NEW IDEAS

creatively expressed

Annual Report 2015

EUROSPAN HOLDINGS BERHAD (351927-M)

EST. 1972

NEW IDEAS CREATIVELY EXPRESSED

Eurospan is always setting the trend with inspiring originality and designs that inspire. They continue to lead the way with new ideas that are creatively expressed. When an idea is conceived, it is skilfully handcrafted into exquisite works of art. As a global leader in the designing and manufacturing of furniture, the power to create such challenging works of art lies in the company's strengths and good leadership skills. Today, being creative in the furniture department, Eurospan group of companies exports these designer masterpieces to many regions across the globe and has left quite an imprint in the furniture industry as being the best in setting new trends in furniture making.

VISION

Leading through innovation.

MISSION

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

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Corporate Information

Board of Directors

Guan Kok Beng *Chairman/Managing Director*	**Guan Shaw Yin** *Executive Director*	**Sim Yee Fuan** *Independent Non-Executive Director*
Guan Shaw Kee *Executive Director*	**Guan Kim Heng** *Non 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*

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

Grant Thornton (AF 0042)
51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-228 7828
Fax: 04-227 9828

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

Website

www.eurospan.com.my

Group Structure

EUROSPAN HOLDINGS BERHAD (351927-M)

EST.1972

Eurospan Holdings Berhad was incorporated in Malaysia on 19 July 1995 under the Companies Act 1965 as a public limited company. It has been listed on the Main Market of Bursa Malaysia Securities Berhad since 10 July 2000. The Company is an investment holding company and its wholly-owned subsidiary companies are Eurospan Furniture Sdn. Bhd., Dynaspan Furniture Sdn. Bhd., Euroswood Furniture Sdn. Bhd. and Dynaword Sdn. Bhd.

100%
Eurospan Furniture Sdn Bhd (177650-M)
Manufacturing & trading of furniture & wood-based products

100%
Dynaspan Furniture Sdn Bhd (231752-D)
Manufacturing of furniture & wood-based products

100%
Euroswood Furniture Sdn Bhd (372489-W)
Investment Holding

100%
Dynaword Sdn Bhd (373749-H)
Investment Holding

Chairman's Message

To our valued shareholders,

On behalf of the Board of Directors, I hereby present the Annual Report and Accounts for Eurospan Holdings Berhad and its subsidiaries ("the Group") for the financial year ended 31 May 2015.

For the financial year ended 31 May 2015, the Group recorded a loss before tax of RM1.1 million, compared to a profit before tax of RM6.8 million for the previous year. This was based on a revenue of RM52.7 million, compared to RM65.2 million in the previous year.

Rising material cost, higher operating expenses coupled with the strained global financial markets brought about softer market demand were major challenges the Group had to contend with, which affected the Group's profit margin significantly.

The Board expects year 2016 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

2 October 2015

Guan Kok Beng

Chairman & Managing Director
Members of Remuneration Committee

Mr. Guan Kok Beng, a Malaysian Citizen, aged 63, 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 39, 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 37, 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 57, 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 49, 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 50, 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 recognizes 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 include 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
Lim Chun Thang	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.

Principle 2 : Strengthen composition (Cont'd)

Criteria used in recruitment and annual assessment

The Nominating Committees' 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:

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. 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 subsequently reported 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
Lim Chun Thang	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 2015 are as follows:

	Salaries RM'000)	Fees (RM'000)	Other Emoluments (RM'000)
Executive Directors	1,200	190	1,556
Non-Executives Directors	–	98	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	–	4
RM450,000 – RM500,000	1	–
RM500,000 – RM550,000	1	–
RM2,000,000 – RM2,050,000	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 recognizes 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 re-designation 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.

Principle 3: Reinforce independence (Cont'd)

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.

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 2015, 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
Lim Chun Thang	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 recognize 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 2015, 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:

UOB Corporate Seminar Global Market Outlook September 2014
GST Introduction by Cheng & Co September 2014
UHY Goods & Services Tax (GST) In House Training by Unimech Group Berhad August 2014
Hong Leong Bank Economic Briefing September 2014
Tax Seminar & Planning Opportunities by SH Group of Companies September 2014
RHB FX & Economic Outlooks Briefing & Product Updates March 2015
Ambank Group Foreign Exchange and Online Banking Seminar March 2015
UOB Corporate Seminar Global Market Outlook April 2015
MTC Seminar on Marketing Malaysian Furniture in China May 2015

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 statement 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 reasonable assurance to the shareholders 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 re-appointment 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 recognizes 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. 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 may 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' 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 2015, 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 21 September 2015.

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.

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 materializing; 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 emphasizes 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 organization.

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 2015, 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.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the year ended 31 May 2015 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system.

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 21 September 2015.

(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	Guan Kim Heng (Non-Independent Non-Executive Director)	5/5
	Lim Chun Thang (Independent Non-Executive Director)	5/5

(B) TERMS OF REFERENCE OF AUDIT COMMITTEE

1.0 Membership

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

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

(a) must be a member of 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 number who shall be an Independent Director.

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

2.0 Authority

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

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

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

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

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

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

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

(B) TERMS OF REFERENCE OF AUDIT COMMITTEE (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 2015 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 2015; and
7. Reviewed the audit fee of the external auditors;

(D) INTERNAL AUDIT FUNCTION

The Company has outsourced its Internal Audit Function to a professional firm of consultants 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 2015 was RM16,966.

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 in 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 organizations through donations. Employees are supported and encouraged to actively participate in social works and community services.

Utilization of proceeds raised from corporate proposal

Not applicable as none was proposed.

Share buy-back

The Shareholders of the Company has renewed the Company's authority to purchase its own shares of up to 10% of the issued and paid up share capital at the last Annual General Meeting held on 24 November 2014. However, the Company had not undertaken any share buy-back exercise for the financial year ended 31 May 2015 and as at the reporting date, the Company has yet to implement any share buy-back.

Options, warrants or convertible securities

The company did not issue/grant any options, warrants or convertible securities during the financial year ended 31 May 2015.

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 2015.

Non-Audit fees

The amount of non-audit fees paid by the Group to the previous external auditors during the financial year ended 31 May 2015 is approximately RM14,500. There is no non-audit fees paid by the Group to the current external auditors during the financial year ended 31 May 2015.

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended **31 May 2015**.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Loss for the year	(829,692)	(298,564)

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 May 2015** 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.

DIVIDENDS

No dividend have been declared or paid by the Company since the end of the previous financial year.

The directors do not recommend any dividend payment for the financial year.

RESERVES AND PROVISIONS

There were no material transfers made to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME ("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 ESOS has expired on 29 December 2014.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (Cont'd)

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 1.6.14	Granted	Lapsed due to resignation	Expired	Balance at 31.5.15
24 January 2005	1.00	33,000	–	–	(33,000)	–
10 January 2006	1.00	3,000	–	–	(3,000)	–
10 August 2007	1.00	3,000	–	–	(3,000)	–
10 November 2007	1.00	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)	–
15 December 2009	1.00	361,300	–	(3,000)	(358,300)	–
15 March 2010	1.00	9,500	–	–	(9,500)	–
15 June 2010	1.00	6,000	–	–	(6,000)	–
15 September 2010	1.00	40,000	–	–	(40,000)	–
15 March 2011	1.00	18,000	–	–	(18,000)	–
15 June 2011	1.00	50,000	–	(6,000)	(44,000)	–
15 September 2011	1.00	65,000	–	–	(65,000)	–
15 December 2011	1.00	38,000	–	–	(38,000)	–
15 March 2012	1.00	48,000	–	(9,000)	(39,000)	–
15 June 2012	1.00	66,000	–	(18,000)	(48,000)	–
15 September 2012	1.00	82,000	–	–	(82,000)	–
2 January 2013	1.00	3,000	–	–	(3,000)	–
14 March 2013	1.00	23,000	–	–	(23,000)	–
14 June 2013	1.00	6,000	–	–	(6,000)	–
13 September 2013	1.00	24,000	–	–	(24,000)	–
13 December 2013	1.00	78,000	–	(23,000)	(55,000)	–
		968,800	–	(59,000)	(909,800)	–

There were no ESOS granted to the eligible Directors and employees during the financial year ended 31 May 2015.

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 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.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (Cont'd)

(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.

DIRECTORS

The directors who served since the date of the last report are as follows:

Guan Kok Beng
Guan Shaw Kee
Guan Shaw Yin
Guan Kim Heng
Sim Yee Fuan
Lim Chun Thang

DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

	← Number of ordinary shares of RM1 each →			
	Balance at 1.6.14	Bought	Sold	Balance at 31.5.15
The Company				
Direct Interest				
Guan Kok Beng	1,802,200	586,000	–	2,388,200
Guan Kim Heng	1,113,036	–	(500,000)	613,036
Guan Shaw Yin	768,000	–	(34,000)	734,000
Deemed Interest				
Guan Kok Beng	18,511,200	–	–	18,511,200

By virtue of his interest of more than 15% in the shares of the Company, Mr. Guan Kok Beng is also deemed interested in the shares of all its subsidiaries during the financial year to the extent that the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' INTERESTS IN SHARES (Cont'd)

Details of ESOS granted to executive directors are as follows:

	← Number of option over ordinary shares of RM1 each →			
	Balance at 1.6.14	Bought	Expired	Balance at 31.5.15
The Company				
Guan Kim Heng	200,000	–	(200,000)	–

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with a 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 those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects 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.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts, and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected 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, and

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, and

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, and

(iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (Cont'd)

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, and

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company 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.

AUDITORS

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

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

....

Guan Kok Beng

....

Guan Shaw Yin

Penang,

Date: 21 September 2015

Directors' Statement

In the opinion of the Directors, the financial statements set out on pages 30 to 73 are properly 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 at **31 May 2015** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 74 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 in accordance with a resolution of the directors:

....

Guan Kok Beng

....

Guan Shaw Yin

Date: 21 September 2015

Statutory Declaration

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 30 to 73 and the supplementary information set out on page 74 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Penang, this **21st**)
day of **September 2015**.)

....

Moy Ean Chung

Before me,

....

Goh Suan Bee (No. P125)
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Penang

Independent Auditors' Report to the Members
of Eurospan Holdings Berhad

Report on the Financial Statements

We have audited the financial statements of **Eurospan Holdings Berhad**, which comprise the statements of financial position as at **31 May 2015** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 73.

The financial statements for the preceding year ended 31 May 2014 were audited by another firm of auditors whose report dated 29 September 2014, expressed an unqualified opinion on those statements.

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 the 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 at **31 May 2015** and of their financial performance and cash flows for the financial 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, and

(c) The auditors' 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

The supplementary information set out on page 74 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of 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.

Grant Thornton
No. AF: 0042
Chartered Accountants

John Lau Tiang Hua, DJN
No. 1107/03/16 (J)
Chartered Accountant

Penang

Date: 21 September 2015

Statements of Financial Position

as at 31 May 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	NOTE	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**22,720,676**	22,059,075	**–**	–
Investment in subsidiaries	5	**–**	–	**29,729,676**	29,729,676
Other investments	6	**8,827,366**	4,500,000	**1,534,498**	500,000
		31,548,042	26,559,075	**31,264,174**	30,229,676
Current assets					
Inventories	7	**12,128,119**	11,957,807	**–**	–
Trade and other receivables	8	**4,037,954**	4,575,061	**17,125,358**	17,471,632
Tax recoverable		**171,284**	–	**–**	–
Cash and cash equivalents	9	**11,823,102**	18,608,477	**209,488**	1,139,081
		28,160,459	35,141,345	**17,334,846**	18,610,713
TOTAL ASSETS		**59,708,501**	61,700,420	**48,599,020**	48,840,389
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	10	**44,421,700**	44,421,700	**44,421,700**	44,421,700
Reserves	11	**2,734,290**	3,329,889	**3,920,540**	4,184,606
Total equity		**47,155,990**	47,751,589	**48,342,240**	48,606,306
Non-current liabilities					
Provision for gratuity benefit	12	**1,139,116**	–	**–**	–
Deferred tax liabilities	13	**306,712**	612,178	**–**	–
		1,445,828	612,178	**–**	–
Current liabilities					
Trade and other payables	14	**7,698,493**	9,613,203	**256,780**	234,083
Borrowings	15	**3,408,190**	3,209,650	**–**	–
Provision for taxation		**–**	513,800	**–**	–
		11,106,683	13,336,653	**256,780**	234,083
Total liabilities		**12,552,511**	13,948,831	**256,780**	234,083
TOTAL EQUITY AND LIABILITIES		**59,708,501**	61,700,420	**48,599,020**	48,840,389

The notes set out on pages 36 to 73 form an integral part of these financial statements.

Statements of Comprehensive Income

for the financial year ended 31 May 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	NOTE	RM	RM	RM	RM
Revenue	16	**52,707,509**	65,195,308	**–**	–
Cost of sales		**(44,993,514)**	(51,217,229)	**–**	–
Gross profit		**7,713,995**	13,978,079	**–**	–
Other income		**970,881**	1,984,087	**97,149**	42,777
Administrative expenses		**(7,313,845)**	(6,734,604)	**(381,044)**	(375,063)
Selling and distribution expenses		**(1,745,073)**	(2,017,878)	**–**	–
Other operating expenses		**(699,227)**	(305,044)	**(14,669)**	(93)
(Loss)/Profit from operations		**(1,073,269)**	6,904,640	**(298,564)**	(332,379)
Finance costs		**(64,129)**	(57,784)	**–**	–
(Loss)/Profit before tax	17	**(1,137,398)**	6,846,856	**(298,564)**	(332,379)
Taxation	18	**307,706**	(1,172,426)	**–**	–
(Loss)/Profit after tax for the year		**(829,692)**	5,674,430	**(298,564)**	(332,379)
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Fair value adjustment on available-for-sales financial assets		**234,093**	–	**34,498**	–
Total comprehensive (loss)/income for the financial year		**(595,599)**	5,674,430	**(264,066)**	(332,379)
Basic (loss)/earnings per share attributable to owners of the parent (sen)	19	**(1.87)**	12.77		

The notes set out on pages 36 to 73 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 May 2015

	← Attributable to Owners of the Parent →					
		← Non-distributable →				
	Share Capital	Share Premium	Fair Value Reserve	Share Option Reserve	Accumulated Losses	Total Equity
	RM	RM	RM	RM	RM	RM
2015						
Balance at beginning	**44,421,700**	**8,374,445**	**–**	**70,902**	**(5,115,458)**	**47,751,589**
Total comprehensive loss for the financial year	**–**	**–**	**234,093**	**–**	**(829,692)**	**(595,599)**
Transfer from share option reserve for share options lapsed	**–**	**–**	**–**	**(70,902)**	**70,902**	**–**
Balance at end	**44,421,700**	**8,374,445**	**234,093**	**–**	**(5,874,248)**	**47,155,990**
2014						
Balance at beginning	44,421,700	8,374,445	–	80,980	(10,802,097)	42,075,028
Total comprehensive income for the financial year	–	–	–	–	5,674,430	5,674,430
Transaction with owners:						
Share-based payment transaction	–	–	–	2,131	–	2,131
Transfer from share option reserve for share options lapsed	–	–	–	(12,209)	12,209	–
Balance at end	44,421,700	8,374,445	–	70,902	(5,115,458)	47,751,589

The notes set out on pages 36 to 73 form an integral part of these financial statements.

	← Non-distributable →					
	Share Capital	Share Premium	Fair Value Reserve	Share Option Reserve	Accumulated Losses	Total Equity
	RM	RM	RM	RM	RM	RM
2015						
Balance at beginning	**44,421,700**	**8,374,445**	**–**	**70,902**	**(4,260,741)**	**48,606,306**
Total comprehensive income for the financial year	**–**	**–**	**34,498**	**–**	**(298,564)**	**(264,066)**
Transfer from share option reserve for share options lapsed	**–**	**–**	**–**	**(70,902)**	**70,902**	**–**
Balance at end	**44,421,700**	**8,374,445**	**34,498**	**–**	**(4,488,403)**	**48,342,240**
2014						
Balance at beginning	44,421,700	8,374,445	–	80,980	(3,940,571)	48,936,554
Total comprehensive income for the financial year	–	–	–	–	(332,379)	(332,379)
Transaction with owners:						
Share-based payment transaction	–	–	–	2,131	–	2,131
Transfer from share option reserve for share options lapsed	–	–	–	(12,209)	12,209	–
Balance at end	44,421,700	8,374,445	–	70,902	(4,260,741)	48,606,306

The notes set out on pages 36 to 73 form an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 31 May 2015

	GROUP 2015 RM	GROUP (Restated) 2014 RM	COMPANY 2015 RM	COMPANY 2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax	**(1,137,398)**	6,846,856	**(298,564)**	(332,379)
Adjustments for:				
Bad debts	**–**	4,600	**–**	–
Depreciation	**1,605,985**	1,443,318	**–**	–
Fair value loss/(gain) on derivaties	**362,371**	(51,212)	**–**	–
Loss/(Gain) on disposal of property, plant and equipment	**18,801**	(89,686)	**–**	–
Interest expense	**64,129**	57,784	**–**	–
Interest income	**(552,716)**	(379,795)	**(55,462)**	(42,763)
Property, plant and equipment written off	**24,791**	–	**–**	–
Provision for gratuity benefit	**1,139,116**	–	**–**	–
Share-based payments	**–**	2,131	**–**	–
(Gain)/Loss on foreign exchange - unrealised	**(23,697)**	98,564	**–**	–
Operating profit/(loss) before working capital changes	**1,501,382**	7,932,560	**(354,026)**	(375,142)
(Increase)/Decrease in inventories	**(170,312)**	848,310	**–**	–
Decrease in receivables	**546,060**	1,056,701	**–**	–
(Decrease)/Increase in payables	**(2,278,412)**	807,165	**22,697**	(20,422)
Cash (used in)/generated from operations	**(401,282)**	10,644,736	**(331,329)**	(395,564)
Income tax paid	**(682,844)**	(439,115)	**–**	–
Interest paid	**(64,129)**	(57,784)	**–**	–
Interest received	**552,716**	379,795	**55,462**	42,763
Net cash (used in)/from operating activities	**(595,539)**	10,527,632	**(275,867)**	(352,801)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net change in subsidiaries' balances	**–**	–	**346,274**	97,014
Proceeds from disposal of property, plant and equipment	**221,300**	90,500	**–**	–
Purchase of other investments	**(4,093,273)**	(2,000,000)	**(1,000,000)**	–
Purchase of property, plant and equipment	**(2,532,478)**	(1,365,673)	**–**	–
Net cash (used in)/from investing activities	**(6,404,451)**	(3,275,173)	**(653,726)**	97,014
Balance carried forward	**(6,999,990)**	7,252,459	**(929,593)**	(255,787)

The notes set out on pages 36 to 73 form an integral part of these financial statements.

	GROUP		COMPANY	
		(Restated)		
	2015	2014	2015	2014
	RM	RM	RM	RM
Balance brought forward	**(6,999,990)**	7,252,459	**(929,593)**	(255,787)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of bank borrowings	**(21,732)**	(219,322)	**–**	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(7,021,722)**	7,033,137	**(929,593)**	(255,787)
Effects of changes in exchange rates	**236,347**	(71,430)	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING	**18,608,477**	11,646,770	**1,139,081**	1,394,868
CASH AND CASH EQUIVALENTS AT END	**11,823,102**	18,608,477	**209,488**	1,139,081

The notes set out on pages 36 to 73 form an integral part of these financial statements.

1. CORPORATE INFORMATION

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang.

The principal place of business of the Company is located at 1168, Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 September 2015.

Principal Activities

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention except for certain financial instruments that are measured at fair values at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. BASIS OF PREPARATION (Cont'd)

2.2 Basis of Measurement (Cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's and the Company's functional currency.

2.4 Adoption of Amendments/Improvements to MFRS and IC Interpretations ("IC Int")

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial year except for the adoption of the following Standards that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 January 2014
Amendments to MFRS 10, 12 and 127 *Investment Entities*
Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*
IC Int 21 *Levies*

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company.

2.5 Standards Issued But Not Yet Effective

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

Effective for annual periods beginning on or after 1 July 2014
Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*
Annual improvements to MFRS 2010-2012 Cycle
Annual improvements to MFRS 2011-2013 Cycle

Effective for annual periods beginning on or after 1 January 2016
MFRS 14 *Regulatory Deferral Accounts*
Amendments to MFRS 10 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
Amendments to MFRS 101 *Disclosure Initiative*
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*
Annual Improvements to MFRS 2012-2014 Cycle

Effective for annual periods beginning on or after 1 January 2018
MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in July 2014)*
MFRS 15 *Revenue from Contracts with Customers*
Amendments to MFRS 7 *Mandatory Date of MFRS 9 and Transition Disclosures*

2. BASIS OF PREPARATION (Cont'd)

2.5 Standards Issued But Not Yet Effective (Cont'd)

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

MFRS 15 *Revenue from Contracts with Customers*

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

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

MFRS 9 *Financial Instruments*

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

The adoption of MFRS 9 will result in a change in accounting policy and is expected to affect the measurement of other investments which is presently categorised as available-for-sale financial asset.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements 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 estimate is revised and in any future periods affected.

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

2.6.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of depreciable assets

Plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates that the useful lives of the plant and equipment to be between 5 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and equipment. Therefore, future depreciation charges could be revised.

(ii) Impairment of property, plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

2. BASIS OF PREPARATION (Cont'd)

2.6 Significant Accounting Estimates and Judgements (Cont'd)

2.6.1 Key sources of estimation uncertainty (Cont'd)

(iii) Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimate is made. Possible changes in these estimates could result in revisions to the valuations of inventories.

(iv) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

(v) Defined gratuity benefit plan

The cost of gratuity benefit plan and the present value of the gratuity obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a gratuity benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period.

The mortality rate is based on publicly available mortality tables in Malaysia. Future salary increases and pension increases are based on expected future inflation rates and real levels of increases in general earnings.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 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 controls an entity when it is exposed, or has rights, to variable returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. 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.

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.

Upon disposal of investment in subsidiaries, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.1 Basis of Consolidation (Cont'd)

(ii) Business combination

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 interest 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 at fair value of the identifiable assets acquired and liabilities assumed

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

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree 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 reserve.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

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

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.

Unrealised gains arising from transactions with associate are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Property, Plant and Equipment

Property, plant and equipment are initially stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and for its intended use.

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, 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.

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Leasehold land	Amortised over its lease period of 85 years
Buildings	2%
Plant, machinery and factory equipment	10% - 20%
Furniture, fittings, renovation and office equipment	10%
Motor vehicles	10%

Freehold land is not amortised as it has an infinite life.

Depreciation on capital expenditure in progress commences when the assets are ready for their intended use.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

3.3 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance lease

A finance lease which includes hire purchase arrangement, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. 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.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.3 Leases (Cont'd)

Operating Leases

Leases where the Group 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 statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

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

3.4 Impairment of Non-Financial Assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

3.5 Financial Instruments

3.5.1 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 and the Company become 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, transactions costs that are directly attributable to the acquisition or issuance of the financial instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.5 Financial Instruments (Cont'd)

3.5.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(i) 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.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

(ii) 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

(iii) 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.

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 (expect 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.5 Financial Instruments (Cont'd)

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

Financial liabilities (Cont'd)

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.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

3.5.3 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.

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

3.5.4 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 market place 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.

3.5.5 Derivative financial instruments

The Group enters into derivative financial instruments such as foreign currency forward contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

3.5.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.5 Financial Instruments (Cont'd)

3.5.7 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 the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. 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.

3.6 Impairment of Financial Assets

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

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

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

3.7 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand, demand deposits and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.9 Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

3.10 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

3.11 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and when the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Sale of goods

Revenue from sales of goods is recognised upon the transfer of significant risks and rewards of ownership to the buyer, based on invoiced value, net of discounts and returns.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

3.12 Research and Development Expenditure

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 Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.13 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred.

Share-based payment transactions

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

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

The fair value of the employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Defined gratuity benefit plan

The Group operates an unfunded gratuity benefit plan for its managing director. The Group's obligation in respect of the gratuity benefit plan is calculated based on 7.5% of his last drawn salary multiplied by the number of months of service up to the retirement year and that benefit calculated is discounted to its present value based on the market yield at the end of the reporting period on high quality corporate bonds.

3.14 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 financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.14 Income Tax (Cont'd)

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 the 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 future taxable profits will be available to set-off against the unutilised tax incentive.

3.15 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of the Group 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 translated to the functional currency at the exchange rate at that date.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

3.16 Share Capital, Share Issuance Expenses and Dividends

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of unappropriated profits and recognised as a liability in the period in which they are declared.

Share premium includes any premiums received upon issuance of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

3.18 Segment Reporting

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

3.19 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

4. PROPERTY, PLANT AND EQUIPMENT

	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
2015							
At cost							
Balance at beginning	5,050,785	13,825,206	39,882,411	3,400,751	2,463,334	398,462	65,020,949
Additions	–	–	1,600,397	300,270	–	631,811	2,532,478
Disposals	–	–	(519,154)	(12,400)	(462,351)	–	(993,905)
Written off	–	–	–	(149,780)	–	–	(149,780)
Reclassification	–	–	663,195	8,188	–	(671,383)	–
Balance at end	5,050,785	13,825,206	41,626,849	3,547,029	2,000,983	358,890	66,409,742
Accumulated depreciation							
Balance at beginning	85,343	4,314,496	32,697,059	1,776,889	948,587	–	39,822,374
Current charge	4,515	276,504	903,625	200,809	220,532	–	1,605,985
Disposal	–	–	(519,154)	(12,400)	(222,250)	–	(753,804)
Written off	–	–	–	(124,989)	–	–	(124,989)
Balance at end	89,858	4,591,000	33,081,530	1,840,309	946,869	–	40,549,566
Accumulated impairment losses	–	–	3,035,500	104,000	–	–	3,139,500
Carrying amount	4,960,927	9,234,206	5,509,819	1,602,720	1,054,114	358,890	22,720,676

4. PROPERTY, PLANT AND EQUIPMENT (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
2014							
At cost							
Balance at beginning	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)
Reclassification	–	–	896,152	1,367,183	–	(2,263,335)	–
Balance at end	5,050,785	13,825,206	39,882,411	3,400,751	2,463,334	398,462	65,020,949
Accumulated depreciation							
Balance at beginning	80,828	4,037,992	32,171,029	1,661,338	744,579	–	38,695,766
Current charge	4,515	276,504	832,752	125,539	204,008	–	1,443,318
Disposals	–	–	(306,722)	(9,988)	–	–	(316,710)
Balance at end	85,343	4,314,496	32,697,059	1,776,889	948,587	–	39,822,374
Accumulated impairment losses							
Balance at beginning	–	–	3,043,000	104,000	–	–	3,147,000
Disposals	–	–	(7,500)	–	–	–	(7,500)
Balance at end	–	–	3,035,500	104,000	–	–	3,139,500
Carrying amount	4,965,442	9,510,710	4,149,852	1,519,862	1,514,747	398,462	22,059,075

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Included in the carrying amount of land is as follows:

	GROUP	
	2015	**2014**
	RM	**RM**
Freehold land	**4,667,050**	4,667,050
Leasehold land	**293,877**	298,392
	4,960,927	4,965,442

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2015	**2014**
	RM	**RM**
Unquoted shares, at cost	**32,763,936**	32,763,936
Add: Share-based payment allocated to subsidiaries	**425,880**	425,880
	33,189,816	33,189,816
Less: Impairment loss	**(3,460,140)**	(3,460,140)
	29,729,676	29,729,676

Details of the subsidiaries which are all incorporated in Malaysia are as follows:

Name of Company	Effective Equity Interest 2015 %	Effective Equity Interest 2014 %	Principal Activities
Eurospan Furniture Sdn. Bhd.	**100**	100	Manufacturing and trading of furniture and wood-based products
Dynaspan Furniture Sdn. Bhd.	**100**	100	Manufacturing of furniture and wood-based products
Euroswood Furniture Sdn. Bhd.	**100**	100	Investment holding
Dynaword Sdn. Bhd.	**100**	100	Investment holding

6. OTHER INVESTMENTS

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Available-for-sale financial assets:				
Unit trust funds quoted in Malaysia	**8,827,366**	4,500,000	**1,534,498**	500,000
Market value	**8,827,366**	4,500,000	**1,534,498**	500,000

7. INVENTORIES

	GROUP	
	2015	**2014**
	RM	**RM**
Raw materials	**7,507,646**	6,838,168
Work-in-progress	**2,932,225**	3,298,521
Finished goods	**1,688,248**	1,821,118
	12,128,119	11,957,807

The inventories recognised in profit or loss as cost of sales amounted to **RM44,993,514** (2014: RM51,217,229).

8. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Trade receivables (Note 8.1)	**1,936,843**	3,282,048	**–**	–
Other receivables, deposits and prepayments (Note 8.2)	**2,101,111**	1,241,801	**–**	–
Amount due from subsidiaries (Note 8.3)	**–**	–	**17,125,358**	17,471,632
Derivatives at fair value through profit or loss	**–**	51,212	**–**	–
- foreign currency forward contract (Note 8.4)	**4,037,954**	4,575,061	**17,125,358**	17,471,632

8. TRADE AND OTHER RECEIVABLES (Cont'd)

8.1 Trade Receivables

GROUP

The currency profile of trade receivables is as follows:

	2015 RM	2014 RM
Ringgit Malaysia	**99,563**	–
US Dollar	**1,837,280**	2,792,088
Euro	**–**	489,960
	1,936,843	3,282,048

The normal credit terms granted to trade receivables range from **30 to 60** days (2014: 30 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

8.2 Other Receivables, Deposits and Prepayments

GROUP

	2015 RM	2014 RM
Other receivables	**288,536**	430,295
Refundable deposits	**270,033**	98,943
Transferable golf club membership	**59,733**	27,500
Prepayments	**1,159,377**	685,063
GST receivable	**323,432**	–
	2,101,111	1,241,801

Included in prepayment is an amount of **RM797,835** (2014: RM258,968) paid to suppliers as down payment for purchase of raw materials.

8.3 Amount Due from Subsidiaries

The amount due from subsidiaries relates to advances which are unsecured, non-interest bearing and are repayable on demand.

8.4 Derivatives at Fair Value through Profit or Loss

The notional value of the foreign currency forward contracts as at the end of the reporting period is **RM Nil** (2014: RM8,551,368) and is denominated in USD.

9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Short-term funds (Note 9.1)	**5,320,967**	8,285,422	**–**	1,120,073
Cash and bank balances	**6,502,135**	10,323,055	**209,488**	19,008
	11,823,102	18,608,477	**209,488**	1,139,081

The currency profile of cash and bank balances is as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Ringgit Malaysia	**8,415,990**	15,562,582	**209,488**	1,139,081
US Dollar	**2,592,805**	1,739,953	**–**	–
Euro	**812,316**	1,305,105	**–**	–
Others	**1,991**	837	**–**	–
	11,823,102	18,608,477	**209,488**	1,139,081

9.1 Short-term Funds

Short-term funds represent investment in fixed income trusts and money market. The effective interest rate per annum and maturities of the short-term funds as at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
Interest rates (%)	**3.08 to 3.49**	2.74 to 3.23	**–**	3.18
Maturities (Days)	**less than 30**	less than 30	**–**	less than 30

10. SHARE CAPITAL

	Number of ordinary share of RM1 each		Amount	
	2015	2014	2015	2014
			RM	RM
Authorised	**50,000,000**	50,000,000	**50,000,000**	50,000,000
Issued and fully paid	**44,421,700**	44,421,700	**44,421,700**	44,421,700

11. RESERVES

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Non-distributable:				
Share premium	**8,374,445**	8,374,445	**8,374,445**	8,374,445
Fair value reserve	**234,093**	–	**34,498**	–
Share option reserve	**–**	70,902	**–**	70,902
	8,608,538	8,445,347	**8,408,943**	8,445,347
Accumulated losses	**(5,874,248)**	(5,115,458)	**(4,488,403)**	(4,260,741)
	2,734,290	3,329,889	**3,920,540**	4,184,606

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.

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

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. The Company's employees' share option scheme expired on 29 December 2014. During the period from 1 June 2014 to 29 December 2014, no further options were granted and no granted options were exercised by the holders.

12. PROVISION FOR GRATUITY BENEFIT

The present value of the provision for gratuity benefit is rpresented as follows:

	GROUP	
	2015	2014
	RM	RM
Recognised in profit or loss:		
- Current service cost	**13,977**	–
- Past service cost	**1,125,139**	–
	1,139,116	–

The present value of the gratuity benefit obligation was carried out at 10 February 2015 by Actuarial Partners Consulting Sdn. Bhd., an independent professional actuary based on the projected unit credit actuarial cost method.

12. PROVISION FOR GRATUITY BENEFIT (Cont'd)

The principal assumptions used for the purposes of the actuarial valuations are as follows:

Discount rate (%)	5.25
Salary growth rate (%)	8.00
Projected retirement benefit	7.5% of last drawn salary multiplied by the number of months of service

Withdrawal rates is not applicable as only the managing director of the Group is entitled for the gratuity benefit.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on defined benefit obligation as of 31 May 2015, assuming all other assumption were held constant.

(i) If the discount rate is 1.00% higher (lower), the retirement benefits obligations would decrease by RM72,962 (increase by RM78,724), and

(ii) If the salary growth rate is 1.00% higher (lower), the retirement benefits obligations would increase by RM71,812 (decrease by RM75,914).

13. DEFERRED TAX LIABILITIES

GROUP

	2015 RM	2014 RM
Deferred tax liabilities:		
Balance at beginning	**612,178**	406,145
Transfer (to)/from profit or loss	**(305,466)**	206,033
Balance at end	**306,712**	612,178

Deferred tax (assets)/liabilities are represented by temporary differences arising from:

	2015 RM	2014 RM
Property, plant and equipment	**1,363,066**	1,157,964
Unutilised capital allowances	**(366,791)**	–
Unutilised tax losses	**(119,467)**	–
Provision for gratuity benefit	**(284,779)**	–
Other provisions	**(285,317)**	(545,786)
	306,712	612,178

14. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Trade payables (Note 14.1)	**2,416,226**	4,186,901	**–**	–
Other payables and accruals (Note 14.2)	**4,919,896**	5,426,302	**256,780**	234,083
Derivatives at fair value through profit or loss				
- foreign currency forward contract (Note 14.3)	**362,371**	–	**–**	–
	7,698,493	9,613,203	**256,780**	234,083

14.1 Trade Payables

GROUP

The currency profile of trade payables is as follows:

	2015	2014
	RM	RM
Ringgit Malaysia	**2,144,429**	2,528,625
US Dollar	**271,797**	321,717
Euro	**–**	1,336,559
	2,416,226	4,186,901

The normal credit terms of trade payables range from **15 to 90** days (2014: 15 to 90 days).

14.2 Other Payables and Accruals

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Other payables	**3,662,054**	2,735,025	**–**	–
Accruals	**1,257,842**	2,691,277	**256,780**	234,083
	4,919,896	5,426,302	**256,780**	234,083

14. TRADE AND OTHER PAYABLES (Cont'd)

14.2 Other Payables and Accruals (Cont'd)

The currency profile of other payables is as follows:

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	**4,919,896**	5,374,895	**256,780**	234,083
US Dollar	**–**	11,907	**–**	–
Euro	**–**	39,500	**–**	–
	4,919,896	5,426,302	**256,780**	234,083

Included in other payables is an amount of **RM2,189,924** (2014: RM1,708,028) in relation to advance payments received from customers.

14.3 Derivatives at Fair Value through Profit or Loss

The notional value of the foreign currency forward contracts as at the end of the reporting period is **RM14,008,647** (2014: RM Nil) and is denominated in USD.

15. BORROWINGS

	GROUP	
	2015	**2014**
	RM	**RM**
Unsecured:		
Trust receipts	**3,408,190**	3,209,650

The trust receipts are denominated in US Dollar.

The borrowings are short term in nature of twelve months and less and are secured by way of corporate guarantees of the Company and certain subsidiaries.

The effective interest rates charged on the trust receipts as at the end of the reporting period range from **1.84% to 2.25%** (2014: 1.92% to 2.23%) per annum.

16. REVENUE

GROUP

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

17. (LOSS)/PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
After charging:				
Auditors' remuneration				
- statutory audit	**54,000**	60,000	**14,000**	16,000
- other services	**14,500**	5,000	**14,500**	5,000
Bad debts	**–**	4,600	**–**	–
Depreciation	**1,605,985**	1,443,318	**–**	–
Directors' emoluments for non-executive directors of the Company				
Present directors	**11,833**	8,500	**11,833**	8,500
Past directors	**167**	3,500	**167**	3,500
Directors' fee				
Executive directors of the Company	**190,000**	190,000	**100,000**	100,000
Executive director of a subsidiary	**15,000**	15,000	**–**	–
Non-executive directors of the Company				
Present directors	**95,417**	61,000	**95,417**	61,000
Past directors	**2,583**	25,000	**2,583**	25,000
Fair value loss on derivatives	**362,371**	–	**–**	–
Loss on disposal of property, plant and equipment	**18,801**	–	**–**	–
Net loss on foreign exchange				
- unrealised	**–**	98,564	**–**	–
Property, plant and equipment written off	**24,791**	–	**–**	–
Rental expense	**425,811**	360,313	**–**	–
Research and development expenditure	**540,932**	547,865	**–**	–
Trust receipt interest	**64,129**	57,784	**–**	–
* Staff costs	**12,856,889**	13,666,504	**21,380**	21,380
And crediting:				
Fair value gain on derivatives	**–**	51,212	**–**	–
Gain on disposal of property, plant and equipment	**–**	89,686	**–**	–
Gain on realisation of short term funds	**40,491**	49,710	**41,687**	–
Interest income	**552,716**	379,795	**55,462**	42,763
Net gain on foreign exchange				
- realised	**398,137**	1,413,670	**–**	–
- unrealised	**23,697**	–	**–**	–

17. (LOSS)/PROFIT BEFORE TAX (Cont'd)

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
*** Staff costs**				
Salaries, allowances, and bonus	**10,824,572**	12,832,415	**2,000**	2,000
Gratuity benefit	**1,139,116**	–	**–**	–
EPF	**1,086,807**	1,011,693	**19,380**	19,380
SOCSO	**93,245**	113,825	**–**	–
Share-based payments	**–**	2,131	**–**	–
	13,143,740	13,960,064	**21,380**	21,380
Less: Staff cost included in research and development expenditure	**(286,851)**	(293,560)	**–**	–
	12,856,889	13,666,504	**21,380**	21,380

Directors' emoluments

Included in the staff costs are Directors' emoluments as shown below:

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Directors of the Company:				
Salaries, allowances, and bonus	**1,327,000**	2,009,200	**2,000**	2,000
Gratuity benefit	**1,139,116**	–	**–**	–
EPF	**288,230**	199,500	**19,380**	19,380
SOCSO	**1,240**	20,620	**–**	–
	2,755,586	2,229,320	**21,380**	21,380
Director of a subsidiary:				
Salaries, allowances, and bonus	**152,550**	172,570	**–**	–
EPF	**30,210**	30,210	**–**	–
SOCSO	**620**	620	**–**	–
	183,380	203,400	**21,380**	21,380
Total directors' emoluments	**2,938,966**	2,432,720	**21,380**	21,380

The estimated monetary value of benefits receivable by the directors of the Company and the director of the Subsidiary are amounted to **RM92,870** and **RM5,300** (2014: RM71,179 and RM5,300) respectively.

18. TAXATION

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Malaysia income tax				
Based on results for the financial year				
- Current tax	**(10,236)**	(966,393)	**–**	–
- Deferred tax				
Relating to origination and reversal of temporary differences	**305,489**	(730,536)	**–**	–
	295,253	(1,696,929)	**–**	–
Over/(under) provision in prior year				
- Current tax	**12,476**	–	**–**	–
- Deferred tax	**(23)**	524,503	**–**	–
	12,453	524,503	**–**	–
	307,706	(1,172,426)	**–**	–

The reconciliation of tax expense of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
(Loss)/Profit before taxation	**(1,137,398)**	6,846,856	**(298,564)**	(332,379)
Income tax at Malaysian statutory tax rate of 25%	**284,350**	(1,711,714)	**74,641**	83,095
Income not subject to tax	**231,123**	44,083	**23,468**	9,841
Tax incentives	**79,897**	96,561	**–**	–
Expenses not deductible for tax purposes	**(221,030)**	(85,801)	**(19,022)**	(21,128)
Deferred tax movement not recognised	**–**	31,750	**–**	–
Effect of tax losses not available for set-off	**(79,087)**	(71,808)	**(79,087)**	(71,808)
	295,253	(1,696,929)	**–**	–
Over provision in prior year	**12,453**	524,503	**–**	–
	307,706	(1,172,426)	**–**	–

18. TAXATION (Cont'd)

The amount and future availability of unabsorbed tax losses and unabsorbed capital allowances which are available to be carried forward for set off against future taxable income is estimated at **RM478,000** (2014: RM Nil) and **RM1,340,000** (2014: RM Nil) respectively.

The corporate tax rate will be reduced to 24% from the year of assessment 2016 as announced in the Malaysian Budget 2014. Consequently, deferred tax liabilities are measured using this tax rate.

19. (LOSS)/EARNINGS PER SHARE

GROUP

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	2015	2014
(Loss)/Profit attributable to owners of the Company (RM)	**(829,692)**	5,674,430
Weighted average number of ordinary shares of RM1.00 each	**44,421,700**	44,421,700
Basic (loss)/earnings per share (sen)	**(1.87)**	12.77

(b) Diluted

There is no dilutive potential ordinary shares outstanding during the current financial year as such no diluted earnings per share information is presented. The effect of the ESOS is anti-dilutive hence diluted earnings per share is not present for the previous financial year.

20. CONTINGENT LIABILITIES

	COMPANY	
	2015	2014
	RM	RM
Unsecured		
Corporate guarantee given by the Company for banking facilities extended by financial institutions to certain subsidiaries		
- Limit	**19,900,000**	19,900,000
- Utilised as at the end of the reporting period	**3,930,762**	3,614,539

The corporate guarantee does not have a determinable effect on the terms of the credit facilities due to the banks requiring corporate guarantee as a pre-condition for approving the credit facilities granted to certain subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities are equal to the credit facilities amounts received by the subsidiaries. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

21. CAPITAL COMMITMENT

	GROUP	
	2015	2014
	RM	RM
Contracted but not provided for:		
- Property, plant and equipment	–	117,000

22. RELATED PARTY DISCLOSURES

(i) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and to the Company, 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 any 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 including directors having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

(ii) Related party transaction

There were no significant related party transactions during the financial year other than the remuneration package paid to directors and key management personnel which their compensation has been shown in Note 17.

23. SEGMENTAL INFORMATION

The Group is principally engaged in the manufacturing and trading of furniture and wood-based products which are principally carried out in Malaysia and these business activities are considered as one business segment by the Group.

Geographical Information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2015	2014	2015	2014
	RM	RM	RM	RM
Malaysia	**200,693**	89,389	**22,720,676**	22,059,075
Asia	**15,935,566**	19,231,354	**–**	–
Europe	**14,683,412**	19,856,368	**–**	–
America	**17,033,615**	20,036,098	**–**	–
Others	**4,854,223**	5,982,099	**–**	–
	52,707,509	65,195,308	**22,720,676**	22,059,075

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

24. FINANCIAL INSTRUMENTS

24.1 Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as available-for-sale financial assets ("AFS"), loans and receivables ("L&R"), financial liabilities measured at amortised cost ("FL") and fair value through profit or loss ("FVTPL").

	Carrying amount RM	AFS RM	L&R RM	FL RM	FVTPL RM
GROUP					
2015					
Financial assets					
Other investments	**8,827,366**	**8,827,366**	**–**	**–**	**–**
Trade and other receivables	**2,878,577**	**–**	**2,878,577**	**–**	**–**
Cash and cash equivalents	**11,823,102**	**–**	**11,823,102**	**–**	**–**
	23,529,045	**8,827,366**	**14,701,679**	**–**	**–**
Financial liabilities					
Trade and other payables	**5,508,569**	**–**	**–**	**5,146,198**	**362,371**
Borrowings	**3,408,190**	**–**	**–**	**3,408,190**	**–**
	8,916,759	**–**	**–**	**8,554,388**	**362,371**
2014					
Financial assets					
Other investments	4,500,000	4,500,000	–	–	–
Trade and other receivables	3,928,138	–	3,876,926	–	51,212
Cash and cash equivalents	18,608,477	–	18,608,477	–	–
	27,036,615	4,500,000	22,485,403	–	51,212
Financial liabilities					
Trade and other payables	7,905,175	–	–	7,905,175	–
Borrowings	3,209,650	–	–	3,209,650	–
	11,114,825	–	–	11,114,825	–

24. FINANCIAL INSTRUMENTS (Cont'd)

24.1 Categories of Financial Instruments (Cont'd)

	Carrying amount RM	AFS RM	L&R RM	FL RM	FVTPL RM
COMPANY					
2015					
Financial assets					
Other investments	**1,534,498**	**1,534,498**	**–**	**–**	**–**
Amount due from subsidiaries	**17,125,358**	**–**	**17,125,358**	**–**	**–**
Cash and cash equivalents	**209,488**	**–**	**209,488**	**–**	**–**
	18,869,334	**1,534,498**	**17,334,846**	**–**	**–**
Financial liabilities					
Accruals	**256,780**	**–**	**–**	**256,780**	**–**
2014					
Financial assets					
Other investments	500,000	500,000	–	–	–
Amount due from subsidiaries	17,471,632	–	17,471,632	–	–
Cash and cash equivalents	1,139,081	–	1,139,081	–	–
	19,110,713	500,000	18,610,713	–	–
Financial liabilities					
Accruals	234,083	–	–	234,083	–

24.2 Financial Risk Management

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

24.3 Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group's exposure to credit risk arises principally from its trade receivables and other investments whilst the Company's exposure to credit risk arises principally from other investments, advances to its subsidiaries and financial guarantees provided to financial institutions in respect of credit facilities granted to the subsidiaries.

24. FINANCIAL INSTRUMENTS (Cont'd)

24.3 Credit Risk (Cont'd)

24.3.1 Trade receivables

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 requiring credit over a certain amount.

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.

The ageing of trade receivables of the Group is as follows:

	2015 RM	2014 RM
Not past due	**1,441,725**	2,470,530
Pass due 1 to 30 days	**397,480**	651,296
Pass due 31 to 60 days	**3,189**	155,616
Pass due 61 to 90 days	**94,449**	–
Pass due more than 90 days	**–**	4,606
	495,118	811,518
	1,936,843	3,282,048

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired has been renegotiated during the financial year.

The Group has trade receivables amounting to **RM495,118** (2014: RM811,518) that are past due as at end of the reporting period but not impaired as the management is of the view that these debts will be recovered in due course.

As at the end of the reporting period, the Group has significant concentration of credit risk in the form of outstanding balances from **4 customers** (2014: 1 customer) which represents **70%** (2014: 15%) of the total trade receivables.

24. FINANCIAL INSTRUMENTS (Cont'd)

24.3 Credit Risk (Cont'd)

24.3.2 Investments and other financial assets

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.

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.

24.3.3 Intercompany balances

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

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries. Nevertheless, these advances are not regarded as overdue and are repayable on demand.

24.3.4 Financial guarantees

The Company provides unsecured corporate guarantee to financial institutions for banking facilities granted to certain subsidiaries as disclosed in Note 20.

The Company monitors on an ongoing basis the results of the said subsidiaries and repayments made by the said subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

The maximum exposure to credit risk amounts to **RM3,930,762** (2014: RM3,614,539) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

24.4 Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by maintaining credit facilities with its bankers.

24. FINANCIAL INSTRUMENTS (Cont'd)

24.4 Liquidity Risk (Cont'd)

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

	Carrying amount RM	Contractual cash flow RM	Within 1 year RM
GROUP			
2015			
Non-derivative financial liabilities			
Trade and other payables	**5,146,198**	**5,146,198**	**5,146,198**
Borrowings	**3,408,190**	**3,408,190**	**3,408,190**
	8,554,388	**8,554,388**	**8,554,388**
Derivative financial liabilities			
Foreign currency forward contract:			
Outflow-Net	**362,371**	**362,371**	**362,371**
	8,916,759	**8,916,759**	**8,916,759**
2014			
Non-derivative financial liabilities			
Trade and other payables	7,905,175	7,905,175	7,905,175
Borrowings	3,209,650	3,209,650	3,209,650
	11,114,825	11,114,825	11,114,825
Derivative financial liabilities			
Foreign currency forward contract:			
Inflow-Net	(51,212)	(51,212)	(51,212)
	11,063,613	11,063,613	11,063,613
COMPANY			
2015			
Non-derivative financial liabilities			
Accruals	**256,780**	**256,780**	**257,780**
2014			
Non-derivative financial liabilities			
Accruals	234,083	234,083	234,083

24. FINANCIAL INSTRUMENTS (Cont'd)

24.5 Interest Rate Risk

The Group's and the Company's fixed rate instruments are exposed to a risk of change in their fair values due to changes in interest rates. The Group's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's and of the Company's interest-bearing financial instruments based on the carrying amount as at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Fixed rate instruments				
Short-term funds	**5,320,967**	8,285,422	**–**	1,120,073
Cash at banks	**2,704,006**	7,114,916	**202,805**	18,141
Financial assets	**8,024,973**	15,400,338	**202,805**	1,138,214
Floating rate instruments				
Borrowings	**3,408,190**	3,209,650	**–**	–

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and the Group and the Company do 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.

Sensitivity analysis for floating rate instruments

An increase of 25 basis point at the end of the reporting period would have increased/(decreased) loss/profit before tax by **RM7,865** (2014: RM6,962) and a corresponding decrease would have an equal but opposite effect. This analysis assumes that all other variables remain constant.

24.6 Foreign Currency Risk

The objectives of the Group's foreign exchange policies are to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currency of the Group. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purpose. The currencies giving rise to this risk are primarily US Dollar ("USD") and Euro ("EURO").

The Group uses foreign currency forward contracts to manage some of the transactions exposure. The Group hedge its foreign currency denominated trade receivables, trade payables and its estimated foreign currency exposure in respect of forecast sales. All the forward foreign currency contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward foreign currency contracts are rolled over at maturity at market rates.

24. FINANCIAL INSTRUMENTS (Cont'd)

24.6 Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currencies, based on carrying amounts as at the end of the reporting period is as follows:

	Denominated in USD		Denominated in EURO	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Trade and other receivables	**1,837,280**	2,792,088	**–**	489,960
Cash and bank balances	**2,592,805**	1,739,953	**812,316**	1,305,105
Trade and other payables	**(271,797)**	(333,624)	**–**	(1,376,059)
Borrowings	**(3,408,190)**	(3,209,650)	**–**	–
Net exposure	**750,098**	988,767	**812,316**	419,006

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables being constant, on the Group's loss/profit before tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) loss/profit before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	GROUP	
	2015	**2014**
	RM	**RM**
USD	**(75,010)**	(98,877)
EURO	**(81,232)**	(41,901)
Increase in loss/(Decrease) in profit	**(156,242)**	(140,778)

24.7 Fair Value Information

The carrying amounts of the Group and of the Company cash and cash equivalents and short term receivables and payables (other than derivatives financial instrument) approximate their 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)

24.7.1 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (refer to Note 2.2 to the financial statements for definition of Level 1 to 3 fair value hierarchy).

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
GROUP				
2015				
Financial assets				
Investment in quoted unit trust funds	**8,827,366**	**–**	**–**	**8,827,366**
Financial liabilities				
Foreign currency forward contracts	**–**	**362,371**	**–**	**362,371**
2014				
Financial assets				
Investment in quoted unit trust funds	4,500,000	–	–	4,500,000
Foreign currency forward contracts	–	51,212	–	51,212
COMPANY				
2015				
Financial assets				
Investment in quoted unit trust funds	**1,534,498**	**–**	**–**	**1,534,498**
2014				
Financial assets				
Investment in quoted unit trust funds	500,000	–	–	500,000

24. FINANCIAL INSTRUMENTS (Cont'd)

24.7 Fair Value Information (Cont'd)

24.7.1 Fair value hierarchy (Cont'd)

The investment which are quoted in an active market are carried at fair value by reference to their quoted closing bid price at the end of the reporting period. Fair value of the foreign currency forward 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).

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 during the financial year.

25. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to its shareholders or adjusting the amount of dividends to be paid to its shareholders or sell assets to reduce debts. There was no change in the Group's approach to capital management during the financial year. The Group has no external capital requirement imposed by its lenders.

26. COMPARATIVE FIGURES

The Group has restated certain items on the statement of cash flows to conform with current year's presentation as follows:

	Previously reported RM	Reclassification RM	Restated RM
Cash flows from operating activities	10,114,266	413,366	10,527,632
Cash flows used in investing activities	(2,895,378)	(379,795)	(3,275,173)
Cash flows used in financing activities	(257,181)	37,859	(219,322)
Effects of changes in exchange rates	–	(71,430)	(71,430)

Supplementary Information

disclosed pursuant to Bursa Malaysia Securities Berhad Listing Requirements

With the purpose of improving transparency, Bursa Malaysia Securities Berhad has on 25 March 2010, and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on group and company basis in the annual audited financial statements.

The breakdown of accumulated losses as at the end of the reporting period has been prepared by the directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
- Realised	**19,702,037**	20,168,587	**(4,488,403)**	(4,260,741)
- Unrealised	**(283,015)**	(659,530)	**–**	–
	19,419,022	19,509,057	**(4,488,403)**	(4,260,741)
Less: Consolidation adjustments	**(25,293,270)**	(24,624,515)	**–**	–
Total accumulated losses as per statements of financial position	**(5,874,248)**	(5,115,458)	**(4,488,403)**	(4,260,741)

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 3 SEPTEMBER 2015

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100	9	0.43	372	*
100 to 1,000	830	39.75	795,992	1.79
1,001 to 10,000	967	46.31	4,561,000	10.27
10,001 to 100,000	248	11.88	6,460,800	14.54
100,001 to less than 5% of issued shares	31	1.49	11,713,136	26.37
5% and above of issued shares	3	0.14	20,890,400	47.03
TOTAL	**2,088**	**100.00**	**44,421,700**	**100.00**

* Negligible

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 3 SEPTEMBER 2015

	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	2,379,200	5.36
4.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. (pledged securities account for How Yoke Kam)	2,115,000	4.76
5.	Ong Wee Lieh	1,520,200	3.42
6.	JF Apex Nominees (Tempatan) Sdn Bhd (pledged securities account for Teow Wooi Huat)	828,300	1.86
7.	Guan Shaw Yin	734,000	1.65
8.	Guan Kim Heng	584,036	1.31
9.	Lee Siaw Hua	527,000	1.19
10.	Sing Foong Yin	520,200	1.17
11.	Stable Level Sdn. Bhd.	478,000	1.08
12.	Yeoh Phek Leng	400,000	0.90
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd (pledged securities account for Koek Tiang Kung)	361,000	0.81
14.	RHB Capital Nominees (Tempatan) Sdn Bhd (pledged securities account for Yong Kian Fui)	324,000	0.73
15.	Lim Seng Qwee	286,000	0.64

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 3 SEPTEMBER 2015 (Cont'd)

	Name	No. of shares	% of total issued capital
16.	Quan Yew Hwat	281,000	0.63
17.	Ang Huat Keat	265,000	0.60
18.	Yong Ping	234,000	0.53
19.	Toh Kam Choy	225,000	0.51
20.	Ng Park Lim	218,000	0.49
21.	Cheng Mei Fung @ Chirn Mei Fung	195,200	0.44
22.	Leong Shang Ming	185,000	0.42
23.	Chien Tai Hing	150,000	0.34
24.	Ooi Leng Hwa	150,000	0.34
25.	Life Enterprise Sdn Bhd	132,000	0.30
26.	Ong Ju Seng	129,000	0.29
27.	Maybank Nominees (Tempatan) Sdn Bhd (pledged securities account for Yong Chew Keat)	120,000	0.27
28.	Lim Tze Chiueh	112,600	0.25
29.	Ng Inn Jwee	110,000	0.25
30.	Uzaimin Enterprise (Kedah) Sdn. Bhd.	109,000	0.25

4. SUBSTANTIAL SHAREHOLDERS AS AT 3 SEPTEMBER 2015

		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	2,388,200	5.38	*18,511,200	41.67

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

5. INTEREST OF DIRECTORS AS AT 3 SEPTEMBER 2015

a) <u>Interest in shares of the Company</u>

Name	Direct interest		Deemed interest	
	No. of shares held	% of total issued capital	No. of shares held	% of total issued capital
Guan Kok Beng	2,388,200	5.38	*18,511,200	41.67
Guan Kim Heng	613,036	1.38	–	–
Guan Shaw Kee	–	–	–	–
Guan Shaw Yin	734,000	1.65	–	–
Sim Yee Fuan	–	–	–	–
Lim Chun Thang	–	–	–	–

Note :

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

b) <u>Interest in shares of related corporations</u>

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 3 September 2015.

None of the other directors have any interest in the shares of related corporations as at 3 September 2015.

List of Properties

of the Group as at 31 May 2015

		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	EUR	1168, Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth.	13-05-1995	3 storey office & 1 storey factory	Office, showroom & factory	Freehold	17.5 years	62,140 / 62,600	3,502,910
2	EUR	1169, Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth.	7-11-1992	1 storey factory	Factory	Freehold	*22.5 years	69,589 / 40,947	1,413,637
3	EUR	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	18 years	4,368 / 6,218	470,786
4	EUR	No. 15, Lorong Sungai Lokan 3/2, Sungai Dua, 13800 Butterworth.	7-4-1994	2 storey terrace light industrial building	Store	Freehold	19 years	1,920 / 2,880	192,842
5	DKL	Lot 14, Jalan Perusahaan, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah.	22-3-1995	1 storey factory	Office & factory	Leasehold Expiry : 2080	*19.5 years	86,249 / 38,320	1,616,194
6	DSB	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	14.5 years	247,420 / 152,163	5,126,704
7	DSB	Plot A9 & A10, Furniture Village, Sungai Baong, Seberang Perai Selatan.	24-4-1996	Industrial land	Vacant	Freehold	0	238,278	1,556,110
8	EUR	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	18 years	2,842 / 3,919	315,950
									14,195,133

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 IS HEREBY GIVEN THAT the Twentieth Annual General Meeting of Eurospan Holdings Berhad will be held at Enggang Room, Ground Floor, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Monday, 26 October 2015 at 10.00 a.m. for the following purposes :-

AS ORDINARY BUSINESSES

1. To receive the Audited Financial Statements for the financial year ended 31 May 2015 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1)

2. To approve the payment of Directors' fees of RM198,000.00 for the financial year ended 31 May 2015. 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 Kok Beng, 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 Kim Heng, 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

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

AS SPECIAL BUSINESSES

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

   Authority to Issue Shares Resolution 5

   "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."

   Proposed Renewal of Authority for the Purchase by the Company of its own Shares of up to Ten Percent (10%) of its Issued and Paid-Up Capital ("Share Buy-Back") Resolution 6

   "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 provided that :-

   (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;

AS SPECIAL BUSINESSES (Cont'd)

Proposed Renewal of Authority for the Purchase by the Company of its own Shares of up to Ten Percent (10%) of its Issued and Paid-Up Capital ("Share Buy-Back") (Cont'd) Resolution 6

(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."

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 : 2nd October 2015

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 5

   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 24 November 2014 and which will lapse at the conclusion of the Twentieth 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 6

   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 20 October 2015 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 Twentieth 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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EUROSPAN HOLDINGS BERHAD (351927-M)

EST. 1972

(Incorporated in Malaysia)

Proxy Form

for the 20th 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 Twentieth Annual General Meeting of the Company to be held on Monday, 26 October, 2015 at 10.00 a.m. and at any adjournment thereof in the manner indicated below :-

Resolution		**For**	**Against**
To approve the payment of Directors' fees of RM198,000.00 for the financial year ended 31 May 2015.	Resolution 1		
To re-elect Guan Kok Beng, 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 Kim Heng, who retires pursuant to Article 126 of the Company's Articles of Association, as a Director of the Company.	Resolution 3		
To re-appoint Messrs Grant Thornton as the Company's Auditors.	Resolution 4		
To empower the Directors to issue and allot shares up to 10% of the issued share capital of the Company.	Resolution 5		
To renew the authority to purchase up to 10% of the issued and paid-up share capital of the Company.	Resolution 6		

(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 ______________________ 2015.

____

Signature of Shareholder

Notes :

a) Only a Depositor whose name appear in the Record of Depositors as at 20 October 2015 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 Twentieth 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.

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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)
1168 Kampung Teluk, Sungai Dua,
Kawasan Perusahaan Sungai Lokan,
13800 Butterworth, Penang, Malaysia.

Tel +604-356 3727 Fax +604-356 2441