1.7 To carry out other functions as may be agreed to by the Committee and the Board.

B. TERMS OF REFERENCE OF AUDIT COMMITTEE (Continued)

4.0 Meetings

4.1 Meetings shall be held not less than four (4) times a year and shall normally be attended by the Head of Finance and Internal Auditors. The presence of the external auditors will be requested, if required. Other board members and employees attend only at the Committee's invitation.

4.2 At least twice a year, the Committee shall meet with the external auditors, the internal auditors or both without the executive board members present.

4.3 The quorum for each meeting shall be two. The majority of members present to form a quorum must be Independent Directors.

4.4 The Company Secretary shall be the Secretary of the Committee. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

C. SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

During the year, the Committee carried out the following activities:

1. Reviewed the audit plan for the financial year ended 2011 for the Group presented by the Internal Auditors and External Auditors;
2. Discussed on updates of new developments on financial reporting standards issued by the Malaysian Accounting Standards Board;
3. Reviewed the quarterly unaudited financial reports and annual audited financial statements of the Company and of the Group before recommendation to the Board for consideration and approval;
4. Reviewed the internal audit reports regarding significant risk areas and internal control matters coming to their attention and discussed the findings with Senior Management to ensure that appropriate and timely measures have been taken to improve on the internal control system;
5. Reviewed and discussed the observations and recommendations made by the External Auditors and Management's response thereto from the External Auditors' evaluation of the system of internal control and annual audit;
6. Reviewed the Audit Committee's Report and Statement on Internal Control for inclusion in the Annual Report 2011;
7. Reviewed the audit fee of the External Auditors;
8. Verified the allocation of options to employees pursuant to the ESOS offered to ensure that the scheme complies with the allocation criteria.

D INTERNAL AUDIT FUNCTION

The Company had engaged an external independent firm of professionals to assist the Audit Committee in evaluating the adequacy, integrity and effectiveness of the Group's overall internal control system. Their scope of function covers all units and operations of the significant subsidiaries of the Group.

The cost incurred in maintaining the Internal Audit Function for the financial year ended 31 May 2011 was RM17,100.

E STATEMENT BY THE AUDIT COMMITTEE IN RELATION TO ESOS ALLOCATION

The Company implemented an Employees' Share Option Scheme ('ESOS') on 30 December 2004. On 27 July 2009, the Company extended the existing ESOS expiring on 29 December 2009 for a further period of 5 years pursuant to By-law 18.1 of the Scheme.

Pursuant to Paragraph 8.17 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 2011, has been made in accordance with the allocation criteria of the scheme.

Corporate Social Responsibility

CORPORATE SOCIAL RESPONSIBILITY

We are committed to carry out responsible business practices with the purposes of delivering value to our stakeholders, employees, environment and community. In striking a balance of business and social responsibility, the Group Corporate Social Responsibility ("CSR") practices are focused on the following areas:

ENVIRONMENT

The Group is in compliance with the environmental laws governing plant operations in areas relating to emission standards and plant effluents management.

Reducing, reusing and recycling papers, switching off lights and air-conditioners when they are not in use are among some of the conservation measures taken by the Group.

WORKPLACE

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. It has a mini library that lends books to employees. Employees are constantly provided with related skills development trainings as the Group believes in the importance of human resources development through career advancement and training. Industrial seminars and workshops are regularly held to enhance employees' capabilities in discharging their responsibilities effectively and efficiently.

The Group also conducted visits to international trade fairs/exhibitions and manufacturing plants locally and overseas, to broaden the knowledgebase of its employees.

MARKETPLACE

The Group upholds good practices of corporate governance and internal control with transparency practices and approaches implemented for its business operations and transactions. Internal control procedures are properly imposed within the Group in ensuring sufficient system and controls are in place.

COMMUNITY

The Group continues its social roles to support the community by contributing to several needy and charitable organisations through donations. Employees are supported and encouraged to actively participate in social works and community services.

Other Information

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Not applicable as none was proposed.

SHARE BUY-BACK

The Shareholders of the Company has renewed the Company's authority to purchase its own shares of up to 10% of the issued and paid up share capital at the last Annual General Meeting held on 25 October 2010. However, the Company had not undertaken any share buy-back exercise for the financial year ended 31 May 2011 and as at the reporting date, the Company has yet to implement any share buy-back.

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 2011.

DEPOSITORY RECEIPT PROGRAMME

The Company does not sponsor any depository receipt 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 2011.

NON-AUDIT FEES

The amount of non-audit fees paid by the Group to the external auditors during the financial year ended 31 May 2011 is approximately RM3,000.

Directors' Report
for the year ended 31 May 2011

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 2011.

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 4 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
(Loss)/Profit for the year attributable to owners of the Company	(4,644,032)	17,484,469

RESERVES AND PROVISIONS

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

DIVIDENDS

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

i) a first and final single tier dividend of 8 sen per ordinary share, totalling RM3,240,040 in respect of the year ended 31 May 2010 on 6 December 2010; and

ii) a special interim single tier dividend of 40 sen per ordinary share, totalling RM17,768,680 in respect of the year ended 31 May 2011 on 24 January 2011.

The Directors do not recommend any final dividend to be paid for the financial year under review.

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

Dato' Noor Ahmad Mokhtar Bin Haniff

Diong Chin Teck

Guan Shaw Kee

Guan Shaw Yin

Guan Kim Loong (Resigned on 1.6.2011)

DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares and options over shares 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:

DIRECTORS' INTERESTS (Continued)

		Number of ordinary shares of RM1 each			
Name of Directors		**Balance at 1.6.2010**	**Exercised of options**	**Sold**	**Balance at 31.5.2011**
The Company					
Direct interest					
Guan Kok Beng	- own	3,754,924	600,000	(4,286,724)	68,200
Guan Kim Heng	- own	1,113,036	-	-	1,113,036
Guan Kim Loong	- own	838,576	200,000	(1,030,500)	8,076
Diong Chin Teck	- own	15,000	-	-	15,000
Guan Shaw Kee	- own	50,000	500,000	(550,000)	-
Guan Shaw Yin	- own	51,000	500,000	(551,000)	-
	- others *	14,000	-	(14,000)	-
Deemed interest					
Guan Kok Beng	- own	18,511,200	-	-	18,511,200
Guan Kim Heng	- own	18,511,200	-	-	18,511,200
Guan Kim Loong	- own	18,511,200	-	-	18,511,200

		Number of options over ordinary shares of RM1 each			
The Company		**Balance at 1.6.2010**	**Granted**	**Exercised**	**Balance at 31.5.2011**
Guan Kok Beng	- own	600,000	-	(600,000)	-
Guan Shaw Kee	- own	500,000	-	(500,000)	-
Guan Shaw Yin	- own	500,000	-	(500,000)	-
Guan Kim Heng	- own	200,000	-	-	200,000
Guan Kim Loong	- own	200,000	-	(200,000)	-

* 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 that the Company has an interest.

None of the other Directors holding office at 31 May 2011 had any interest in the ordinary shares and/or options over shares of the Company and of its related corporations during the financial year.

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 other than as disclosed in Note 23 to the financial statements.

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 financial year, the issued and paid-up share capital of the Company was increased from RM40,462,500 to RM44,421,700 through the issuance of 3,932,200 and 27,000 new ordinary shares of RM1.00 each for cash arising from the exercise of Employees' Share Option at an exercise price of RM1.00 per share and RM1.07 per share respectively.

There were no other changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial 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.

At the Board of Directors held on 27 July 2009, the Directors approved the extension of the existing ESOS expiring on 29 December 2009 for a further period of five years.

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

		Number of options over ordinary shares of RM1 each				
Date of offer	**Exercise price RM**	**Balance at 1.6.2010**	**Granted**	**Exercised**	**Lapsed due to resignation**	**Balance at 31.5.2011**
24 January 2005	1.00	2,199,500	-	(2,098,500)	(57,000)	44,000
9 February 2005	1.00	3,000	-	(3,000)	-	-
10 May 2005	1.00	18,000	-	-	(18,000)	-
10 July 2005	1.00	37,000	-	(9,000)	(28,000)	-
10 August 2005	1.00	23,000	-	(9,000)	(14,000)	-
10 October 2005	1.00	3,000	-	(3,000)	-	-
10 November 2005	1.00	6,000	-	(6,000)	-	-
10 December 2005	1.00	9,000	-	(9,000)	-	-
10 January 2006	1.00	9,000	-	(6,000)	-	3,000
10 February 2006	1.00	6,000	-	(6,000)	-	-
10 March 2006	1.00	35,000	-	(35,000)	-	-
10 April 2006	1.00	6,000	-	(3,000)	-	3,000
10 May 2006	1.00	18,000	-	-	(18,000)	-
10 June 2006	1.00	19,000	-	(19,000)	-	-
10 September 2006	1.00	18,000	-	(13,000)	-	5,000
10 January 2007	1.00	18,000	-	(10,000)	(8,000)	-
10 February 2007	1.00	3,000	-	(3,000)	-	-
10 March 2007	1.00	32,000	-	(25,000)	(7,000)	-
10 April 2007	1.00	10,000	-	(10,000)	-	-
10 May 2007	1.00	20,000	-	(6,000)	(14,000)	-
10 June 2007	1.00	15,000	-	(15,000)	-	-
10 July 2007	1.00	9,000	-	(9,000)	-	-
10 August 2007	1.00	15,000	-	(9,000)	(3,000)	3,000
Carried forward		2,531,500	-	(2,306,500)	(167,000)	58,000

OPTIONS GRANTED OVER UNISSUED SHARES (Continued)

Date of offer	Exercise price RM	Number of options over ordinary shares of RM1 each Balance at 1.6.2010	Granted	Exercised	Lapsed due to resignation	Balance at 31.5.2011
Brought forward		2,531,500	-	(2,306,500)	(167,000)	58,000
10 September 2007	1.00	23,000	-	(23,000)	-	-
10 October 2007	1.00	9,000	-	(9,000)	-	-
10 November 2007	1.00	30,000	-	(27,000)	-	3,000
10 December 2007	1.00	21,000	-	(18,000)	-	3,000
10 January 2008	1.00	46,000	-	(37,000)	(3,000)	6,000
10 February 2008	1.00	29,000	-	(23,000)	(6,000)	-
10 March 2008	1.00	17,000	-	(17,000)	-	-
10 April 2008	1.00	38,000	-	(38,000)	-	-
10 May 2008	1.00	24,000	-	(24,000)	-	-
10 June 2008	1.00	51,000	-	(48,000)	-	3,000
10 November 2008	1.00	9,000	-	-	-	9,000
10 December 2008	1.00	46,000	-	(46,000)	-	-
15 December 2009	1.00	1,885,000	-	(1,293,200)	(89,000)	502,800
15 March 2010	1.00	24,000	-	(2,500)	(6,000)	15,500
15 June 2010	1.00	-	161,000	(34,000)	(68,000)	59,000
15 September 2010	1.00	-	116,000	(13,000)	(30,000)	73,000
15 March 2011	1.00	-	150,000	-	(6,000)	144,000
		4,783,500	427,000	(3,959,200)	(375,000)	876,300

The details of the ESOS granted to the eligible Directors and employees who have been granted with 30,000 options or more during the financial year ended 31 May 2011 are as follows:

	Grant date	Exercise price RM	Number of options over ordinary shares of RM1 each Balance at 1.6.2010	Granted	Exercised	Forfeited	Balance at 31.5.2011
Yap Gau Sheng	15.6.2010	1.00	-	30,000	(7,000)	(23,000)	-
Tan Chong Teck	15.6.2010	1.00	-	70,000	(17,000)	-	53,000

Other than the above, a total of 327,000 options were granted to 48 employees of the Group. The average number of options to individual employee is 6,812.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of persons to whom options have been granted to subscribe for less than 30,000 ordinary shares of RM1 each during the financial year and details of their holdings as required by Section 169(11) of the Companies Act, 1965. This information has been separately filed with the Companies Commission of Malaysia.

OPTIONS GRANTED OVER UNISSUED SHARES (Continued)

The salient features of the scheme are, inter alia, 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 exercise 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.

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. However, the Company may, if the Board deems fit upon the recommendation of the ESOS Committee, extend the ESOS for a further five years.

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 statements of comprehensive income and statements of financial position 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 financial statements of the Group and of the Company 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.

OTHER STATUTORY INFORMATION (Continued)

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.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 May 2011 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: 26 September 2011

Consolidated statement of financial position

as at 31 May 2011

	Note	2011 RM	2010 RM Restated
Assets			
Property, plant and equipment	3	25,641,110	25,357,739
Other investments	5	600,000	987,177
Total non-current assets		26,241,110	26,344,916
Trade and other receivables	6	3,296,484	2,156,253
Inventories	7	13,606,367	12,024,970
Current tax assets		836,550	696,566
Cash and cash equivalents	8	5,715,798	30,143,476
Total current assets		23,455,199	45,021,265
Total assets		49,696,309	71,366,181
Equity			
Share capital	9	44,421,700	40,462,500
Reserves	10	(1,820,313)	23,667,243
Total equity attributable to owners of the Company		42,601,387	64,129,743
Liabilities			
Deferred tax liabilities	11	867,820	1,569,782
Total non-current liabilities		867,820	1,569,782
Borrowing	12	1,158,084	-
Trade and other payables	14	5,069,018	5,666,656
Total current liabilities		6,227,102	5,666,656
Total liabilities		7,094,922	7,236,438
Total equity and liabilities		49,696,309	71,366,181

The notes on pages 37 to 78 are an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 May 2011

	Note	2011 RM	2010 RM
Continuing operations			
Revenue	15	62,536,490	62,127,811
Cost of sales		(60,408,639)	(54,497,240)
Gross profit		2,127,851	7,630,571
Distribution expenses		(1,828,271)	(1,472,533)
Administrative expenses		(5,730,407)	(6,441,433)
Other expenses		(379,988)	(250,361)
Other income		454,335	738,120
(Loss)/Profit before tax	16	(5,356,480)	204,364
Income tax expense	19	712,448	155,130
(Loss)/Profit for the year representing total comprehensive (expense)/income for the year		(4,644,032)	359,494
Attributable to:			
Owners of the Company		(4,644,032)	359,494
Basic earnings per ordinary share (sen)	20	(10.88)	0.89
Diluted earnings per ordinary share (sen)	20	(10.88)	0.89

The notes on pages 37 to 78 are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 May 2011

	Note	← Non-distributable Share capital RM	Share premium RM	Share option reserve RM	→ Distributable Retained earnings (Accumulated losses) RM	Total equity RM
At 1 June 2009		40,212,500	8,099,308	180,630	18,070,704	66,563,142
Total comprehensive income for the year		-	-	-	359,494	359,494
Issuance of new ordinary shares pursuant to ESOS	9	250,000	-	-	-	250,000
Share-based payments	13	-	-	174,107	-	174,107
Transfer from share option reserve for share options exercised and lapsed		-	-	(31,089)	31,089	-
Dividend	21	-	-	-	(3,217,000)	(3,217,000)
At 31 May 2010/1 June 2010		40,462,500	8,099,308	323,648	15,244,287	64,129,743
- effect of adopting FRS 139		-	-	-	113,204	113,204
At 1 June 2010, restated		40,462,500	8,099,308	323,648	15,357,491	64,242,947
Total comprehensive expense for the year		-	-	-	(4,644,032)	(4,644,032)
Issuance of new ordinary shares pursuant to ESOS	9	3,959,200	1,890	-	-	3,961,090
Transfer to share premium for ESOS exercised		-	273,247	(273,247)	-	-
Share-based payments	13	-	-	50,102	-	50,102
Transfer from share option reserve for share options exercised and lapsed		-	-	(13,061)	13,061	-
Dividends	21	-	-	-	(21,008,720)	(21,008,720)
At 31 May 2011		44,421,700	8,374,445	87,442	(10,282,200)	42,601,387

The notes on pages 37 to 78 are an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 May 2011

	Note	2011 RM	2010 RM
Cash flows from operating activities			
(Loss)/Profit before tax from continuing operations		(5,356,480)	204,364
Adjustments for:			
Depreciation of property, plant and equipment	3	2,864,454	2,860,043
Gain on disposal of plant and equipment	16	(18,982)	(2,678)
Gain on disposal of other investments		(9,368)	(22,200)
Plant and equipment written off	16	23,651	-
Interest income from unit trust funds reinvested	16	-	(4,084)
Interest income	16	(373,821)	(541,351)
Share-based payments	13	50,102	174,107
Fair value loss on derivatives	16	90,712	-
Operating (loss)/profit before changes in working capital		(2,729,732)	2,668,201
Changes in working capital:			
Trade and other receivables		(1,117,739)	132,759
Inventories		(1,581,397)	(917,933)
Trade and other payables		(597,638)	859,232
Cash (used in)/generated from operations		(6,026,506)	2,742,259
Income tax paid		(129,498)	(557,862)
Net cash (used in)/from operating activities		(6,156,004)	2,184,397
Cash flows from investing activities			
Proceeds from disposal of other investments		396,545	822,200
Purchase of property, plant and equipment	3	(3,171,476)	(1,427,392)
Proceeds from disposal of plant and equipment		18,982	91,130
Interest received		373,821	541,351
Net cash (used in)/from investing activities		(2,382,128)	27,289
Cash flows from financing activities			
Dividends paid	21	(21,008,720)	(3,217,000)
Proceeds from shares issued under ESOS		3,961,090	250,000
Drawndown of bank borrowing		1,158,084	-
Net cash used in financing activities		(15,889,546)	(2,967,000)
Net decrease in cash and cash equivalents		(24,427,678)	(755,314)
Cash and cash equivalents at 1 June		30,143,476	30,898,790
Cash and cash equivalents at 31 May	8	5,715,798	30,143,476

The notes on pages 37 to 78 are an integral part of these financial statements.

Statement of financial position
as at 31 May 2011

	Note	2011 RM	2010 RM
Assets			
Investment in subsidiaries	4	30,818,533	30,768,431
Other investments	5	600,000	987,177
Total non-current assets		31,418,533	31,755,608
Trade and other receivables	6	21,695,233	7,074,342
Current tax assets		87,949	133,411
Cash and cash equivalents	8	632,866	13,849,632
Total current assets		22,416,048	21,057,385
Total assets		53,834,581	52,812,993
Equity			
Share capital	9	44,421,700	40,462,500
Reserves	10	8,595,854	12,068,113
Total equity attributable to owners of the Company		53,017,554	52,530,613
Liabilities			
Trade and other payables	14	817,027	282,380
Total current liabilities		817,027	282,380
Total equity and liabilities		53,834,581	52,812,993

The notes on pages 37 to 78 are an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 May 2011

	Note	2011 RM	2010 RM
Continuing operations			
Revenue	15	19,845,057	4,577,633
Administrative expenses		(452,346)	(516,432)
Other expenses		(251)	(405)
Other income		274,327	342,808
Profit before tax	16	19,666,787	4,403,604
Income tax expense	19	(2,182,318)	(1,087,913)
Profit for the year representing total comprehensive income for the year		17,484,469	3,315,691

The notes on pages 37 to 78 are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 May 2011

	Note	Share capital RM	Non-distributable Share premium RM	Non-distributable Share option reserve RM	Distributable Retained earnings RM	Total equity RM
At 1 June 2009		40,212,500	8,099,308	180,630	3,515,377	52,007,815
Total comprehensive income for the year		-	-	-	3,315,691	3,315,691
Issuance of new ordinary shares pursuant to ESOS	9	250,000	-	-	-	250,000
Share-based payments	13	-	-	174,107	-	174,107
Transfer from share option reserve for share options exercised and lapsed		-	-	(31,089)	31,089	-
Dividend	21	-	-	-	(3,217,000)	(3,217,000)
At 31 May 2010/ 1 June 2010		40,462,500	8,099,308	323,648	3,645,157	52,530,613
Total comprehensive income for the year		-	-	-	17,484,469	17,484,469
Issuance of new ordinary shares pursuant to ESOS	9	3,959,200	1,890	-	-	3,961,090
Transfer to share premium for ESOS exercised		-	273,247	(273,247)	-	-
Share-based payments	13	-	-	50,102	-	50,102
Transfer from share option reserve for share options exercised and lapsed		-	-	(13,061)	13,061	-
Dividends	21	-	-	-	(21,008,720)	(21,008,720)
At 31 May 2011		44,421,700	8,374,445	87,442	133,967	53,017,554

The notes on pages 37 to 78 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 May 2011

	Note	2011 RM	2010 RM
Cash flows from operating activities			
Profit before tax from continuing operations		19,666,787	4,403,604
Adjustments for:			
Dividend income	16	(19,845,057)	(4,577,633)
Interest income	16	(218,818)	(316,443)
Gain on disposal of other investments		(9,368)	(22,200)
Interest income from unit trust fund reinvested	16	-	(4,084)
Share based payments	13	-	55,200
Operating loss before changes in working capital		(406,456)	(461,556)
Changes in working capital:			
Trade and other receivables		-	20,000
Trade and other payables		2,000	7,940
Cash used in operations		(404,456)	(433,616)
Dividends received		17,633,826	3,433,225
Tax refunded		74,375	33,496
Net cash from operating activities		17,303,745	3,033,105
Cash flows from investing activities			
Interest received		218,818	316,443
Proceeds from disposal of other investments		396,545	822,200
Net cash from investing activities		615,363	1,138,643
Cash flows from financing activities			
(Advances to)/Repayment of advances due from subsidiaries, net		(14,088,244)	496,919
Dividends paid	21	(21,008,720)	(3,217,000)
Proceeds from shares issued under ESOS		3,961,090	250,000
Net cash used in financing activities		(31,135,874)	(2,470,081)
Net (decrease)/increase in cash and cash equivalents		(13,216,766)	1,701,667
Cash and cash equivalents at 1 June		13,849,632	12,147,965
Cash and cash equivalents at 31 May	8	632,866	13,849,632

The notes on pages 37 to 78 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 Main Market 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 of the Company as at and for the year ended 31 May 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

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 authorised for issue by the Board of Directors on 26 September 2011.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements *
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation *
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
  - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
  - Additional Exemption for First-time Adopters
- Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions
- Amendments to FRS 7, Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers *
- Improvements to FRSs (2010)

1. BASIS OF PREPARATION (Continued)

(a) Statement of compliance (Continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement #

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate #

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 June 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, except for those marked with "*" which are not applicable to the Group and the Company; and
- from the annual period beginning 1 June 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for those marked with "#" which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

IC Interpretation 4, Determining whether an Arrangement contains a Lease

IC Interpretation 4 provides guidance on determining whether certain arrangements are, or contain, leases that are required to be accounted for in accordance with FRS 117, Leases. Where an arrangement is within the scope of FRS 117, the Group and the Company apply FRS 117 in determining whether the arrangement is a finance or an operating lease.

The adoption of IC Interpretation 4 will result in a change in accounting policy which will be applied retrospectively in accordance with FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors in which certain arrangements are to be accounted for as a finance lease.

Following the announcement by the MASB on 1 August 2008, the Group's and the Company's financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 June 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

(c) Functional and presentation currency

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

1. BASIS OF PREPARATION (Continued)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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 estimates are 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 other than those disclosed in Note 4 - Impairment assessment of investment in subsidiaries.

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, other than those disclosed in the following notes:

- Note 2(c) - Financial instruments
- Note 2(i) - Receivables
- Note 2(r) - Operating segments

(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. (business combination prior to 1 January 2006) 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-interests 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 measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

(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 profit or loss.

When the 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 acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority interests 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.

(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 transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those 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 profit or loss.

(c) Financial instruments

Arising from the adoption of FRS 139, Financial Instruments: Recognition and Measurement, with effect from 1 June 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 June 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 28.

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(h)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(ii) Financial instrument categories and subsequent measurement (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as financial liability and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated 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 also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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 between knowledgeable willing parties 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 available and replacement cost when appropriate.

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a 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 or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss 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 depreciation rates for the current and comparative periods based on their estimated useful lives are as follows:

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

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which is in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation on both, is classified as investment property.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Lease assets (Continued)

(ii) Operating lease (Continued)

The Group has adopted the amendment made to FRS 117, Leases in 2011 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Goodwill

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

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, 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 profit or loss.

(g) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(h) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment (Continued)

(i) Financial assets (Continued)

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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.

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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment (Continued)

(ii) Other assets (Continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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 profit or loss in the year in which the reversals are recognised.

(i) Receivables

Prior to 1 June 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

(j) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, 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 sale.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(k) Cash and cash equivalents

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

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

(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. The unwinding of the discount is recognised as finance cost.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities 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 customer, 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, and the amount of revenue can be measured reliably.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(o) 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.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

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

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(iii) Share-based payment transactions (Continued)

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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 the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (EPS).

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 adjusted share options granted to employees.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Operating segments

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

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Borrowings costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 June 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of revised FRS 123, Borrowing Costs, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. PROPERTY, PLANT AND EQUIPMENT - GROUP

	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 2009, restated	5,221,234	13,825,206	33,590,338	2,357,748	2,687,905	847,240	58,529,671
Additions	-	-	1,058,023	21,041	-	348,328	1,427,392
Disposals	-	-	(65,800)	-	(175,845)	-	(241,645)
Write-off	-	-	(19,000)	(4,100)	-	-	(23,100)
Reclassification	-	-	847,240	-	-	(847,240)	-
At 31 May 2010/ 1 June 2010, restated	5,221,234	13,825,206	35,410,801	2,374,689	2,512,060	348,328	59,692,318
Additions	-	-	708,852	2,900	406,476	2,053,248	3,171,476
Disposals	-	-	(32,000)	-	-	-	(32,000)
Write-off	-	-	(105,304)	(348,795)	-	-	(454,099)
Reclassification	-	-	174,957	-	-	(174,957)	-
At 31 May 2011	5,221,234	13,825,206	36,157,306	2,028,794	2,918,536	2,226,619	62,377,695

3. PROPERTY, PLANT AND EQUIPMENT - GROUP (Continued)

	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
Accumulated depreciation							
At 1 June 2009, restated	62,768	2,931,969	25,776,142	1,605,216	1,274,734	-	31,650,829
Depreciation for the year (Note 16)	4,515	276,506	2,205,570	145,528	227,924	-	2,860,043
Disposals	-	-	(56,478)	-	(96,715)	-	(153,193)
Write-off	-	-	(19,000)	(4,100)	-	-	(23,100)
At 31 May 2010/ 1 June 2010, restated	67,283	3,208,475	27,906,234	1,746,644	1,405,943	-	34,334,579
Depreciation for the year (Note 16)	4,515	276,502	2,250,431	122,727	210,279	-	2,864,454
Disposals	-	-	(32,000)	-	-	-	(32,000)
Write-off	-	-	(108,953)	(321,495)	-	-	(430,448)
At 31 May 2011	71,798	3,484,977	30,015,712	1,547,876	1,616,222	-	36,736,585
Carrying amounts							
At 1 June 2009, restated	5,158,466	10,893,237	7,814,196	752,532	1,413,171	847,240	26,878,842
At 31 May 2010/ 1 June 2010, restated	5,153,951	10,616,731	7,504,567	628,045	1,106,117	348,328	25,357,739
At 31 May 2011	5,149,436	10,340,229	6,141,594	480,918	1,302,314	2,226,619	25,641,110

3. PROPERTY, PLANT AND EQUIPMENT - GROUP (Continued)

3.1 *Land*

Included in the carrying amounts of land are:

	2011 RM	2010 RM
Freehold land	4,837,499	4,837,499
Leasehold land with unexpired lease period of more than 50 years	311,937	316,452
	5,149,436	5,153,951

The carrying amounts of land at 1 June 2009 and 31 May 2010 have been adjusted following the adoption of the amendments to FRS 117, Leases, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

4. INVESTMENT IN SUBSIDIARIES - COMPANY

	2011 RM	2010 RM
Unquoted shares, at cost	30,413,939	30,413,939
Add: Share-based payments allocated to subsidiaries	404,594	354,492
	30,818,533	30,768,431

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective ownership interest 2011 %	Effective ownership interest 2010 %	Principal Activities
Eurospan Furniture Sdn. Bhd.	100	100	Manufacturing and trading of furniture and wood-based products
Dynaspan Furniture Sdn. Bhd.	100	100	Manufacturing of furniture and wood-based products
Euroswood 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.

4.1 *Impairment loss assessment*

The carrying amount of investment in a subsidiary in the manufacturing and trading of furniture and wood-based products is subject to impairment review principally due to the less than favourable operating results attributed to the said subsidiary.

The recoverable amount of the cash generating unit relating to the investment in abovementioned subsidiary was estimated based on its value in use. The value in use was determined by discounting the future cash flows generated from the subsidiary's operations based on the subsidiary's financial budget which covers a period of 5 years and the terminal value of the entity.

The financial budget is determined based on management's expectations of the market growth in the industry in which the subsidiary operates, anticipated improvement in sales quantity, selling prices, purchase prices, stabilised US Dollar and lower operating costs.

4. INVESTMENT IN SUBSIDIARIES - COMPANY (Continued)

4.1 Impairment loss assessment (Continued)

A post-tax discount rate of 10% was applied in determining the recoverable amount of the investment in the said subsidiary. The discount rate was estimated based on the Group's anticipated weighted average cost of capital.

No impairment loss was recognised in profit or loss for the financial year ended 31 May 2011 in view that the estimated recoverable amount is still higher than the carrying value of the said investment of approximately RM27 million at year end. This is, however, dependent on the successful implementation of the planned operational improvements which hinge heavily on the assumption that the subsidiary will have constant supply of materials at the right price and demand to achieve the forecasted/projected results.

5. OTHER INVESTMENTS - GROUP AND COMPANY

	2011 RM	2010 RM
2011		
Available-for-sale		
Unit trust funds - quoted	100,000	-
Structured investment products - unquoted	500,000	-
Representing items at fair value	600,000	-
Market value of investments		
Unit trust funds - quoted	100,000	-
Structured investment products - unquoted	500,000	-
	600,000	-
2010		
At cost		
Unit trust funds - quoted	-	387,177
Structured investment products - unquoted	-	600,000
Representing items at cost	-	987,177
Market value of quoted investments		
Unit trust funds - quoted	-	390,000
Structured investment products - unquoted	-	600,000
	-	990,000

The comparative figures as at 31 May 2010 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in FRS 7.44AA.

6. TRADE AND OTHER RECEIVABLES

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Trade					
Trade receivables		1,355,585	1,793,497	-	-
Non-trade					
Amount due from subsidiaries	6.1	-	-	21,695,233	7,074,342
Other receivables		554,999	700	-	-
Deposits		168,153	98,353	-	-
Prepayments	6.2	1,195,255	263,703	-	-
Financial assets at fair value through profit or loss					
- held for trading, including derivatives	6.3	22,492	-	-	-
		1,940,899	362,756	21,695,233	7,074,342
		3,296,484	2,156,253	21,695,233	7,074,342

6.1 Amount due from subsidiaries

The non-trade receivables due from subsidiaries are unsecured, interest-free and repayable on demand.

6.2 Prepayments

Included in prepayments is an amount of RM1,052,317 (2010: RM Nil) in relation to advance payments made to suppliers.

6.3 Included in derivatives held for trading are forward exchange contracts.

7. INVENTORIES - GROUP

	2011 RM	2010 RM
Raw materials	6,157,988	4,867,981
Work-in-progress	5,838,157	5,016,654
Manufactured inventories	1,610,222	2,140,335
	13,606,367	12,024,970

8. CASH AND CASH EQUIVALENTS

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Short term funds	8.1	440,569	6,219,132	402,222	6,181,823
Deposits with licensed banks		3,728,146	22,921,973	176,110	7,603,184
Cash and bank balances		1,547,083	1,002,371	54,534	64,625
		5,715,798	30,143,476	632,866	13,849,632

8.1 Short term funds

Short term funds represent investment in fixed income trusts and money market which can be redeemed within a period of less than 30 days.

9. SHARE CAPITAL - GROUP AND COMPANY

	2011 RM	2011 Number of shares	2010 RM	2010 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:				
Ordinary shares of RM1 each				
Balance at 1 June	40,462,500	40,462,500	40,212,500	40,212,500
Issued under ESOS, for cash	3,959,200	3,959,200	250,000	250,000
Balance at 31 May	44,421,700	44,421,700	40,462,500	40,462,500

10. RESERVES

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Non-distributable				
Share premium	8,374,445	8,099,308	8,374,445	8,099,308
Share option reserve	87,442	323,648	87,442	323,648
	8,461,887	8,422,956	8,461,887	8,422,956
Distributable				
Retained earnings/ (Accumulated losses)	(10,282,200)	15,244,287	133,967	3,645,157
	(1,820,313)	23,667,243	8,595,854	12,068,113

The share premium 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 employee services 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 expire, the amount from the share option reserve is transferred to retained earnings. Share options are disclosed in Note 13.

11. DEFERRED TAX LIABILITIES

The recognised deferred tax liabilities are attributable to the following:

	Group 2011 RM	Group 2010 RM
Property, plant and equipment - capital allowances	925,556	1,856,192
Provisions	(57,736)	(27,009)
Unabsorbed capital allowances	-	(244,497)
Unutilised business losses	-	(14,904)
	867,820	1,569,782

11. DEFERRED TAX LIABILITIES (Continued)

Movements in temporary differences during the year are as follows:

	At 1 June 2009 RM	Recognised in profit or loss (Note 19) RM	At 31 May 2010 RM	Recognised in profit or loss (Note 19) RM	At 31 May 2011 RM
Property, plant and equipment - capital allowances	2,068,393	(212,201)	1,856,192	(930,636)	925,556
Provisions	(139,369)	112,360	(27,009)	(30,727)	(57,736)
Unabsorbed capital allowances	-	(244,497)	(244,497)	244,497	-
Unutilised business losses	-	(14,904)	(14,904)	14,904	-
	1,929,024	(359,242)	1,569,782	(701,962)	867,820

Unrecognised deferred tax assets

Deferred tax has not been recognised in respect of the following items (stated at gross):

	Group 2011 RM	Group 2010 RM
Unabsorbed capital allowances	(1,772,000)	-
Unutilised business losses	(3,554,000)	-
Property, plant and equipment - capital allowances	2,795,000	-
Provisions	76,000	-
	(2,455,000)	-

12. BORROWING

	Group 2011 RM	Group 2010 RM
Current		
Trust receipt - unsecured	1,158,084	-

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY

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

The Employees' Share Option Scheme of the Company which is governed by its by-laws expiring on 29 December 2009, was approved by the Directors of the Company at the Board of Directors held on 27 July 2009 for an extended period of five years from 29 December 2009 to 29 December 2014.

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (Continued)

Details of grants are as follows:

Grant date	Number of options
24 January 2005	4,508,000
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
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
10 June 2008	120,000
10 July 2008	61,000
10 October 2008	6,000
10 November 2008	9,000
10 December 2008	46,000
15 December 2009	1,922,000
15 March 2010	24,000
15 June 2010	161,000
15 September 2010	116,000
15 March 2011	150,000

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (Continued)

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

	2011 Weighted average exercise price RM	2011 Number of options	2010 Weighted average exercise price RM	2010 Number of options
Outstanding at 1 June	1.00	4,783,500	1.00	3,621,500
Granted during the year	1.00	427,000	1.00	1,946,000
Lapsed during the year due to resignation	1.00	(375,000)	1.00	(534,000)
Options exercised during the year	1.00	(3,959,200)	1.00	(250,000)
Outstanding at 31 May	1.00	876,300	1.00	4,783,500
Exercisable at 31 May		510,150		4,362,000

The options outstanding at 31 May 2011 have an exercise price of RM1.00 (2010: RM1.00) and a weighted contractual life of 3.58 years (2010: 4.58 years).

During the year, 3,959,200 (2010: 250,000) share options were exercised. The weighted average share price for the year was RM1.02 (2010: RM1.00).

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (Continued)

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/* RM	Weighted average share price RM	Exercise price RM	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	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
9 February 2005	the options granted vest	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 April 2005	immediately followed by	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 May 2005	25% for each of the	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 July 2005	subsequent years	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 August 2005		0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 October 2005		0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 November 2005		0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 December 2005		0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 January 2006	On grant date, 25% of	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 February 2006	the options granted vest	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 March 2006	immediately followed by	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 April 2006	25% for each of the	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 May 2006	subsequent years and	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 June 2006	the remaining on	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 August 2006	30 December 2008	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 September 2006		0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 October 2006		0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 November 2006		0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 January 2007	On grant date, 25% of	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 February 2007	the options granted vest	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 March 2007	immediately followed by	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 April 2007	25% for the subsequent	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 May 2007	year and the remaining on 30 December 2008	0.08*	0.82	1.00	36.15	5.43	9.76	3.77

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (Continued)

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/* RM	Weighted average share price RM	Exercise price RM	Expected volatility (weighted average volatility) %	Option life (expected weighted average life)	Expected dividends %	Risk-free interest rate (based on Malaysian government bonds) %
10 June 2007	On grant date, 25% of	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 July 2007	the options granted vest	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 August 2007	immediately followed by	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 September 2007	25% for the subsequent	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 October 2007	year and the remaining	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 November 2007	on 30 December 2008	0.08*	0.82	1.07	36.15	5.43	9.76	3.77
10 December 2007	↓	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 January 2008	On grant date, 25% of	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 February 2008	the options granted vest	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 March 2008	immediately and the	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 April 2008	remaining on	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 May 2008	30 December 2008	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 June 2008		0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 July 2008		0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 October 2008		0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 November 2008	↓	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
10 December 2008	On grant date, the options granted vest immediately	0.08*	0.82	1.00	36.15	5.43	9.76	3.77
15 December 2009	On grant date, 25% of the options	0.14	0.93	1.00	36.35	5.00	8.60	3.70
15 March 2010	granted vest immediately followed by 25% for each of the subsequent years	0.10	0.85	1.00	36.71	4.75	9.41	3.71
15 June 2010		0.20	1.05	1.00	36.36	4.50	7.62	3.55
15 September 2010		0.26	1.02	1.00	37.78	4.24	7.84	3.28
15 March 2011	↓	0.04	0.69	1.00	40.13	3.75	11.59	3.42

* At 27 July 2009, date of modification on extension of period.

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (Continued)

Value of employee services received for issue of share options

	2011 RM	2010 RM
Share options granted in 2005	-	3,303
Share options granted in 2006	-	818
Share options granted in 2007	-	(11,818)
Share options granted in 2008	-	(32,013)
Share options granted in 2009	-	(5,600)
Share options granted in 2010	29,621	219,417
Share options granted in 2011	20,481	-
Total expense recognised as share-based payments	50,102	174,107

14. TRADE AND OTHER PAYABLES

		Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Trade					
Trade payables		3,343,194	3,888,146	-	-
Non-trade					
Amount due to a subsidiary	14.1	-	-	532,647	-
Other payables		936,277	1,081,448	-	-
Accrued expenses		789,547	697,062	284,380	282,380
		1,725,824	1,778,510	817,027	282,380
		5,069,018	5,666,656	817,027	282,380

14.1 Amount due to a subsidiary

The non-trade amount due to subsidiary is unsecured, interest-free and repayable on demand.

15. REVENUE

Group

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

Company

Revenue represents dividend income received.

16. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax is arrived at:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
After charging:				
Auditors' remuneration:				
- Statutory audit by KPMG				
- Current year	53,000	45,000	14,000	12,000
- Prior year	-	5,000	-	1,000
- Other services by KPMG	3,000	3,000	-	-
Depreciation of property, plant and equipment (Note 3)	2,864,454	2,860,043	-	-
Plant and equipment written off	23,651	-	-	-
Directors of the Company				
- Fees	330,000	330,000	240,000	240,000
- Others	1,007,859	1,211,658	36,380	98,720
Other Directors				
- Fees	45,000	60,000	-	-
- Others	350,130	573,696	-	-
Research and development expenditure	589,576	838,833	-	-
Loss on foreign exchange (net)				
- Unrealised	-	50,108	-	-
- Realised	112,339	-	-	-
Rental expense	366,178	75,108	-	-
Fair value loss on derivatives	90,712	-	-	-
and crediting:				
Dividend income from subsidiaries (unquoted)	-	-	19,845,057	4,577,633
Gain on disposal of plant and equipment	18,982	2,678	-	-
Gain on disposal of other investments	9,368	22,200	9,368	22,200
Interest income	373,821	541,351	218,818	316,443
Interest income from unit trust funds	-	4,084	-	4,084
Gain on foreign exchange (net)				
- Unrealised	67,612	-	-	-
- Realised	-	213,986	-	-

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Directors of the Company				
- Fees	330,000	330,000	240,000	240,000
- Remuneration	1,007,859	1,025,772	36,380	43,520
Other Directors				
- Fees	45,000	60,000	-	-
- Remuneration	350,130	573,696	-	-
Total short-term employee benefits	1,732,989	1,989,468	276,380	283,520
Share-based payments	-	185,886	-	55,200
	1,732,989	2,175,354	276,380	338,720

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

The estimated monetary value of benefits receivable by executive Directors of the Group other than in cash amounted to RM44,031 (2010: RM49,883).

18. EMPLOYEE INFORMATION

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Personnel expenses (excluding key management personnel)	12,487,783	11,885,980	-	-

18.1 Personnel expenses of the Group include contributions to the Employees' Provident Fund of RM848,840 (2010: RM903,345).

18.2 Personnel expenses of the Group include share-based payments of RM50,102 (2010: RM174,107).

19. INCOME TAX EXPENSE

Recognised in profit or loss

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Current tax expense				
- Current year	(14,446)	207,638	2,182,062	1,087,452
- Prior years	3,960	(3,526)	256	461
Total current tax recognised in profit or loss	(10,486)	204,112	2,182,318	1,087,913
Deferred tax expense				
- Original and reversal of temporary differences	(701,950)	(355,353)	-	-
- Prior year	(12)	(3,889)	-	-
Total deferred tax recognised in profit or loss	(701,962)	(359,242)	-	-
Total income tax expense	(712,448)	(155,130)	2,182,318	1,087,913

Reconciliation of effective tax expense

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
(Loss)/Profit for the year	(4,644,032)	359,494	17,484,469	3,315,691
Total income tax expense	(712,448)	(155,130)	2,182,318	1,087,913
(Loss)/Profit excluding tax	(5,356,480)	204,364	19,666,787	4,403,604
Income tax calculated using Malaysian tax rate of 25%	(1,339,120)	51,091	4,916,697	1,100,901
Non-deductible expenses	118,227	111,054	40,354	40,765
Tax exempt income	(24,846)	(54,444)	(2,774,619)	(54,214)
Tax incentives	(83,900)	(254,710)	-	-
Effect of deferred tax assets not recognised	613,575	-	-	-
Other items	(332)	(706)	(370)	-
	(716,396)	(147,715)	2,182,062	1,087,452
Under/(Over) provision in prior years	3,948	(7,415)	256	461
	(712,448)	(155,130)	2,182,318	1,087,913

20. BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the loss attributable to ordinary shareholders of RM4,644,032 (2010: profit attributable to ordinary shareholders of RM359,494) and a weighted average number of ordinary shares outstanding during the financial year of RM42,671,450 (2010: RM40,233,333).

	2011	2010
Issued ordinary shares at 1 June	40,462,500	40,212,500
Effect of ordinary shares issued during the year	2,208,950	20,833
Weighted average number of ordinary shares at 31 May	42,671,450	40,233,333

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share was based on the loss attributable to ordinary shareholders of RM4,644,032 (2010: profit attributable to ordinary shareholder of RM359,494) and a weighted average number of ordinary shares outstanding during the year as calculated below:

	2011	2010
Weighted average number of ordinary shares at 31 May	42,671,450	40,233,333
Dilution impact of unexercised share options	20,595	(337,107)
Weighted average number of ordinary shares (diluted) at 31 May	42,692,045	39,896,226

The fully diluted earnings per ordinary share for the financial year ended 31 May 2011 is the same as the basic earnings per ordinary share as the effect of anti-dilutive potential ordinary shares is ignored in calculating diluted earnings per ordinary share in accordance with FRS 133, Earnings per share.

21. DIVIDENDS - GROUP AND COMPANY

Dividends recognised in the current year by the Company are:

2011	Sen per share (net of tax)	Total amount RM	Date of payment
Final 2010 ordinary	8.00	3,240,040	6 December 2010
Special interim 2011 ordinary	40.00	17,768,680	24 January 2011
		21,008,720	
2010			
Final 2009 ordinary	8.00	3,217,000	26 November 2009

22. CAPITAL COMMITMENT - GROUP

	2011 RM	2010 RM
Plant and equipment - contracted but not provided for	486,000	125,000

23. RELATED PARTIES

23.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group 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.

23.2 Significant related party transactions

There were no significant related party transactions 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.

Non-trade balances with related parties are as disclosed in Note 6 and Note 14 to the financial statements.

24. OPERATING SEGMENTS - GROUP

The Group is principally engaged in the manufacturing and trading of furniture and wood-based products which are principally carried out in Malaysia. Accordingly, information by operating segments on the Group's operations as required by FRS 8 is not presented.

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

Geographical information

	Malaysia RM	Asia RM	Europe RM	America RM	Others RM	Consolidated RM
2011						
Revenue	258,121	16,719,721	25,787,965	13,445,481	6,325,202	62,536,490
Non-current assets	25,641,110	-	-	-	-	25,641,110
2010						
Revenue	463,701	11,800,019	30,325,099	10,840,503	8,698,489	62,127,811
Non-current assets	25,357,739	-	-	-	-	25,357,739

25. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 May 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);

(b) Fair value through profit or loss (FVTPL) - Held for trading (HFT);

(c) Available-for-sale (AFS); and

(d) Other financial liabilities measured at amortised cost (OL).

2011	Carrying amount RM	L&R RM	FVTPL-HFT RM	AFS RM
Financial assets				
Group				
Other investments	600,000	-	-	600,000
Trade and other receivables, including derivatives	2,985,384	2,962,892	22,492	-
Cash and cash equivalents	5,715,798	5,715,798	-	-
	9,301,182	8,678,690	22,492	600,000

	Carrying amount RM	L&R RM	AFS RM
Company			
Other investments	600,000	-	600,000
Trade and other receivables	21,695,233	21,695,233	-
Cash and cash equivalents	632,866	632,866	-
	22,928,099	22,328,099	600,000

2011	Carrying amount RM	OL RM
Financial liabilities		
Group		
Borrowing	1,158,084	1,158,084
Trade and other payables	5,069,018	5,069,018
	6,227,102	6,227,102
Company		
Trade and other payables	817,027	817,027

25. FINANCIAL INSTRUMENTS (Continued)

25.2 Net loss arising from financial instruments

	Group 2011 RM
Net loss arising on:	
Fair value through profit or loss:	
- Held for trading	90,712

25.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Letter of credits or advance payments are normally obtained, and credit evaluations are performed on customers required credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables.

The exposure of credit risk for receivables as at the end of the reporting period by geographic region was:

	Group 2011 RM	Group 2010 RM
Asia	262,703	4,865
Europe	564,698	1,238,584
America	457,781	93,967
Others	70,403	456,081
	1,355,585	1,793,497

25. FINANCIAL INSTRUMENTS (Continued)

25.4 Credit risk (Continued)

Receivables (Continued)

Impairment losses

The ageing of receivables as at the end of the reporting period was:

	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
Group				
2011				
Not past due	954,600	-	-	954,600
Past due 1-30 days	73,627	-	-	73,627
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due more than 90 days	327,358	-	-	327,358
	1,355,585	-	-	1,355,585
2010				
Not past due	972,593	-	-	972,593
Past due 1-30 days	440,130	-	-	440,130
Past due 31-60 days	239,394	-	-	239,394
Past due 61-90 days	95,802	-	-	95,802
Past due more than 90 days	45,578	-	-	45,578
	1,793,497	-	-	1,793,497

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group does not have overdue investments that have not been impaired.

The investments and other financial assets are unsecured.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

25. FINANCIAL INSTRUMENTS (Continued)

25.4 Credit risk (Continued)

Financial guarantees (Continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM1.7 million (2010: RM0.1 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

25.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowing.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-5 years RM	More than 5 years RM
Group						
2011						
Non-derivative financial liabilities						
Unsecured borrowings	1,158,084	1.62	1,162,598	1,162,598	-	-
Trade and other payables	5,069,018	-	5,069,018	5,069,018	-	-
	6,227,102		6,231,616	6,231,616	-	-
Company						
2011						
Non-derivative financial liabilities						
Trade and other payables	817,027	-	817,027	817,027	-	-

25. FINANCIAL INSTRUMENTS (Continued)

25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's financial position or cash flows.

25.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowing that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US Dollar ("USD") and Euro Dollar ("Euro").

Risk management objectives, policies and processes for managing the risk

The Group hedges at least 80% of its foreign currency denominated trade receivables. At any point in time, the Group also hedges 80% of its estimated foreign currency exposure in respect of forecast sales over the following six months. The Group uses forward exchange contracts to hedge its foreign currency risk. All the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

Exposure to foreign currency risk

The Group's exposure to foreign currencies (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	2011 Denominated in		2010 Denominated in	
	USD RM	EURO RM	USD RM	EURO RM
Group				
Trade and other receivables	911,969	1,052,317	1,252,552	-
Cash and bank balances	1,182,400	4,035	231,590	26,345
Forward exchange contracts	22,492	-	85,461	27,743
Trade and other payables	(119,209)	-	-	-
Borrowing	(1,158,084)	-	-	-
Net exposure	839,568	1,056,352	1,569,603	54,088

Currency risk sensitivity analysis

Foreign currency risk arises from the Group entities which have a Ringgit Malaysia (MYR) functional currency. The exposure to currency risk of Group entities which do not have a MYR functional currency is not material and hence, sensitivity analysis is not presented.

A 10% strengthening of the MYR against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss RM'000
Group	
2011	
USD	(1,108)
Euro	(79)

A 10% weakening of MYR against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

25. FINANCIAL INSTRUMENTS (Continued)

25.6.2 Interest rate risk

The Group's investments in short term funds and deposits with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group borrows for operations at variable rates using its trust receipts facilities. The Group's interest earning financial assets are mainly short term in nature and are mostly placed in fixed deposits.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Fixed rate instruments				
Short term funds	440,569	6,219,132	402,222	6,181,823
Deposits with licensed banks	3,728,146	22,921,973	176,110	7,603,184
	4,168,715	29,141,105	578,332	13,785,007
Floating rate instruments				
Borrowing	(1,158,084)	-	-	-

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss	
2011	100 bp increase RM	100 bp decrease RM
Group		
Floating rate instruments	(8,686)	8,686

25. FINANCIAL INSTRUMENTS (Continued)

25.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowing approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2011		2010	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Contracted value RM'000**	**Fair value RM'000**
Forward exchange contracts:				
- Asset	22	22	12,080	(114)

	2011		2010	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Quoted unit trusts	100	100	387	390
Structured investment products - Unquoted	500	500	600	600
Company				
Quoted unit trusts	100	100	387	390
Structured investment products - Unquoted	500	500	600	600

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Investments in equity and debt securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the end of the reporting period.

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There is no external capital requirement imposed on the Company.

27. CONTINGENT LIABILITIES, UNSECURED - COMPANY

The Company has issued corporate guarantees to licensed banks for banking facilities granted to subsidiaries up to the limit of RM17.9 million (2010: RM17.9 million) of which RM1.7 million (2010: RM0.1 milliom) has been utilised as at the end of the reporting period.

28. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

28.1 FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Investments in equity securities

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investment in subsidiaries were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investment in subsidiaries are now categorised and stated at fair value through profit or loss, or as available-for-sale as detailed in Note 2(c).

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in profit or loss.

Financial guarantee contracts

Prior to the adoption of FRS 139, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. With the adoption of FRS 139, financial guarantee contracts are now recognised initially at their fair values and subsequently measured at their initially measured amount less cumulative amortisation. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

28.2 FRS 101, Presentation of Financial Statements (revised)

The Group applies FRS 101 (revised) which became effective as of 1 June 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

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

28. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (Continued)

28.3 FRS 117, Leases

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance a finance lease, has been reclassified from prepaid lease payments the to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

28.4 FRS 8, Operating Segments

As of 1 June 2010, the Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114_{2004}, Segment Reporting.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

28.5 FRS 123, Borrowing Costs

Before 1 June 2010, borrowing costs were all expensed to profit or loss as and when they were incurred. With the adoption of FRS 123, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of the asset for which the commencement date of capitalisation is on or after 1 June 2010.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of the FRS 123.

Hence, the adoption of the FRS 123 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current year's basic and diluted earnings per ordinary share.

29. COMPARATIVE FIGURES

29.1 FRS 101, Presentation of Financial Statements (revised)

Arising from the adoption of FRS 101 (revised), income statement for the year ended 31 May 2010 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

29.2 FRS 117, Leases

Following the adopting of the amendment to FRS 117, certain comparatives have been re-presented as follows:

	31.5.2010		1.6.2009	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
Group				
Prepaid lease payments	-	316,452	-	320,967
Property, plant and equipment	25,357,739	25,041,287	26,878,842	26,557,875

29. COMPARATIVE FIGURES (Continued)

29.3 FRS 139, Financial Instruments: Recognition and Measurement

	Group Retained earnings 2010 RM
At 1 June, as previously stated	15,244,287
Adjustment arising from adoption of FRS 139:	
- Recognition of derivative previously not recognised	113,204
At 1 June, as restated	15,357,491

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in profit or loss.

30. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 31 May 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	2011	
	Group RM'000	**Company RM'000**
Total (accumulated losses)/retained profits of the Company and its subsidiaries:		
- Realised	9,053	134
- Unrealised	(777)	-
	8,276	134
Less: Consolidation adjustments	(18,558)	-
	(10,282)	134

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Comparative figures are not required in this first financial year of complying with the disclosure.

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 29 to 77, are 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 at 31 May 2011 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out on page 78 in Note 30 to the financial statements has been compiled in accordance with the Guidance on Special Matter No 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Guan Kok Beng

Guan Shaw Yin

Penang,
Date: 26 September 2011

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 29 to 78 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 26 September 2011.

Moy Ean Chung

Before me:
Cheah Beng Sun
(No. P103)
Pesuruhjara Sumpah DJN, AMN, PKT, PJK, PJM, PK
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 statements of financial position as at 31 May 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 29 to 77.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 qualified 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 2011 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
of Eurospan Holdings Berhad (Continued)

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out on page 78 in Note 30 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities 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
2432/05/13 (J)
Chartered Accountant

Date: 26 September 2011
Penang

Analysis of Shareholdings

1. Authorised Share Capital : RM50,000,000.00
   Issued and Paid-up Share Capital : RM44,421,700.00
   Class of shares : Ordinary shares of RM1.00 each
   Voting Right : 1 vote per share

2. ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 12 SEPTEMBER 2011

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100	6	0.21	268	0.00
100 to 1,000	957	33.26	935,084	2.11
1,001 to 10,000	1,489	51.76	7,264,512	16.35
10,001 to 100,000	396	13.76	11,000,800	24.76
100,001 to less than 5% of issued shares	27	0.94	6,709,836	15.10
5% and above of issued shares	2	0.07	18,511,200	41.67
TOTAL	2,877	100.00	44,421,700	99.99

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 12 SEPTEMBER 2011

Name	No. of shares	% of total Issued capital
1. TBHL Holdings Sdn. Bhd.	12,141,594	27.33
2. TBHL Holdings Sdn. Bhd.	6,369,606	14.34
3. Guan Kim Heng	1,084,036	2.44
4. HLB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Goh Sin Bong)	595,000	1.34
5. Stable Level Sdn Bhd	478,000	1.08
6. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Goh Sin Bong)	420,000	0.95
7. Yeoh Kean Hua	380,000	0.86
8. Lim Seng Qwee	286,000	0.64
9. Quan Yew Hwat	281,000	0.63
10. CIMSEC Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Dato Ng Tiong Seng @ Ng Ba)	261,200	0.59
11. Yong Ping	234,000	0.53
12. Ng Park Lim	228,000	0.51
13. Wong Kiong @ Wong Sun Chong	200,000	0.45
14. Tan Kow How	198,000	0.45
15. Cheng Mei Fung @ Chirn Mei Fung	195,200	0.44
16. Leong Shang Ming	185,000	0.42
17. Ooi Leng Hwa	180,000	0.41
18. Lee Keng Fah	177,600	0.40
19. Toh Kam Choy	154,000	0.35
20. Chien Tai Hing	150,000	0.34
21. Ong Ju Seng	129,000	0.29
22. Khoh Kut Thong	125,000	0.28

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 12 SEPTEMBER 2011 (Continued)

Name	No. of shares	% of total Issued capital
23. Tan Yoke Lan	120,000	0.27
24. Public Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Wong Yeow Chern)	113,000	0.25
25. Ng Inn Jwee	110,000	0.25
26. Uzaimin Enterprise (Kedah) Sdn Bhd	109,000	0.25
27. Lai Hing Keat	106,900	0.24
28. Chuah Tiong Hock @ Chua Teong Choo	105,900	0.24
29. Chew Chan Nai	104,000	0.23
30. MERSEC Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chong Han Wah)	100,000	0.23

4. SUBSTANTIAL SHAREHOLDERS AS AT 12 SEPTEMBER 2011

Name	Direct interest No. of shares held	Direct interest % of total issued capital	Deemed interest No. of shares held	Deemed interest % of total issued capital
1. TBHL Holdings Sdn. Bhd.	18,511,200	41.67	-	-
2. Guan Kok Beng	68,200	0.15	*18,511,200	41.67
3. Guan Kim Heng	1,113,036	2.51	*18,511,200	41.67
4. Guan Kim Loong	8,076	0.02	*18,511,200	41.67

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

5. INTEREST OF DIRECTORS AS AT 12 SEPTEMBER 2011

a) Interest in shares of the Company

Name	Direct Interest No. of shares held	Direct Interest % of total issued capital	Deemed Interest No. of shares held	Deemed Interest % of total issued capital
Guan Kok Beng	68,200	0.15	*18,511,200	41.67
Guan Kim Heng	1,113,036	2.51	*18,511,200	41.67
Dato' Noor Ahmad Mokhtar bin Haniff	-	-	-	-
Diong Chin Teck	15,000	0.03	-	-
Guan Shaw Kee	-	-	-	-
Guan Shaw Yin	-	-	-	-

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

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 and Guan Kim Heng 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 12 September 2011.

None of the other directors have any interest in the shares of related corporations as at 12 September 2011.

5. INTEREST OF DIRECTORS AS AT 12 SEPTEMBER 2011 (Continued)

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	-	-
Guan Kim Heng	200,000	1.00
Dato' Noor Ahmad Mokhtar bin Haniff	-	-
Diong Chin Teck	-	-
Guan Shaw Kee	-	-
Guan Shaw Yin	-	-

List of Properties of the Group
as at 31 May 2011

	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	13.5 years	62,140 / 62,600	3,907,844
2	1169 Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth	7-11-1992	1 storey factory	Factory	Freehold	*18.5 years	69,589 / 40,947	1,602,046
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	14 years	4,368 / 6,218	529,636
4	No 15 Lorong Sungai Lokan 3/2, Sungai Dua, 13800 Butterworth	7-4-1994	2 storey terrace light industrial building	Store	Freehold	15 years	1,920 / 2,880	217,727
5	Lot 14 Jalan Perusahaan, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah	22-3-1995	1 storey factory	Office & factory	Leasehold Expiry: 2080	*15.5 years	86,249 / 38,320	1,807,592
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	10.5 years	247,420 / 152,163	5,523,080
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	14 years	2,842 / 3,919	345,630
								15,489,665

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth 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 Monday, 31 October 2011 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 2011 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' fees of RM240,000.00 for the financial year ended 31 May 2011. **Resolution 2**

3. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:
   (a) "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 3**

   (b) "THAT Dato' Noor Ahmad Mokhtar Bin Haniff, 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**

4. To re-elect the following Directors who retire in accordance with Article 126 of the Company's Articles of Association and being eligible, offer themselves for re-election:
   (a) Mr Guan Shaw Kee; and **Resolution 5**
   (b) Mr Guan Shaw Yin. **Resolution 6**

5. To re-appoint Messrs KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESSES

6. 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 ten percent (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 8**

   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: **Resolution 9**

6. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions: (Continued)
   (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 compliance with the public shareholding spread requirements as stipulated in Paragraph 8.02 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."

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

By order of the Board
Lim Kim Teck
(MAICSA 7010844)
Secretary

Penang
Date: 7 October 2011

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 8

   The proposed Ordinary Resolution if passed will empower the Directors of the Company to issue and allot shares up to 10% of the issued and paid-up share capital of the Company from time to time. 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.

   As at the date of this notice no shares have been issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 25 October 2010 and which will lapse at the conclusion of the Sixteenth Annual General Meeting.

   The Directors seek a renewal of the mandate to provide flexibility to the Company for possible raising of funds, including but not limited to further placing of shares, for purpose of additional working capital, funding of investments and/or acquisitions.

   Ordinary Resolution 9

   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.

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EUROSPAN HOLDINGS BERHAD (351927-M)
(Incorporated in Malaysia)

PROXY FORM
for the 16th Annual General Meeting

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 Sixteenth Annual General Meeting of the Company to be held on Monday, 31 October 2011 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 2011 together with the Reports of the Directors and Auditors thereon.	Resolution 1		
To approve the payment of Directors' fees of RM240,000.00 for the financial year ended 31 May 2011.	Resolution 2		
To re-appoint Mr. Diong Chin Teck, who retires pursuant to Section 129 of the Companies Act, 1965 as a Director.	Resolution 3		
To re-appoint Dato' Noor Ahmad Mokhtar bin Haniff, who retires pursuant to Section 129 of the Companies Act, 1965 as a Director.	Resolution 4		
To re-elect Mr. Guan Saw Kee who retires in accordance with Article 126 of the Company's Articles of Association as a Director.	Resolution 5		
To re-elect Mr. Guan Saw Yin who retires in accordance with Article 126 of the Company's Articles of Association as a Director.	Resolution 6		
To re-appoint Messrs KPMG as the Company's Auditors.	Resolution 7		
To empower the Directors to issue and allot shares up to 10% of the issued share capital of the Company.	Resolution 8		
To renew the authority to purchase up to 10% of the issued and paid-up share capital of the Company.	Resolution 9		

(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 ______________________ 2011.

____
Signature of Shareholder

Notes:

(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 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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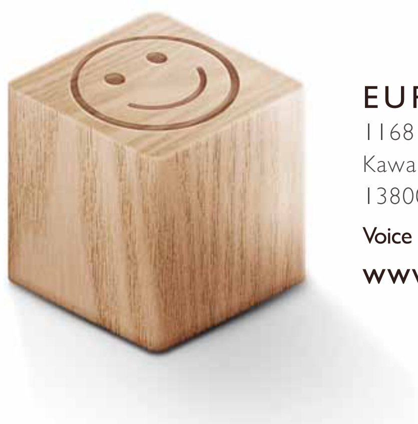
EUROSPAN HOLDINGS BERHAD (351927-M)



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