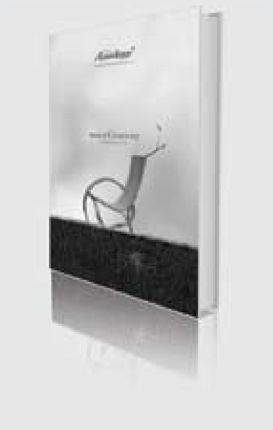
EUROSPAN HOLDINGS BERHAD (351927-M)

Roots of Creativity

Annual Report 2012



Roots of Creativity

Like plants, strong roots lead to strong growth. A tree that develops a deep, strong root structure can withstand heavy winds without toppling to the ground, like the Eurospan Group of Companies, its strong foundation is just like the roots that holds the tree, the root here is the company with its years of knowledge, Leadership, experience, and creativity, always thinking ahead and always sprouting out new ideas as they come. The brilliance and innovation with Roots of Creativity is what Eurospan is all about.

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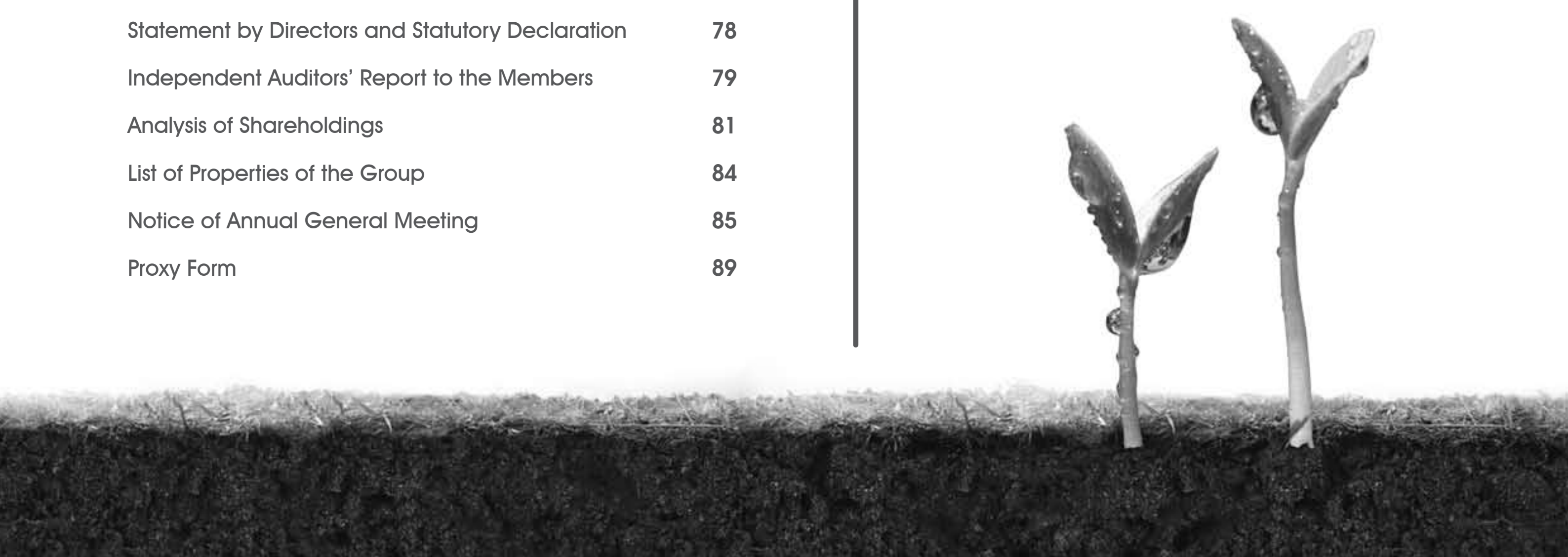
OUR **VISION**

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.



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

United Overseas Bank (Malaysia) Bhd
Malayan Banking Berhad

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.

EUROSPAN HOLDINGS BERHAD (351927-M)

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

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 2012.

Group Results

Comparing to the total revenue of RM62.5 million made by the Group in the preceding financial year ended 31 May 2011, its revenue increased by RM1.4 million or 2.2% to RM63.9 million for the financial year 2012. This shown that our brand new series received a welcoming response despite the effect of the downturn in the global economies.

Despite the healthy growth of its revenue, the Group recorded a loss before tax of RM4.6 million for the financial year ended 31 May 2012 as compared to a loss before tax of RM5.4 million in the previous year. The result was mainly due to the Group had to endure an impairment loss on the plant and equipment of RM3.1 million, loss in the derivative and the increase in the operating expenses.

After due consideration of our financial and cash flow positions, the Board takes prudent view of not recommending any dividend for the financial year ended 31 May 2012.

Outlook and prospect

Though there are some signs that the economy has hit the bottom, it is still a long way from seeing the light at the end of the tunnel. Reacting to debilitated economy, we have already put in place key cost-control measures and are looking at ways and means of enhancing our core competencies by improving components of the Group's entire value chain.

Acknowledgement and Appreciation

On behalf of the Board, I would like to extend my appreciation to our valued customers, business associates, shareholders, financiers and the authorities for their continuous support and confidence in the Group.

I would also like to extend my sincere appreciation to the management team and all the employees for their contribution, dedication and commitment to the Group.

Guan Kok Beng
Chairman
Date : 5 October 2012

Board of Director

Guan Kok Beng

Chairman & Managing Director

Mr. Guan Kok Beng, a Malaysian Citizen, aged 60, 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 36, was appointed as an Executive Director of the Company on 28 April 2008 to be primarily involved in sales and marketing, research and development and human resources and administrative functions 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 34, 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 54, 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 Commitee. His brother, Guan Kok Beng, 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 73, 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.

Diong Chin Teck

Independent Non-Executive Director

Mr Diong Chin Teck, a Malaysian Citizen, aged 79, 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 currently 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

1.0 Composition and Balance

The Board consists of six (6) members, comprising three (3) Executive Directors, one (1) Non-Executive Non-Independent 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 05 and 06 of this Annual Report.

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

The 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.

2.0 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	4/5
Guan Shaw Kee	5/5
Guan Shaw Yin	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.

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').

In addition, the Board as a whole determines whether as a full board or in their individual capacity, have authority to access all information within the Group in furtherance of their duties and they are also empowered to seek external independent professional advice at the Group's expense, to enable them to make well-informed decisions.

4.0 Board Committees

The following committees have been established to assist the Board to discharge its duties and responsibilities. The Board has delegated certain powers and duties to these committees, which operate within the defined terms of reference. The final decision on all matters, however, lies with the entire Board.

(i) Audit Committee

The principal objective of the Audit Committee is to assist the Board in carrying out its statutory duties and responsibilities relating to accounting and reporting practices of the Group. This includes reviewing the quarterly financial results and year end financial statements to be disclosed, the scope of works and management letter of the external and internal auditors.

The Audit Committee members consist of all Non-Executive Directors, with a majority being Independent Directors. Dato' Noor Ahmad Mokhtar Bin Haniff, an Independent Non-Executive Director, is the Chairman of the Audit Committee.

The Audit Committee met five (5) times during the year.

A report detailing the membership, attendance, role and activities of the Audit Committee is presented on pages 15 to 17 of this Annual Report.

(ii) Nomination Committee

The present members of the Nomination Committee are as follows :

Name of Committee Members	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 Heng (Non-Independent Non-Executive Director)	1/1

The Nomination Committee met once during the financial year. In accordance with its term and reference, the Nomination Committee reviewed the Board structure on the designation, roles and responsibilities of the individual Directors of the Company to ensure that the Board has the required mix of skills, experience and other core competencies. The Nomination Committee also reviewed the existing balance, size and composition of the Board of Directors, and recommended to the Board on the Directors who were due for retirement by rotation at the forthcoming Annual General Meeting.

(iii) Remuneration Committee

The present members of the Remuneration Committee are as follows :

Name of Committee Members	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

The Remuneration Committee met once during the financial year. In accordance with its terms of reference, the Remuneration Committee reviewed the remuneration packages and benefits of the Executive Directors to ensure the Company is able to attract high caliber executives to run the Company successfully. Directors do not participate in decisions on their own remuneration. At the same time, the Non-Executive Directors' fees were also reviewed and recommended for Board approval. The individual Non-Executive Directors concerned had abstained from discussion of their own remuneration packages.

(iv) ESOS Committee

Name of Committee Members	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

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.

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

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 complete 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 2012. The Directors will endeavour to fulfill their training requirements for the financial year ending 31 May 2013.

B. DIRECTORS' REMUNERATION

The details of the nature and amount of each major element of the remuneration of the Directors of the Company for the financial year under review are as follows:-

	Salaries (RM'000)	Fees (RM'000)	Other emoluments (RM'000)
Executive Directors	838	190	432
Non-Executive Directors	-	110	13

The number of Directors in each remuneration band for the financial year 2012 are as follows :-

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,000 and below	-	3
RM300,001 – RM350,000	2	-
RM750,001 – RM800,000	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. 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.

D. ACCOUNTABILITY AND AUDIT

1.0 Financial Reporting and Statement of Directors' Responsibility

The Directors are responsible to ensure that the financial statements are drawn up in accordance with the Companies act, 1965 and Financial Reporting Standards in Malaysia.

The Board is responsible for ensuring that the financial statements for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results of operations, changes in equity and cash flows of the Group and the Company for the financial year.

In preparation of the financial statements, the Board has ensured that :

(i) suitable accounting policies have been adopted and applied consistently
(ii) judgements and statements made are reasonable and prudent, and
(iii) financial statements have been prepared on a going concern basis

The Audit Committee assists the Board by overseeing that financial reporting reflects the substance of the business and transactions apart from being compliant with relevant standards and legislation.

The Board is responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure the financial statements comply with the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

2.0 Relationship with the Auditors

Through the Audit Committee of the Board, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external. Both the internal and external auditors are invited to attend the Audit Committee meetings to facilitate the exchange of views in issues requiring attention. The external auditors are also invited to attend meetings on special matters when necessary. In addition, the Audit Committee also meets the external auditors, without the presence of executive board members and management, at least twice a year.

3.0 Risk Management Framework and 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 recognizes 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 outlining the internal controls within the Group is separately set out in page 13 to 14 of this Annual Report.

4.0 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 2012.

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.

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 2012 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 2012.

Audit Committee Report

A. MEMBERSHIP AND MEETINGS

Details of the membership of the Audit Committee and attendance of meetings are 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)	4/5

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.

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.

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 Audit Committee carried out its duties as set out in the terms of reference. These include :-

1. Reviewed the audit plan for the financial year ended 2012 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 2012;
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 2012 was RM17,475.

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 2012, has been made in accordance with the allocation criteria of the scheme.

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 out books to employees. Employees were constantly provided with related skills development trainings as the Group believes the importance of human resources development through career advancement and training. Industrial seminars and workshops were 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 were properly imposed within the Group in ensuring sufficient system and controls were in place.

COMMUNITY

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

Other Information

UTILIZATION 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 31 October 2011. However, the Company had not undertaken any share buy-back exercise for the financial year ended 31 May 2012 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 2012.

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 2012.

NON-AUDIT FEES

The amount of non-audit fees paid by the Group to the external auditors during the financial year ended 31 May 2012 is approximately RM5,000.

Directors' Report

for the year ended 31 May 2012

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 2012.

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	Company
	RM	RM
Loss for the year attributable to owners of the Company	3,782,451	3,786,868

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.

DIVIDEND

The Directors do not recommend any 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

DIRECTORS' INTERESTS IN SHARES

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 IN SHARES (Continued)

Name of Directors	Number of ordinary shares of RM1 each Balance at 1.6.2011	Bought	Sold	Balance at 31.5.2012
The Company				
Direct interest				
Guan Kok Beng - own	68,200	-	-	68,200
Guan Kim Heng - own	1,113,036	-	-	1,113,036
Diong Chin Teck - own	15,000	-	-	15,000
Guan Shaw Yin - own	-	613,000	-	613,000
Deemed interest				
Guan Kok Beng - own	18,511,200	-	-	18,511,200
Guan Kim Heng - own	18,511,200	-	-	18,511,200

The Company	Number of options over ordinary shares of RM1 each Balance at 1.6.2011	Granted	Exercised	Balance at 31.5.2012
Guan Kim Heng - own	200,000	-	-	200,000

By virtue of their interests of more 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 subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 May 2012 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 24 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

There were no other changes in the authorised, 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 Meeting 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 1.6.2011	Granted	Exercised	Lapsed due to resignation	Balance at 31.5.2012
24 January 2005	1.00	44,000	-	-	(7,000)	37,000
10 January 2006	1.00	3,000	-	-	-	3,000
10 April 2006	1.00	3,000	-	-	-	3,000
10 September 2006	1.00	5,000	-	-	-	5,000
10 August 2007	1.00	3,000	-	-	-	3,000
10 November 2007	1.07	3,000	-	-	-	3,000
10 December 2007	1.00	3,000	-	-	-	3,000
10 January 2008	1.00	6,000	-	-	-	6,000
10 June 2008	1.00	3,000	-	-	-	3,000
10 November 2008	1.00	9,000	-	-	(3,000)	6,000
15 December 2009	1.00	502,800	-	-	(106,000)	396,800
15 March 2010	1.00	15,500	-	-	(6,000)	9,500
15 June 2010	1.00	59,000	-	-	(53,000)	6,000
15 September 2010	1.00	73,000	-	-	-	73,000
15 March 2011	1.00	144,000	-	-	(89,000)	55,000
15 June 2011	1.00	-	83,000	-	(12,000)	71,000
15 September 2011	1.00	-	83,000	-	(3,000)	80,000
15 December 2011	1.00	-	68,000	-	(6,000)	62,000
15 March 2012	1.00	-	78,000	-	-	78,000
		876,300	312,000	-	(285,000)	903,300

The details of the ESOS granted to the eligible Directors and employees who have been granted with 10,000 options or more during the financial year ended 31 May 2012 are as follows:

OPTIONS GRANTED OVER UNISSUED SHARES (Continued)

	Number of options over ordinary shares of RM1 each					
	Grant date	Exercise price RM	Balance at 1.6.2011	Granted	Exercised	Balance at 31.5.2012
Tan Jiunn Chinq	15.6.2011	1.00	-	23,000	-	23,000
Tan Sin Yi	15.6.2011	1.00	-	18,000	-	18,000
Ong Chin Beng	15.6.2011	1.00	-	18,000	-	18,000
Ong Woan Jiun	15.9.2011	1.00	-	40,000	-	40,000
Cheah Phoy See	15.9.2011	1.00	-	10,000	-	10,000
Lim Siew Boy	15.12.2011	1.00	-	23,000	-	23,000
Kho Choon Pin	15.12.2011	1.00	-	18,000	-	18,000
Tay Guat Looi	15.3.2012	1.00	-	18,000	-	18,000
Lim Bee Leng	15.3.2012	1.00	-	18,000	-	18,000

Other than the above, a total of 126,000 options were granted to 37 employees of the Group. The average number of options to individual employee is 3,405.

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 10,000 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.

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 financial position and statements of comprehensive income 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.

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, other than the impairment losses on plant and equipment and investment in a subsidiary as disclosed in Note 16 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 May 2012 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 2012

Consolidated Statement of Financial Position

as at 31 May 2012

	Note	2012 RM	2011 RM
Assets			
Property, plant and equipment	3	21,449,398	25,641,110
Other investments	5	500,000	600,000
Total non-current assets		21,949,398	26,241,110
Trade and other receivables	6	5,070,165	5,125,780
Inventories	7	10,683,140	13,606,367
Current tax assets		256,495	836,550
Cash and cash equivalents	8	12,086,924	5,715,798
Total current assets		28,096,724	25,284,495
Total assets		50,046,122	51,525,605
Equity			
Share capital	9	44,421,700	44,421,700
Reserves	10	(5,589,340)	(1,820,313)
Total equity attributable to owners of the Company		38,832,360	42,601,387
Liabilities			
Deferred tax liabilities	11	-	867,820
Total non-current liabilities		-	867,820
Borrowing	12	2,889,916	1,158,084
Trade and other payables	14	8,323,846	6,898,314
Total current liabilities		11,213,762	8,056,398
Total liabilities		11,213,762	8,924,218
Total equity and liabilities		50,046,122	51,525,605

The notes on pages 34 to 77 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 May 2012

	Note	2012 RM	2011 RM
Continuing operations			
Revenue	15	63,958,269	62,536,490
Cost of sales		(57,676,882)	(60,408,639)
Gross profit		6,281,387	2,127,851
Distribution expenses		(1,867,425)	(1,828,271)
Administrative expenses		(6,184,993)	(5,730,407)
Other expenses		(3,376,970)	(379,988)
Other income		433,129	80,514
Results from operating activities		(4,714,872)	(5,730,301)
Interest income		117,135	373,821
Finance costs	19	(39,364)	-
Loss before tax	16	(4,637,101)	(5,356,480)
Income tax expense	20	854,650	712,448
Loss for the year representing total comprehensive expense for the year		(3,782,451)	(4,644,032)
Attributable to:			
Owners of the Company		(3,782,451)	(4,644,032)
Basic earnings per ordinary share (sen)	21	(8.51)	(10.88)

The notes on pages 34 to 77 are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

for the year ended 31 May 2012

		← Non-distributable		→	Distributable	
	Note	Share capital	Share premium	Share option reserve	Retained earnings/ (Accumulated losses)	Total equity
		RM	RM	RM	RM	RM
At 1 June 2010		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 lapsed		-	-	(13,061)	13,061	-
Dividends	22	-	-	-	(21,008,720)	(21,008,720)
At 31 May 2010/1 June 2011		44,421,700	8,374,445	87,442	(10,282,200)	42,601,387
Total comprehensive expense for the year		-	-	-	(3,782,451)	(3,782,451)
Share-based payments	13	-	-	13,424	-	13,424
Transfer from share option reserve for share options lapsed		-	-	(20,980)	20,980	-
At 31 May 2012		44,421,700	8,374,445	79,886	(14,043,671)	38,832,360

The notes on pages 34 to 77 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 May 2012

	Note	2012 RM	2011 RM
Cash flows from operating activities			
Loss before tax from continuing operations		(4,637,101)	(5,356,480)
Adjustments for:			
Depreciation of property, plant and equipment	3	2,062,191	2,864,454
Loss/(Gain) on disposal of plant and equipment	16	2,296	(18,982)
Gain on disposal of other investments	16	(9,969)	(9,368)
Plant and equipment written off	16	-	23,651
Interest income	16	(117,135)	(373,821)
Interest expense	19	39,364	-
Share-based payments	13	13,424	50,102
Fair value loss on derivatives	16	505,911	90,712
Impairment loss on plant and equipment	16	3,147,000	-
Operating profit/(loss) before changes in working capital		1,005,981	(2,729,732)
Changes in working capital:			
Trade and other receivables		33,123	(2,947,035)
Inventories		2,923,227	(1,581,397)
Trade and other payables		942,113	1,231,658
Cash generated/(used in) from operations		4,904,444	(6,026,506)
Income tax refunded/(paid)		566,885	(129,498)
Net cash from/(used in) operating activities		5,471,329	(6,156,004)
Cash flows from investing activities			
Acquisition of other investments		(500,000)	-
Proceeds from disposal of other investments		609,969	396,545
Purchase of property, plant and equipment	3	(1,132,609)	(3,171,476)
Proceeds from disposal of plant and equipment		112,834	18,982
Interest received		117,135	373,821
Net cash used in investing activities		(792,671)	(2,382,128)
Cash flows from financing activities			
Interest paid		(39,364)	-
Dividends paid	22	-	(21,008,720)
Proceeds from shares issued under ESOS		-	3,961,090
Drawdown of bank borrowing		1,731,832	1,158,084
Net cash generated from/(used in) financing activities		1,692,468	(15,889,546)
Net increase/(decrease) in cash and cash equivalents		6,371,126	(24,427,678)
Cash and cash equivalents at 1 June		5,715,798	30,143,476
Cash and cash equivalents at 31 May	8	12,086,924	5,715,798

The notes on pages 34 to 77 are an integral part of these financial statements.

Statement of Financial Position

as at 31 May 2012

	Note	2012	2011
		RM	RM
Assets			
Investment in subsidiaries	4	27,371,817	30,818,533
Other investments	5	500,000	600,000
Total non-current assets		27,871,817	31,418,533
Trade and other receivables	6	20,415,590	21,695,233
Current tax assets		88,081	87,949
Cash and cash equivalents	8	1,124,348	632,866
Total current assets		21,628,019	22,416,048
Total assets		49,499,836	53,834,581
Equity			
Share capital	9	44,421,700	44,421,700
Reserves	10	4,822,410	8,595,854
Total equity attributable to owners of the Company		49,244,110	53,017,554
Liabilities			
Trade and other payables	14	255,726	817,027
Total current liabilities		255,726	817,027
Total equity and liabilities		49,499,836	53,834,581

The notes on pages 34 to 77 are an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 May 2012

	Note	2012	2011
		RM	RM
Continuing operations			
Revenue	15	-	19,845,057
Administrative expenses		(372,143)	(452,346)
Other expenses		(3,460,264)	(251)
Other income		45,539	274,327
(Loss)/Profit before tax	16	(3,786,868)	19,666,787
Income tax expense	20	-	(2,182,318)
(Loss)/Profit for the year representing total comprehensive (expense)/ income for the year		(3,786,868)	17,484,469

The notes on pages 34 to 77 are an integral part of these financial statements.

Statement of Changes In Equity

for the year ended 31 May 2012

		Non-distributable			Distributable	
	Note	Share capital RM	Share premium RM	Share option reserve RM	Retained Earnings/ (Accumulated losses) RM	Total equity RM
At 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 lapsed		-	-	(13,061)	13,061	-
Dividends	22	-	-	-	(21,008,720)	(21,008,720)
At 31 May 2011/1 June 2011		44,421,700	8,374,445	87,442	133,967	53,017,554
Total comprehensive expense for the year		-	-	-	(3,786,868)	(3,786,868)
Share-based payments	13	-	-	13,424	-	13,424
Transfer from share option reserve for share options lapsed		-	-	(20,980)	20,980	-
At 31 May 2012		44,421,700	8,374,445	79,886	(3,631,921)	49,244,110

The notes on pages 34 to 77 are an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 May 2012

	Note	2012 RM	2011 RM
Cash flows from operating activities			
(Loss)/Profit before tax from continuing operations		(3,786,868)	19,666,787
Adjustments for:			
Dividend income	16	-	(19,845,057)
Interest income	16	(35,538)	(218,818)
Gain on disposal of other investments	16	(9,969)	(9,368)
Impairment loss on investment in a subsidiary	16	3,460,140	-
Operating loss before changes in working capital		(372,235)	(406,456)
Changes in working capital:			
Trade and other payables		(561,301)	2,000
Cash used in operations		(933,536)	(404,456)
Dividends received		-	17,633,826
Tax (paid)/refunded		(132)	74,375
Net cash (used in)/from operating activities		(933,668)	17,303,745
Cash flows from investing activities			
Acquisition of other investments		(500,000)	-
Interest received		35,538	218,818
Proceeds from disposal of other investments		609,969	396,545
Net cash from investing activities		145,507	615,363
Cash flows from financing activities			
Repayment of advances due from/(Advances to) subsidiaries, net		1,279,643	(14,088,244)
Dividends paid	22	-	(21,008,720)
Proceeds from shares issued under ESOS		-	3,961,090
Net cash used in financing activities		1,279,643	(31,135,874)
Net increase/(decrease) in cash and cash equivalents		491,482	(13,216,766)
Cash and cash equivalents at 1 June		632,866	13,849,632
Cash and cash equivalents at 31 May	8	1,124,348	632,866

The notes on pages 34 to 77 are an integral part of these financial statements.

Notes to 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 2012.

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 following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company:

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)
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets
- Amendments to FRS 112, Income Taxes - Deferred Tax: Recovery of Underlying Assets

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

- Amendments to FRS 101, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, Consolidated Financial Statements
- FRS 11, Joint Arrangements
- FRS 12, Disclosure of Interests in Other Entities
- FRS 13, Fair Value Measurement
- FRS 119, Employee Benefits (2011)
- FRS 127, Separate Financial Statements (2011)
- FRS 128, Investments in Associates and Joint Ventures (2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to FRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Government Loans

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- FRS 141, Agriculture
- IC Interpretation 15, Agreements for the Construction of Real Estate

1. BASIS OF PREPARATION (Continued)

(a) Statement of compliance (Continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, Financial Instruments (2009)
- FRS 9, Financial Instruments (2010)
- Amendments to FRS 7, Financial Instruments: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures

The Group's and the Company's financial statements for annual period beginning on 1 June 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

(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.

(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 the following notes:

- Note 3 - Impairment assessment of property, plant and equipment
- 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 the Group entities, unless otherwise stated.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

(i) Subsidiaries (Continued)

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.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 June 2011 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 June 2011

For acquisitions on or after 1 June 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

(ii) Accounting for business combinations (Continued)

Acquisitions between 1 January 2006 and 1 June 2011

For acquisitions between 1 January 2006 and 1 June 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

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.

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. 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.

(iv) Loss of control

The Group applied FRS 127, Consolidated and Separate Financial Statements (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous financial years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous financial years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

(vi) 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

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

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

Financial assets (Continued)

(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, 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(g)(i)).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component 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 at the end of the reporting period, and adjusted as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. Upon initial recognition, 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 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 or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. 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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) 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 as 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables 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 cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of 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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment (Continued)

(ii) Other assets (Continued)

An impairment loss is recognised if the carrying amount of an asset or its related 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 cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at 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.

(h) 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.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) 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 not recognised in the statements of financial position and 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)

(k) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(l) 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.

(m) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits (Continued)

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted 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.

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 the 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.

(n) 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 be applied 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary adjusted 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, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(p) 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. All operating segments' 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.

(q) 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.

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	Buildings	Plant, machinery and factory equipment	Furniture, fittings, renovation and office equipment	Motor vehicles	Capital expenditure-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM
Cost							
At 1 June 2010	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 2011/1 June 2011	5,221,234	13,825,206	36,157,306	2,028,794	2,918,536	2,226,619	62,377,695
Additions	-	-	864,528	17,200	-	250,881	1,132,609
Disposals	-	-	-	(6,769)	(421,110)	-	(427,879)
Reclassification	-	-	744,041	-	-	(744,041)	-
At 31 May 2012	5,221,234	13,825,206	37,765,875	2,039,225	2,497,426	1,733,459	63,082,425

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

	Land	Buildings	Plant, machinery and factory equipment	Furniture, fittings, renovation and office equipment	Motor vehicles	Capital expenditure-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation and impairment losses							
At 1 June 2010	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 2011/1 June 2011	71,798	3,484,977	30,015,712	1,547,876	1,616,222	-	36,736,585
Depreciation for the year (Note 16)	4,515	276,506	1,488,669	94,231	198,270	-	2,062,191
Impairment loss for the year (Note 16)	-	-	3,043,000	104,000	-	-	3,147,000
Disposals	-	-	-	(3,935)	(308,814)	-	(312,749)
Reclassification	-	-	8,973	(8,973)	-	-	-
At 31 May 2012							
- Accumulated depreciation	76,313	3,761,483	31,513,354	1,629,199	1,505,678	-	38,486,027
- Accumulated impairment losses	-	-	3,043,000	104,000	-	-	3,147,000
	76,313	3,761,483	34,556,354	1,733,199	1,505,678	-	41,633,027
Carrying amounts							
At 1 June 2010	5,153,951	10,616,731	7,504,567	628,045	1,106,117	348,328	25,357,739
At 31 May 2011/1 June 2011	5,149,436	10,340,229	6,141,594	480,918	1,302,314	2,226,619	25,641,110
At 31 May 2012	5,144,921	10,063,723	3,209,521	306,026	991,748	1,733,459	21,449,398

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

3.1 Impairment loss assessment

During the financial year ended 31 May 2012, the less favourable operating results of a subsidiary caused the Group to assess the recoverable amount of the related property, plant and equipment. The group tested the related property, plant and equipment for impairment and recognised as impairment loss of RM3,147,000 with respect to plant and equipment.

The impairment loss was recognised in other expenses.

3.2 Land

Included in the carrying amounts of land are:

	2012	2011
	RM	RM
Freehold land	4,837,499	4,837,499
Leasehold land with unexpired lease period of more than 50 years	307,422	311,937
	5,144,921	5,149,436

4. INVESTMENT IN SUBSIDIARIES - COMPANY

	2012	2011
	RM	RM
Unquoted shares, at cost	30,413,939	30,413,939
Add: Share-based payments allocated to subsidiaries	418,018	404,594
	30,831,957	30,818,533
Less : Accumulated impairment losses (Note 16)	(3,460,140)	-
	27,371,817	30,818,533

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective ownership interest		Principal Activities
	2012	2011	
	%	%	
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

4. INVESTMENT IN SUBSIDIARIES - COMPANY (continued)

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 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.

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.

A full impairment loss of RM3,460,140 was recognised in profit or loss for the financial year ended 31 May 2012 in view that the estimated recoverable amount is less than the carrying value of the said investment.

5. OTHER INVESTMENTS - GROUP AND COMPANY

	2012	2011
	RM	RM
2011		
Available-for-sale		
Unit trust funds - quoted	500,000	100,000
Structured investment products - unquoted	-	500,000
Representing items at fair value	500,000	600,000
Market value of investments		
Unit trust funds - quoted	500,000	100,000
Structured investment products - unquoted	-	500,000
	500,000	600,000

6. TRADE AND OTHER RECEIVABLES

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Trade					
Trade receivables		2,345,374	3,184,881	-	-
Non-trade					
Amount due from subsidiaries	6.1	-	-	20,415,590	21,695,233
Other receivables		504,470	554,999	-	-
Deposits		167,703	168,153	-	-
Prepayments	6.2	2,052,618	1,195,255	-	-
Financial assets at fair value through profit or loss - held for trading, including derivatives	6.3	-	22,492	-	-
		2,724,791	1,940,899	20,415,590	21,695,233
		5,070,165	5,125,780	20,415,590	21,695,233

6.1 **Amount due from subsidiaries**

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

6.2 **Prepayments**

Included in prepayments is an amount of RM1,809,088 (2011: RM1,052,317) in relation to advance payments made to suppliers.

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

7. INVENTORIES - GROUP

	2012 RM	2011 RM
Raw materials	4,776,817	6,157,988
Work-in-progress	3,274,171	5,838,157
Manufactured inventories	2,632,152	1,610,222
	10,683,140	13,606,367

8. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2012	2011	2012	2011
		RM	RM	RM	RM
Short term funds	8.1	1,123,958	440,569	1,084,507	402,222
Deposits with licensed banks		7,395,080	3,728,146	-	176,110
Cash and bank balances		3,567,886	1,547,083	39,841	54,534
		12,086,924	5,715,798	1,124,348	632,866

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 (2011 : 30 days).

9. SHARE CAPITAL - GROUP AND COMPANY

	2012		2011	
	RM	Number of shares	RM	Number of shares
Authorised:				
Ordinary shares of RM1 each	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid:				
Ordinary shares of RM1 each				
Balance at 1 June	44,421,700	44,421,700	40,462,500	40,462,500
Issued under ESOS, for cash	-	-	3,959,200	3,959,200
Balance at 31 May	44,421,700	44,421,700	44,421,700	44,421,700

10. RESERVES

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Non-distributable				
Share premium	8,374,445	8,374,445	8,374,445	8,374,445
Share option reserve	79,886	87,442	79,886	87,442
	8,454,331	8,461,887	8,454,331	8,461,887
Distributable				
(Accumulated losses)/ Retained earnings	(14,043,671)	(10,282,200)	(3,631,921)	133,967
	(5,589,340)	(1,820,313)	4,822,410	8,595,854

10. RESERVES (Continued)

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	
	2012	2011
	RM	RM
Property, plant and equipment - capital allowances	-	925,556
Provisions	-	(57,736)
	-	867,820

Movements in temporary differences during the year are as follows:

	At 1 June 2010	Recognised in profit or loss (Note 20)	At 31 May 2011	Recognised in profit or loss (Note 20)	At 31 May 2012
	RM	RM	RM	RM	RM
Property, plant and equipment					
- Capital allowances	1,856,192	(930,636)	925,556	(925,556)	-
Provisions	(27,009)	(30,727)	(57,736)	57,736	-
Unabsorbed capital allowances	(244,497)	244,497	-	-	-
Unutilised business losses	(14,904)	14,904	-	-	-
	1,569,782	(701,962)	867,820	(867,820)	-

11. DEFERRED TAX LIABILITIES (Continued)

Unrecognised deferred tax assets

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

	Group	
	2012	2011
	RM	RM
Unabsorbed capital allowances	(1,020,000)	(1,772,000)
Unutilised business losses	(5,554,000)	(3,489,000)
Property, plant and equipment - capital allowances	3,316,000	2,795,000
Provisions	(1,182,000)	(37,000)
	(4,440,000)	(2,503,000)

The unabsorbed capital allowances and unutilised business losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the company can utilised the benefit there from.

The comparative figures have been restated to reflect the unutilised business losses and provisions available to the Group.

12. BORROWING

	Group	
	2012	2011
	RM	RM
Current		
Trust receipts - unsecured	2,889,916	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 Meeting 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
15 June 2011	83,000
15 September 2011	83,000
15 December 2011	68,000
15 March 2012	78,000

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

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

	2012		2011	
	Weighted average exercise price RM	Number of options	Weighted average exercise price RM	Number of options
Outstanding at 1 June	1.00	876,300	1.00	4,783,500
Granted during the year	1.00	312,000	1.00	427,000
Lapsed during the year due to resignation	1.00	(285,000)	1.00	(375,000)
Options exercised during the year	-	-	1.00	(3,959,200)
Outstanding at 31 May	1.00	903,300	1.00	876,300
Exercisable at 31 May		566,475		510,150

The options outstanding at 31 May 2012 have an exercise price of RM1.00 (2011 : RN1.00) and a weighted contractual life of 2.58 (2011 : 3.58) years.

During the year, Nil (2011: 3,959,200) share options were exercised. The weighted average share price for the year was RM 0.50 (2011: RM1.02).

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/*	Weighted average share price	Exercise price	Expected volatility (weighted average volatility)	Option life (expected weighted average life)	Expected dividends	Risk-free interest rate (based on Malaysian government bonds)
		RM	RM	RM	%		%	%
24 January 2005	On grant date, 25% of the options granted vest immediately followed by 25% for each of the subsequent years	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
9 February 2005		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 April 2005		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 May 2005		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 July 2005		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 the options granted vest immediately followed by 25% for each of the subsequent years and the remaining on 30 December 2008	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 February 2006		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 March 2006		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 April 2006		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 May 2006		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 June 2006		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 August 2006		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 the options granted vest immediately followed by 25% for the subsequent year and the remaining on 30 December 2008	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 February 2007		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 March 2007		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 April 2007		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 May 2007		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77

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

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 the options granted vest immediately followed by 25% for the subsequent year and the remaining on 30 December 2008	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 July 2007		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 August 2007		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 September 2007		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 October 2007		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 November 2007		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 the options granted vest immediately and the remaining on 30 December 2008	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 February 2008		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 March 2008		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 April 2008		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 May 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 granted vest immediately followed by 25% for each of the subsequent years	0.14	0.93	1.00	36.35	5.00	8.60	3.70
15 March 2010		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
15 June 2011		0.03	0.63	1.00	39.77	3.54	12.70	3.28
15 September 2011		0.01	0.43	1.00	39.51	3.28	18.60	3.10
15 December 2011		0.01	0.47	1.00	40.04	3.04	17.02	3.01
15 March 2012	On grant date, 25% of the options granted vest immediately followed by 25% for the subsequent year and the remaining on 30 December 2013	0.01	0.51	1.00	39.66	2.79	15.69	3.10

* 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

	2012 RM	2011 RM
Share options granted in 2010	-	29,621
Share options granted in 2011	-	20,481
Share options granted in 2012	13,424	-
Total expense recognised as share-based payments	13,424	50,102

14. TRADE AND OTHER PAYABLES

		Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Trade					
Trade payables		3,620,600	3,343,194	-	-
Non-trade					
Amount due to a subsidiary	14.1	-	-	-	532,647
Other payables	14.2	2,808,901	2,765,573	-	-
Accrued expenses		1,410,926	789,547	255,726	284,380
Financial liabilities at fair value through profit or loss - Held for trading including derivatives	14.3	483,419	-	-	-
		4,703,246	3,555,120	255,726	817,027
		8,323,846	6,898,314	255,726	817,027

14.1 Amount due to a subsidiary

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

14.2 Other payables

Included in other payables is an amount of RM1,987,283 (2011 : RM1,829,296) in relation to advance payments received from customers.

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

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	
	2012	2011	2012	2011
	RM	RM	RM	RM
After charging:				
Auditors' remuneration:				
- Statutory audit by KPMG	53,000	53,000	14,000	14,000
- Other services by KPMG				
- Current year	3,000	3,000	-	-
- Prior year	2,000	-	-	-
Depreciation of property, plant and equipment (Note 3)	2,062,191	2,864,454	-	-
Plant and equipment written off	-	23,651	-	-
Directors of the Company				
- fees	300,000	330,000	210,000	240,000
- others	1,245,325	1,007,859	34,880	36,380
Other Directors				
- fees	45,000	45,000	-	-
- others	385,220	350,130	-	-
Research and development expenditure	455,587	589,576	-	-
Loss on disposal of plant and equipment	2,296	-	-	-
Loss on foreign exchange (net)				
- realised	-	112,339	-	-
Rental expense	361,279	366,178	-	-
Fair value loss on derivatives	505,911	90,712	-	-
Impairment loss on plant and equipment (Note 3)	3,147,000	-	-	-
Impairment loss on investment in a subsidiary (Note 4)	-	-	3,460,140	-
and crediting:				
Dividend income from subsidiaries (unquoted)	-	-	-	19,845,057
Gain on disposal of plant and equipment	-	18,982	-	-
Gain on disposal of other investments	9,969	9,368	9,969	9,368
Interest income	117,135	373,821	35,538	218,818
Gain on foreign exchange (net)				
- unrealised	397	67,612	-	-
- realised	908,446	-	-	-

17. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Directors of the Company				
- Fees	300,000	330,000	210,000	240,000
- Remuneration	1,245,325	1,007,859	34,880	36,380
Other Directors				
- Fees	45,000	45,000	-	-
- Remuneration	385,220	350,130	-	-
Total short-term employee benefits	1,975,545	1,732,989	244,880	276,380

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 RM52,150 (2011: RM44,031).

18. EMPLOYEE INFORMATION

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Personnel expenses (excluding key management personnel)	10,489,758	12,487,783	-	-

18.1 Personnel expenses of the Group include contributions to the Employees' Provident Fund of RM779,725 (2011: RM848,840).

18.2 Personnel expenses of the Group include share-based payments of RM13,424 (2011: RM50,102).

19. FINANCE COSTS - GROUP

	2012	2011
	RM	RM
Interest paid and payable on trust receipts	39,364	-

20. INCOME TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Current tax expense				
- Current year	13,390	(14,446)	-	2,182,062
- Prior years	(220)	3,960	-	256
Total current tax recognised in profit or loss	13,170	(10,486)	-	2,182,318
Deferred tax expense				
- Original and reversal of temporary differences	(869,880)	(701,950)	-	-
- Prior years	2,060	(12)	-	-
Total deferred tax recognised in profit or loss	(867,820)	(701,962)	-	-
Total income tax expense	(854,650)	(712,448)	-	2,182,318

Reconciliation of effective tax expense

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
(Loss)/Profit for the year	(3,782,451)	(4,644,032)	(3,786,868)	17,484,469
Total income tax expense	(854,650)	(712,448)	-	2,182,318
(Loss)/Profit excluding tax	(4,637,101)	(5,356,480)	(3,786,868)	19,666,787
Income tax calculated using Malaysian tax rate of 25%	(1,159,275)	(1,339,120)	(946,717)	4,916,697
Non-deductible expenses	93,352	118,227	892,797	40,354
Tax exempt income	(10,839)	(24,846)	(10,563)	(2,774,619)
Tax incentives	(368,129)	(83,900)	-	-
Effect of deferred tax assets not recognised	484,497	613,575	-	-
Effect of tax losses not available for set-off	64,483	-	64,483	-
Other items	39,421	(332)	-	(370)
	(856,490)	(716,396)	-	2,182,062
Under provision in prior years	1,840	3,948	-	256
	(854,650)	(712,448)	-	2,182,318

21. 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 RM3,782,451 (2011 : RM4,644,032) and a weighted average number of ordinary shares outstanding during the financial year of 44,421,700 (2011 : 42,671,450).

	2012	2011
Issued ordinary shares at 1 June	44,421,700	40,462,500
Effect of ordinary shares issued during the year	-	2,208,950
Weighted average number of ordinary shares at 31 May	44,421,700	42,671,450

Diluted earnings per ordinary share

Diluted earnings per share for the financial year ended 31 May 2012 is not computed and presented, as the effect of the ESOS is anti-dilutive.

22. DIVIDENDS - GROUP AND COMPANY

Dividends recognised in the prior year by the Company were:

	Sen per share (net of tax)	Total amount	Date of payment
2011		RM	
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	

23. CAPITAL COMMITMENT - GROUP

	2012	2011
	RM	RM
Plant and equipment - contracted but not provided for	1,027,000	486,000

24. RELATED PARTIES

24.1 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.

24.2 Significant related party transactions

There were no significant related party transactions during the financial year other than the 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.

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

25. 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	Asia	Europe	America	Others	Consolidated
	RM	RM	RM	RM	RM	RM
2012						
Revenue	89,452	17,827,119	25,439,579	15,490,580	5,111,539	63,958,269
Non-current assets	21,449,398	-	-	-	-	21,449,398
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

26. FINANCIAL INSTRUMENTS

26.1 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).

	Carrying amount RM	L&R RM	FVTPL-HFT RM	AFS RM
Group				
Financial assets				
2012				
Other investments	500,000	-	-	500,000
Trade and other receivables	2,849,844	2,849,844	-	-
Cash and cash equivalents	12,086,924	12,086,924	-	-
	15,436,768	14,936,768	-	500,000
2011				
Other investments	600,000	-	-	600,000
Trade and other receivables, including derivatives	3,762,372	3,739,880	22,492	-
Cash and cash equivalents	5,715,798	5,715,798	-	-
	10,078,170	9,455,678	22,492	600,000

26. Financial instruments (continued)

26.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R RM	AFS RM
Company			
Financial assets			
2012			
Other investments	500,000	-	500,000
Trade and other receivables	20,415,590	20,415,590	-
Cash and cash equivalents	1,124,348	1,124,348	-
	22,039,938	21,539,938	500,000
2011			
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

	Carrying amount RM	OL RM	FVTPL - HFT RM
Group			
Financial liabilities			
2012			
Borrowing	2,889,916	2,889,916	-
Trade and other payables, including derivatives	6,336,563	5,853,144	483,419
	9,226,479	8,743,060	483,419

	Carrying amount RM	OL RM
2011		
Borrowing	1,158,084	1,158,084
Trade and other payables	5,069,018	5,069,018
	6,227,102	6,227,102

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.1 Categories of financial instruments (continued)

	Carrying amount	OL
	RM	RM
Company		
Financial liabilities		
2012		
Trade and other payables	255,726	255,726
2011		
Trade and other payables	817,027	817,027

26.2 Net loss arising from financial instruments

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Net gains and loss arising on:				
Fair Value through profit or loss:				
- held for trading	(505,911)	(90,712)	-	-
Loans and receivables	117,135	373,821	35,538	218,818
Financial liabilities measured at amortised cost	(39,364)			
	(428,140)	283,109	35,538	218,818

26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

26.4 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 statements of financial position.

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (Continued)

Receivables (Continued)

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. Any receivables having significant balances past due more than 150 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for receivables (net of advance payments from customers) as at the end of the reporting period by geographic region was:

	Group	
	2012	2011
	RM	RM
Asia	1,002,467	622,239
Europe	573,042	1,227,530
America	442,711	724,927
Others	327,154	610,185
	2,345,374	3,184,881

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

	Gross	Individual impairment	Collective impairment	Net
	RM	RM	RM	RM
Group				
2012				
Not past due *	1,552,184	-	-	1,552,184
Past due 1-30 days	300,951	-	-	300,951
Past due 31-60 days	182,330	-	-	182,330
Past due 61-90 days	-	-	-	-
Past due more than 90 days	309,909	-	-	309,909
	2,345,374	-	-	2,345,374

	Gross	Individual impairment	Collective impairment	Net
	RM	RM	RM	RM
2011				
Not past due *	2,780,245	-	-	2,780,245
Past due 1-30 days	71,910	-	-	71,910
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due more than 90 days	332,726	-	-	332,726
	3,184,881	-	-	3,184,881

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (Continued)

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 statements 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.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM3.3 million (2011: RM1.7 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

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.

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 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:

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-5 years RM	More than 5 years RM
2012						
Non-derivative financial liabilities						
Trust receipts	2,889,916	2.25	2,905,970	2,905,970	-	-
Trade and other payables	5,853,144	-	5,853,144	5,853,144	-	-
Derivative financial liabilities	8,743,060		8,759,114	8,759,114		
Forward exchange contracts (gross settled) :						
outflow	483,419	-	11,249,626	11,249,626	-	-
inflow	-	-	(10,766,207)	(10,766,207)	-	-
	9,226,479		9,242,533	9,242,533	-	-
2011						
Non-derivative financial liabilities						
Trust receipts	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	-	-

26. FINANCIAL INSTRUMENTS (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-5 years RM	More than 5 years RM
2011						
Derivative financial liabilities						
Forward exchange contracts (gross settled :)						
Outflow	-	-	13,938,458	13,938,458	-	-
inflow	(22,492)	-	(13,960,950)	(13,960,950)	-	-
	6,204,610		6,209,124	6,209,124	-	-
Company						
2012						
Non-derivative financial liabilities						
Trade and other payables	255,726	-	255,726	255,726	-	-
2011						
Non-derivative financial liabilities						
Trade and other payables	817,027	-	817,027	817,027	-	-

26.6 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.

26.6.1 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.

26. FINANCIAL INSTRUMENTS (Continued)

26.6 Market risk (Continued)

26.6.1 Currency risk (Continued)

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:

	2012		2011	
	Denominated in		Denominated in	
	USD	EURO	USD	EURO
	RM	RM	RM	RM
Group				
Trade and other receivables	1,777,480	-	2,713,509	-
Cash and bank balances	2,014,360	1,190,550	1,182,400	4,035
Forward exchange contracts	(483,419)	-	22,492	-
Trade and other payables	(144,048)	(69,318)	(119,209)	-
Borrowing	(2,889,916)	-	(1,158,084)	-
Net exposure	274,457	1,121,232	2,641,108	4,035

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 increased/(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.

	Group	
	2012	2011
	RM	RM
Profit or loss		
USD	(20,584)	(198,083)
Euro	(84,092)	(303)

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.

26.6.2 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 borrowing is 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.

26. FINANCIAL INSTRUMENTS (Continued)

26.6 Market risk (continued)

26.6.2 Interest rate risk (continued)

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	
	2012	2011	2012	2011
	RM	RM	RM	RM
Fixed rate instruments				
Short term funds	1,123,958	440,569	1,084,507	402,222
Deposits with licensed banks	7,395,080	3,728,146	-	176,110
	8,519,038	4,168,715	1,084,507	578,332
Floating rate instruments				
Borrowing	(2,889,916)	(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	
	100 bp increase	100 bp decrease
	RM	RM
Group		
2012		
Floating rate instruments	(21,674)	21,674
2011		
Floating rate instruments	(8,686)	8,686

26. FINANCIAL INSTRUMENTS (Continued)

26.7 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.

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

	2012		2011	
	Carrying amount	Fair value	Contracted value	Fair value
Group	RM'000	RM'000	RM'000	RM'000
Forward exchange contracts:				
- Asset	-	-	22	22
- Liabilities	483	483	-	-

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Group and Company	RM'000	RM'000	RM'000	RM'000
Quoted unit trusts	500	500	100	100
Structured investment products - unquoted	-	-	500	500

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. FINANCIAL INSTRUMENTS (continued)

26.7 Fair value of financial instruments (continued)

26.7.1 Fair value hierarchy

Comparative figures have not been presented for 31 May 2011 by virtue of the exemption provided in paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 : Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2012				
Financial assets				
Investment in quoted unit trusts	500	-	-	500
Financial liabilities				
Forward exchange contracts	-	483	-	483
Company				
2012				
Financial assets				
Investment in quoted unit trusts	500	-	-	500

27. 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, creditors and market confidence and to sustain future development of the business.

There is no external capital requirement imposed on the Company.

28. CONTINGENT LIABILITIES, UNSECURED - COMPANY

The Company has issued corporate guarantees to licensed banks for banking facilities granted to subsidiaries up to the limit of RM15.9 million (2011: RM17.9 million) of which RM3.3 million (2011: RM1.7 million) has been utilised as at the end of the reporting period.

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

The breakdown of the accumulated losses of the Group and of the Company as at 31 May 2012, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	2012	
	Group	Company
	RM'000	RM'000
Total (accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	16,704	(3,632)
- Unrealised	(483)	-
	16,221	(3,632)
Less: Consolidation adjustments	(30,265)	-
	(14,044)	(3,632)

	2011	
	Group	Company
	RM'000	RM'000
Total (accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	20,741	134
- Unrealised	(777)	-
	19,964	134
Less: Consolidation adjustments	(30,246)	-
	(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.

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 26 to 76, 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 2012 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 77 in Note 29 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 2012

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 26 to 77 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 2012.

Moy Ean Chung

Before me:
Cheah Beng Sun
(No. P103)
Pesuruhjara Sumpah DJN, AMN, PKT, PJK, PJM, PK
Commissioner for Oaths
Penang

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 2012 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 26 to 76.

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 2012 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.

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 77 in Note 29 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 2012
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 30 AUGUST 2012

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100	6	0.22	268	0.00
100 to 1,000	926	34.31	903,584	2.03
1,001 to 10,000	1,362	50.46	6,610,112	14.88
10,001 to 100,000	375	13.89	10,514,100	23.67
100,001 to less than 5% of issued shares	28	1.04	7,882,436	17.75
5% and above of issued shares	2	0.08	18,511,200	41.67
TOTAL	2,699	100.00	44,421,700	100.00

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 AUGUST 2012

	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.	Tan Kow How	626,700	1.41
5.	Guan Shaw Yin	613,000	1.38
6.	HLB Nominees (Tempatan) Sdn. Bhd. (Pledge Securities Account For Goh Sin Bong)	595,000	1.34
7.	Stable Level Sdn. Bhd.	478,000	1.08
8.	CIMSEC Nominees (Tempatan) Sdn. Bhd. (CIMB Bank For Goh Sin Bong)	420,000	0.95
9.	Yeoh Kean Hua	380,000	0.86
10.	CIMSEC Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account For Dato Ng Tiong Seng @ Ng Ba)	317,000	0.71
11.	Lim Seng Qwee	286,000	0.64
12.	Quan Yew Hwat	281,000	0.63
13.	Yong Ping	234,000	0.53
14.	Ng Park Lim	228,000	0.51
15.	Ooi Leng Hwa	226,000	0.51
16.	Wong Kiong @ Wong Sun Chong	200,000	0.45
17.	Cheng Mei Fung @ Chirn Mei Fung	195,200	0.44
18.	Leong Shang Ming	185,000	0.42
19.	Lee Keng Fah	177,600	0.40
20.	Toh Kam Choy	154,000	0.35
21.	Chien Tai Hing	150,000	0.34
22.	Lin Ah Kiew	136,000	0.31
23.	Ong Ju Seng	129,000	0.29
24.	Khoh Kut Thong	125,000	0.28

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 AUGUST 2012 (Continued)

	Name	No. of shares	% of total issued capital
25.	Tan Yoke Lan	120,000	0.27
26.	Public Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account For Wong Yeow	113,000	0.25
27.	Ng Inn Jwee	110,000	0.25
28.	Uzaimin Enterprise (Kedah) Sdn. Bhd.	109,000	0.24
29.	Chuah Tiong Hock @ Chua Teong Choo	105,900	0.24
30.	Chew Chan Nai	104,000	0.23

4. SUBSTANTIAL SHAREHOLDERS AS AT 30 AUGUST 2012

		Direct interest		Deemed interest	
	Name	No. of shares held	% of total issued capital	No. of shares held	% 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 30 AUGUST 2012

a) Interest in shares of the Company

	Direct Interest		Deemed Interest	
Name	No. of shares held	% of total issued capital	No. of shares held	% 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	613,000	1.38	-	-

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 30 August 2012.

None of the other directors have any interest in the shares of related corporations as at 30 August 2012.

5. INTEREST OF DIRECTORS AS AT 30 AUGUST 2012

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

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	14.5 years	62,140 / 62,600	3,839,421
2 1169 Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth	7-11-1992	1 storey factory	Factory	Freehold	*19.5 years	69,589 / 40,947	1,564,746
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	15 years	4,368 / 6,218	514,923
4 No 15 Lorong Sungai Lokan 3/2, Sungai Dua, 13800 Butterworth	7-4-1994	2 storey terrace light industrial building	Store	Freehold	16 years	1,920 / 2,880	211,506
5 Lot 14 Jalan Perusahaan, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah	22-3-1995	1 storey factory	Office & factory	Leasehold Expiry : 2080	*16.5 years	86,249 / 38,320	1,759,743
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	11.5 years	247,420 / 152,163	5,423,985
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	15 years	2,842 / 3,919	338,210
							15,208,644

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 Seventeenth 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, 29 October 2012 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 2012 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 2012. **Resolution 2**

3. 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 Kok Beng; and **Resolution 3**

   (b) Mr Guan Kim Heng. **Resolution 4**

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

AS SPECIAL BUSINESSES

5. 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 6**

   Renewal of Authority for the Proposed Share Buy-Back

   "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 7**

   (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;

AS SPECIAL BUSINESSES (Continued)

5. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions :- (Continued)

Renewal of Authority for the Proposed Share Buy-Back (Continued)

(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."

6. To consider and, if thought fit, to pass with or without modifications the following resolution as a Special Resolution :- **Special Resolution 1**

Proposed Amendments to the Articles of Association of the Company

"THAT the amendments to the Articles of Association of the Company in the manner set out in the Company's Circular to Shareholders dated 5th October 2012 be and are hereby approved."

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 : 5th October 2012

NOTES

1. Appointment of Proxy

   a) Only a Depositor whose name appear in the Record of Depositors as at 19 October 2012 shall be regarded as a member entitled to attend, speak and vote at the Seventeenth Annual General Meeting.

   b) A member may appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

   c) 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.

   d) If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

   e) 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.

2. Explanatory Note on Special Businesses

   Ordinary Resolution 6

   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 31 October 2011 and which will lapse at the conclusion of the Seventeenth 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 7

   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.

   Special Resolution 1 – Proposed Amendments to the Articles of Association of the Company

   The proposed Special Resolution 1, if passed, will amend the Articles of Association of the Company to be in line with the Listing Requirements of Bursa Malaysia Securities Berhad and to provide for payment of any dividend, interest or other money payable by the Company to its shareholders by electronic payment.

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EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

PROXY FORM

For the 17th 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 Seventeenth Annual General Meeting of the Company to be held on Monday, 29 October, 2012 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 2012 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 2012.	Resolution 2		
To re-elect Mr Guan Kok Beng who retires in accordance with Article 126 of the Company's Articles of Association as a Director.	Resolution 3		
To re-elect Mr Guan Kim Heng who retires in accordance with Article 126 of the Company's Articles of Association as a Director.	Resolution 4		
To re-appoint Messrs KPMG as the Company's Auditors.	Resolution 5		
To empower the Directors to issue and allot shares up to 10% of the issued share capital of the Company.	Resolution 6		
To renew the authority to purchase up to 10% of the issued and paid-up share capital of the Company.	Resolution 7		
To approve the Proposed Amendments to the Articles of Association of the Company.	Special Resolution 1		

(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 ____________________ 2012.

____
Signature of Shareholder

Notes :

a) Only a Depositor whose name appear in the Record of Depositors as at 19 October 2012 shall be regarded as a member entitled to attend, speak and vote at the Seventeenth Annual General Meeting.

b) A member may appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

c) 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.

d) If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

e) 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.

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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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www.eurospan.com.my

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Kawasan Perusahaan Sungai Lokan,
13800 Butterworth, Penang, Malaysia.
Tel +604-356 3727 Fax +604-356 2441