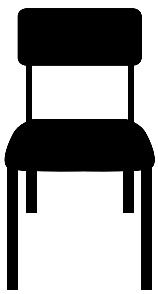
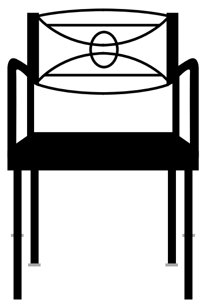
EUROSPAN HOLDINGS BERHAD (351927-M)

EST. 1972



Perfection through Evolution

ANNUAL REPORT 2014



Creativity is the root to all great designs, for the Eurospan Group, coming up with ingenious works of art over the years has left quite an imprint in the lives of many. The company was formed way back in the 70's and up till this day, nothing but perfected designs are created, shipped and delivered all over the world, something the company takes pride in their craftsmanship. Their fusion of ideas and innovation has led them into becoming a leading manufacturer and exporter in home furnishings increasing the business growth for its investors and creating a better future for the company.

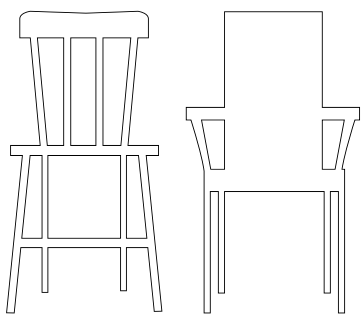
CONTENTS

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/Managing Director

Guan Shaw Kee
Executive Director

Guan Shaw Yin
Executive Director

Guan Kim Heng
Non Independent Non-Executive Director

Sim Yee Fuan
Independent Non-Executive Director

Lim Chun Thang
Independent Non-Executive Director

AUDIT COMMITTEE

Sim Yee Fuan
Chairman, Independent Non-Executive Director

Lim Chun Thang
Member, Independent Non-Executive Director

Guan Kim Heng
Member, Non Independent Non-Executive Director

REMUNERATION COMMITTEE

Sim Yee Fuan
Chairman, Independent Non-Executive Director

Lim Chun Thang
Member, Independent Non-Executive Director

Guan Kok Beng
Member, Managing Director

NOMINATION COMMITTEE

Sim Yee Fuan
Chairman, Independent Non-Executive Director

Lim Chun Thang
Member, Independent Non-Executive Director

Guan Kim Heng
Member, Non Independent Non-Executive Director

www.eurospan.com.my

COMPANY SECRETARY

Lim Kim Teck (MAICSA 7010844)

REGISTERED OFFICE

35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya, Penang
Tel : 604-3976672
Fax : 604-3976675

SHARE REGISTRAR

Plantation Agencies Sdn Berhad
3rd Floor, Standard Chartered Bank Chambers
Lebuh Pantai
10300 Penang
Tel : 604-2625333
Fax : 604-2622018

EXTERNAL AUDITORS

KPMG
Level 18, Hunza Tower
163E Jalan Kelawei
10250 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

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)

EST.1972

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

To our valued shareholders,

I am glad to report that the Group is reporting another year of positive earnings despite softer markets for the Group. This had been possible with the continuous efforts of the management and close monitoring of Group's performance.

The Group's shareholders' funds grew to RM47,751,589 at the end of the financial year. This was achieved on the back of a revenue of RM65,195,308 and a profit after tax of RM5,674,430. The much enhanced results were mainly driven by a regime of cost consciousness and continuous improvements to production processes and efficiencies and aided by a favourable US Dollar exchange rate against the Ringgit Malaysia during the financial year.

The Board expects year 2015 to be another challenging year due to many uncertainties in the global economy. Going forward, the Group will continue to focus on its core business with emphasis on productivity, efficiency and cost saving measures to enhance its profitability. In view of stiff competition in the market, the Group is increasing its production capacity to diversify its products, introduce products differentiation, to improve on the existing products and to reduce the delivery lead time in order to better service our customers. In addition, further efforts have been made to maximise value from our current operation through the continuous development of new and innovative products as well as products enhancement.

On behalf of the Board of Directors, I wish to express our deepest appreciation to our shareholders, customers, business associates, regulatory bodies, financial institutions and suppliers for their assistance and continued support. We will continue to uphold your trust and confidence in the Group. I wish to extend my heartfelt thanks to the management and all associates of the Group for their dedication, hard work and loyalty that are seeing us through our challenges. The Group continues to remain strong as a result of the concerted effort of the entire team.

Guan Kok Beng
Chairman

Guan Kok Beng

Chairman & Managing Director
Member of Remuneration Committee

Mr. Guan Kok Beng, a Malaysian Citizen, aged 62, 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 35 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.

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 38, was appointed as an Executive Director of the Company on 28 April 2008 to be primarily involved in sales and marketing, research and development, human resources and administrative functions and overseeing the management information systems 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
Member of ESOS Committee

Mr. Guan Shaw Yin, a Malaysian Citizen, aged 36, 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 and joined Eurospan since 2006.

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
Member of Audit Committee and Nomination Committee

Mr. Guan Kim Heng, a Malaysian Citizen, aged 56, 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.

His brother, Guan Kok Beng, his nephews, Guan Shaw Kee and Guan Shaw Yin, are also members of the Board.

Sim Yee Fuan

Independent Non-Executive Director
Chairman of Audit Committee, Remuneration Committee, Nomination Committee and ESOS Committee

Mr. Sim Yee Fuan, a Malaysian Citizen, aged 48, was appointed as an Independent Non-Executive Director of the Company on 30 October 2012. He graduated from University of Malaya with Bachelor of Accounting (Honour) and obtained his professional qualification from Malaysian Institute of Certified Public Accountants (MICPA). He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with the Malaysian Institute of Accountants (MIA).

He started his career with Bank Negara Malaysia ("BNM") from 1991 to 1995 and had gained the banking experience in Foreign Exchange Administration Department (formerly known as Balance of Payment Department) and Banking Supervision Department (formerly known as Bank Examination 1 Department). During 1995 to 2006, he joined Eurospan where his job responsibilities were in the areas of accounting, finance and corporate management. Presently, he is a Director and Group General Manager of Unimech Group Berhad, a company listed on the Bursa Malaysia Securities Berhad. He is an Independent Non-Executive Director of Saudee Group Berhad and SCH Group Berhad.

Lim Chun Thang

Independent Non-Executive Director
Member of Audit Committee, Remuneration Committee and Nomination Committee

Mr. Lim Chun Thang, a Malaysian Citizen, aged 49, was appointed as an Independent Non-Executive Director of the Company on 1 July 2014. He graduated from Middlesex University, London with Bachelor Degree in Accounting and Finance (Honours). His working experience has been in corporate planning as well as accounting and finance. He joined Arab-Malaysian Merchant Bank in 1995 and left in 1997 as Corporate Finance Officer. Thereafter, he was attached to a few public listed companies listed on Bursa Malaysia Securities Berhad. Presently, he is Personal Assistant to Group Chairman and Managing Director of a public listed company in Malaysia.

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.

The Board of Directors recognises the importance of good corporate governance and the need to ensure that it is observed and practiced throughout the Group. It strives to continually improve and comply with the principles and recommendations on corporate governance as articulated in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

This Statement sets out the details on how the Group has applied the Principles and Recommendations mentioned above.

PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Functions reserved for the Board

The Board is responsible for guiding and monitoring the Company on behalf of its shareholders. The Board has adopted a Board Charter that sets out the division of responsibilities between the Executive Directors, the Non-Executive Directors and the management team. The Board delegates the day-to-day management of the business to the Executive Directors and the management team. However, certain functions are specifically reserved for the Board which includes the following:

- In conjunction with management, establishing a vision and strategies for the Group;
- Approving the Group's annual business plan and budget;
- Approving specific items of material capital expenditure and investments and disinvestments
- Appointing Directors to the Board;
- Appointing and approving the terms and conditions of appointment of the Chief Executive Officer (CEO);
- Approving any significant changes to accounting policies;
- Approving the quarterly financial statements;
- Approving the annual financial statements;
- Approving any interim dividends and recommending any final dividends to shareholders;
- Approving all circulars, statements and corresponding documents sent to shareholders;
- Approving the terms of reference and membership of Board Committees; and
- Approving Company policies which may be developed from time to time.

Roles and responsibilities

In fulfilling its function, the Board assumes, among others, the following responsibilities:

- Providing leadership and strategic directions for the Group
- Overseeing the proper conduct of the business
- Ensuring prudent and effective controls and risk management system
- Reviewing the performance of management

Code of conduct

The Board is committed to uphold compliance with relevant requirements of laws, its Memorandum and Articles of Association and the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") in the conduct of the business of the Company. In addition, the Directors observe a Code of Ethics, which was developed by the Board based substantially on the Company Directors' Code of Ethic established by the Companies Commission of Malaysia.

Sustainability

In setting the Group's overall business strategy, the Board took into consideration and implemented strategies and practices that would promote sustainable growth for the Group. These strategies are integrated into the Group's Corporate Social Responsibility practices which cover the areas of the environment, community, marketplace and workplace. The efforts of the Group in these areas are detailed in the Corporate Social Responsibility Statement in this Annual report.

Access to information and advice

All Directors have full and timely access to information with Board papers distributed in advance of meetings. Agenda and discussion papers, including quarterly and annual financial statements, minutes of meetings and board papers which include reports relevant to the issues of the meetings covering the areas of strategic, financial and operational matters are circulated prior to Board Meetings to allow the Directors to study and evaluate the matters to be discussed.

If required, the Directors may take independent professional advice in the furtherance of their duties at the Company's expense. Before incurring the professional fee, the Director concerned must seek the approval of the Board. The Directors may access all information within the Group in furtherance of their duties.

PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Company Secretary

The Directors have direct access to the advice and the services of the Company Secretary to enable them to discharge their duties. The Company Secretary updates the Directors periodically when new statues and requirements are issued by the regulatory authorities to ensure that the Directors are aware of regulatory developments that affect them in carrying out their responsibilities. The Company Secretary also makes announcements to Bursa Malaysia Securities Berhad ("Bursa Securities") on behalf of the Company and brief the Board on proposed contents of material announcements prior to their release.

The Company Secretary convenes all Board meetings and attends all Board meetings to ensure that Board procedures are followed and accurate records of the proceedings and resolutions passed are maintained. The Company Secretary also ensures that the statutory registers are properly maintained at the registered office of the Company. The Board believes that the current Company Secretary who is qualified and experienced is capable of carrying out his duties to assist the Board in ensuring adherence to Board policies and procedures.

Board Charter

The Board has formally adopted a Board Charter which provides guidance to the Board in the fulfillment of its roles, duties and responsibilities which are in line with relevant legislations, regulations and the principles of good corporate governance. The Board Charter outlines the composition and structure of the Board, the appointment of new Directors to the Board, the Board's powers, duties and responsibilities including the division of responsibilities between executive and non-executive directors and management, establishment of Board Committees, remuneration of Directors and processes and procedures for convening Board meetings. The Board Charter also underlines the Board's commitment to compliance with laws, regulations and its internal Code of Ethics. The Board Charter is subject to periodic review and will be updated from time to time to reflect changes to the Company's policies, procedures and processes as well as changes to legislations and regulations. The Board Charter is available on the Company's website at http://www.eurospan.com.my.

PRINCIPLE 2 : STRENGTHEN COMPOSITION

Nominating Committee

The Nominating Committee comprises wholly of Non-Executive Directors, a majority of whom are independent. Details of the membership of the Nominating Committee are as follows:

Nominating Committee Members	*Position in Nominating Committee*	*Directorate*
Sim Yee Fuan	Chairman	Independent Non-Executive Director
Guan Kim Heng	Member	Non-Independent Non-Executive Director
Ng Chee Kong (resigned on 9 July 2014)	Member	Independent Non-Executive Director
Lim Chun Thang (appointed on 1 July 2014)	Member	Independent Non-Executive Director

This Committee is empowered to bring to the Board recommendations as to the appointment of any new executive or non-executive director and the Directors to fill the seats on Board Committees. The Nominating Committee will assess the effectiveness of the Board of Directors as a whole, the Board Committees and contribution of each individual Director on an annual basis. In developing such recommendations, the Nominating Committee will consult all Directors and reflects that consultation in any recommendation of the Nominating Committee brought forward to the Board.

The Nominating Committee has met once during the financial year, in carrying out an annual review of the Board, its Committees and the contribution of individual Directors to the Company.

Criteria used in recruitment and annual assessment

The Nominating Committee's responsibilities include the development and review of the criteria to be used in the recruitment of Board members and the annual assessment of Directors. The Nominating Committees has developed the following procedure for considering potential Board candidates:

PRINCIPLE 2 : STRENGTHEN COMPOSITION (CONT'D)

Criteria used in recruitment and annual assessment (Cont'd)

a. the skills and experience appropriate for a candidate will be determined, having regard to those of the existing directors and any other likely changes to the Board;

b. upon identifying a potential candidate, the following will be considered:
   - qualifications and competencies of the candidate;
   - other directorships and time availability of the candidate;
   - independence of the candidate, if an Independent Director is being considered;
   - the effect that the appointment would have on the overall balance of the composition of the Board will be considered; and

c. the proposed appointee must be approved by all existing Board members.

An assessment of the Board is undertaken annually following the completion of the financial year. The evaluation is carried out by way of questionnaires sent to each Director. The questionnaires cover the composition, role, procedures and practices of the Board as a whole and the assessment of each Director's performance by each of his peers. The individual responses to the questionnaires are confidential to each Director, with questionnaire responses summarised for consideration by the Nominating Committee and subsequent report back to the Board.

An evaluation of the Board took place towards the end of the financial year in accordance with the processes described above.

Remuneration policies and procedures

The Remuneration Committee comprises a majority of Non-Executive Directors. Details of the membership of the Remuneration Committee are as follows:

Remuneration Committee Members	*Position in Remuneration Committee*	*Directorate*
Sim Yee Fuan	Chairman	Independent Non-Executive Director
Guan Kok Beng	Member	Chairman and Managing Director
Ng Chee Kong (resigned on 9 July 2014)	Member	Independent Non-Executive Director
Lim Chun Thang (appointed on 1 July 2014)	Member	Independent Non-Executive Director

The Remuneration Committee recommends the remuneration for the Executive Directors. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole. Individual Directors abstain from deliberations and voting on the decision in respect of their own remuneration.

The Board recognizes that the remuneration package should be sufficient to attract, retain and motivate Directors of caliber needed to run the Group successfully. The remuneration of Directors is generally based on market conditions, responsibilities held and the Group's overall financial performance. Decisions and recommendations of the Committee are reported back to the Board for approval and where required by the rules and regulations governing the Company, for approval of shareholders at the Annual General Meeting.

The Remuneration Committee has met once during the financial year.

Directors' Remuneration

The details of the Directors' remuneration for the financial year ended 31 May 2014 are as follows:

	Salaries (RM'000)	*Fees (RM'000)*	*Other emoluments (RM'000)*
Executive Directors	960	190	1,340
Non-Executives Directors	-	86	12

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

Directors' Remuneration (Cont'd)

The analysis on Directors' remuneration by remuneration band is as follow:

Remuneration Band (in RM)	*No of Recipient/s*	
	Executive Directors	*Non-Executive Directors*
RM50,000 and below	-	3
RM600,000 – RM650,000	2	-
RM1,200,000 – RM1,250,000	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.

PRINCIPLE 3: REINFORCE INDEPENDENCE

Annual assessment of independent directors

The role of the Independent Directors is to bring independent and objective judgement to the Board which mitigates risks arising from conflict of interest or undue influence from interested parties and protects the interest of minority shareholders. The Board recognises that it is important to periodically assess whether a Director who is designated as independent continue to satisfy such designation. Towards this end, an assessment of independence is carried out on each of the Independent Directors annually by every other member of the Board.

During the financial year, the Board carried out an assessment on each of the Independent Director. Each Independent Director was required to declare his compliance with the criteria of independence as set out in the Board Charter. In addition, all the Board members were required to evaluate whether each of the Independent Director had continued to show independent and objective judgement in deliberations at Board meetings as well as his conduct outside of Board meetings in matters relating to the Group's affairs.

Tenure of independent directors

The MCCG 2012 recommends that the tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the Director's redesignation as a Non-Independent Director. None of the existing Independent Directors has served on the Board of Directors for a cumulative term of nine years.

Position of Chairman and Chief Executive Officer

The MCCG 2012 recommends that the positions of the Chairman and the Chief Executive Officer ("CEO") should be held by different individuals and the Chairman must be a Non-Executive member of the board. Currently, the position of the Chairman and CEO are held by the same Director who is an Executive member of the Board. Although this is not in compliance with the recommendations of the MCCG 2012, the Board is of the opinion that no single person has excessive powers of decision as:

a. Board decisions are dependent on the consensus of the Directors, who take an active interest in all major and strategic decisions of the Group; and

b. Two of the six Board members are Independent, and supply a strong independent element to the decision-making process.

Composition of Board

The Board presently has six (6) members which comprises of three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors. Although the Board does not comprise of a majority of Independent Non-Executive Directors as recommended under MCCG 2012 for a Board where the Chairman is an Executive Director, the Board believes that there is a sufficient number of Non-Executive members on the Board such that no individual or group of individuals dominates the Board's decision making. The Board also believes that the number of Directors reflects fairly the investment of the shareholders.

PRINCIPLE 3: REINFORCE INDEPENDENCE (CONT'D)

Composition of Board (Cont'd)

Given the nature and scope of the Group's operations, the Board considers that the current composition of the Board is of the appropriate size and with the right mix of skills and experience in meeting the Group's current needs and requirements. A profile of each Director is presented on pages 5 to 6.

PRINCIPLE 4: FOSTER COMMITMENT

Time commitment of Directors

The Board meets at least five times a year to review and approve the quarterly and year end financial results. Additional meetings are convened as necessary, when there are urgent and important matters that require the Board's deliberation. Board members may also be nominated to serve on Board Committees which hold their own meetings. Directors and Board Committee members are furnished with papers, reports and material relevant to the issues to be discussed prior to the meetings and are expected to review such material beforehand so that meaningful discussion can take place during meetings. This expectation of time commitment is communicated to new Board members before they are appointed. Directors should also notify the Chairman before accepting any new directorship in other listed companies to assess whether they will be able to devote sufficient time to the Company.

During the financial year ended 31 May 2014, there were five (5) Board meetings held. The commitment of the Directors in carrying out their duties is reflected in full attendance of all the Directors at Board meetings held during the financial year as shown below:

Name of Director	*Designation*	*Attendance*
Guan Kok Beng	Chairman and Managing Director	5/5
Guan Shaw Kee	Executive Director	5/5
Guan Shaw Yin	Executive Director	5/5
Guan Kim Heng	Non-Independent Non-Executive Director	5/5
Sim Yee Fuan	Independent Non-Executive Director	5/5
Ng Chee Kong	Independent Non-Executive Director	5/5

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to them before the beginning of every year. It provides the scheduled dates for meetings of the Board and Board Committees and the AGM.

Continuing education programmes

All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors recognise the need to continue to undergo relevant training programmes to update their knowledge and enhance their skills where relevant to enable them to sustain their active participation as a Board member.

During the financial year ended 31 May 2014, the Directors of the Company had either attended an in-house training programme, seminar or conference organised externally. The programmes attended by the Directors during the year, include the following:

- Thriving in Economic Turmoil
- Hwang Investment Management CEO Market Update Talk
- Tax Seminar & Planning Opportunities
- Corporate Seminar 2014 – Global Market Outlook
- FX & Economic Outlooks Briefing
- CIMB Traders & Investors Day

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with applicable financial reporting standards

The Directors aim to present a fair assessment of the Group's financial performance, position and prospects primarily through the quarterly reports to Bursa Securities as well as the Annual Report to shareholders.

Pursuant to the Companies Act, 1965, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

The Directors consider that, in preparing the financial statements, the Group has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and confirm that the financial statements have been prepared on a going concern basis.

The Directors are 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 of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965, and applicable approved accounting standards.

The Board aims to ensure that it fulfills its responsibility in the area of financial reporting by appointing a suitably qualified finance manager to oversee the financial reporting function. The Board is also assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting. Towards this end the Audit Committee meets to discuss and review the quarterly results and the year end financial statement together with the finance manager and the external auditors where applicable before the financial reports are recommended to the Board for approval and public release.

Suitability and independence of external auditors

The external auditors fulfill an essential role in giving assurance to the shareholders and other parties of the reliability of the financial statements of the Company. The Company has always maintained a formal and transparent relationship with the external auditors in ensuring the Company's compliance with applicable approved accounting standards and statutory requirements.

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee's terms of reference as detailed on pages 17 to 19 of the Annual Report.

The Audit Committee is responsible for recommending the appointment or reappointment of external auditors. In assessing the suitability of external auditors, the Audit Committee will ensure that only firms which have experience in the audit of listed companies and are registered with the Audit Oversight Board will be considered.

The Audit Committee recognises that the regular provision of non-audit services by the external auditors may lead to impairment of the external auditor's independence and objectivity. The external auditors are therefore not normally engaged for non-audit related services. However, the external auditors may be engaged for services related to corporate exercises carried out by the Group from time to time, which are not regular in nature, for which the engagement of the external auditors may be deemed to be more effective for the Group. The external auditors have affirmed that members of their engagement team and the firm have complied with the relevant ethical requirements regarding independence in the conduct of their audit engagement.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

Framework to manage risks

The Board is responsible for establishing a sound framework to manage risks and maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets as required by the MCCG 2012. The Directors also have a general responsibility for taking reasonable steps to prevent and detect fraud and other irregularities. The Statement of Risk Management and Internal Control set out on pages 15 to 16 of this Annual Report provides an overview of risk management and the state of internal control within the Group.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS (CONT'D)

Internal audit function

The Board has outsourced its internal audit activities to a professional service firm to support the internal audit function. The Audit Committee Report set out on pages 17 to 19 of this Annual Report provides a summary of the internal audit function and the internal audit activities carried out during the financial year.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate disclosure policies and procedures

The Board abides with the corporate disclosure policies as set out in the Listing Requirements. It is the policy of the Company that immediate disclosure is made of material information. Information is considered material if it is reasonable to expect that it will have a material effect on the price, value or market activity of the Company's securities or it will affect the decision of an investor or holder of the Company's securities in determining his choice of action. The Board members will be kept informed of material matters which require disclosure and appropriate announcement will be drafted by management. Announcements of material matters will be circulated to the Board for buy-off before public release.

However, in exceptional circumstances, the Company may temporarily withhold the disclosure of material information to a more appropriate time such as instances where immediate disclosure would affect the ability of the Company to pursue its corporate objectives, when the facts of the matter at hand is in a state of flux or where company securities laws may restrict the extent of permissible disclosure. Material information which is withheld will be restricted to persons on a strict need-to-know basis and all persons with such information will be informed of the requirement to maintain strict confidentiality. In the event that material information that has been withheld has or is believed to have been inadvertently disclosed or where the information has become generally available to the public, the Company will immediately announce the information. The Company will also monitor the market activity of its securities during a period when information is withheld. Should there be an unusual price movement, trading activity, or both ("unusual market activity") in its securities which is believed to signify a "leak" of the information or when rumours or reports concerning the information have appeared or where the Company learns that there are signs that insider trading my be taking place, the Company will take steps to announce the information that has been withheld immediately.

The Company strives to ensure that information that is released is in a manner that would obtain wide public dissemination. Disclosure of material information by the Company is first made by an announcement to Bursa Securities via the BURSA LINK. All announcements are also made available on the Company's website. Press conferences may be held if the Board is of the opinion that it would draw better attention to the information that is to be disseminated. However, the Company will ensure that any such information will be first released or simultaneously released to Bursa Securities. The Company will ensure that material information will not be made on an individual or selective basis to any individual or group if it has not been disclosed and disseminated to the public.

While the Company endeavours to provide information to its shareholders and stakeholders it is also mindful of the requirement to refrain from misleading promotional disclosure activity. The Board will not approve any announcement that may mislead investors and cause unwarranted price movement and activity in the Company's securities.

If the Company becomes aware of any rumour or report, whether true or false, that contains material information on the Company or the Group, the Company will make due enquiry among the Board members and senior management and publicly clarify, confirm or deny the rumour or report as soon as possible.

Where unusual market activity of the Company's securities occurs, the Company will undertake a due enquiry among the Board members and senior management to seek the cause of the unusual market activity. The Company will consider whether there is any information that has been publicly disclosed, has not been publicly disclosed or is the subject matter of rumour or report that would account for the unusual market activity and accordingly take appropriate action to make an announcement to clarify matters, make further disclosure, deny any rumour or report or inform the public that there is no undisclosed development that would account for the unusual market activity. If the Company determines that the unusual market activity results from material information that has already been publicly disclosed, it will take no further action.

All Board members and parties who are insiders are aware of the provisions of the Capital Markets and Services Act 2007 and the Companies Act, 1965 with regards to prohibition of trading in the securities of the Company on the basis of material information which is not known to the public. In addition, affected persons are notified of the restrictions in dealing in the Company's securities while in possession of price-sensitive information and during closed periods unless the procedures for dealings during close periods as set out in the Listing Requirements have been complied with.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

Use of information technology to disseminate information

Shareholders and investors are kept informed of all major development within the Group by way of announcements via the BURSA LINK. Announcements are also made of the Company's quarterly results, Annual Reports and other circulars to shareholders, where appropriate, and all these announcements are available to shareholders electronically at Bursa Securities's website. Shareholders can also access the Company's website, http://www.eurospan.com.my for up to date information about the Company and its business as well as announcements made to Bursa Securities.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Shareholder participation at general meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. Notice of AGM and Annual Reports are sent to shareholders at least 21 days before the meeting.

During the AGM, shareholders are given opportunities to enquire and comment on matters relating to the Group's business. The shareholders are encouraged to participate in the open question and answer session in the AGM pertaining to the resolutions being proposed at the meeting and the financial performance and business operation in general. The Directors are available to provide responses to questions from the shareholders during the meeting.

In addition, Extraordinary General Meetings ("EGMs") are held as and when needed to obtain shareholders' approval on certain business or corporate proposals. Adequate notice of EGM, in compliance with regulatory requirements, are sent to shareholders together with comprehensive Circulars/ Statements setting out details and explaining the rationale with regards to the matters for which shareholders approval are being sought.

Poll voting

At the commencement of each general meeting, the Chairman will inform the shareholders of their right to demand a poll vote. The Board will consider putting substantive resolutions to vote by poll, even without demand from shareholders, if it feels that it is necessary to gauge the support of shareholders for particular resolutions. When a resolution has been put to vote by poll, the Chairman will announce the number of votes cast for and against the resolution at the general meeting and an announcement of such result will also be made to Bursa Securities. The Board will consider employing electronic means for poll voting when the infrastructure for employing such means becomes available at reasonable cost and taking into consideration the number of attendees who normally attend general meetings.

Communication and proactive engagement with shareholders

AGMs and EGMs where appropriate remain the most common platform for the Company and the Board to have effective communication and engagement with shareholders about performance, corporate governance and other matters affecting shareholders' interest. In addition, the Board may hold press conference where appropriate to keep shareholders informed of the Group's affairs. Information released to the public will also be made available on the Company's website for shareholders to have easy access.

Compliance Statement

Save as disclosed, throughout the financial year ended 31 May 2014, the Group has complied with all the principles and recommendations of the MCCG 2012.

This statement was made in accordance with a Board of Directors' resolution dated 29 September 2014.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board of Directors is pleased to provide the following Statement on Risk Management & Internal Control of the Group, which had been prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers".

Board's Responsibility

The Board of Directors is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal control and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal control of the Group during the year.

The system of risk management and internal control covers finance, operations, management information systems and compliance with relevant laws, regulations, policies and procedures. There is an ongoing process to identify, evaluate and manage significant risk faced or potentially to be encountered by the Group. The process is regularly reviewed by the Board.

Due to the limitations that are inherent in any system of internal controls, these systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives and it can only provide reasonable and not absolute assurance against material misstatement or loss.

The implementation of the risk management and internal control system within the Group inclusive of design, operation, identification, assessment, mitigation and control risks, are operated with the assistance of Management throughout the period. The Board has received assurance from the Chief Executive Officer ("CEO") and the Chief Executive Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

The key features of the risk management and internal control systems are described under the following headings:

Risk Management and Internal Control Structure

The Group has an ongoing process for the identification, evaluation, reporting, managing, monitoring and reviewing of the major strategic, business and operation risks within the Group. Both the Audit Committee and Board of Directors review the effectiveness of the risk management function and deliberate on the risk management and internal control frameworks, functions, processes and reports on a regular basis. The framework is continually monitored to ensure it is responsive to the changes in the business environment and clearly communicated to all levels.

The Board has established a Risk Management Committee ("RMC") which comprises the CEO, CFO and senior management to assist in the risk management process within the Group.

The Group has an established internal control structure and is committed to evaluating, enhancing and maintaining the structure to ensure effective control over the Group's business operations and to safeguard the value and security of the Group's assets. There is a clearly defined operating structure with lines of responsibilities and delegated authority in place to assist the Board to maintain a proper control environment. The control structure and environment are supported by the following activities:

(a) An organisation structure with clearly defined lines of responsibilities, authority and accountability;
(b) Documented internal policies, guidelines, procedures and manuals, which are updated from time to time;
(c) Regular Board and management meetings where information is provided to the Board and management covering financial performance and operation;
(d) Quarterly review of financial results by the Board and Audit Committee;
(e) Regular training and development programmes attended by employees with the objective of enhancing their knowledge and competency;
(f) Existence of risk management team to enhance its risk management practice; and
(g) Ongoing reviews on the system of internal controls by an independent internal audit function. Results of such reviews are reported to the Audit Committee, which in turn reports to the Board.

Risk Management and Internal Control Structure (Cont'd)

In addition, the Executive Directors have day to day involvement with the business and are responsible for monitoring risks affecting the business and control activities. These are supplemented by comprehensive and independent reviews undertaken by the internal audit function on the controls in operation in each individual business. The internal auditors independently report to the Audit Committee on the outcome and findings from their reviews.

Risk Management Process

The Board regards risk management as an integral part of business operations. For period under review, the RMC is assisted by the senior management team from various divisions to effectively embed risk management and control into the corporate culture, processes and structures within the Group. The RMC has identified and reviewed the major business risk factors affecting the Group and derive risk management strategies to manage and mitigate the risks identified. The following factors were considered in the risk assessment:

(a) The nature and extent of risks facing the Group;
(b) The extent and categories of risk which it regards as acceptable for the Group to bear;
(c) The likelihood of the risks concerned materialising; and
(d) The Group's ability to reduce the incidence of risks that may materialise and their impact on the business.

Control Environment

The Group has in place a proper control environment which emphasises on quality and performance of the Group's employees through the development and implementation of human resources policies and programmes designed to enhance the effectiveness and efficiency of the individual and the organisation.

The Board believes that a sound internal control system reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Internal Audit Function

The Board outsourced its internal audit function to a professional firm of consultants to support its internal audit function to provide much of the assurance required regarding the effectiveness as well as the adequacy and integrity of the Group's system of internal controls. Internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group. The internal audit plan was presented to and approved by Audit Committee. Periodic internal audit review is carried out and the audit findings are presented to the Audit Committee via internal audit report whilst Management formulates action plans to address issues noted from internal audit to improve the system of internal controls.

Based on the internal auditors' report for the financial year ended 31 May 2014, there is a reasonable assurance that the Group's system of internal controls is generally adequate. Nevertheless, the internal control systems will continue to be reviewed, added on or updated in line with changes in the operating environment.

Conclusion

The Board is of the opinion that the system of internal control and risk management is in place for the year under review, and up to the date of this Statement is sound and sufficient to safeguard shareholders' investment and the Group's assets.

This statement was made in accordance with a Board of Directors' resolution dated 29 September 2014.

(A) MEMBERSHIP AND MEETINGS

Details of the membership of the Audit Committee and attendance of meetings during the financial year are as follows:

	Composition of the Audit Committee	*Attendance*
Chairman	Sim Yee Fuan (Independent Non-Executive Director)	5/5
Members	Ng Chee Kong (resigned on 9 July 2014) (Independent Non-Executive Director)	5/5
	Guan Kim Heng (Non-Independent Non-Executive Director)	5/5
	Lim Chun Thang (appointed on 1 July 2014) (Independent Non-Executive Director)	N/A

(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 the 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 members who shall be an Independent Director.

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

2.0 Authority

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

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

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

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

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

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

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

(B) TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)

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 Auditor 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 Auditor 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 auditor and consider the appointment or termination of internal auditor and their remuneration.

3.1.4 To take cognizance of resignation of internal auditor and to provide an opportunity to submit the reasons for resigning.

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

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

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

(B) TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)

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 2014 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 Risk Management and Internal Control for inclusion in the Annual Report 2014;
7. Reviewed the audit fee of the external auditors; and
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 2014 was RM17,036.

(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 2014, has been made in accordance with the allocation criteria of the scheme.

CORPORATE SOCIAL RESPONSIBILITY

Eurospan is mindful of its responsibility to the communities in which it operates and is committed to progressively incorporate Corporate Social Responsibility ("CSR") best practice into the Group's operation. The Group believes that integrating its social and environmental responsibilities into its business strategies and practices assist in ensuring sustainable growth for the Group. Our CSR programs cover the areas of the environment, workplace, marketplace and community.

ENVIRONMENT

As a major wood-based furniture manufacture, the Group believes in the sustainable use of environmentally friendly materials. Majority of our wood materials are FSC Controlled Wood and are PEFC certified. PEFC certificate is a transparent and independent control system for safeguarding a sustainable and thus exemplary forest cultivation. PEFC is also a monitoring system for proof of origin: from certified forests via the wood processing companies to the finished product on the shelf.

The Group is also 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 knowledge base 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 organisations through donations. Employees are supported and encouraged to actively participate in social works and community services.

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Not applicable as none was proposed.

SHARE BUY-BACK

The Shareholders of the Company have 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 28 October 2013. However, the Company had not undertaken any share buy-back exercise for the financial year ended 31 May 2014 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 2014.

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 2014.

NON-AUDIT FEES

The amount of non-audit fees paid by the Group to the external auditors during the financial year ended 31 May 2014 is approximately RM5,000.

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2014.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are set out in Note 4 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit/(Loss) for the year attributable to owners of the Company	5,674,430	(332,379)

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

No dividend was paid since the end of the previous financial year and 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
Guan Shaw Kee
Guan Shaw Yin
Sim Yee Fuan
Lim Chun Thang (appointed on 1.7.2014)
Ng Chee Kong (resigned on 9.7.2014)

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial 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 (CONT'D)

	Number of ordinary shares of RM1 each			
Name of Directors	**Balance at 1.6.2013**	**Bought**	**(Sold)**	**Balance at 31.5.2014**
The Company				
Direct interest				
Guan Kok Beng - own	462,200	1,340,000	-	1,802,200
Guan Kim Heng - own	1,113,036	-	-	1,113,036
Guan Shaw Yin - own	768,000	-	-	768,000
Ng Chee Kong - own	40,000	-	-	40,000
Deemed interest				
Guan Kok Beng - own	18,511,200	-	-	18,511,200
Guan Kim Heng - own	18,511,200	-	(18,511,200)	-

	Number of options over ordinary shares of RM1 each			
The Company	**Balance at 1.6.2013**	**Granted**	**(Exercised)**	**Balance at 31.5.2014**
Guan Kim Heng - own	200,000	-	-	200,000

By virtue of his interest of more than 15% in the shares of the Company, Mr. Guan Kok Beng is 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 2014 had any interest in the ordinary shares and 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 corporation 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 22 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 changes in the authorised, issued and paid-up capital of the Company and no debentures were issued by the Company 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 10% 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 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 1.6.2013**	**Granted**	**Exercised**	**Lapsed due to resignation**	**Balance at 31.5.2014**
24 January 2005	1.00	33,000	-	-	-	33,000
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	3,000	-	-	-	3,000
10 June 2008	1.00	3,000	-	-	-	3,000
10 November 2008	1.00	6,000	-	-	(6,000)	-
15 December 2009	1.00	389,800	-	-	(28,500)	361,300
15 March 2010	1.00	9,500	-	-	-	9,500
15 June 2010	1.00	6,000	-	-	-	6,000
15 September 2010	1.00	64,000	-	-	(24,000)	40,000
15 March 2011	1.00	21,000	-	-	(3,000)	18,000
15 June 2011	1.00	68,000	-	-	(18,000)	50,000
15 September 2011	1.00	74,000	-	-	(9,000)	65,000
15 December 2011	1.00	59,000	-	-	(21,000)	38,000
15 March 2012	1.00	48,000	-	-	-	48,000
15 June 2012	1.00	84,000	-	-	(18,000)	66,000
15 September 2012	1.00	151,000	-	-	(69,000)	82,000
2 January 2013	1.00	21,000	-	-	(18,000)	3,000
14 March 2013	1.00	29,000	-	-	(6,000)	23,000
14 June 2013	1.00	-	12,000	-	(6,000)	6,000
13 September 2013	1.00	-	24,000	-	-	24,000
13 December 2013	1.00	-	115,000	-	(37,000)	78,000
		1,089,300	151,000	-	(271,500)	968,800

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

The details of the ESOS granted to the eligible Directors and employees during the financial year ended 31 May 2014 are as follows :

	Grant date	Exercise price RM	Balance at 1.6.2013	Granted	Exercised / Lapsed	Balance at 31.5.2014
			Number of options over ordinary shares of RM1 each			
Rosni Binti Azmi	14.6.2013	1.00	-	6,000	(6,000)	-
Norhamizan Binti Ismail	14.6.2013	1.00	-	3,000	-	3,000
Wan Masitah Binti Wan Ibrahim	14.6.2013	1.00	-	3,000	-	3,000
Toh Sook Ping	13.9.2013	1.00	-	18,000	-	18,000
Mohd Yunus Bin Noor Mohamad	13.9.2013	1.00	-	6,000	-	6,000
Tuan Muhamad Bin Tuan Yahaya	13.12.2013	1.00	-	14,000	(14,000)	-
Sudirman Bin Mohd Said	13.12.2013	1.00	-	14,000	-	14,000
Lim Sheng Pen	13.12.2013	1.00	-	14,000	-	14,000
Choo Yik Wei	13.12.2013	1.00	-	23,000	-	23,000
Lim Hock Chai	13.12.2013	1.00	-	23,000	(23,000)	-
Tan Zhy Yin	13.12.2013	1.00	-	18,000	-	18,000
Hannan Bin Abdullah	13.12.2013	1.00	-	3,000	-	3,000
Siti Halijah Binti Haron	13.12.2013	1.00	-	3,000	-	3,000
Haslina Binti Hasan	13.12.2013	1.00	-	3,000	-	3,000

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 period of 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 financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) 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, the financial performance of the Group and of the Company for the financial year ended 31 May 2014 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, do not wish to seek 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: 29 September 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 May 2014

	Note	2014 RM	2013 RM
Assets			
Property, plant and equipment	3	22,059,075	22,137,534
Other investments	5	4,500,000	2,500,000
Total non-current assets		26,559,075	24,637,534
Inventories	6	11,957,807	12,806,117
Trade and other receivables	7	4,575,061	5,638,278
Current tax assets		-	13,478
Cash and cash equivalents	8	18,608,477	11,646,770
Total current assets		35,141,345	30,104,643
Total assets		61,700,420	54,742,177
Equity			
Share capital	9	44,421,700	44,421,700
Reserves	10	3,329,889	(2,346,672)
Total equity attributable to owners of the Company		47,751,589	42,075,028
Liabilities			
Deferred tax liabilities	11	612,178	406,145
Total non-current liabilities		612,178	406,145
Borrowing	12	3,209,650	3,409,047
Trade and other payables	14	9,613,203	8,851,957
Current tax liabilities		513,800	-
Total current liabilities		13,336,653	12,261,004
Total liabilities		13,948,831	12,667,149
Total equity and liabilities		61,700,420	54,742,177

The notes on pages 37 to 88 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 May 2014

	Note	2014 RM	2013 RM
Continuing operations			
Revenue	15	65,195,308	60,902,099
Cost of sales		(51,217,229)	(49,098,207)
Gross profit		13,978,079	11,803,892
Distribution expenses		(2,017,878)	(1,869,307)
Administrative expenses		(6,734,604)	(6,559,213)
Other expenses		(305,044)	(357,384)
Other income		1,984,087	720,313
Results from operating activities		6,904,640	3,738,301
Finance costs	19	(57,784)	(64,205)
Profit before tax	16	6,846,856	3,674,096
Tax expense	20	(1,172,426)	(437,159)
Profit for the year representing total comprehensive income for the year		5,674,430	3,236,937
Profit attributable to:			
Owners of the Company		5,674,430	3,236,937
Basic earnings per ordinary share (sen)	21	12.77	7.29

The notes on pages 37 to 88 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 May 2014

		Attributable to owners of the Company				
			Non-distributable			
	Note	Share capital RM	Share premium RM	Share option reserve RM	Accumulated losses RM	Total equity RM
At 1 June 2012		44,421,700	8,374,445	79,886	(14,043,671)	38,832,360
Total comprehensive income for the year						
- Profit for the year		-	-	-	3,236,937	3,236,937
Total transactions with owners of the Company						
- Share-based payment transactions	13	-	-	5,731	-	5,731
Transfer from share option reserve for share options lapsed		-	-	(4,637)	4,637	-
At 31 May 2013/1 June 2013		44,421,700	8,374,445	80,980	(10,802,097)	42,075,028
Total comprehensive income for the year						
- Profit for the year		-	-	-	5,674,430	5,674,430
Total transactions with owners of the Company						
- Share-based payment transactions	13	-	-	2,131	-	2,131
Transfer from share option reserve for share options lapsed		-	-	(12,209)	12,209	-
At 31 May 2014		44,421,700	8,374,445	70,902	(5,115,458)	47,751,589

The notes on pages 37 to 88 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 May 2014

	Note	2014 RM	2013 RM
Cash flows from operating activities			
Profit before tax from continuing operations		6,846,856	3,674,096
Adjustments for:			
Depreciation of property, plant and equipment	3	1,443,318	1,210,237
Gain on disposal of plant and equipment	16	(89,686)	(19,598)
Plant and equipment written off	16	-	359,226
Interest income	16	(379,795)	(224,295)
Interest expense	19	57,784	64,205
Share-based payments	13	2,131	5,731
Fair value (gain)/loss on derivatives	16	(51,212)	94,601
Operating profit before changes in working capital		7,829,396	5,164,203
Changes in working capital:			
Inventories		848,310	(2,122,977)
Trade and other receivables		1,114,429	(568,113)
Trade and other payables		761,246	433,510
Cash generated from operations		10,553,381	2,906,623
Tax (paid)/refunded		(439,115)	212,003
Net cash from operating activities		10,114,266	3,118,626
Cash flows from investing activities			
Acquisition of other investments		(2,000,000)	(2,000,000)
Purchase of plant and equipment	3	(1,365,673)	(2,417,151)
Proceeds from disposal of plant and equipment		90,500	179,150
Interest received		379,795	224,295
Net cash used in investing activities		(2,895,378)	(4,013,706)

The notes on pages 37 to 88 are an integral part of these financial statements.

	Note	2014 RM	2013 RM
Cash flows from financing activities			
Interest paid		(57,784)	(64,205)
(Repayment)/Drawdown of bank borrowing, net		(199,397)	519,131
Net cash (used in)/from financing activities		(257,181)	454,926
Net increase/(decrease) in cash and cash equivalents		6,961,707	(440,154)
Cash and cash equivalents at 1 June		11,646,770	12,086,924
Cash and cash equivalents at 31 May	8	18,608,477	11,646,770

The notes on pages 37 to 88 are an integral part of these financial statements.

	Note	2014 RM	2013 RM
Assets			
Investment in subsidiaries	4	29,729,676	29,727,545
Other investments	5	500,000	500,000
Total non-current assets		30,229,676	30,227,545
Trade and other receivables	7	17,471,632	17,568,646
Cash and cash equivalents	8	1,139,081	1,394,868
Total current assets		18,610,713	18,963,514
Total assets		48,840,389	49,191,059
Equity			
Share capital	9	44,421,700	44,421,700
Reserves	10	4,184,606	4,514,854
Total equity attributable to owners of the Company		48,606,306	48,936,554
Liability			
Trade and other payables	14	234,083	254,505
Total current liability		234,083	254,505
Total equity and liability		48,840,389	49,191,059

The notes on pages 37 to 88 are an integral part of these financial statements.

	Note	2014 RM	2013 RM
Continuing operations			
Revenue	15	-	-
Administrative expenses		(375,063)	(373,717)
Other expenses		(93)	(85)
Other income		42,777	55,055
Loss before tax	16	(332,379)	(318,747)
Tax expense	20	-	5,460
Loss for the year representing total comprehensive expense for the year attributable to owners of the Company		(332,379)	(313,287)

The notes on pages 37 to 88 are an integral part of these financial statements.

	Note	Share capital RM	Share premium RM	Share option reserve RM	Accumulated losses RM	Total equity RM
		Attributable to owners of the Company				
			Non-distributable			
At 1 June 2012		44,421,700	8,374,445	79,886	(3,631,921)	49,244,110
Total comprehensive expense for the year						
- Loss for the year		-	-	-	(313,287)	(313,287)
Total transactions with owners of the Company						
- Share-based payment transactions	13	-	-	5,731	-	5,731
Transfer from share option reserve for share options lapsed		-	-	(4,637)	4,637	-
At 31 May 2013/1 June 2013		44,421,700	8,374,445	80,980	(3,940,571)	48,936,554
Total comprehensive expense for the year						
- Loss for the year		-	-	-	(332,379)	(332,379)
Total transactions with owners of the Company						
- Share-based payment transactions	13	-	-	2,131	-	2,131
Transfer from share option reserve for share options lapsed		-	-	(12,209)	12,209	-
At 31 May 2014		44,421,700	8,374,445	70,902	(4,260,741)	48,606,306

The notes on pages 37 to 88 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 May 2014

	Note	2014 RM	2013 RM
Cash flows from operating activities			
Loss before tax from continuing operations		(332,379)	(318,747)
Adjustment for:			
Interest income	16	(42,763)	(55,016)
Operating loss before changes in working capital		(375,142)	(373,763)
Changes in working capital:			
Trade and other payables		(20,422)	(1,221)
Cash used in operations		(395,564)	(374,984)
Tax refunded		-	93,541
Net cash used in operating activities		(395,564)	(281,443)
Cash flows from investing activities			
Interest received		42,763	55,016
Net cash from investing activities		42,763	55,016
Cash flows from financing activity			
Repayment of advances due from subsidiaries, net		97,014	496,947
Net cash from financing activity		97,014	496,947
Net (decrease)/increase in cash and cash equivalents		(255,787)	270,520
Cash and cash equivalents at 1 June		1,394,868	1,124,348
Cash and cash equivalents at 31 May	8	1,139,081	1,394,868

The notes on pages 37 to 88 are an integral part of these financial statements.

Eurospan Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of 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 financial year ended 31 May 2014 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.

These financial statements were authorised for issue by the Board of Directors on 29 September 2014.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

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

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies**

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014 **(CONT'D)**

- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions#*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)#*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)#*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts^*
- Amendments to MFRS 116 and MFRS 138, *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 11, *Accounting for Acquisitions of Interests in Joint Operations^*
- Amendments to MFRS 116 and MFRS 141, *Agriculture: Bearer Plants^*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers***

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning on 1 June 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for those indicated with "*" which are not applicable to the Group and the Company.

- from the annual period beginning on 1 June 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for those indicated with "#" which are not applicable to the Group and the Company.

- from the annual period beginning on 1 June 2016 for those accounting standards, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2016, except for those indicated with "^" which are not applicable to the Group and the Company.

- from the annual period beginning on 1 June 2017 for those accounting standards, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2017, except for those indicated with "**" which are not applicable to the Group and the Company.

The initial application of the above standards, amendments and interpretations are not expected to have any material financial impacts to the financial statements of the Group and the Company except as mentioned below:

MFRS 9*, Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRS 15*, Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118, *Revenue* and introduces a new revenue recognition model for contracts with customers and new disclosure requirements. The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(b) Basis of measurement

The 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 MFRSs 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.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies :

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, 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.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) *Subsidiaries (Cont'd)*

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Subsidiaries are consolidated using the acquisition method of accounting except for Eurospan Furniture Sdn. Bhd. (business combination prior to 1 January 2006) which is accounted for using the pooling-of-interests method of accounting.

Under the 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.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) 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.

For new acquisitions, the Group measures the cost of 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.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

(iii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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.

(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 profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

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.

(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 end of 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 period, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(i) Initial recognition and measurement (Cont'd)

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 as 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.

(b) 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.

(c) 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 and gains and losses of hedged items attributable to hedge risks of fair value hedges 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(i)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

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 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 equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

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

(iii) Financial guarantee contracts

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

Fair value arising from financial guarantee contracts are classified as deferred income and is 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(v) Derecognition (Cont'd)

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

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.

(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 leases

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(g) 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.

(h) 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 statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) 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. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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 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) 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 of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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 financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured 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.

(k) 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 financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Share-based payment transactions

The grant date fair value of share-based payment 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Employee benefits (Cont'd)

(iii) Share-based payment transactions (Cont'd)

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.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) 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 persuasive evidence exists, usually in the form of an executed sales agreement, that 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) 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.

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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 financial 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(p) 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.

(q) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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 own share held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(r) 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 to assess its performance, and for which discrete financial information is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Fair value measurement

From 1 June 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

3. PROPERTY, PLANT AND EQUIPMENT - GROUP

Cost	Land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings, renovation and office equipment RM	Motor vehicles RM	Capital expenditure-in-progress RM	Total RM
At 1 June 2012	5,221,234	13,825,206	37,765,875	2,039,225	2,497,426	1,733,459	63,082,425
Additions	-	-	340,736	12,222	688,354	1,375,839	2,417,151
Disposals	-	-	-	(2,700)	(1,123,569)	-	(1,126,269)
Write-off	(170,449)	-	-	(34,978)	-	(187,580)	(393,007)
Reclassifications	-	-	890,816	3,000	-	(893,816)	-
At 31 May 2013/1 June 2013	5,050,785	13,825,206	38,997,427	2,016,769	2,062,211	2,027,902	63,980,300
Additions	-	-	303,056	27,599	401,123	633,895	1,365,673
Disposals	-	-	(314,224)	(10,800)	-	-	(325,024)
Reclassifications	-	-	896,152	1,367,183	-	(2,263,335)	-
At 31 May 2014	5,050,785	13,825,206	39,882,411	3,400,751	2,463,334	398,462	65,020,949

3. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONT'D)

	Land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings, renovation and office equipment RM	Motor vehicles RM	Capital expenditure-in-progress RM	Total RM
Accumulated depreciation and impairment losses							
At 1 June 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
Depreciation for the year (Note 16)	4,515	276,509	657,675	67,719	203,819	-	1,210,237
Disposals	-	-	-	(1,799)	(964,918)	-	(966,717)
Write-off	-	-	-	(33,781)	-	-	(33,781)
At 31 May 2013/1 June 2013							
- Accumulated depreciation	80,828	4,037,992	32,171,029	1,661,338	744,579	-	38,695,766
- Accumulated impairment losses	-	-	3,043,000	104,000	-	-	3,147,000
	80,828	4,037,992	35,214,029	1,765,338	744,579	-	41,842,766
Depreciation for the year (Note 16)	4,515	276,504	832,752	125,539	204,008	-	1,443,318
Disposals	-	-	(314,222)	(9,988)	-	-	(324,210)
At 31 May 2014							
- Accumulated depreciation	85,343	4,314,496	32,697,059	1,776,889	948,587	-	39,822,374
- Accumulated impairment losses	-	-	3,035,500	104,000	-	-	3,139,500
	85,343	4,314,496	35,732,559	1,880,889	948,587	-	42,961,874

3. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONT'D)

	Land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings, renovation and office equipment RM	Motor vehicles RM	Capital expenditure-in-progress RM	Total RM
Carrying amounts							
At 31 May 2013/1 June 2013	4,969,957	9,787,214	3,783,398	251,431	1,317,632	2,027,902	22,137,534
At 31 May 2014	4,965,442	9,510,710	4,149,852	1,519,862	1,514,747	398,462	22,059,075

3. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONT'D)

3.1 Land

Included in the carrying amounts of land are :

	2014 RM	2013 RM
Freehold land	4,667,050	4,667,050
Leasehold land with unexpired lease period of more than 50 years	298,392	302,907
	4,965,442	4,969,957

4. INVESTMENT IN SUBSIDIARIES - COMPANY

	2014 RM	2013 RM
Unquoted shares, at cost	32,763,936	32,763,936
Add: Share-based payments allocated to subsidiaries	425,880	423,749
	33,189,816	33,187,685
Less : Accumulated impairment losses	(3,460,140)	(3,460,140)
	29,729,676	29,727,545

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective ownership interest and voting interest		Principal Activities
	2014 %	2013 %	
Eurospan Furniture Sdn. Bhd.	100	100	Manufacturing and trading of furniture and wood-based products
Dynaspan Furniture Sdn. Bhd.	100	100	Manufacturing of furniture and wood-based products
Euroswood Furniture Sdn. Bhd.	100	100	Investment holding
Dynaword Sdn. Bhd.	100	100	Investment holding

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

5. OTHER INVESTMENTS

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Non-current				
Available-for-sale financial assets				
Unit trust funds - quoted in Malaysia	4,500,000	2,500,000	500,000	500,000
Market value of investments				
Unit trust funds - quoted in Malaysia	4,500,000	2,500,000	500,000	500,000

6. INVENTORIES - GROUP

	2014 RM	2013 RM
Raw materials	6,838,168	7,114,758
Work-in-progress	3,298,521	3,483,558
Manufactured inventories	1,821,118	2,207,801
	11,957,807	12,806,117

7. TRADE AND OTHER RECEIVABLES

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Trade					
Trade receivables		3,282,048	3,368,326	-	-

7. TRADE AND OTHER RECEIVABLES (CONT'D)

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Non-trade					
Amount due from subsidiaries	7.1	-	-	17,471,632	17,568,646
Other receivables		430,295	657,247	-	-
Deposits		126,443	124,743	-	-
Prepayments	7.2	685,063	1,487,962	-	-
Financial assets at fair value through profit or loss					
- held for trading, including derivatives	7.3	51,212	-	-	-
		1,293,013	2,269,952	17,471,632	17,568,646
		4,575,061	5,638,278	17,471,632	17,568,646

7.1 *Amount due from subsidiaries*

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

7.2 *Prepayments*

Included in prepayments is an amount of RM258,968 (2013 : RM1,169,435) in relation to advance payments made to suppliers.

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

8. CASH AND CASH EQUIVALENTS

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Short term funds	8.1	8,285,422	4,171,135	1,120,073	1,108,306
Cash and bank balances		10,323,055	7,475,635	19,008	286,562
		18,608,477	11,646,770	1,139,081	1,394,868

8. CASH AND CASH EQUIVALENTS (CONT'D)

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 (2013 : 30 days).

9. SHARE CAPITAL - GROUP AND COMPANY

	2014		2013	
	Amount RM	**Number of shares**	**Amount 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	44,421,700	44,421,700	44,421,700	44,421,700

10. RESERVES

	Group		Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Non-distributable				
Share premium	8,374,445	8,374,445	8,374,445	8,374,445
Share option reserve	70,902	80,980	70,902	80,980
	8,445,347	8,455,425	8,445,347	8,455,425
Accumulated losses	(5,115,458)	(10,802,097)	(4,260,741)	(3,940,571)
	3,329,889	(2,346,672)	4,184,606	4,514,854

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. Details of share options are disclosed in Note 13.

11. DEFERRED TAX LIABILITIES - GROUP

The recognised deferred tax liabilities are attributable to the following:

	2014 RM	2013 RM
Property, plant and equipment - capital allowances	1,157,964	739,231
Unutilised tax losses	-	(236,260)
Provisions	(545,786)	(96,826)
	612,178	406,145

Movements in temporary differences during the year are as follows :

	At 1 June 2012 RM	Recognised in profit or loss (Note 20) RM	At 31 May 2013 RM	Recognised in profit or loss (Note 20) RM	At 31 May 2014 RM
Property, plant and equipment - capital allowances	-	739,231	739,231	418,733	1,157,964
Unutilised tax losses	-	(236,260)	(236,260)	236,260	-
Provisions	-	(96,826)	(96,826)	(448,960)	(545,786)
	-	406,145	406,145	206,033	612,178

Unrecognised deferred tax assets

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

	2014 RM	2013 RM
Property, plant and equipment - capital allowances	-	3,108,000
Unutilised tax losses	-	(2,419,000)
Provisions	-	(816,000)
	-	(127,000)

The unutilised tax losses does not expire under current tax legislation. In the previous year, deferred tax assets had not been recognised in respect of these items because it was not probable that future taxable profit will be available against which the Group can utilise the benefit therefrom.

The comparative figures for 2013 have been restated to reflect the revised unutilised tax losses and other temporary differences available to the Group.

12. BORROWING - GROUP

	2014 RM	2013 RM
Current		
Trust receipts - unsecured	3,209,650	3,409,047

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 expired on 29 December 2009, and 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 30 December 2009 to 29 December 2014.

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

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (CONT'D)

Grant date	Number of options
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
15 June 2012	120,000
15 September 2012	151,000
2 January 2013	24,000
14 March 2013	29,000
14 June 2013	12,000
13 September 2013	24,000
13 December 2013	115,000

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (CONT'D)

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

	2014		2013	
	Weighted average exercise price RM	Number of options	Weighted average exercise price RM	Number of options
Outstanding at 1 June	1.00	1,089,300	1.00	903,300
Granted during the year	1.00	151,000	1.00	324,000
Lapsed during the year due to resignation	1.00	(271,500)	1.00	(138,000)
Outstanding at 31 May	1.00	968,800	1.00	1,089,300
Exercisable at 31 May		968,800		716,300

The options outstanding at 31 May 2014 have an exercise price of RM1.00 (2013 : RM1.00) and a weighted contractual life of 0.58 (2013 : 1.58) years.

During the year, Nil (2013: Nil) share options were exercised. The weighted average share price for the year was RM0.64 (2013: RM0.39).

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (CONT'D)

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

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

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (CONT'D)

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	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 July 2007	options granted vest	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 August 2007	immediately followed by	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 September 2007	25% for the subsequent year	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 October 2007	and the remaining on 30	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 November 2007	December 2008	0.08 *	0.82	1.07	36.15	5.43	9.76	3.77
10 December 2007		0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 January 2008	On grant date, 25% of the	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 February 2008	options granted vest	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 March 2008	immediately and the	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 April 2008	remaining on 30 December	0.08 *	0.82	1.00	36.15	5.43	9.76	3.77
10 May 2008	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	0.14	0.93	1.00	36.35	5.00	8.60	3.70
15 March 2010	options granted vest	0.10	0.85	1.00	36.71	4.75	9.41	3.71
15 June 2010	immediately followed by	0.20	1.05	1.00	36.36	4.50	7.62	3.55
15 September 2010	25% for each of the subsequent years	0.26	1.02	1.00	37.78	4.24	7.84	3.28

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (CONT'D)

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) %
15 March 2011	On grant date, 25% of the	0.04	0.69	1.00	40.13	3.75	11.59	3.42
15 June 2011	options granted vest	0.03	0.63	1.00	39.77	3.54	12.70	3.28
15 September 2011	immediately followed by	0.01	0.43	1.00	39.51	3.28	18.60	3.10
15 December 2011	25% for the subsequent year	0.01	0.47	1.00	40.04	3.04	17.02	3.01
15 March 2012	and the remaining on 30	0.01	0.51	1.00	39.66	2.79	15.69	3.10
15 June 2012	December 2013	0.01	0.45	1.00	39.54	2.50	6.67	3.06
15 September 2012		0.01	0.34	1.00	40.06	2.25	8.82	3.06
2 January 2013	On grant date, 25% of the	0.01	0.36	1.00	39.95	2.00	8.83	3.01
14 March 2013	options granted vest	0.01	0.37	1.00	39.92	1.75	8.11	3.00
14 June 2013	immediately and the	0.01	0.47	1.00	40.67	1.50	6.38	3.02
13 September 2013	remaining on 30 December	0.01	0.45	1.00	40.64	1.25	6.67	3.08
13 December 2013	2013	0.02	0.61	1.00	40.91	1.00	4.92	3.05

* At 27 July 2009 (date of modification on extension of ESOS period)

13. SHARE-BASED PAYMENTS - GROUP AND COMPANY (CONT'D)

Value of employee services received for issue of share options

	2014 RM	2013 RM
Share options granted in 2010	-	1,340
Share options granted in 2011	352	2,365
Share options granted in 2012	262	1,037
Share options granted in 2013	239	989
Share options granted in 2014	1,278	-
Total expense recognised as share-based payments	2,131	5,731

The share options expense is not recognised in the profit or loss of the Company as it has been re-charged to the subsidiaries benefitting from the service of the employees.

14. TRADE AND OTHER PAYABLES

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Trade					
Trade payables		4,186,901	3,003,002	-	-
Non-trade					
Other payables	14.1	2,735,025	4,153,020	-	-
Accrued expenses		2,691,277	1,691,112	234,083	254,505
Financial liabilities at fair value through profit or loss - Held for trading, including derivatives	14.2	-	4,823	-	-
		5,426,302	5,848,955	234,083	254,505
		9,613,203	8,851,957	234,083	254,505

14.1 Other payables

Included in other payables is an amount of RM1,708,028 (2013 : RM3,171,845) in relation to advance payments received from customers.

14.2 Included in derivatives held for trading were 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. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at :

	Group		Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
After charging:				
Auditors' remuneration:				
- Statutory audit by KPMG	60,000	53,000	16,000	14,000
- Other services by KPMG	5,000	20,000	5,000	20,000
Depreciation of property, plant and equipment (Note 3)	1,443,318	1,210,237	-	-
Plant and equipment written off	-	359,226	-	-
Directors' remuneration :				
Directors of the Company				
- Present Directors				
- fees	251,000	254,750	161,000	164,750
- others	2,237,820	1,505,884	29,880	30,672
- Past Directors				
- fees	25,000	31,250	25,000	31,250
- others	3,500	3,333	3,500	3,333
Other Directors				
- Present Director				
- fees	15,000	15,000	-	-
- others	203,400	198,359	-	-
- Past Directors				
- fees	-	15,000	-	-
- others	-	91,206	-	-
Research and development expenditure	547,865	495,588	-	-

16. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Loss on foreign exchange (net)				
- unrealised	98,564	12,145	-	-
Rental expense	360,313	360,727	-	-
Fair value loss on derivatives	-	94,601	-	-
Bad debt written off	4,600	145,134	-	-

and after crediting:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Gain on disposal of plant and equipment	89,686	19,598	-	-
Interest income	379,795	224,295	42,763	55,016
Gain on foreign exchange (net)				
- realised	1,413,670	431,757	-	-
Fair value gain on derivatives	51,212	-	-	-
Gain on realisation of short term funds	49,710	-	-	-

17. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows :

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Directors of the Company				
- Fees	276,000	286,000	186,000	196,000
- Remuneration	2,241,320	1,509,217	33,380	34,005
Other Directors				
- Fees	15,000	30,000	-	-
- Remuneration	203,400	289,565	-	-
Total short-term employee benefits	2,735,720	2,114,782	219,380	230,005

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 RM76,479 (2013: RM65,381).

18. EMPLOYEE INFORMATION

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Personnel expenses (excluding key management personnel)	11,527,345	10,562,986	-	-

18.1 Personnel expenses of the Group include contributions to the Employees' Provident Fund of RM865,931 (2013: RM825,157).

18.2 Personnel expenses of the Group include share-based payments of RM2,131 (2013: RM5,731).

19. FINANCE COSTS - GROUP

	2014 RM	2013 RM
Interest paid and payable on trust receipts	57,784	64,205

20. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Current tax expense				
- Current year	966,393	36,474	-	-
- Prior year	-	(5,460)	-	(5,460)
Total current tax recognised in profit or loss	966,393	31,014	-	(5,460)
Deferred tax expense				
- Origination and reversal of temporary differences	730,536	406,145	-	-
- Prior year	(524,503)	-	-	-
Total deferred tax recognised in profit or loss	206,033	406,145	-	-
Total income tax expense	1,172,426	437,159	-	(5,460)

20. TAX EXPENSE (CONT'D)

Reconciliation of effective tax expense

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit/(Loss) for the year	5,674,430	3,236,937	(332,379)	(313,287)
Total income tax expense	1,172,426	437,159	-	(5,460)
Profit/(Loss) excluding tax	6,846,856	3,674,096	(332,379)	(318,747)
Income tax calculated using Malaysian tax rate of 25%	1,711,714	918,524	(83,095)	(79,687)
Non-deductible expenses	85,801	136,791	21,128	21,080
Tax exempt income	(44,083)	(17,985)	(9,841)	(12,905)
Tax incentives	(96,561)	(81,103)	-	-
Effect of utilisation of deferred tax assets previously unrecognised	(31,750)	(1,072,805)	-	-
Effect of tax losses not available for set-off	71,808	71,512	71,808	71,512
Other items	-	487,685	-	-
	1,696,929	442,619	-	-
Over provision in prior year	(524,503)	(5,460)	-	(5,460)
	1,172,426	437,159	-	(5,460)

21. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders of RM5,674,430 (2013 : RM3,236,937) and a weighted average number of ordinary shares outstanding during the financial year of 44,421,700 (2013 : 44,421,700).

Diluted earnings per ordinary share

Diluted earnings per ordinary share for the financial year ended 31 May 2014 is not computed and presented, as the effect of the ESOS is anti-dilutive.

22. RELATED PARTIES

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.

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

The Group has related party relationship with its substantial shareholder, subsidiaries and key management personnel.

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.

Significant related party balances are disclosed in Note 7.

23. 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 MFRS 8 is not presented.

Geographical information

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. The amounts of non-current assets do not include other investments.

	Malaysia RM	Asia RM	Europe RM	America RM	Others RM	Consolidated RM
2014						
Revenue	89,389	19,231,354	19,856,368	20,036,098	5,982,099	65,195,308
Non-current assets	22,059,075	-	-	-	-	22,059,075
2013						
Revenue	130,082	17,644,914	19,732,647	18,276,928	5,117,528	60,902,099
Non-current assets	22,137,534	-	-	-	-	22,137,534

24. FINANCIAL INSTRUMENTS

24.1 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) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R RM	FVTPL-HFT RM	AFS RM
Group				
Financial assets				
2014				
Other investments	4,500,000	-	-	4,500,000
Trade and other receivables (exclude prepayments)	3,928,138	3,876,926	51,212	-
Cash and cash equivalents	18,608,477	18,608,477	-	-
	27,036,615	22,485,403	51,212	4,500,000

	Carrying amount RM	L&R RM	FVTPL-HFT RM	AFS RM
Group				
Financial assets				
2013				
Other investments	2,500,000	-	-	2,500,000
Trade and other receivables (exclude prepayments)	4,150,316	4,150,316	-	-
Cash and cash equivalents	11,646,770	11,646,770	-	-
	18,297,086	15,797,086	-	2,500,000

24. FINANCIAL INSTRUMENTS (CONT'D)

24.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	L&R RM	AFS RM
Company			
Financial assets			
2014			
Other investments	500,000	-	500,000
Trade and other receivables	17,471,632	17,471,632	-
Cash and cash equivalents	1,139,081	1,139,081	-
	19,110,713	18,610,713	500,000
2013			
Other investments	500,000	-	500,000
Trade and other receivables	17,568,646	17,568,646	-
Cash and cash equivalents	1,394,868	1,394,868	-
	19,463,514	18,963,514	500,000

24. FINANCIAL INSTRUMENTS (CONT'D)

24.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	FL RM	FVTPL-HFT RM
Group			
Financial liabilities			
2014			
Borrowing	3,209,650	3,209,650	-
Trade and other payables, including derivatives (exclude advance payments)	7,905,175	7,905,175	-
	11,114,825	11,114,825	-
2013			
Borrowing	3,409,047	3,409,047	-
Trade and other payables, including derivatives (exclude advance payments)	5,680,112	5,675,289	4,823
	9,089,159	9,084,336	4,823

Company	Carrying amount RM	FL RM
Financial liabilities		
2014		
Trade and other payables	234,083	234,083
2013		
Trade and other payables	254,505	254,505

24. FINANCIAL INSTRUMENTS (CONT'D)

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Net gains/(losses) on:				
Fair value through profit or loss:				
- Held for trading	51,212	(94,601)	-	-
Loans and receivables	2,047,528	826,928	42,763	55,016
Financial liabilities measured at amortised cost	(365,301)	(390,628)	-	-
	1,733,439	341,699	42,763	55,016

24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

24.4 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 trade receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated 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.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.4 Credit risk (Cont'd)

Receivables (Cont'd)

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

Group	2014 RM	2013 RM
Asia	735,683	670,575
Europe	1,311,827	784,471
America	595,335	1,584,292
Others	639,203	328,988
	3,282,048	3,368,326

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
2014				
Not past due	2,470,530	-	-	2,470,530
Past due 1-30 days	651,296	-	-	651,296
Past due 31-60 days	155,616	-	-	155,616
Past due 61-90 days	-	-	-	-
Past due more than 90 days	4,606	-	-	4,606
	3,282,048	-	-	3,282,048
2013				
Not past due	2,579,459	-	-	2,579,459
Past due 1-30 days	546,592	-	-	546,592
Past due 31-60 days	137,086	-	-	137,086
Past due 61-90 days	-	-	-	-
Past due more than 90 days	105,189	-	-	105,189
	3,368,326	-	-	3,368,326

24. FINANCIAL INSTRUMENTS (CONT'D)

24.4 Credit risk (Cont'd)

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 RM3.6 million (2013 : RM3.4 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 advances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to its 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.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.5 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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.5 Liquidity risk (Cont'd)

Maturity analysis

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

	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1-5 years RM	More than 5 years RM
Group						
2014						
Non-derivative financial liabilities						
Trust receipts	3,209,650	1.92 - 2.23	3,209,650	3,209,650	-	-
Trade and other payables (exclude advance payments)	7,905,175	-	7,905,175	7,905,175	-	-
	11,114,825		11,114,825	11,114,825	-	-
Derivative financial liabilities						
Forward exchange contracts (gross settled) :						
outflow	-	-	8,458,010	8,458,010	-	-
inflow	(51,212)	-	(8,509,222)	(8,509,222)	-	-
	11,063,613		11,063,613	11,063,613	-	-

24. FINANCIAL INSTRUMENTS (CONT'D)

24.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1-5 years RM	More than 5 years RM
Group						
2013						
Non-derivative financial liabilities						
Trust receipts	3,409,047	2.04 - 2.18	3,409,047	3,409,047	-	-
Trade and other payables (exclude advance payments)	5,675,289	-	5,675,289	5,675,289	-	-
	9,084,336		9,084,336	9,084,336	-	-
Derivative financial liabilities						
Forward exchange contracts (gross settled) :						
outflow	4,823	-	11,673,515	11,673,515	-	-
inflow	-	-	(11,668,692)	(11,668,692)	-	-
	9,089,159		9,089,159	9,089,159	-	-

24. FINANCIAL INSTRUMENTS (CONT'D)

24.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1-5 years RM	More than 5 years RM
Company						
2014						
Non-derivative financial liabilities						
Trade and other payables	234,083	-	234,083	234,083	-	-
2013						
Non-derivative financial liabilities						
Trade and other payables	254,505	-	254,505	254,505	-	-

24. FINANCIAL INSTRUMENTS (CONT'D)

24.6 Market risk

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

24.6.1 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 U.S. Dollar ("USD") and Euro Dollar ("EURO").

Risk management objectives, policies and processes for managing the risk

The Group hedges at least 80% and 85% of its foreign currency denominated trade receivables and trade payables respectively. At any point in time, the Group also hedges 80% and 85% of its estimated foreign currency exposure in respect of forecast sales and purchases respectively over the following six months. The Group uses forward exchange contracts to hedge its foreign currency risk. All the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

Exposure to foreign currency risk

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

	2014 Denominated in		2013 Denominated in	
	USD RM	EURO RM	USD RM	EURO RM
Group				
Trade and other receivables	2,792,088	489,960	3,061,107	175,952
Cash and bank balances	1,739,953	1,302,748	2,023,959	500,986
Forward exchange contracts	51,212	-	(24,095)	19,272
Trade and other payables	(230,915)	(1,427,349)	(247,282)	(1,033,675)
Borrowing	(3,209,650)	-	(3,409,047)	-
Net exposure	1,142,688	365,359	1,404,642	(337,465)

Currency risk sensitivity analysis

A 10% (2013 : 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 is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Group	
	2014 RM	2013 RM
Profit or loss		
USD	(85,702)	(105,348)
EURO	(27,402)	25,310

24. FINANCIAL INSTRUMENTS (CONT'D)

24.6 Market risk (Cont'd)

24.6.1 Currency risk (Cont'd)

A 10% (2013 : 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.

24.6.2 Interest rate risk

The Group's investments in short term funds and cash at 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. Investment in short term funds 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 short term funds and cash at banks.

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 were:

	Group		Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Fixed rate instruments				
Short term funds	8,285,422	4,171,135	1,120,073	1,108,306
Cash at banks	7,114,916	4,668,464	18,141	276,881
Borrowing	(3,209,650)	(3,409,047)	-	-
	12,190,688	5,430,552	1,138,214	1,385,187

Interest rate risk sensitivity analysis

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 hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

24.7 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.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.7 Fair value information (Cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair	Carrying
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	value RM'000	amount RM'000
2014										
Group										
Financial assets										
Investment in quoted unit trust funds	4,500	-	-	4,500	-	-	-	-	4,500	4,500
Forward exchange contracts	-	51	-	51	-	-	-	-	51	51
	4,500	51	-	4,551	-	-	-	-	4,551	4,551
Company										
Financial assets										
Investment in quoted unit trust funds	500	-	-	500	-	-	-	-	500	500

24. FINANCIAL INSTRUMENTS (CONT'D)

24.7 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value*	Total fair	Carrying
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total RM'000	value RM'000	amount RM'000
2013							
Group							
Financial assets							
Investment in quoted unit trust funds	2,500	-	-	2,500	-	2,500	2,500
Company							
Financial assets							
Investment in quoted unit trust funds	500	-	-	500	-	500	500

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.7 Fair value information (Cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts 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 market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2013: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

In respect of financial instruments not carried at fair value, the fair value is derived based on the discounted cash flow valuation method.

25. CAPITAL COMMITMENT - GROUP

	2014 RM	2013 RM
Plant and equipment - contracted but not provided for	117,000	-

26. CONTINGENT LIABILITIES, UNSECURED - COMPANY

The Company has issued corporate guarantees to licensed banks for banking facilities granted to subsidiaries up to the limit of RM19.9 million (2013 : RM15.9 million) of which RM3.6 million (2013 : RM3.4 million) has been utilised as at the end of the reporting period.

The Company also undertakes to provide financial support for subsidiaries to enable then to meet their financial obligations as and when they fall due.

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. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

There was no change in the Company's approach to capital management during the financial year.

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

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 31 May 2014, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows :

	2014	
	Group RM'000	**Company RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	20,170	(4,261)
- Unrealised	(660)	-
	19,510	(4,261)
Less: Consolidation adjustments	(24,625)	-
	(5,115)	(4,261)

	2013	
	Group RM'000	**Company RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	14,311	(3,941)
- Unrealised	(423)	-
	13,888	(3,941)
Less: Consolidation adjustments	(24,690)	-
	(10,802)	(3,941)

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 Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

In the opinion of the Directors, the financial statements set out on pages 28 to 87 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out on page 88 in Note 28 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 : 29 September 2014

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 28 to 88 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 above named at Georgetown in the State of Penang on 29 September 2014.

....

Moy Ean Chung

Before me:

Chan Kam Chee (No. P120)
Pesuruhjaya Sumpah
(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 2014 of the Group and of the Company, and the statements of profit or loss and other 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 28 to 87.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 May 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 88 in Note 28 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 Malaysian Financial Reporting Standards or International 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
2432/05/15 (J)
Chartered Accountant

Date : 29 September 2014

Penang

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 SEPTEMBER 2014

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100	8	0.34	282	0.00
100 to 1,000	855	36.06	818,782	1.84
1,001 to 10,000	1,126	47.49	5,561,500	12.52
10,001 to 100,000	353	14.89	9,815,800	22.10
100,001 to less than 5% of issued shares	26	1.10	7,420,936	16.71
5% and above of issued shares	3	0.12	20,804,400	46.83
TOTAL	2,371	100.00	44,421,700	100.00

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 SEPTEMBER 2014

	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 Kok Beng	2,293,200	5.16
4.	Guan Shaw Yin	768,000	1.73
5.	Lee Siaw Hua	655,000	1.47
6.	RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account For Fong Siling)	600,000	1.35
7.	Guan Kim Heng	584,036	1.31
8.	Tan Kow How	507,500	1.14
9.	Stable Level Sdn. Bhd.	478,000	1.08
10.	Yeoh Phek Leng	400,000	0.90
11.	Sing Foong Yin	340,900	0.77
12.	Lim Seng Qwee	286,000	0.64
13.	Quan Yew Hwat	281,000	0.63
14.	Yong Ping	234,000	0.53
15.	Ng Park Lim	228,000	0.51
16.	RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account For Yong Kian Fui)	200,000	0.45
17.	Cheng Mei Fung @ Chirn Mei Fung	195,200	0.44
18.	Leong Shang Ming	185,000	0.42
19.	CIMSEC Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account For Voon Long Hong)	173,500	0.39
20.	Ooi Leng Hwa	160,000	0.36
21.	Toh Kam Choy	154,000	0.35

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 SEPTEMBER 2014 (Cont'd)

	Name	No. of shares	% of total issued capital
22.	Chien Tai Hing	150,000	0.34
23.	Ang Huat Keat	150,000	0.34
24.	Ong Ju Seng	129,000	0.29
25.	MAYBANK Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account For Yong Chew Keat)	120,000	0.27
26.	RHB Nominees (Asing) Sdn. Bhd. (Pledged Securities Account For Tan Lee Gek)	116,900	0.26
27.	Ng Inn Jwee	110,000	0.25
28.	Uzaimin Enterprise (Kedah) Sdn. Bhd.	109,000	0.25
29.	Chuah Tiong Hock @ Chua Teong Choo	105,900	0.24
30.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account For Cheah Yaw Tong)	100,000	0.23

4. SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2014

		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	2,302,200	5.18	*18,511,200	41.67

* Deemed interest by virtue of his substantial shareholding in TBHL Holdings Sdn. Bhd.

5. INTEREST OF DIRECTORS AS AT 30 SEPTEMBER 2014

a) Interest in shares of the Company

Name	Direct interest No. of shares held	Direct interest % of total issued capital	Deemed interest No. of shares held	Deemed interest % of total issued capital
Guan Kok Beng	2,302,200	5.18	*18,511,200	41.67
Guan Kim Heng	613,036	1.38	-	-
Guan Shaw Kee	-	-	-	-
Guan Shaw Yin	768,000	1.73	-	-
Sim Yee Fuan	-	-	-	-
Lim Chun Thang	-	-	-	-

Note :

* Deemed interest by virtue of his substantial shareholding in TBHL Holdings Sdn. Bhd.

b) Interest in shares of related corporations

By virtue of his interest of not less than 15% in the shares of the Company, Mr. Guan Kok Beng is also deemed to have interest in the shares of all the subsidiary companies to the extent that the Company has an interest as at 30 September 2014.

None of the other directors have any interest in the shares of related corporations as at 30 September 2014.

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
Guan Shaw Kee	-	-
Guan Shaw Yin	-	-

None of the other directors were granted share options under the ESOS of the Company.

List Of Properties Of The Group As At 31 May 2014

	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	16.5 years	62,140 / 62,600	3,571,333
2	1169 Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth	7-11-1992	1 storey factory	Factory	Freehold	*21.5 years	69,589 / 40,947	1,450,933
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	17 years	4,368 / 6,218	485,500
4	No 15 Lorong Sungai Lokan 3/2, Sungai Dua, 13800 Butterworth	7-4-1994	2 storey terrace light industrial building	Store	Freehold	18 years	1,920 / 2,880	199,064
5	Lot 14 Jalan Perusahaan, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah	22-3-1995	1 storey factory	Office & factory	Leasehold Expiry : 2080	*18.5 years	86,249 / 38,320	1,664,045
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	13.5 years	247,420 / 152,163	5,225,796
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	17 years	2,842 / 3,919	323,371
								14,476,152

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 Nineteenth Annual General Meeting of Eurospan Holdings Berhad will be held at Salon 1, Level 2, G Hotel, 168A Persiaran Gurney, 10250 Penang on Monday, 24 November 2014 at 3.00 p.m. for the following purposes :-

AS ORDINARY BUSINESSES

1. To receive the Audited Financial Statements for the financial year ended 31 May 2014 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1)

2. To approve the payment of Directors' fees of RM186,000.00 for the financial year ended 31 May 2014. Resolution 1

3. To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions :-

   (a) "THAT Mr Guan Shaw Kee, who retires pursuant to Article 126 of the Company's Articles of Association, be and is hereby re-elected as a Director of the Company." Resolution 2

   (b) "THAT Mr Guan Shaw Yin, who retires pursuant to Article 126 of the Company's Articles of Association, be and is hereby re-elected as a Director of the Company." Resolution 3

   (c) "THAT Mr Lim Chun Thang, who retires pursuant to Article 131 of the Company's Articles of Association, be and is hereby re-elected as a Director of the Company." Resolution 4

4. To consider and, if thought fit, to pass with or without modification the following resolution as Ordinary Resolution :- Resolution 5

   "That Grant Thornton be and are hereby appointed auditors of the Company in place of the retiring auditors, KPMG, to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to determine their remuneration."

AS SPECIAL BUSINESSES

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

   Authority to Issue Shares Resolution 6

   "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."

   Renewal of Authority for the Proposed Share Buy-Back Resolution 7

   "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 :-

Renewal of Authority for the Proposed Share Buy-Back (Cont'd)

(a) The aggregate number of Shares in the Company which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time subject to compliance with the public shareholding spread requirements as stipulated in Paragraph 8.02 of the Listing Requirements of Bursa Securities;

(b) The maximum funds to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the Company's audited retained earnings and share premium accounts at any point in time;

(c) The authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:-

   (i) The conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

   (ii) The expiration of the period within which the next AGM after that date is required by law to be held; or

   (iii) Revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

   whichever occurs first; and

(d) Upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to retain the Shares so purchased as treasury shares for distribution as dividends to the shareholders of the Company and/or resale on Bursa Securities in accordance with the relevant rules of Bursa Securities, or to retain part of the Shares so purchased as treasury shares and cancel the remainder in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force;

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

6. 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 : 30th October 2014

NOTES

1. Agenda 1

   This agenda item is intended for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.

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 28 October 2013 and which will lapse at the conclusion of the Nineteenth 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.

3. Entitlement to attend Annual General Meeting and appointment of Proxy

a) Only a Depositor whose name appear in the Record of Depositors as at 17 November 2014 shall be regarded as a member entitled to attend, speak and vote or to appoint a proxy or proxies to attend, speak and vote at the Nineteenth Annual General Meeting.

b) Subject to paragraph (d) below, a member entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him. Where a member appoints more than one (1) proxy, 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) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

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

f) 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.

Beh Hee Noay
No 6 Tingkat Tambun Indah 2
Taman Tambun Indah
14100 Simpang Ampat
Penang

The Board of Directors
EUROSPAN HOLDINGS BERHAD
35, 1st Floor, Jalan Kelisa Emas 1,
Taman Kelisa Emas,
13700 Seberang Jaya, Penang.

Dear Sirs,

NOTICE OF NOMINATION AS AUDITORS

I, being a registered shareholder of your Company, hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Grant Thornton for appointment as Auditors of the Company in place of the retiring auditors, KPMG, and of my intention to propose the following as an ordinary resolution at the forthcoming Nineteenth Annual General Meeting of the Company :-

Resolution

"That Grant Thornton be and are appointed auditors of the Company in place of the retiring auditors, KPMG, and to hold office until the conclusion of the next Annual General Meeting and that the directors be authorised to determine their remuneration."

Dated this 29th September, 2014

Yours faithfully,

Beh Hee Noay

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EUROSPAN HOLDINGS BERHAD (351927-M)

EST.1972

(Incorporated in Malaysia)

PROXY FORM

For the 19th 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 Nineteenth Annual General Meeting of the Company to be held on Monday, 24 November, 2014 at 3.00 p.m. and at any adjournment thereof in the manner indicated below :-

Resolution		For	Against
To approve the payment of Directors' fees of RM186,000.00 for the financial year ended 31 May 2014.	Resolution 1		
To re-elect Guan Shaw Kee, who retires pursuant to Article 126 of the Company's Articles of Association, as a Director of the Company.	Resolution 2		
To re-elect Guan Shaw Yin, who retires pursuant to Article 126 of the Company's Articles of Association, as a Director of the Company.	Resolution 3		
To re-elect Lim Chun Thang, who retires pursuant to Article 131 of the Company's Articles of Association, as a Director of the Company.	Resolution 4		
To appoint Grant Thornton as auditors of the Company in place of the retiring auditors, KPMG, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	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		

(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 _________________________ 2014.

____

Signature of Shareholder

Notes :

a) Only a Depositor whose name appear in the Record of Depositors as at 17 November 2014 shall be regarded as a member entitled to attend, speak and vote or to appoint a proxy or proxies to attend, speak and vote at the Nineteenth Annual General Meeting.

b) Subject to paragraph (d) below, a member entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him. Where a member appoints more than one (1) proxy, 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) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

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

f) 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

EUROSPAN HOLDINGS BERHAD **(351927-M)**
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13800 Butterworth, Penang, Malaysia.
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